

# CITY OF CENTRAL FALLS

## **BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED  
JUNE 30, 2015

WITH

INDEPENDENT AUDITORS' REPORT

**CITY OF CENTRAL FALLS**

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FOR THE YEAR ENDED JUNE 30, 2015**

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***FINANCIAL SECTION***



## INDEPENDENT AUDITORS' REPORT

City of Central Falls

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island, as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Method of Accounting for Pensions and Restatement of Net Position***

As discussed in Note 1 to the financial statements, the City changed its method for accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Boards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 14 to the financial statements, management determined that the beginning net position should be restated at July 1, 2014 by \$3,110,184 to reflect the net pension liability as of June 30, 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Required Supplementary Information on pages 3 through 10 and 52 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016, on our consideration of the City of Central Falls, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Central Falls, Rhode Island's internal control over financial reporting and compliance.

*Marcum LLP*

Providence, RI  
February 17, 2016

February 17, 2016

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

## **Management's Discussion and Analysis**

### **Fiscal Year Ended June 30, 2015**

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, 2015. This is the City's thirteenth (13<sup>th</sup>) year reporting in accordance with the provisions of GASB Statement No. 34. Please read this document in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

#### **Financial Highlights**

The auditors' report for 2015 expresses an unqualified (i.e. "clean") opinion on the financial statements of the City of Central Falls. The City's basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.

The Government-Wide Statement of Net Position indicates that the City's total net position decreased this year to a negative \$23,823,884, reflecting an increase of \$1,045,441 over FY2014.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$16,016,164 combined with additional program revenues of \$2,358,550 less program expenses of \$20,439,457 resulted in a decrease of \$2,064,743 in total net position from a year ago.

The Governmental Fund Financial Statements indicate that the ending fund balance for the City's general fund was a surplus of \$419,145, reflecting a decrease of \$85,903 (after other financing sources and uses) compared to the FY2014 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.

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

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

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

### **The Statement of Net Position and the Statement of Activities**

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

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

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

#### **Governmental Activities**

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

#### **Proprietary Funds**

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

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

#### **Fiduciary Funds**

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

## Notes to Financial Statements

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

### Other Information

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

### Government-Wide Financial Analysis

In this, the thirteenth (13<sup>th</sup>) year of implementation of the provisions of GASB Statement No. 34, the City continues to provide certain disclosures and compares them to prior year financial statements. In the sections that follow, a comparative analysis is provided between current year and prior year information.

As noted earlier, the total net position for the City of Central Falls has decreased by \$2,064,743 over the prior year's balance. This decrease is first identified in the change in net position as recorded in the Statement of Activities and then flows through the Statement of Net Position. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets.

Net position for the City of Central Falls for the fiscal year ended June 30, 2015 was:

	<u>2015</u>	As restated <u>2014</u>
Current and other assets	\$10,911,451	\$12,097,877
Capital assets	<u>17,276,529</u>	<u>18,468,194</u>
Total Assets	<u>28,187,980</u>	<u>30,566,071</u>
Deferred Outflow	\$ 8,002,172	162,612
Current liabilities	\$ 4,508,809	\$ 4,004,068
Long-term liabilities	<u>55,228,493</u>	<u>48,462,012</u>
Total Liabilities	59,737,302	<u>52,466,080</u>
Deferred Inflow	<u>276,734</u>	<u>21,744</u>
Net investment in		
Capital assets	\$ 2,395,285	\$ 1,741,524
Restricted	6,387,697	5,845,335
Unrestricted	<u>(32,606,866)</u>	<u>(29,346,000)</u>
Total Net Position	<u>\$(23,823,884)</u>	<u>\$(21,759,141)</u>

This year the City of Central Falls continues to report positive balances in two (2) areas of net position. Net investment in capital assets is \$2,395,285 and restricted net position amount of \$6,387,697. The negative balance of \$32,606,866 in unrestricted net position is mostly attributable to the City's net pension liability of \$35,623,954 in the Pension and other post-employment benefits obligation of \$3,144,940. Unrestricted net position at June 30, 2014 was restated by \$3,110,184 (from (\$24,869,325) to (\$21,759,141) to reflect changes related to implementation of GASB 68 and 71.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2015 was \$20,439,457. Some of the costs (i.e. \$703,408) were paid by federal, state and private grants and entitlements.



## Program and General Revenues

	<u>2015</u>	<u>2014</u>
<b>Charges for services</b>		
General government	\$1,655,142	\$1,288,854

Total revenue received for charges for services in 2015 was \$1,655,142 an increase of \$366,288 as compared to the amount received in 2014, which was \$1,288,854.

	<u>2015</u>	<u>2014</u>
<b>Operating Grants and Contributions</b>		
General government	\$536,772	\$ 183,723
Public safety	137,750	100,918
Public recreation	<u>28,886</u>	<u>15,417</u>
Total	<u>\$ 703,408</u>	<u>\$ 300,058</u>

Total revenue received from Operating Grants and Contributions in 2015, was \$703,408 an increase of \$403,350 as compared to the amount received in 2014, which was equal to \$300,058.

	<u>2015</u>	<u>2014</u>
<b>Total Program Revenues</b>	<b><u>\$ 2,358,550</u></b>	<b><u>\$ 1,588,912</u></b>
<b>General Revenues</b>		
Property taxes	\$ 13,362,074	\$14,133,256
Grants and contributions (unrestricted)	2,504,076	2,677,982
Investment earnings	4,953	18,996
Loss on sale of assets		
Miscellaneous	<u>145,061</u>	<u>117,026</u>
<b>Total General Revenues</b>	<b><u>\$ 16,016,164</u></b>	<b><u>\$ 16,947,260</u></b>

General revenues in 2015 were \$16,016,164, which reflects a decrease of \$931,096 as compared to the amount received in 2014, which was equal to \$16,947,260.

<b>Total Government-Wide Revenues</b>	<b><u>\$ 18,374,714</u></b>	<b><u>\$ 18,536,172</u></b>
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Total Government-Wide Revenues in 2015 were \$18,374,714, a decrease of \$161,458 as compared to the amount received in 2014, which was equal to \$18,536,172.

**Statement of Activities**

<b>Program Expenses</b>	<b>Total Cost of Services 2015</b>	<b>Net Cost of Services 2015</b>	<b>Total Cost Services 2014</b>	<b>Net Cost of Services 2014</b>
General Government	\$ 3,512,480	\$ 1,320,566	\$ 3,176,781	\$ 1,704,204
Public Safety	7,539,864	7,402,114	7,362,988	7,262,070
Public Works	2,822,067	2,822,067	2,070,908	2,070,908
Public Education	1,358,882	1,358,882	1,344,835	1,344,835
Public Recreation	517,679	488,793	432,410	416,993
Contingency	227,440	227,440	25,864	25,864
Employee Benefits	423,877	423,877	490,867	490,867
Retirement	3,349,320	3,349,320	2,006,770	2,006,770
Capital Outlays	0	0	0	0
Debt Service Interest	687,848	687,848	868,244	868,244
<b>*Total Expenses</b>	<b>\$ 20,439,457</b>	<b>\$ 18,080,907</b>	<b>\$ 17,779,667</b>	<b>\$ 16,190,755</b>

The City's total program expenses were \$20,439,457. With additional program revenues of \$2,358,550 in FY 2015, the City's net cost of services was \$18,080,907. When subtracted from the City's total general revenues of \$16,016,164, the City realizes an unfavorable Change in Net Position of \$2,064,743. In FY 2014 the City realized a favorable Change in Net Position of \$756,505.

**Transfers**

Inter-fund transfers for the year ended June 30, 2015 totaled \$1,993,248 for the year.

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

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

	<u>Fund Balance June 30, 2015</u>	<u>Fund Balance June 30, 2014</u>	<u>Increase (Decrease)</u>
General Fund	\$ 419,145	\$ 505,048	\$ (85,903)
Retirees Supplemental settlement	594,552	1,106,250	(511,698)
Capital Reserve	4,223,459	3,704,213	519,246
Other Governmental	<u>1,569,686</u>	<u>1,797,099</u>	<u>(227,413)</u>
<b>Total</b>	<b>\$ 6,806,842</b>	<b>\$ 7,112,610</b>	<b>\$ (305,768)</b>

The fund balance for the City of Central Falls general fund is \$419,145 as of June 30, 2015. This represents a decrease of \$85,903 as compared to FY2014.

<b>General Fund Revenues</b>	<b>2015</b>	<b>2014</b>	<b>Variance</b>	<b>Percentage Change</b>
General property taxes	\$14,816,161	\$13,307,776	\$1,508,385	11.33%
Interest and investment income	0	9,354	(9,354)	100%
Intergovernmental	2,504,076	2,677,982	(173,906)	-6.49%
Fees / Non-tax income	1,655,142	1,288,854	366,288	28.42%
Other revenues	74,564	113,604	(39,040)	-34.36%
<b>Total</b>	<u>\$19,049,943</u>	<u>\$17,397,570</u>	<u>\$1,652,373</u>	<u>9.50%</u>

**Analysis**

The total decrease in the City's general fund balance, (\$85,903), under modified accrual was the result of the following:

FY2015 revenues exceeded expenditures by \$1,882,345 before other financing sources and uses were applied. The general fund realized a decrease of \$85,903. Per the Bankruptcy Plan, \$1,993,248 was transferred to the Capital Improvement Plan account, which represents the budgetary surplus/(deficit) less \$50,000.

Revenues from general property taxes increased by \$1,508,385 or 11.33%, as compared to FY2014. Intergovernmental revenues received from the State of Rhode Island decreased by \$173,906 or -6.49% as compared to last year, resulting from a slight decrease in state aid. Local fees, non-tax, and other income increased by \$327,248 or 23.33%.

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, 2015**

<b>Revenue Analysis</b>	<b>Adopted Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Tax revenue	\$13,632,482	\$13,632,482	\$14,814,162	\$1,181,680
Fees/Non-tax revenue	1,361,308	1,361,308	1,783,300	421,992
Intergovernmental/State	2,255,694	2,255,694	2,375,918	120,224
Other Income	47,247	47,247	74,564	27,317
Sub-Total	\$17,296,731	\$17,296,731	\$19,047,944	\$1,751,213
<b>Expenditure Analysis</b>				
General government	\$2,628,270	\$2,628,270	\$2,755,362	\$(127,092)
Public safety	6,787,107	6,787,107	6,602,712	184,395
Public works	1,871,630	1,871,630	1,781,364	90,266
Public Library	126,394	126,394	126,394	0
Public recreation	145,359	145,359	162,495	(17,136)
Municipal debt service	2,524,112	2,524,112	2,523,399	713
Contingency	230,843	230,843	341,274	(110,431)
Employee benefits	553,693	553,693	423,877	129,816
Retirement	2,429,322	2,429,322	2,412,068	17,254
Sub-Total	\$17,296,730	\$17,296,730	\$17,128,945	\$167,785

**Other Governmental Funds**

Other governmental funds consist of:

<u>Fund Type</u>	<u>Total Net Position</u>	<u>Note</u>
Un-assigned		Includes the amount of fund balance that cannot be spent Resources restricted for specific purposes
Restricted	1,569,686	
Total	\$ 1,569,686	

It should be noted that the Central Falls School District was classified a component unit of the State of Rhode Island in 2015. Separately issued financial statements were prepared and may be obtained from the Rhode Island Department of Education.

**Pension Trust Funds**

<u>Pension Fund</u>	<u>Total Net Position</u>
Total	\$ 6,700,450

Total net position of the City’s pension trust funds amount to \$6,700,450 in FY2015, an increase of \$308,712 compared to FY2014, resulting from pension revenues exceeding expenses.

