

CITY OF CENTRAL FALLS

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017
WITH INDEPENDENT AUDITORS' REPORT**

CITY OF CENTRAL FALLS

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JUNE 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

**Honorable Mayor James A. Diossa
and Members of the Central Falls City Council
Central Falls, Rhode Island**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Required Supplementary Information on pages 4 through 11 and 69 through 85 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 April 3, 2018, 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
April 3, 2018

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2017

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, 2017. This is the City's fifteenth (15th) 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 2017 expresses an unmodified (i.e. "clean") opinion on the financial statements of the City of Central Falls. The City's basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the City and the notes to the financial statements.

The Government-Wide Statement of Net Position indicates that the City's total net position decreased this year to a negative \$22,465,871, reflecting a decrease of \$126,854 over FY2016.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$18,223,545 combined with additional program revenues of \$3,571,485, less program expenses of \$21,921,884, resulted in a decrease of \$126,854 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 \$668,143, reflecting an increase of \$81,903 (after other financing sources and uses) compared to the FY2016 fund balance.

The Financial Statements

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

The Government-Wide Financial Statements present the financial picture of the City of Central Falls from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City of Central Falls as well as all liabilities (including long term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 about inter-fund activity, payables and receivables.

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

Overview of the Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

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

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

Overview of the Financial Statements (Continued)
Government-Wide Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities (Continued)

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

Governmental Activities

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to Financial Statements

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

Other Information

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

Overview of the Financial Statements (Continued)
Government-Wide Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities (Continued)

Government-Wide Financial Analysis

In this, the fifteenth (15th) 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 \$126,854 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, 2017 was:

Net Assets			
Governmental Activities			
		<u>2017</u>	<u>2016</u>
Current and other assets	\$	6,358,378	\$ 10,477,047
Capital assets		<u>19,437,048</u>	<u>17,236,989</u>
Total Assets		<u>25,795,426</u>	<u>27,714,036</u>
Deferred Outflow		5,900,251	5,476,708
Current liabilities		4,661,495	5,201,483
Long-term liabilities		<u>43,142,337</u>	<u>44,192,116</u>
Total Liabilities		<u>47,803,832</u>	<u>49,393,599</u>
Deferred Inflow		<u>6,357,716</u>	<u>6,314,449</u>
Net Position:		(22,465,871)	(22,517,304)
Net investment in			
Capital assets		8,327,048	4,236,989
Restricted		2,357,234	5,144,396
Unrestricted		<u>(33,150,153)</u>	<u>(31,898,689)</u>
Total Net Position	\$	<u>(22,465,871)</u>	\$ <u>(22,517,304)</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 \$8,327,048 and restricted net position amounted to \$2,357,234. The negative balance of \$33,150,153 in unrestricted net position is mostly attributable to the City's net pension liability of \$27,691,403 and the other post-employment benefits obligation of \$3,267,708.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2017 was \$21,921,884. Some of the costs (i.e. \$1,217,227) were paid by federal, state and private grants and entitlements.

Overview of the Financial Statements (Continued)
 Government-Wide Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities (Continued)

Government-Wide Financial Analysis (Continued)

	<u>2017</u>	<u>2016</u>
Charges for Services		
General government	\$ 2,354,258	\$ 1,845,865

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

	<u>2017</u>	<u>2016</u>
Operating Grants and Contributions		
General government	\$ 552,345	\$ 517,749
Public safety	75,475	61,546
Public recreation	149,150	96,262
Total	\$ 776,970	\$ 675,557

Total revenue received from Operating Grants and Contributions in 2017, was \$3,030,888 an increase of \$2,355,331 as compared to the amount received in 2016, which was equal to \$675,557.

	<u>2017</u>	<u>2016</u>
Capital Grants and Contributions		
General government	\$ 440,257	\$ 223,158

Total revenue received from Capital Grants and Contributions in 2017 was \$440,257, which was an increase of \$217,099 to the amount received in 2016, which was \$223,158. The change in amount is revenue that was received for the 115 Illinois Project.

	<u>2017</u>	<u>2016</u>
Total Program Revenues	\$ 3,571,485	\$ 2,744,580
General Revenues		
Property taxes	15,078,492	14,895,636
Grants and contributions (unrestricted)	2,253,918	2,476,125
Investment earnings	343	8,669
Miscellaneous	890,792	258,307
Total General Revenues	18,223,545	17,638,737
	\$ 21,795,030	\$ 20,383,317

General revenues in 2017 were \$18,223,545, which reflects an increase \$584,808 as compared to the amount received in 2016, which was equal to \$17,638,737. Total Government-Wide Revenues in 2017 were \$21,795,030, an increase of \$1,411,713 as compared to the amount received in 2016, which was equal to \$20,383,317. The change is mostly attributable to an increase in property tax rate and collection efforts.

Overview of the Financial Statements (Continued)
 Government-Wide Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities (Continued)

Statement of Activities

Program Expenses	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
General Government	\$ 6,131,316	\$ 2,784,456	\$ 2,705,590	\$ 118,818
Public Safety	7,623,890	7,548,415	7,807,359	7,745,813
Public Works	2,552,101	2,552,101	2,456,989	2,456,989
Public Education	1,392,597	1,392,597	1,377,359	1,377,359
Public Recreation	933,072	783,922	678,426	582,164
Contingency	3,735	3,735	33,786	33,786
Reserve	24,884	24,884	-	-
Employee Benefits	361,265	361,265	508,931	508,931
Retirement	2,384,148	2,384,148	2,303,700	2,303,700
Debt Service Interest	514,876	514,876	1,212,290	1,212,290
*Total Expenses	\$ 21,921,884	\$ 18,350,399	\$ 19,084,430	\$ 16,339,850

The City's total program expenses were \$21,921,884. With additional program revenues of \$3,571,485 in FY 2017, the City's net cost of services was \$18,350,399. When subtracted from the City's total general revenues of \$18,223,545, the City realizes an unfavorable Change in Net Position of