In an effort to reverse several years of Central Falls’ failing to make contributions into its pension funds, the City began to make annual contributions into Central Falls Pension Plan beginning in FY2012, so as to amortize the unfunded liability over a number of years and make these pension funds viable and safe for retirees in the future. Under the new plan, the ARC is projected to be less than the Pay-As-You-Go (“PAYGO”) costs until 2030, 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 \$31.7 million, including \$25.2 million for the pension fund as of July 1, 2015 and \$6.5 million for post-employment benefits as of June 30, 2015.

**Debt Administration**

At year end the total long-term debt for the City of Central Falls was \$57 million. The breakdown is as follows:

	<u>FY2015 Amount</u>	<u>Percent</u>	<u>FY2014 Amount</u>	<u>Percent</u>
General Obligation Municipal Bonds	6,665,000	12%	7,020,000	13%
RIHEBC Revenue Bonds	8,195,000	14%	9,665,000	18%
Capital Lease	21,244	0%	41,670	0%
Net Pension Liability	35,623,954	57%	30,071,448	56%
Net OPEB Obligation (NOO)	3,144,940	6%	3,005,494	6%
Due to State	3,266,716	6%	3,241,716	6%
General Unsecured Claims - Class 16	-	0%	113,833	0%
Compensated Absences	214,315	0%	232,980	0%
Total	57,131,169	100%	53,392,141	100%

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

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

On May 26, 2015, Moody’s upgraded the City’s general obligation bond rating to Ba2 from Ba3, with a positive outlook.

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

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

### **Capital Assets**

The City of Central Falls has \$17,276,529 invested in capital assets, net of depreciation. Only capitalized assets with an original cost of \$5,000 or greater are included. The straight-line/unrecovered cost method was used to calculate annual depreciation.

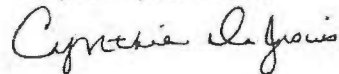
### **Independent Audit**

State statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of Marcum LLP provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2015.

### **Acknowledgements**

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

Respectfully submitted,



Cynthia DeJesus, MBA  
Finance Director

**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,399,024
Due from federal and state governments	466,485
Property taxes receivable, net	1,875,883
Other receivables, net	170,059
Capital assets (non-depreciable)	653,430
Capital assets (net of accumulated depreciation)	16,623,099
<b>TOTAL ASSETS</b>	<b>28,187,980</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related	8,002,172
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,002,172</b>
 <b>LIABILITIES</b>	
Accounts payable	913,345
Accrued interest payable	158,262
Accrued expenses	390,679
Unearned revenue	1,143,847
Current portion of long-term liabilities	1,902,676
Net pension liability	35,623,954
Net OPEB obligation	3,144,940
Long-term liabilities	16,459,599
<b>TOTAL LIABILITIES</b>	<b>59,737,302</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related	276,734
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>276,734</b>
 <b>NET POSITION (DEFICIT)</b>	
Net investment in capital assets	2,395,285
Restricted:	
Retirees supplemental settlement	594,552
Capital projects	4,389,031
Special revenue/grantors	1,404,114
Unrestricted	(32,606,866)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (23,823,884)</b>

**Statement of Activities  
For the year ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 3,512,480	\$ 1,655,142	\$ 536,772		\$ (1,320,566)
Public safety	7,539,864	-	137,750		(7,402,114)
Public works	2,822,067				(2,822,067)
Public education	1,358,882				(1,358,882)
Public recreation	517,679		28,886		(488,793)
Contingency	227,440				(227,440)
Employee benefits	423,877				(423,877)
Retirement	3,349,320				(3,349,320)
Debt service interest	687,848				(687,848)
Totals	<u>\$ 20,439,457</u>	<u>\$ 1,655,142</u>	<u>\$ 703,408</u>	<u>\$ -</u>	<u>(18,080,907)</u>

General revenues:

Property taxes	13,362,074
Grants and contributions not restricted to specific programs	2,504,076
Investment earnings	4,953
Miscellaneous	145,061
Total general revenues	<u>16,016,164</u>

Change in net position (2,064,743)

Net position (deficit) - beginning, as restated (21,759,141)

Net position (deficit) - ending \$ (23,823,884)

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 5,988,318	\$ 594,552	\$ -	\$ 1,816,154	\$ 8,399,024
Due from federal and state governments	396,905			69,580	466,485
Property taxes receivable, net	1,875,883				1,875,883
Other receivables, net	170,059				170,059
Due from other funds	397,887		4,266,724	586,044	5,250,655
<b>TOTAL ASSETS</b>	<b>\$ 8,829,052</b>	<b>\$ 594,552</b>	<b>\$ 4,266,724</b>	<b>\$ 2,471,778</b>	<b>\$ 16,162,106</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 685,547	\$ -	\$ 43,265	\$ 184,533	\$ 913,345
Accrued expenses	390,679			-	390,679
Due to other funds	4,852,769			397,886	5,250,655
Unearned revenue	824,174			319,673	1,143,847
<b>TOTAL LIABILITIES</b>	<b>6,753,169</b>	<b>-</b>	<b>43,265</b>	<b>902,092</b>	<b>7,698,526</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	1,656,738				1,656,738
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,656,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,656,738</b>
<b>FUND BALANCES :</b>					
Restricted	-	594,552	4,223,459	1,569,686	6,387,697
Committed	219,145				219,145
Unassigned	200,000			-	200,000
<b>TOTAL FUND BALANCES</b>	<b>419,145</b>	<b>594,552</b>	<b>4,223,459</b>	<b>1,569,686</b>	<b>6,806,842</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,829,052</b>	<b>\$ 594,552</b>	<b>\$ 4,266,724</b>	<b>\$ 2,471,778</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,276,529
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(57,131,169)
Unearned revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	1,656,738
Pension related deferred outflows less pension related deferred inflows on the statement of net position	7,725,438
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position.	(158,262)
<b>Net Position of Governmental Activities (A-1)</b>	<b><u><u>\$ (23,823,884)</u></u></b>



**Statement of Revenues, Other Financing Sources , Expenditures,  
Other Financing Uses and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2015**

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 14,816,161	\$ -	\$ -	\$ -	\$ 14,816,161
Interest and investment income	-	4,775		178	4,953
Intergovernmental	2,504,076			703,408	3,207,484
Fees/non-tax income	1,655,142				1,655,142
Other revenues	74,564			70,497	145,061
<b>Total revenues</b>	<b>19,049,943</b>	<b>4,775</b>	<b>-</b>	<b>774,083</b>	<b>19,828,801</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	2,539,647			548,748	3,088,395
Public safety	6,703,290	516,473		103,819	7,323,582
Public works	1,785,469		767,500		2,552,969
Public education	126,394				126,394
Public recreation	312,181			27,375	339,556
Contingency	341,273				341,273
Employee benefits	423,877				423,877
Retirement	2,412,068				2,412,068
<b>Debt service:</b>					
Principal and interest	2,523,399				2,523,399
<b>Capital:</b>					
Capital expenditures	-		706,502	321,554	1,028,056
<b>Total expenditures</b>	<b>17,167,598</b>	<b>516,473</b>	<b>1,474,002</b>	<b>1,001,496</b>	<b>20,159,569</b>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<b>1,882,345</b>	<b>(511,698)</b>	<b>(1,474,002)</b>	<b>(227,413)</b>	<b>(330,768)</b>
<b>Other financing sources (uses)</b>					
Payments made by State on behalf of City	25,000				25,000
Transfers in	-		1,993,248	-	1,993,248
Transfers out	(1,993,248)			-	(1,993,248)
<b>Net other financing sources (uses)</b>	<b>(1,968,248)</b>	<b>-</b>	<b>1,993,248</b>	<b>-</b>	<b>25,000</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other financing (uses)</b>	<b>(85,903)</b>	<b>(511,698)</b>	<b>519,246</b>	<b>(227,413)</b>	<b>(305,768)</b>
<b>Fund balance - beginning of the year</b>	<b>505,048</b>	<b>1,106,250</b>	<b>3,704,213</b>	<b>1,797,099</b>	<b>7,112,610</b>
<b>Fund balance - end of the year</b>	<b>\$ 419,145</b>	<b>\$ 594,552</b>	<b>\$ 4,223,459</b>	<b>\$ 1,569,686</b>	<b>\$ 6,806,842</b>

*Reconciliation of the Statement of Revenues, Other Financing Sources,  
Expenditures, Other Financing Uses and Changes in Fund Balances  
of Governmental Funds (B-2) to the Statement of Activities (A-2)  
For the year ended June 30, 2015*

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<b>Net Change in Fund Balances - Total Governmental Funds (B-2)</b>	\$ (305,768)
 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.	(1,191,665)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences.	876,226
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	(1,454,087)
 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>10,551</u>
 <b>Change in Net Position of Governmental Activities in the Statement of Activities (A-2)</b>	<u><u>\$ (2,064,743)</u></u>

**CITY OF CENTRAL FALLS**

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**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015**

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	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 32,861
Investments:		
Group annuity contracts	6,667,473	
Other receivables	32,977	
<b>TOTAL ASSETS</b>	<u>6,700,450</u>	<u>\$ 32,861</u>
<b>LIABILITIES</b>	<u>-</u>	<u>\$ 32,861</u>
<b>NET POSITION</b>		
<b>Restricted for pension benefits</b>	<u>\$ 6,700,450</u>	

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2015**

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	<u>Pension Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions	\$ 2,822,292
Investment income	232,164
<b>Total additions</b>	<u>3,054,456</u>
<b>DEDUCTIONS:</b>	
Benefits paid to retirees	2,317,773
Decrease in fair market value of investments	408,459
Other expenses	19,512
<b>Total deductions</b>	<u>2,745,744</u>
<b>CHANGE IN NET POSITION</b>	308,712
<b>Net Position, restricted for pension benefits - beginning</b>	<u>6,391,738</u>
<b>Net Position, restricted for pension benefits - ending</b>	<u><u>\$ 6,700,450</u></u>

## CITY OF CENTRAL FALLS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED JUNE 30, 2015

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##### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Central Falls was founded in 1895. The City is governed largely under the Home Rule Charter, which was revised on June 19, 2007. In some matters, including the issuance of short and long-term debt, the City is governed by the general laws of the State of Rhode Island. The City operates under a Mayor/City Council form of Government.

Pursuant to Chapter 9 bankruptcy protection proceedings initiated in 2011, the Administrative and Finance Officer (AFO) has been appointed by the State of Rhode Island for the City of Central Falls. The AFO has the authority to exercise any function or power of any municipal officer of the City. The City provides the following services as authorized by its charter: Public Safety (police, fire, traffic safety, inspections, zoning and building), Public Works (recreation, sanitation, highway and streets, engineering and building maintenance), Public Recreation, and General Administrative Services.

The City complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

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

##### ***Recently Issued Accounting Standards***

The following new accounting pronouncements were implemented in the year ended June 30, 2015:

- ✓ GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, effective for the fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*, effective for the fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68*, effective for the fiscal year ending June 30, 2015.

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

- ✓ GASB Statement No. 72 – *Fair Value Measurement and Application*, effective fiscal year ending June 30, 2016.
- ✓ GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68. And amendments for certain provisions of GASB Statements No. 67 and No. 68*, effective for the City's fiscal year ending June 30, 2016.
- ✓ GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the fiscal year ending June 30, 2017.
- ✓ GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal year ending June 30, 2018.
- ✓ GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal year ending June 30, 2016.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recently Issued Accounting Standards (Continued)***

- ✓ GASB Statement No. 77 – *Tax Abatement Disclosures*, effective for the City’s fiscal year ending June 30, 2016.

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

***Reporting Entity***

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61 *The Financial Reporting Entity: Omnibus- An Amendment of GASB Statements No. 14 and No. 34*. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization’s governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization’s resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

The following entities were considered for classification as component units for fiscal year 2015:

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

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

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

***Government-wide Financial Statements***

The government-wide financial statements, statement of net position and statement of activities report information about the government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City had no business-type activities at June 30, 2015.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

*Government-wide Financial Statements (Continued)*

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

*Governmental Fund Financial Statements*

Governmental fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund balance, revenues, and expenditure/expenses. For financial statement purposes an emphasis is placed on major funds. A fund is considered major if it is the primary operating fund (the General Fund) of the City or meets the following criteria:

- (a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type,

and

- (b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The governmental funds of the City are described below:

**General Fund**

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

**Special Revenue Funds**

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

**Capital Project Funds**

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

**Permanent Funds**

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

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

***Governmental Fund Financial Statements (Continued)***

**Proprietary Funds**

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

**Fiduciary Funds (not included in government wide statements)**

**Agency Funds**

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

**Pension Trust Funds**

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

***Major Funds***

The City presents the following funds as major funds:

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

**Retirees Supplemental Settlement**

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

**Capital Reserve**

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



CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

*Measurement Focus and Basis of Accounting*

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

In the fund financial statements, governmental funds utilize a ‘current financial resources’ measurement focus and are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (usually 60 days) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when paid. The City considers property taxes as available if they are collected within 60 days after year end.

All proprietary funds, agency funds, and pension trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided and operating grants and contributions. All other sources of revenue are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s principal operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgets**

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

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

**Use of Estimates**

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

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus and Basis of Accounting (Continued)***

**Cash**

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the City's cash and cash equivalents are held in public deposit institutions, except for \$1,150 in unsecured petty cash.

**Investments**

The City invests in various types of investments, which are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

**Accounts Receivable**

In the government-wide statements receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible property taxes amounted to \$1,150,000 at June 30, 2015. Receivable balances for the governmental activities include property taxes (92% of balance) and other receivables (8% of balance).

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

**Accounts Payable**

Accounts payable balances consist primarily of payables to vendors.

**Due From / Due To Other Funds**

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

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

***Measurement Focus and Basis of Accounting (Continued)***

**Property Taxes**

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

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position, that apply to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2015 the City reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2015 the City had two items qualifying as a deferred inflow of resources. In the governmental funds balance sheet, the City reports unavailable tax revenue. This amount is deferred and will be recognized as an inflow of resources in the years in which the amounts become available. The City also reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and include in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

**Capital Assets**

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

*Measurement Focus and Basis of Accounting (Continued)*

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of five years.

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

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

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

**Governmental Fund Financial Statements**

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

**Interfund Transactions**

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

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

Inter-fund transfers totaled \$1,993,248 for the year ended June 30, 2015, representing transfer from the General Fund to Capital Reserve.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

***Measurement Focus and Basis of Accounting (Continued)***

**Net Position/Fund Balance**

**Government-Wide Statements**

Net position is displayed in three categories:

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

**Fund Financial Statements**

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

- Non-spendable Fund Balance – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash within one year.
- Restricted Fund Balance – includes amounts that are restricted to specific purposes either by constraints placed on the use of resources externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Administrative and Finance Officer (AFO) currently has the highest level of decision-making authority for the City of Central Falls.
- Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City does not presently have a spending policy that has delegated this authority.
- Unassigned Fund Balance – is the residual amount not allocated to any other fund balance category in the General Fund, and any residual deficit balance of any other governmental fund.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus and Basis of Accounting (Continued)***

**Application of Funds**

The City of Central Falls does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred.

Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the City considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

**Compensated Absences**

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

***Reconciliation of Government-wide Net Position and Fund Financial Statements Fund Balance***

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$57,131,169 difference are as follows:

Bonds payable	\$ 14,860,000
Pension liability	35,623,954
Net other post-employment benefit obligation	3,144,940
Compensated absences	214,315
Due to State	3,266,716
Capital lease payable	<u>21,244</u>
Total	<u>\$ 57,131,169</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$(1,191,665) difference are as follows:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

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

Capital outlays (net of disposals)	\$ 890,832
Depreciation expense	<u>(2,082,497)</u>
Net adjustment	<u>\$ (1,191,665)</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$876,226 difference are as follows:

Decrease in compensated absences	\$ 18,665
Increase in OPEB	(139,446)
Increase in due to State	(25,000)
Increase in pension liability	(937,252)
Debt repayments	<u>1,959,259</u>
Net adjustment	<u>\$ 876,226</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 \$1,454,087 difference are as follows:

Deferred inflows - beginning	\$ (3,110,825)
Deferred inflows - ending	<u>1,656,738</u>
Net difference	<u>\$ (1,454,087)</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 \$10,551 difference is as follows:

Change in accrued interest	<u>\$ 10,551</u>
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CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 2 - BUDGETARY AND LEGAL COMPLIANCE**

***Budgets***

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to preserve that portion of the applicable appropriation, is employed in the General Fund Budget. Encumbrances do not constitute expenditures or liabilities under accounting principles generally accepted in the United States of America.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

***Deposits***

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

At June 30, 2015, the carrying amount of the City's deposits was \$8,431,885 and the bank balance was \$8,320,809, of which \$500,111 was covered by federal depository insurance and the remaining bank balance of \$7,820,698 was collateralized by the financial institutions and/or third parties in the name of the City.

***Investments***

At June 30, 2015 the City's investments totaled \$6,667,473 (all of which are held in its Fiduciary Funds) and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Group annuity contracts	\$ 6,667,473	n/a	n/a	n/a

The Group Annuity Contract (the "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 eight percent (98.2%) of the invested assets are corporate and government notes and bonds and mortgages with varying terms to maturity.

Investment earnings of the Pension Participating Segment of John Hancock's General Account are apportioned each December 31<sup>st</sup> and are reflected in the rate credited to the fund maintained under the Contract. The fund is maintained at cost. To report the contract at estimated fair value at June 30, 2015, a fair value adjustment was applied which results in a reasonable approximation of fair value. The fair value of John Hancock's contracts is deemed to be "Level 3" or "unobservable" since the assets in the General Account are not publicly traded. Unobservable inputs are developed based on the best information available in the circumstances which might include the General Account's own data.



CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)*

*Investments (Continued)*

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

*Interest Rate Risk*

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

*Concentration of Credit Risk*

At June 30, 2015 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although the investments were held in group annuity contracts, these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

*Custodial Credit Risk*

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

*NOTE 4 - CAPITAL ASSETS*

Activity for governmental activity capital assets is summarized below:

	Balances June 30, 2014	Total Additions	Total Deletions	Balances June 30, 2015
Governmental Activity Fixed Assets:				
Land (not being depreciated)	\$ 653,430	\$ -	\$ -	\$ 653,430
Buildings and land improvements	39,309,580	232,327	-	39,541,907
Motor vehicles	3,005,411	550,934	-	3,556,345
Equipment	1,772,372	36,569	-	1,808,941
Infrastructure	12,728,654	71,002	-	12,799,656
Total Assets	<u>57,469,447</u>	<u>890,832</u>	<u>-</u>	<u>58,360,279</u>
Less: Accumulated Depreciation				
Buildings and land improvements	(23,485,409)	(1,674,758)	-	(25,160,167)
Motor vehicles	(2,637,221)	(214,582)	-	(2,851,803)
Equipment	(1,607,809)	(84,965)	-	(1,692,774)
Infrastructure	(11,270,814)	(108,192)	-	(11,379,006)
Total Accumulated Depreciation	<u>(39,001,253)</u>	<u>(2,082,497)</u>	<u>-</u>	<u>(41,083,750)</u>
Net Fixed Assets	<u>\$ 18,468,194</u>	<u>\$ (1,191,665)</u>	<u>\$ -</u>	<u>\$ 17,276,529</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:	
General government	\$ 151,933
Public safety	250,855
Public works	269,098
Public recreation	178,123
Public education	<u>1,232,488</u>
 Total	 <u><u>\$ 2,082,497</u></u>

**NOTE 5 - UNEARNED REVENUE/UNAVAILABLE REVENUE**

Governmental funds report deferred inflow of resources from unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At June 30, 2015, the various components of unearned revenue and unavailable revenue reported in the governmental funds and governmental activities were as follows:

General Fund	
Unearned revenue - advanced tax collections	\$ 767,174
Unearned revenue - other	<u>57,000</u>
 Total General Fund	 <u><u>\$ 824,174</u></u>
 Other Governmental Funds	
Unearned Revenue Grants	<u><u>\$ 319,673</u></u>

**NOTE 6 - LONG-TERM DEBT**

***General Obligation Bonds and Other Debt***

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

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

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 6 - LONG-TERM DEBT**

***General Obligation Bonds and Other Debt***

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

	<u>Amount</u>	<u>Percent</u>
General obligation municipal bonds	\$ 6,665,000	13%
RIHEBC revenue bonds	8,195,000	18%
Capital leases	21,244	0%
Net pension liability	35,623,954	57%
Net OPEB obligation (NOO)	3,144,940	6%
Due to State	3,266,716	6%
Compensated absence	214,315	0%
Total	<u>\$ 57,131,169</u>	<u>100%</u>

Schedule of long-term bond and lease requirements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,881,244	\$ 601,791	\$ 2,483,035
2017	1,890,000	522,143	2,412,143
2018	1,920,000	441,366	2,361,366
2019	1,955,000	362,781	2,317,781
2020	2,000,000	286,181	2,286,181
2021-2025	3,080,000	790,679	3,870,679
2026-2028	<u>2,155,000</u>	<u>137,577</u>	<u>2,292,577</u>
Total	<u>\$ 14,881,244</u>	<u>\$ 3,142,518</u>	<u>\$ 18,023,762</u>

***Bonds and Notes Escrow System***

The Rhode Island, General Assembly, when creating the Central Falls Review Commission, authorized an escrow system to receive and hold revenues to pay bonds, notes and related interest. At June 30, 2015, the fund had a balance of \$86. In accordance with state law, the Central Falls Review Commission was deactivated in October 2000, after the City met the statutory requirements of: (1) completing a period of three consecutive fiscal years in which no operating deficit had been incurred; and (2) the City's total debt no longer exceeded one hundred percent (100%) of the City's revenues from its own sources.

***Maximum Aggregate Indebtedness***

The City's legal debt limit as set forth by Rhode Island General Law 45-12-2 is limited to three percent of total assessed property value. As of June 30, 2015, the City was in compliance with this law.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 6 - LONG-TERM DEBT (CONTINUED)*

*Capital Leases*

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

The assets acquired through capital leases are as follows:

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

Amortization of assets acquired under capital leases of \$0 is included in depreciation expense for the year ended June 30, 2015.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30,	Total
2016	<u>\$ 22,093</u>
Total minimum lease payments	22,093
Less: amount representing interest	<u>849</u>
Present Value of Minimum Lease Payments	<u>\$ 21,244</u>

*Due to State*

Due to State of \$3,266,716 at June 30, 2015 represents non-interest bearing amount due to the State of Rhode Island for receivership costs paid by the State. During fiscal 2013, legislation was passed by the State of Rhode Island allowing the City to repay the State over a period of time for these costs. In accordance with the City's bankruptcy documents, progress payments are budgeted to commence in fiscal year 2017 with the final payment due by the end of fiscal year 2021.

FY 2017	\$ 600,000
FY 2018	636,500
FY 2019	636,500
FY 2020	636,500
FY 2021	<u>757,216</u>
	<u>\$ 3,266,716</u>

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

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

	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	Outstanding (as restated) July 01, 2014	Additions	Deductions	Outstanding June 30, 2015	Current Portion
General obligation municipal bonds	10/1/2007	7/15/2027	\$ 8,700,000	4.0%-5.5%	\$ 7,020,000		\$ 355,000	\$ 6,665,000	\$ 375,000
RIHEBC revenue bonds	12/12/2013	5/15/2020	\$ 5,510,000	2.58%	5,335,000		855,000	4,480,000	870,000
RIHEBC revenue bonds	8/15/2007	4/1/2027	\$ 1,300,000	4.25%-5.00%	1,010,000		55,000	955,000	60,000
RIHEBC revenue bonds	6/29/2010	5/5/2020	\$ 750,000	5.39%	495,000		85,000	410,000	85,000
RIHEBC revenue bonds	6/30/2010	5/5/2020	\$ 4,250,000	6.00%	2,825,000		475,000	2,350,000	470,000
Capital leases	4/10/2009	7/5/2013	\$ 201,501	5.00%	41,670		20,426	21,244	21,244
Total bonds and leases					16,726,670	-	1,845,426	14,881,244	1,881,244
Accrued compensated absences					232,980	\$ 214,315	232,980	214,315	21,432
Net pension liability					27,123,876	8,500,078		35,623,954	
Net OPEB obligation					3,005,494	139,446		3,144,940	
Due to State					3,241,716	25,000		3,266,716	
General unsecured claims - Class 16					113,833		113,833	-	-
Total long-term debt					\$ 50,444,569	\$ 8,878,839	\$ 2,192,239	\$ 57,131,169	\$ 1,902,676

Total interest paid on general long-term debt for the year ended June 30, 2015 was \$676,373.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Interfund receivables and payables at June 30, 2015 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 397,887	\$ 4,852,769
Capital Reserve Fund	4,266,724	-
Other Governmental Funds	<u>586,044</u>	<u>397,886</u>
	<u>\$ 5,250,655</u>	<u>\$ 5,250,655</u>

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

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

	<u>Operational</u>
General Fund	\$ 85,903
Retirees Supplemental Settlement	\$ 511,698
CDBG Revolving	\$ 189,439
UDAG Revolving Loan Fund	\$ 31,882
Home	\$ 201
Public Rescue	\$ 4,254
Emergency Equipment Replacement	\$ 15,138
School Construction	\$ 35,383

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

CITY OF CENTRAL FALLS

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 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, 2015 *Restricted Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Gov Funds	Total
Retirees Supplemental Settlement		\$ 594,552			\$ 594,552
Capital Reserve			\$ 4,223,459		4,223,459
CDBG Revolving				\$ 474,314	474,314
Home				59,000	59,000
ED				396,939	396,939
Grant in Aid				58,306	58,306
Recreation Summer Lunch				3,015	3,015
Police C.A.R.E				1,005	1,005
Police Special Accounts				21,763	21,763
Public Rescue				176,196	176,196
Rural Grants				49	49
Emergency Equipment Replacement				129,262	129,262
Recycling Account				197	197
Champs Grant				15,172	15,172
Property Development				161,179	161,179
Recreation Capital				4,393	4,393
Historic Trust				68,896	68,896
<b>Total Restricted Fund Balance</b>	<b>\$ -</b>	<b>\$ 594,552</b>	<b>\$ 4,223,459</b>	<b>\$ 1,569,686</b>	<b>\$ 6,387,697</b>

At June 30, 2015 *Committed Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Gov Funds	Total
Sixty-day property tax collectons budgeted in subsequent fiscal year	\$ 219,145				\$ 219,145
<b>Total Committed Fund Balance</b>	<b>\$ 219,145</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 219,145</b>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 8 - FUND BALANCES (CONTINUED)**

At June 30, 2015 *Unassigned Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Gov Funds	Total
General Fund	\$ 200,000				\$ 200,000
Total Unassigned Fund Balance	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>
Total Fund Balance	<u>\$ 419,145</u>	<u>\$ 594,552</u>	<u>\$ 4,223,459</u>	<u>\$ 1,569,686</u>	<u>\$ 6,806,842</u>

**NOTE 9 – PENSION PLANS**

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

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

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

**Plan Description**

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



CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Plan Description (Continued)**

As of June 30, 2015, employee membership data related to the pension plan is as follows:

Inactive plan members or beneficiaries currently receiving benefits	68
Inactive plan members entitled to but not yet receiving benefits	57
Active plan members	<u>79</u>
Total	<u><u>204</u></u>

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

**Investment Policy**

The City invests in various types of investments, which are stated at fair value. 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.

For the year ended June 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 2.68 percent.

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost	Individual entry age method
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	3% per year, including longevity and holiday pay
Investment rate of return	5.75%, net of investment managements fees
Cost of living adjustments	2.0% per year without compounding

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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*NOTE 9 – PENSION PLANS (CONTINUED)*

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

*Investment Policy (Continued)*

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

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

	Target Allocation	Long Term Rates of Return
Cash	0% - 10%	0.25%
Fixed Income - Investment Grade	90% - 100%	2.75%

*Annual Rate of Mortality*

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

***Discount Rate***

The Discount Rate of 5.75%, a change from prior year of 7.75%, was selected based on a projection of employer and employee contributions, benefit payments, expenses and the long term expected rate of return on trust assets. Under bankruptcy agreement and state law, the city is required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2043. Based on these laws and assumptions, the pensions plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Contributions***

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. Employees of the City are required to contribute 9.5% of their gross earnings if they were an employee of the City prior to the new pension plan starting in December 2011. New members of the plan are required to contribute 10.5% of their gross earnings to the pension plan. For the year ended June 30, 2015, employee contributions were \$410,224. The City is required to contribute at an actuarially determined rate; the current rate is 52.1% of annual covered payroll. The employer contribution for the fiscal year ended June 30, 2015 was \$2,412,068.

***Net Pension Liability***

The following presents the net pension liability of the system calculated using the discount rate of 5.75%, as well as the sensitivity of the net pension liability to changes in the discount rate and what the system's net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (4.75%) or 1-percentage point higher (6.75%) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Net Pension Liability	<u>\$ 38,961,472</u>	<u>\$ 33,555,194</u>	<u>\$ 29,120,896</u>

The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 16.6%.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2014	\$ 31,234,146	\$ 6,391,738	\$ 24,842,408
Service Cost	451,646		451,646
Interest on liability and service cost	2,455,649		2,455,649
Interest on benefit payments	(88,138)		(88,138)
Experience (gain) and loss	411,659		411,659
Employer contributions		2,412,068	(2,412,068)
Employee contributions		410,224	(410,224)
Expenses		(19,512)	19,512
Change in assumptions*	8,108,455		8,108,455
Benefit Payments	(2,317,773)	(2,317,773)	-
Net investment income		(176,295)	176,295
Net Changes	<u>9,021,498</u>	<u>308,712</u>	<u>8,712,786</u>
Balance as of June 30, 2015	<u>\$ 40,255,644</u>	<u>\$ 6,700,450</u>	<u>\$ 33,555,194</u>

\* The change in assumptions is related to a change in the rate of investment return from 7.75% to 5.75%.

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

For the year ended June 30, 2015 the employer recognized pension expense of \$3,381,275. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferrred Outflows of Resources
Difference between expected and actual experience	\$ 338,499
Differences in assumptions	6,667,417
Net asset (gain) loss	<u>737,664</u>
Total	<u>\$ 7,743,580</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

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

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ 1,698,614
2017	1,698,614
2018	1,698,614
2019	1,698,614
2020	<u>949,124</u>
Total	<u>\$ 7,743,580</u>

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

**Plan Description**

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

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org)

**Benefits Provided**

For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Benefits Provided (Continued)**

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

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

**Employees Covered by Benefit Terms**

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	36
Inactive plan members entitles to but not yet reciving benefits	65
Active plan members	<u>42</u>
Total	<u><u>143</u></u>

**Contributions**

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 1% of their salaries. The City of Central Falls contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City of Central Falls contributed \$258,592 in the year ended June 30, 2015 which was 14.53% of annual covered payroll.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Net Pension Liability (Asset)**

The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)</b>	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement.  A 2% COLA is assumed after January 1, 2014.

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Net Pension Liability (Asset) (Continued)**

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount Rate**

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



**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Changes in the Net Position Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2013	\$ 7,034,036	\$ 4,752,568	\$ 2,281,468
Service Cost	112,984		112,984
Interest on the total pension liability	510,493		510,493
Changes in benefits			-
Difference between expected and actual experience			-
Changes in assumptions	(24,723)		(24,723)
Employer contributions		162,612	(162,612)
Employee contributions		16,471	(16,471)
Net investment income		665,429	(665,429)
Other changes		(28,883)	28,883
Administrative expense		(4,167)	4,167
Benefit payments, including employee refunds	<u>(567,898)</u>	<u>(567,898)</u>	<u>-</u>
Net Changes	<u>30,856</u>	<u>243,564</u>	<u>(212,708)</u>
Balance as of June 30, 2014	<u>\$ 7,064,892</u>	<u>\$ 4,996,132</u>	<u>\$ 2,068,760</u>

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

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

1.00% Decrease 6.50%	Current Discount Rate 7.50%	1.00% Increase 8.50%
\$ 2,834,169	\$ 2,068,760	\$ 1,303,352

CITY OF CENTRAL FALLS

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Pension Plan Fiduciary Net Position**

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

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

For the year ended June 30, 2015 the employer recognized pension expense of \$226,638. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions in 2015 (subsequent to measurement date)	\$ 258,592	\$ -
Difference between expected and actual experience	-	-
Differences in assumptions	-	16,889
Net difference between projected and actual earnings on pension plan investments	-	259,845
	<hr/>	<hr/>
Total	\$ 258,592	\$ 276,734

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

Year Ending June 30	Net Deferred Inflows of Resources
2016	\$ (72,795)
2017	(72,795)
2018	(66,182)
2019	(64,962)
	<hr/>
Total	\$ (276,734)

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**Defined Contribution Plan Description:**

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% (see below) of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

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

The City of Central Falls recognized pension expense of \$17,980, for the fiscal year ended June 30, 2015.

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

**NOTE 10 - POST RETIREMENT BENEFITS**

***Plan Description***

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit post-retirement health insurance program. The City provides health care to retired police and firefighter employees and their spouses until the retiree reaches the age of 65. Retired employees are covered by the same plan as active employees and are subject to the same 20% co-share as actives. Health care benefits were paid to 26 retired employees during fiscal year ending June 30, 2015. Current membership consists of 121 active employees and 41 retirees, disabled and widows. Any changes to these provisions are subject to the City's approval. The plan does not issue a separate report.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 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 June 30, 2015 actuarial valuation using the projected unit credit funding method. The actuarial assumptions included a 4.0% unfunded discount rate and the 2011 IRS Static Mortality Table and RP 2000 Disabled Mortality Table.

**Trend Information**

Fiscal Year Ending	Annual OPEB Cost	Contributions Made	% of OPEB Contributed	Net OPEB Obligation
6/30/2015	\$ 361,565	\$ 222,119	61.4%	\$ 3,144,940
6/30/2014	\$ 591,443	\$ 288,540	48.8%	\$ 3,005,494
6/30/2013	\$ 576,745	\$ 353,749	61.3%	\$ 2,702,591

The City's annual OPEB cost and net OPEB obligation for the year ended June 30, 2015 was as follows:

Annual required contribution	\$ 356,192
Interest on net OPEB obligation	120,220
Adjustment to annual required contribution	<u>(114,847)</u>
Annual OPEB cost (expense)	361,565
Contributions made	<u>(222,119)</u>
Increase in net OPEB obligation	139,446
Net OPEB obligation-beginning of year	3,005,494
Net OPEB obligation-end of year	<u><u>\$ 3,144,940</u></u>

***Schedule of Funding Progress***

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

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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***NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)***

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

The unfunded actuarial liability (UAAL) is amortized over a period of 30 years using the level percentage of pay over thirty years based on an open group. There are 22 years left to amortize at June 30, 2015. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date.

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

***NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES***

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

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

***NOTE 12 - RISK MANAGEMENT***

The City of Central Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the City is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2015.

**CITY OF CENTRAL FALLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 13 - BANKRUPTCY**

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

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

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

As a result of the bankruptcy proceedings, on or before June 30, 2013, certain obligations of the City that were classified as General Unsecured Convenience Claims (typically below \$5,000), with a balance of \$63,631 were paid at thirty five percent (35%) of their allowed claim, which equated to \$22,271. The remaining amount of \$41,360 was written off during fiscal year 2013. Additionally, there are certain obligations of the City totaling approximately \$715,000 that were classified as General Unsecured Claims (typically above \$5,000) that will be paid at an amount not to exceed 45% of the original claim commencing in fiscal 2013 over a four year period. The unpaid balance of these claims at June 30, 2015 was \$0.

In April 2013, the City hired an Administrative and Finance Officer (AFO), who serves in an oversight capacity pursuant to Section 45-9-10 of the Rhode Island General Laws. The AFO has the authority to exercise any function or power of any municipal officer of the City.

**NOTE 14 – RESTATEMENT**

The net position of the Governmental Activities has been restated as of June 30, 2014 to reflect the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The following reflects the effect of implementation of GASB Statement No. 68 and GASB No. 71:

Governmental Funds:

Net position, June 30, 2014 as originally reported	\$ (24,869,325)
Implementation of GASB No. 68 and GASB No. 71	<u>3,110,184</u>
Net position, June 30, 2014 as restated	<u>\$ (21,759,141)</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

CITY OF CENTRAL FALLS*Schedule of Funding Progress (Unaudited)**FOR THE YEAR ENDED JUNE 30, 2015***Schedule of funding progress for the Post-Employment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
6/30/2015	\$ -	\$ 6,548,626	\$ (6,548,626)	0%	\$ 5,872,102	-111.52%
6/30/2013	\$ -	\$ 12,000,546	\$ (12,000,546)	0%	\$ 6,214,955	-193.09%
12/31/2011	\$ -	\$ 14,112,791	\$ (14,112,791)	0%	\$ 3,620,778	-389.77%
6/30/2010	\$ -	\$ 32,011,503	\$ (32,011,503)	0%	N/A	N/A
6/30/2009	\$ -	\$ 30,693,955	\$ (30,693,955)	0%	N/A	N/A



## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
<b>Tax revenue</b>				
Tax revenue (current year)	\$ 13,382,323	\$ 13,382,323	\$ 13,968,520	\$ 586,197
Tax revenue (prior years)	250,159	250,159	845,642	595,483
<b>Total tax revenue</b>	<b>13,632,482</b>	<b>13,632,482</b>	<b>14,814,162</b>	<b>1,181,680</b>
<b>Fees / non-tax revenue</b>				
Interest on taxes	242,144	242,144	340,021	97,877
VIN check fees	17,843	17,843	20,250	2,407
Probate fees	13,392	13,392	14,145	753
Really Stamps	33,343	33,343	40,404	7,061
Real Estate Recordings	42,987	42,987	61,436	18,449
Licenses (other than marriage)	92,144	92,144	85,543	(6,601)
Certificates (vital records)	7,139	7,139	14,315	7,176
Marriage Licenses	533	533	1,360	827
Reports/copying fees	971	971	3,500	2,529
City Clerk miscellaneous fees	27,064	27,064	7,758	(19,306)
Fire code inspection fees/other fire permits	13,075	13,075	17,309	4,234
Alarm box fees & smoke detector certificates	27,687	27,687	34,428	6,741
Rescue runs	327,674	327,674	425,883	98,209
Hazardous material permits	1,904	1,904	1,910	6
Building permits	34,616	34,616	57,449	22,833
Plumbing & mechanical permits	23,093	23,093	31,000	7,907
Electrical permits	20,714	20,714	28,600	7,886
Certificates of occupancy	5,032	5,032	5,100	68
CARE account revenue	19,516	19,516	20,090	574
Municipal Court Fees/Traffic Fines/Other Fines	93,037	93,037	123,082	30,045
Administrative and Other Fees	47,726	47,726	36,970	(10,756)
Vehicle Fees for Road Details	32,524	32,524	76,507	43,983
Code Court Fees	476	476	550	74
Property preservation revenue	3,318	3,318	21,499	18,181
Misc. departmental revenue	13,770	13,770	100,374	86,604
Local Pilot Revenue	18,881	18,881	78,689	59,808
Public works	9,132	9,132	6,970	(2,162)
Federal Revenue	191,573	191,573	128,158	(63,415)
<b>Total fees / non-tax revenue</b>	<b>1,361,308</b>	<b>1,361,308</b>	<b>1,783,300</b>	<b>421,992</b>
<b>State revenue</b>				
MV Phase out	87,356	87,356	94,066	6,710
Distressed Communities Aid	197,930	197,930	289,774	91,844
Public Service Corporation Tax/Telephone tax	242,507	242,507	239,912	(2,595)
Hotel/meals & beverage tax	102,591	102,591	117,457	14,866
School Housing Aid - Direct payment	888,839	888,839	0	(888,839)
School Housing Aid - RIHBEC reimbursement	501,659	501,659	1,431,677	930,018
Debt Service QSCB Subsidy	192,605	192,605	164,052	(28,553)
Non Profit Organizations	24,638	24,638	21,411	(3,227)
Miscellaneous state aid/grants	17,569	17,569	17,569	-
<b>Total state revenue</b>	<b>2,255,694</b>	<b>2,255,694</b>	<b>2,375,918</b>	<b>120,224</b>
<b>Other income</b>				
Misc. other revenue	47,247	47,247	74,564	27,317
<b>Total other income</b>	<b>47,247</b>	<b>47,247</b>	<b>74,564</b>	<b>27,317</b>
<b>Total revenues</b>	<b>17,296,731</b>	<b>17,296,731</b>	<b>19,047,944</b>	<b>1,751,213</b>

## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>				
<b>City executive management</b>				
Salaries	176,588	176,588	181,515	(4,927)
Social Security	10,948	10,948	10,965	(17)
Medicare	2,561	2,561	2,564	(3)
Municipal State Pension	25,658	25,658	27,331	(1,673)
TIAA-Cref	1,766	1,766	1,816	(50)
Medical Insurance	16,294	16,294	16,295	(1)
Dental Insurance	1,463	1,463	1,332	131
Due/Subscriptions			1,992	(1,992)
Non-capital equipment	2,400	2,400	118	2,282
Donations	2,000	2,000	8,618	(6,618)
Expense account	-	-	5,834	(5,834)
<b>Total city executive management</b>	<b>239,678</b>	<b>239,678</b>	<b>258,380</b>	<b>(18,702)</b>
<b>City council</b>				
Salaries	20,580	20,580	19,600	980
<b>Total city council</b>	<b>20,580</b>	<b>20,580</b>	<b>19,600</b>	<b>980</b>
<b>City clerk</b>				
Salaries	186,442	186,442	188,491	(2,049)
Longevity	4,000	4,000	4,000	-
Social Security	11,807	11,807	11,449	358
Medicare	2,761	2,761	2,678	83
Municipal State Pension	27,671	27,671	27,949	(278)
TIAA Cref	1,864	1,864	1,925	(61)
Medical Insurance	32,588	32,588	27,677	4,911
Dental Insurance	3,663	3,663	2,916	747
Dues/subscriptions	500	500	410	90
Non-capital equipment	500	500	389	111
Other professional services	33,000	33,000	30,331	2,669
Education & Training	1,000	1,000	942	58
<b>Total city clerk</b>	<b>305,796</b>	<b>305,796</b>	<b>299,157</b>	<b>6,639</b>
<b>Board of canvassers</b>				
Election workers	29,500	29,500	29,039	461
<b>Total board of canvassers</b>	<b>29,500</b>	<b>29,500</b>	<b>29,039</b>	<b>461</b>
<b>Personnel</b>				
Salaries	53,000	53,000	13,161	39,839
Social Security	3,658	3,658	1,208	2,450
Medicare	856	856	283	573
Municipal State Pension	8,573	8,573	1,765	6,808
TIAA Cref	590	590	122	468
Medical Insurance	11,549	11,549		11,549
Dental insurance	1,100	1,100		1,100
General Liability Insurance	256,716	256,716	214,740	41,976
Workers Compensation	65,898	65,898	35,381	30,517
Other professional services	2,076	2,076	24,253	(22,177)
Education & training	500	500	190	310
Testing	9,220	9,220	11,765	(2,545)
<b>Total personnel</b>	<b>413,736</b>	<b>413,736</b>	<b>302,868</b>	<b>110,868</b>
<b>Legal</b>				
Salaries	44,000	44,000	44,759	(759)
Social Security	2,728	2,728	2,578	150
Medicare	638	638	603	35
Municipal State Pension	6,393	6,393	6,462	(69)
TIAA Cref	440	440	445	(5)
Medical Insurance	11,549	11,549	11,550	(1)
Dental Insurance	1,100	1,100	1,002	98
Other professional services	119,000	119,000	115,167	3,833
<b>Total legal</b>	<b>185,848</b>	<b>185,848</b>	<b>182,566</b>	<b>3,282</b>

## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Tax assessor</b>				
Salaries	37,501	37,501	38,734	(1,233)
Longevity Pay	2,000	2,000	2,000	-
Sick incentive pay			451	(451)
Social Security	2,449	2,449	2,532	(83)
Medicare	573	573	592	(19)
Municipal State Pension	5,449	5,449	5,932	(483)
TIAA Cref	375	375	399	(24)
Dental Insurance	1,100	1,100	1,002	98
Dues/subscriptions	929	929	661	268
Other professional services	41,000	41,000	73,048	(32,048)
Revaluation services	20,800	20,800	19,728	1,072
<b>Total tax assessor</b>	<b>112,176</b>	<b>112,176</b>	<b>145,079</b>	<b>(32,903)</b>
<b>Finance</b>				
Salaries	271,338	271,338	257,922	13,416
Longevity Pay	3,500	3,500	3,500	-
Sick incentive pay			541	(541)
Social Security	17,039	17,039	15,488	1,551
Medicare	3,985	3,985	3,622	363
Municipal State Pension	39,934	39,934	37,654	2,280
TIAA Cref	2,713	2,713	2,594	119
Medical Insurance	57,745	57,745	43,312	14,433
Dental Insurance	3,300	3,300	2,646	654
Postage	11,165	11,165	16,545	(5,380)
Accounting/auditing	32,660	32,660	40,256	(7,596)
Other professional services	39,388	39,388	47,752	(8,364)
<b>Total finance</b>	<b>482,767</b>	<b>482,767</b>	<b>471,832</b>	<b>10,935</b>
<b>City property</b>				
Custodial Services	20,376	20,376	20,218	158
Office supplies	8,550	8,550	7,640	910
Other supplies	3,000	3,000	9,725	(6,725)
Janitorial Supplies	1,696	1,696	1,131	565
Janitorial Supplies Other City Buildings	10,812	10,812	9,900	912
Heating Fuel-Other City Buildings	8,989	8,989	7,451	1,538
Dues/Subscriptions	1,184	1,184	8,560	(7,376)
Non-capital equipment	2,000	2,000	4,835	(2,835)
Telephone (Other)	17,000	17,000	18,498	(1,498)
Telephone (Police)	15,705	15,705	14,556	1,149
Telephone (Fire)	11,033	11,033	8,675	2,358
Telephone (Highway)	3,000	3,000	3,000	-
Advertising	11,000	11,000	12,382	(1,382)
Electric-Other	32,000	32,000	40,266	(8,266)
Electric-Police	2,000	2,000	33,417	(31,417)
Electric-Fire	20,000	20,000	33,417	(13,417)
Electric-Highway	14,000	14,000	20,241	(6,241)
General R & M	10,000	10,000	27,428	(17,428)
Water	16,283	16,283	22,138	(5,855)
Water Public Safety Complex	19,000	19,000	17,169	1,831
Consulting services	42,189	42,189	37,821	4,368
Contract R & M	32,882	32,882	46,242	(13,360)
DPW Water	3,399	3,399	3,310	89
DPW Janitorial Services	6,273	6,273	5,100	1,173
Misc. city property	1,500	1,500	3,613	(2,113)
Hydrants	67,000	67,000	72,777	(5,777)
Sewer/NBC	10,000	10,000	3,479	6,521
Street lights	163,000	163,000	272,006	(109,006)
Heating fuel (Police)	12,000	12,000	7,422	4,578
Heating fuel (Fire)	19,000	19,000	16,437	2,563
Heating fuel (DPW)	9,907	9,907	7,220	2,687
<b>Total city property</b>	<b>594,778</b>	<b>594,778</b>	<b>796,074</b>	<b>(201,296)</b>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>City boards</b>				
Pension board	675	675	638	37
Personnel board	675	675	450	225
Purchasing board	675	675	638	37
Appeals board	900	900	863	37
Planning board	1,125	1,125	863	262
Zoning board	1,750	1,750	1,750	-
Canvassers board	2,100	2,100	2,100	-
Housing authority board	2,750	2,750	2,750	-
<b>Total city boards</b>	<b>10,650</b>	<b>10,650</b>	<b>10,052</b>	<b>598</b>
<b>Total general government</b>	<b>2,395,509</b>	<b>2,395,509</b>	<b>2,514,647</b>	<b>(119,138)</b>
<b>PUBLIC SAFETY</b>				
<b>Police department</b>				
Salaries	1,976,979	1,976,979	1,793,253	183,726
Police trainee wages	8,240	8,240	24,000	(15,760)
Overtime	165,000	165,000	207,884	(42,884)
Special Investigations Overtime	25,000	25,000	25,930	(930)
Community Policing	20,000	20,000	10,569	9,431
K-9	9,500	9,500	6,296	3,204
Holiday pay	141,478	141,478	120,663	20,815
Longevity pay	62,000	62,000	60,450	1,550
Detective Stipends	7,800	7,800	8,190	(390)
Clothing/tool allowances	44,000	44,000	43,361	639
Sick Incentive Pay	5,302	5,302	2,865	2,437
Police Medicare	29,565	29,565	39,542	(9,977)
Police Dental Insurance	27,838	27,838	24,603	3,235
Police Social Security	-	-	1,424	(1,424)
Police Medical Insurance	199,645	199,645	180,410	19,235
Injuries/Medical (Work Related Injuries)	44,449	44,449	46,004	(1,555)
Salaries (Animal control)	35,737	35,737	36,150	(413)
Overtime (Animal control)	2,563	2,563	1,888	875
Sick Incentive Pay (Animal control)	403	403	-	403
Social Security (Animal control)	2,216	2,216	2,283	(67)
Clothing/tool allowance (Animal control)	275	275	275	-
Medicare (Animal control)	518	518	534	(16)
Municipal State Pension (Animal control)	5,193	5,193	5,249	(56)
TIAA-Cref - Animal Control	357	357	362	(5)
Medical Insurance (Animal control)	4,745	4,745	4,745	-
Dental Insurance (Animal control)	363	363	330	33
Boarding of animals(Animal control)	5,274	5,274	3,802	1,472
Clerk & IT Salaries	77,611	77,611	78,507	(896)
Clerk & IT Overtime`	1,000	1,000	973	27
Clerk & IT Longevity Pay	4,500	4,500	4,500	-
Clerk & IT Sick Incentive Pay	452	452	452	-
Clothing/tool allowances civilian	275	275	275	-
Clerk & IT Social Security	5,091	5,091	4,858	233
Clerk & IT Medicare	1,191	1,191	1,136	55
Municipal State Pension (Civillian Staff)	11,931	11,931	12,053	(122)
TIAA-Cref - Civilian	776	776	830	(54)
Clerk & IT Medical Insurance	23,098	23,098	23,100	(2)
Clerk & IT Dental Insurance	2,200	2,200	1,646	554
Dispatcher Salaries	318,730	318,730	269,989	48,741
Dispatcher & Clerk Overtime	50,000	50,000	16,944	33,056
Dispatcher Holiday Pay	21,444	21,444	15,766	5,678
Dispatchers Longevity	7,500	7,500	6,000	1,500
Dispatchers Sick Incentive Pay	449	449	881	(432)
Dispatcher clothing/tool allowances	2,200	2,200	1,925	275
Dispatcher Social Security	20,226	20,226	18,312	1,914
Dispatchers Medicare	4,730	4,730	4,283	447
Municipal State Pension (Dispatch)	47,401	47,401	42,229	5,172
TIAA-Cref - Dispatch	3,187	3,187	2,917	270
Dispatcher & Clerk Medical Insurance	78,784	78,784	61,912	16,872
Dispatcher & Clerk Dental Insurance	8,063	8,063	5,577	2,486
Shared Equipment R&M	6,000	6,000	4,247	1,753
Office supplies	4,400	4,400	4,083	317
Other supplies	7,200	7,200	6,227	973
Vehicle fuel	85,000	85,000	70,112	14,888
Dues/Subscriptions	700	700	660	40
Detective supplies	4,300	4,300	3,836	464
Non-capital equipment	8,000	8,000	7,824	176
General R & M	5,100	5,100	10,144	(5,044)
Vehicle R & M	30,000	30,000	47,299	(17,299)
Other professional services	63,224	63,224	74,830	(11,606)
Finger printing	2,500	2,500	2,895	(395)
Education & training	16,000	16,000	21,166	(5,166)
College tuitions	20,000	20,000	16,281	3,719
Capital Expenditures	37,007	37,007	19,881	17,126
<b>Total police department</b>	<b>3,804,710</b>	<b>3,804,710</b>	<b>3,515,412</b>	<b>289,298</b>

## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Fire department</b>				
Salaries	1,977,670	1,977,670	2,017,188	(39,518)
Overtime	165,000	165,000	191,796	(26,796)
Holiday pay	123,368	123,368	122,767	601
Longevity pay	60,000	60,000	64,400	(4,400)
Out of rank pay	20,000	20,000	9,889	10,111
Rescue pay	7,280	7,280	4,678	2,602
Sick incentive pay	7,997	7,997	8,126	(129)
Clothing/tool allowance	37,000	37,000	37,000	-
Social Security	1,984	1,984	1,890	94
Medicare	29,546	29,546	33,131	(3,585)
Municipal State Pension	4,650	4,650	51	4,599
TIAA-Cref			4	(4)
Medical Insurance	287,918	287,918	302,771	(14,853)
Dental Insurance	30,013	30,013	29,027	986
Injuries/Medical (Work Related Injuries)	73,047	73,047	73,134	(87)
Other supplies	20,500	20,500	24,630	(4,130)
Vehicle fuel	25,040	25,040	21,508	3,532
Dues/subscriptions	84	84	-	84
Non-capital equipment	6,000	6,000	2,947	3,053
General R & M	10,000	10,000	20,885	(10,885)
Vehicle R & M	30,000	30,000	55,970	(25,970)
Other professional services	11,000	11,000	9,371	1,629
Education & training	6,300	6,300	6,233	67
College tuitions	3,000	3,000	2,183	817
Capital Expenditures	33,000	33,000	35,838	(2,838)
Fire Fighter Equipment	12,000	12,000	11,884	116
<b>Total fire department</b>	<b>2,982,397</b>	<b>2,982,397</b>	<b>3,087,301</b>	<b>(104,904)</b>
<b>Probate court</b>				
Salaries	7,309	7,309	7,309	-
<b>Total probate court</b>	<b>7,309</b>	<b>7,309</b>	<b>7,309</b>	<b>-</b>
<b>Municipal court</b>				
Salaries	37,501	37,501	37,934	(433)
Overtime	1,690	1,690	1,793	(103)
Longevity Pay	2,000	2,000	2,000	-
Sick Incentive Pay	423	423	423	-
Social Security	2,449	2,449	2,416	33
Clothing Allowance	275	275	-	275
Medicare	573	573	565	8
Municipal State Pension	5,449	5,449	5,798	(349)
TIAA-Cref - Municipal Court	375	375	399	(24)
Medical Insurance	11,549	11,549	11,550	(1)
Dental Insurance	1,100	1,100	1,002	98
Court Security	2,280	2,280	471	1,809
Office supplies	5,500	5,500	5,512	(12)
Non-Capital equipment			109	(109)
Other Professional Services	14,000	14,000	14,250	(250)
<b>Total municipal court</b>	<b>85,164</b>	<b>85,164</b>	<b>84,222</b>	<b>942</b>
<b>Inspection officers</b>				
Plumbing officer	4,323	4,323	4,323	-
Electrical inspector	4,323	4,323	4,323	-
<b>Total inspection officers</b>	<b>8,646</b>	<b>8,646</b>	<b>8,646</b>	<b>-</b>
<b>Total public safety</b>	<b>6,888,226</b>	<b>6,888,226</b>	<b>6,702,890</b>	<b>185,336</b>

## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>PUBLIC WORKS</b>				
<b>Highway department</b>				
Salaries	548,949	548,949	460,057	88,892
Overtime	45,000	45,000	45,127	(127)
Longevity pay	23,000	23,000	23,000	-
Specialty pay	500	500	529	(29)
Clothing/tool allowance	2,475	2,475	2,200	275
Social Security	35,461	35,461	31,342	4,119
Medicare	8,293	8,293	7,330	963
Municipal State Pension	79,762	79,762	64,913	14,849
TIAA-Cref - DPW/Code	5,489	5,489	4,471	1,018
Medical Insurance	92,392	92,392	92,398	(6)
Dental Insurance	9,163	9,163	8,677	486
Other supplies	2,000	2,000	10,075	(8,075)
Other Professional Services	30,000	30,000	34,402	(4,402)
Education & Training	500	500		500
Property Protection	10,000	10,000	35,847	(25,847)
Vehicle Fuel	21,000	21,000	20,066	934
Non-capital equipment	6,000	6,000	7,579	(1,579)
Winter road supplies	22,500	22,500	25,434	(2,934)
General R & M	5,000	5,000	1,273	3,727
Vehicle R & M	46,000	46,000	53,355	(7,355)
DPW Building R&M	2,000	2,000	404	1,596
Road R & M	35,000	35,000	58,145	(23,145)
Traffic Signal R & M	3,000	3,000	1,879	1,121
Misc. Highway	500	500	14,840	(14,340)
Housing Court	10,000	10,000	7,317	2,683
Road Paving	50,000	50,000		50,000
<b>Total highway department</b>	<b>1,093,984</b>	<b>1,093,984</b>	<b>1,010,660</b>	<b>83,324</b>
<b>Public works</b>				
Solid waste removal/disposal	144,000	144,000	137,051	6,949
Trash Removal/Recycling	625,000	625,000	625,000	-
<b>Total public works</b>	<b>769,000</b>	<b>769,000</b>	<b>762,051</b>	<b>6,949</b>
<b>Total public works</b>	<b>1,862,984</b>	<b>1,862,984</b>	<b>1,772,711</b>	<b>90,273</b>
<b>PUBLIC EDUCATION</b>				
<b>Library</b>				
City Contribution	108,825	108,825	108,825	-
Other professional services	17,569	17,569	17,569	-
<b>Total public education</b>	<b>126,394</b>	<b>126,394</b>	<b>126,394</b>	<b>-</b>
<b>PUBLIC RECREATION</b>				
<b>Parks, Recreation And Community Service</b>				
Salaries	48,000	48,000	43,458	4,542
Social Security	3,627	3,627	4,218	(591)
Medicare	848	848	985	(137)
Municipal State Pension	7,556	7,556	7,052	504
TIAA-Cref - Parks/Recreation	520	520	486	34
Medical Insurance	4,745	4,745	4,745	-
Dental Insurance	363	363	311	52
Summer Temporary Salary	6,500	6,500	4,326	2,174
Other supplies	5,000	5,000	8,837	(3,837)
Non-Capital Equipment			10,022	(10,022)
General R & M	6,500	6,500	16,832	(10,332)
Other professional services	5,000	5,000	5,207	(207)
Grant Writer	30,000	30,000	31,346	(1,346)
Street Beautification Workers	19,700	19,700	16,157	3,543
Public events & activities	5,000	5,000	5,523	(523)
Misc. recreation	2,000	2,000	2,989	(989)
<b>Total parks, recreation and community service</b>	<b>145,359</b>	<b>145,359</b>	<b>162,494</b>	<b>(17,135)</b>
<b>Planning</b>				
Salaries	95,000	95,000	94,936	64
Social Security	6,200	6,200	5,905	295
Medicare	1,450	1,450	1,381	69
Municipal State Pension	14,530	14,530	13,781	749
TIAA-Cref - Planning	1,000	1,000	949	51
Medical Insurance	4,745	4,745	3,951	794
Dental Insurance	363	363	289	74
Other supplies			9,380	(9,380)
Education/Training	2,000	2,000	1,770	230
Other Professional Services	15,000	15,000	16,850	(1,850)
<b>Total planning</b>	<b>140,288</b>	<b>140,288</b>	<b>149,192</b>	<b>(8,904)</b>
<b>TOTAL PUBLIC RECREATION</b>	<b>285,647</b>	<b>285,647</b>	<b>311,686</b>	<b>(26,039)</b>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>CITY DEBT SERVICE</b>				
Bond principal	1,825,000	1,825,000	1,825,000	-
Bond interest	674,878	674,878	674,706	172
Other debt fees	1,734	1,734	1,600	134
Lease purchase	22,500	22,500	22,093	407
<b>Total city debt service</b>	<b>2,524,112</b>	<b>2,524,112</b>	<b>2,523,399</b>	<b>713</b>
<b>CONTINGENCY</b>				
Legal contingencies	15,500	15,500	23,100	(7,600)
General contingencies	6,000	6,000	33,453	(27,453)
Post-confirmation Attorney Fees	-	-	145,055	(145,055)
Creditor Pool	107,860	107,860	104,331	3,529
<b>Total contingency</b>	<b>129,360</b>	<b>129,360</b>	<b>305,939</b>	<b>(176,579)</b>
<b>SPECIAL PROJECTS</b>				
			35,334	(35,334)
<b>OTHER CITY GOVERNMENT</b>				
Compensated absences	52,500	52,500	35,007	17,493
Unemployment compensation	78,404	78,404	15,600	62,804
Group Life	11,000	11,000	10,262	738
Medical insurance	335,135	335,135	233,695	101,440
HRA - Health Reimbursement	76,654	76,654	129,313	(52,659)
<b>Total other city government</b>	<b>553,693</b>	<b>553,693</b>	<b>423,877</b>	<b>129,816</b>
<b>RESERVE</b>				
0.59% of total budget	101,483	101,483		
<b>Total Reserve</b>	<b>101,483</b>	<b>101,483</b>		
<b>RETIREMENT</b>				
Police retirement- Public Safety Pension	85,513	85,513	85,513	-
Fire retirement - Public Safety Pension	85,513	85,513	85,513	-
Public Pension - JH Other Paygo	2,258,296	2,258,296	2,241,042	17,254
<b>Total retirement</b>	<b>2,429,322</b>	<b>2,429,322</b>	<b>2,412,068</b>	<b>17,254</b>
<b>Total expenditures</b>	<b>17,296,730</b>	<b>17,296,730</b>	<b>17,128,945</b>	<b>- 66,302</b>
<b>Excess of revenues and other sources over expenditures and other uses - budgetary basis</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1,918,999</b>	<b>\$ 1,918,998</b>

CITY OF CENTRAL FALLS  
*Budgetary and Legal Compliance*

D-3

June 30, 2015

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

<b>Total budgetary revenues and other financing sources</b>	\$ 19,047,944
Reclassification of:	
Property tax revenue- sixty day rule	219,145
Prior years property tax revenue - sixty day rule	(217,146)
Payments made by State for receivership costs	25,000
<b>Total GAAP revenues and other financing sources</b>	<u>\$ 19,074,943</u>
<b>Total budgetary expenditures and other financing uses</b>	\$ 17,128,945
Reclassification of:	
Receivership costs	25,000
Encumbrances as of June 30, 2014 not liquidated	(124,249)
Encumbrances outstanding as of June 30, 2014	137,902
Transfer to capital reserve fund, not part of budget	1,993,248
<b>Total GAAP expenditures and other financing uses</b>	<u>\$ 19,160,846</u>



CITY OF CENTRAL FALLS

D-4

*Excess of Expenditures Over Appropriations*

*For the Year Ended June 30, 2015*

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For the year ended June 30, 2015, expenditures exceeded budget at the department level as follows:

Department	Excess
City Executive Management	\$ 18,702
Tax Assessor	\$ 32,903
Contingency	\$ 176,579
Special Projects	\$ 35,334
City Property	\$ 201,296
Fire Department	\$ 104,904
Planning	\$ 8,904
Parks, Recreation And Community Service	\$ 17,135

**SCHEDULE OF CHANGES IN CITY OF CENTRAL FALL'S  
NET PENSION LIABILITY AND RELATED RATIOS  
MERS**

**D-5**

**Fiscal Year Ended June 30, 2014**

	Year Ended June 30, 2014
<b>A. Total pension liability</b>	
1. Service Cost	\$ 112,984
2. Interest on the Total Pension Liability	510,493
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension Liability	
5. Changes of assumptions	(24,723)
6. Benefit payments, including refunds of employee contributions	(567,898)
7. Net change in total pension liability	30,856
8. Total pension liability – beginning	7,034,036
9. Total pension liability – ending (a)	\$ 7,064,892
<b>B. Plan fiduciary net position</b>	
1. Contributions – employer	\$ 162,612
2. Contributions – employee	16,471
3. Net investment income	665,429
4. Benefit payments, including refunds of employee contributions	(567,898)
5. Pension Plan Administrative Expense	(4,167)
6. Other	(28,883)
7. Net change in plan fiduciary net position	243,564
8. Plan fiduciary net position – beginning	4,752,568
9. Plan fiduciary net position – ending (b)	\$ 4,996,132
<b>C. Net pension liability - ending (a) - (b)</b>	\$ 2,068,760
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	70.72%
<b>E. Covered employee payroll</b>	\$ 1,647,003
<b>F. Net pension liability as a percentage of covered payroll</b>	125.61%

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

**SCHEDULE OF CHANGES IN THE CITY OF CENTRAL FALL'S  
NET PENSION LIABILITY AND RELATED RATIOS  
CITY PLAN**

**D-6**

**Fiscal Year Ended June 30, 2015**

	Year Ended June 30, 2015	Year Ended June 30, 2014
<b>A. Total pension liability</b>		
1. Service Cost	\$ 451,646	\$ 429,158
2. Interest on Liability and Service Cost	2,455,649	2,371,254
3. Change in Plan Provisions	-	-
4. Experience (Gain) and Loss	411,659	610,112
5. Changes of Assumptions	8,108,455	-
6. Benefit Payments	(2,317,773)	(2,256,604)
7. Interest on Benefit Payments	(88,138)	(87,443)
8. Net change in total pension liability	9,021,498	1,066,477
9. Total pension liability – beginning	31,234,146	30,167,669
10. Total pension liability – ending (a)	<u>\$ 40,255,644</u>	<u>\$ 31,234,146</u>
<b>B. Plan fiduciary net position</b>		
1. Contributions – employer	\$ 2,412,068	\$ 114,650
2. Contributions – employee	410,224	414,204
3. Other Payments	-	-
4. Benefit Payments	(2,317,773)	(50,595)
5. Expenses	(19,312)	(19,878)
6. Investment Income	(176,495)	388,699
7. Net change in plan fiduciary net position	308,712	847,080
8. Plan fiduciary net position – beginning	6,391,738	5,544,658
9. Plan fiduciary net position – ending (b)	<u>\$ 6,700,450</u>	<u>\$ 6,391,738</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 33,555,194</u>	<u>\$ 24,842,408</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	16.64%	20.46%
<b>E. Covered employee payroll</b>	\$ 4,482,450	\$ 4,025,037
<b>F. Net pension liability as a percentage of covered payroll</b>	748.59%	617.20%

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

**CITY OF CENTRAL FALLS**  
**Schedule of Investment Returns**  
**City Plan**

D-7

***For the Year Ended June 30, 2015***

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	2015	2014
Annual money-weighted rate of return net of investment expense	2.68%	4.18%

CITY OF CENTRAL FALLS

D-8

**Schedule of City of Central Falls Contributions  
Municipal Employees' Retirement System  
June 30, 2015**

	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 258,592
Contributions in relation to the actuarially determined contribution	<u>258,592</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,647,003
Contributions as a percentage of covered-employee payroll	14.53%

**Notes:**

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

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

<b>Notes to Schedule</b>	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50% Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Varies depending on Years of Service and Age
	Male Employees, MERS General and MERS P&F: 115% of RP 2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
Mortality	Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

CITY OF CENTRAL FALLS

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Schedule of City of Central Falls Contributions  
City Plan  
June 30, 2015

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	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Actuarially determined contribution	\$ 2,227,079	\$ 2,006,770
Contributions in relation to the actuarially determined contribution	<u>2,412,068</u>	<u>2,328,947</u>
Contribution deficiency (excess)	<u>\$ (184,989)</u>	<u>\$ (322,177)</u>
Covered-employee payroll	\$ 4,482,450	\$ 4,025,037
Contributions as a percentage of covered-employee payroll	53.81%	57.86%

**Notes:**

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

***NON-MAJOR GOVERNMENTAL FUNDS***

**CITY OF CENTRAL FALLS**

E-1

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015**

	<u>CDBG Revolving</u>	<u>CDBG 2010</u>	<u>CDBG 2012</u>	<u>CDBG 2013</u>	<u>CDBG 2014</u>	<u>UDAG Revolving Loan Fund</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 663,753	\$ -	\$ -	\$ -	\$ -	\$ 35,234
Due from federal and state governments			48,159			
Due from other funds		4,989	28,950			-
<b>TOTAL ASSETS</b>	<b>663,753</b>	<b>4,989</b>	<b>77,109</b>	<b>-</b>	<b>-</b>	<b>35,234</b>
<b>LIABILITIES</b>						
Accounts payable						-
Due to other funds	189,439		-			35,234
Unearned revenue		4,989	77,109			
<b>TOTAL LIABILITIES</b>	<b>189,439</b>	<b>4,989</b>	<b>77,109</b>	<b>-</b>	<b>-</b>	<b>35,234</b>
<b>FUND BALANCE</b>						
Restricted	474,314	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>\$ 474,314</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2015**

	<u>CDBG Revolving</u>	<u>CDBG 2010</u>	<u>CDBG 2012</u>	<u>CDBG 2013</u>	<u>CDBG 2014</u>	<u>UDAG Revolving Loan Fund</u>
<b>Revenues:</b>						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental			271,996	193,071	43,020	
Other						-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>271,996</b>	<b>193,071</b>	<b>43,020</b>	<b>-</b>
<b>Expenditures:</b>						
General government	19,439		214,496	193,071	43,020	4,000
Public safety						
Recreation						
Capital outlays	170,000		57,500			27,882
<b>Total expenditures &amp; capital outlays</b>	<b>189,439</b>	<b>-</b>	<b>271,996</b>	<b>193,071</b>	<b>43,020</b>	<b>31,882</b>
<b>Excess of revenue over (under) expenditures before transfers</b>	<b>(189,439)</b>	<b>-</b>	<b>-</b>			<b>(31,882)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(189,439)</b>	<b>-</b>	<b>-</b>			<b>(31,882)</b>
<b>Fund balance, beginning of the year</b>	<b>663,753</b>	<b>-</b>	<b>-</b>			<b>31,882</b>
<b>Fund balance, end of the year</b>	<b>\$ 474,314</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(CONTINUED)



**CITY OF CENTRAL FALLS**

E-1

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015**

	<u>Home</u>	<u>ED</u>	<u>COPS Grant</u>	<u>Mortgage Foreclosure Prevention</u>	<u>Grant In Aid</u>	<u>RI Foundation</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 60,701	\$ 396,939	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments			21,421			
Due from other funds				222,315	58,306	5,954
<b>TOTAL ASSETS</b>	<b>60,701</b>	<b>396,939</b>	<b>21,421</b>	<b>222,315</b>	<b>58,306</b>	<b>5,954</b>
<b>LIABILITIES</b>						
Accounts payable				1,000		
Due to other funds	1,701		21,421			
Unearned revenue				221,315		5,954
<b>TOTAL LIABILITIES</b>	<b>1,701</b>	<b>-</b>	<b>21,421</b>	<b>222,315</b>	<b>-</b>	<b>5,954</b>
<b>FUND BALANCE</b>						
Restricted	59,000	396,939	-	-	58,306	
<b>TOTAL FUND BALANCE</b>	<b>\$ 59,000</b>	<b>\$ 396,939</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,306</b>	<b>\$ -</b>

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2015**

	<u>Home</u>	<u>ED</u>	<u>COPS Grant</u>	<u>Mortgage Foreclosure Prevention</u>	<u>Grant In Aid</u>	<u>RI Foundation</u>
<b>Revenues:</b>						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental				28,685		
Other	1,500					
<b>Total revenues</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>28,685</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>						
General government	1,701			28,685		
Public safety						
Recreation						
Capital outlays						
<b>Total expenditures &amp; capital outlays</b>	<b>1,701</b>	<b>-</b>	<b>-</b>	<b>28,685</b>	<b>-</b>	<b>-</b>
<b>Excess of revenue over (under) expenditures before transfers</b>	<b>(201)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(201)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance, beginning of the year</b>	<b>59,201</b>	<b>396,939</b>	<b>-</b>	<b>-</b>	<b>58,306</b>	
<b>Fund balance, end of the year</b>	<b>\$ 59,000</b>	<b>\$ 396,939</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,306</b>	<b>\$ -</b>

(CONTINUED)

**CITY OF CENTRAL FALLS**

E-1

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015**

	Recreation Summer Lunch Program	Police C.A.R.E.	Police Special Accounts	2012 JAG Grant	JAG Grant
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 207,348	\$ -	\$ -
Due from federal and state governments		-			
Due from other funds	3,015	7,425			26,301
<b>TOTAL ASSETS</b>	<b>3,015</b>	<b>7,425</b>	<b>207,348</b>	<b>-</b>	<b>26,301</b>
<b>LIABILITIES</b>					
Accounts payable		6,420	123,694		26,301
Due to other funds			61,891		
Unearned revenue					
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>6,420</b>	<b>185,585</b>	<b>-</b>	<b>26,301</b>
<b>FUND BALANCE</b>					
Restricted	3,015	1,005	\$ 21,763		-
<b>TOTAL FUND BALANCE</b>	<b>\$ 3,015</b>	<b>\$ 1,005</b>	<b>\$ 21,763</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2015**

	Recreation Summer Lunch Program	Police C.A.R.E.	Police Special Accounts	2012 JAG Grant	JAG Grant
<b>Revenues:</b>					
Interest and investment income	\$ -	\$ -	\$ 141	\$ -	\$ -
Intergovernmental	28,886	58,175	53,274		26,301
Other		14,992		19	
<b>Total revenues</b>	<b>28,886</b>	<b>73,167</b>	<b>53,415</b>	<b>19</b>	<b>26,301</b>
<b>Expenditures:</b>					
General government					
Public safety		73,167	26,398		
Recreation	27,375				
Capital outlays					26,301
<b>Total expenditures &amp; capital outlays</b>	<b>27,375</b>	<b>73,167</b>	<b>26,398</b>	<b>-</b>	<b>26,301</b>
<b>Excess of revenue over (under) expenditures before transfers</b>	<b>1,511</b>	<b>-</b>	<b>27,017</b>	<b>19</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>1,511</b>	<b>-</b>	<b>27,017</b>	<b>19</b>	<b>-</b>
<b>Fund balance, beginning of the year</b>	<b>1,504</b>	<b>1,005</b>	<b>(5,254)</b>	<b>(19)</b>	<b>-</b>
<b>Fund balance, end of the year</b>	<b>\$ 3,015</b>	<b>\$ 1,005</b>	<b>\$ 21,763</b>	<b>\$ -</b>	<b>\$ -</b>

(CONTINUED)

**CITY OF CENTRAL FALLS**

E-1

**Combining Balance Sheet  
Non-Major Government Funds  
June 30, 2015**

	<u>Public Rescue</u>	<u>Rural Grants</u>	<u>Emergency Equipment Replacement</u>	<u>Recycling Account</u>	<u>Champs Grant</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 269,340	\$ -	\$ 144,400	\$ -	\$ -
Due from federal and state governments					
Due from other funds	-	49		10,503	22,208
<b>TOTAL ASSETS</b>	<b>269,340</b>	<b>49</b>	<b>144,400</b>	<b>10,503</b>	<b>22,208</b>
<b>LIABILITIES</b>					
Accounts payable	20,082				7,036
Due to other funds	73,062		15,138		
Unearned revenue				10,306	
<b>TOTAL LIABILITIES</b>	<b>93,144</b>	<b>-</b>	<b>15,138</b>	<b>10,306</b>	<b>7,036</b>
<b>FUND BALANCE</b>					
Restricted	176,196	49	129,262	197	15,172
<b>TOTAL FUND BALANCE</b>	<b>\$ 176,196</b>	<b>\$ 49</b>	<b>\$ 129,262</b>	<b>\$ 197</b>	<b>\$ 15,172</b>

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2015**

	<u>Public Rescue</u>	<u>Rural Grants</u>	<u>Emergency Equipment Replacement</u>	<u>Recycling Account</u>	<u>Champs Grant</u>
<b>Revenues:</b>					
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Other				19,030	30,000
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,030</b>	<b>30,000</b>
<b>Expenditures:</b>					
General government			10,650	18,858	14,828
Public safety	4,254				
Recreation					
Capital outlays			4,488		
<b>Total expenditures &amp; capital outlays</b>	<b>4,254</b>	<b>-</b>	<b>15,138</b>	<b>18,858</b>	<b>14,828</b>
<b>Excess of revenue over (under) expenditures before transfers</b>	<b>(4,254)</b>	<b>-</b>	<b>(15,138)</b>	<b>172</b>	<b>15,172</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(4,254)</b>	<b>-</b>	<b>(15,138)</b>	<b>172</b>	<b>15,172</b>
<b>Fund balance, beginning of the year</b>	<b>180,450</b>	<b>49</b>	<b>144,400</b>	<b>25</b>	<b>-</b>
<b>Fund balance, end of the year</b>	<b>\$ 176,196</b>	<b>\$ 49</b>	<b>\$ 129,262</b>	<b>\$ 197</b>	<b>\$ 15,172</b>

(CONTINUED)

**CITY OF CENTRAL FALLS**

E-1

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015**

	<u>Property Development</u>	<u>Recreation Capital</u>	<u>School Construction</u>	<u>Historic Trust</u>	<u>TOTALS</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 38,439	\$ 1,816,154
Due from federal and state governments					69,580
Due from other funds	161,179	4,393		30,457	586,044
<b>TOTAL ASSETS</b>	<b>161,179</b>	<b>4,393</b>	<b>-</b>	<b>68,896</b>	<b>2,471,778</b>
<b>LIABILITIES</b>					
Accounts payable					184,533
Due to other funds					397,886
Unearned revenue					319,673
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>902,092</b>
<b>FUND BALANCE</b>					
Restricted	161,179	4,393	-	68,896	1,569,686
<b>TOTAL FUND BALANCE</b>	<b>\$ 161,179</b>	<b>\$ 4,393</b>	<b>\$ -</b>	<b>\$ 68,896</b>	<b>\$ 1,569,686</b>

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2015**

	<u>Property Development</u>	<u>Recreation Capital</u>	<u>School Construction</u>	<u>Historic Trust</u>	<u>TOTALS</u>
<b>Revenues:</b>					
Interest and investment income	\$ -	\$ -	\$ -	\$ 37	\$ 178
Intergovernmental					703,408
Other				4,956	70,497
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,993</b>	<b>774,083</b>
<b>Expenditures:</b>					
General government					548,748
Public safety					103,819
Recreation					27,375
Capital outlays			35,383		321,554
<b>Total expenditures &amp; capital outlays</b>	<b>-</b>	<b>-</b>	<b>35,383</b>	<b>-</b>	<b>1,001,496</b>
<b>Excess of revenue over (under) expenditures before transfers</b>	<b>-</b>	<b>-</b>	<b>(35,383)</b>	<b>4,993</b>	<b>(227,413)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>-</b>	<b>-</b>	<b>(35,383)</b>	<b>4,993</b>	<b>(227,413)</b>
<b>Fund balance, beginning of the year</b>	<b>161,179</b>	<b>4,393</b>	<b>35,383</b>	<b>63,903</b>	<b>1,797,099</b>
<b>Fund balance, end of the year</b>	<b>\$ 161,179</b>	<b>\$ 4,393</b>	<b>\$ -</b>	<b>\$ 68,896</b>	<b>\$ 1,569,686</b>

(CONCLUDED)

***AGENCY FUNDS***

**Statement of Changes in Assets and Liabilities  
Agency Funds  
For the year ended June 30, 2015**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Unclaimed Estates</u></b>				
<b>ASSETS</b>				
Cash	\$ 32,745	\$ 116	\$ -	\$ 32,861
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 32,745	\$ 116	\$ -	\$ 32,861
<b><u>Totals</u></b>				
<b>ASSETS</b>				
Cash	\$ 32,745	\$ 116	\$ -	\$ 32,861
<b>TOTAL ASSETS</b>	<b>\$ 32,745</b>	<b>\$ 116</b>	<b>\$ -</b>	<b>\$ 32,861</b>
<b>LIABILITIES</b>				
Deposits Held in Custody for Others	\$ 32,745	\$ 116	\$ -	\$ 32,861
<b>TOTAL LIABILITIES</b>	<b>\$ 32,745</b>	<b>\$ 116</b>	<b>\$ -</b>	<b>\$ 32,861</b>

***GENERAL FUND***

CITY OF CENTRAL FALLS**SCHEDULE OF PROPERTY TAXES RECEIVABLE  
YEAR ENDED JUNE 30, 2015**

<u>Assessment of</u>	<u>Balance Uncollected July 1, 2014</u>	<u>2014 Assessment</u>	<u>Additions &amp; Adjustments</u>	<u>Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance Uncollected June 30, 2015</u>
2014	\$ -	\$ 14,768,935	\$ (11,052)	\$ (43,775)	\$ 14,714,108	\$13,804,159	\$ 909,949
2013	1,252,955		18,713	(2,123)	1,269,545	868,503	401,042
2012	421,085		6,990	(22)	428,053	65,696	362,357
2011	417,832		1,669	(100)	419,401	40,108	379,293
2010	431,913		418	(391)	431,940	37,390	394,550
2009	140,060			(1,265)	138,795	9,352	129,443
2008	153,476			(909)	152,567	9,431	143,136
2007	160,878		10	(783)	160,105	973	159,132
2006	84,792			-	84,792	233	84,559
2005	64,455			(1,893)	62,562	140	62,422
2004	67,188			(67,188)	-	-	-
2003	66,419			(66,419)	-	-	-
2002	69,283			(69,063)	220	220	-
2001	76,480			(76,219)	261	261	-
2000	62,714			(62,714)	-	-	-
1999 and prior	709,072			(708,600)	472	472	-
	4,178,602	\$ 14,768,935	\$ 16,748	\$ (1,101,464)	\$ 17,862,821	\$ 14,836,938	3,025,883
Less: allowance for uncollectible accounts	<u>(850,000)</u>						<u>(1,150,000)</u>
	<u>\$ 3,328,602</u>						<u>\$ 1,875,883</u>

**Schedule of property valuation assessed as of December 31, 2013:**

Real estate	\$ 12,629,424
Motor vehicles	2,522,021
Tangibles	1,093,190
Less: exemptions	(1,543,987)
Adjustments	68,287
	<u>\$ 14,768,935</u>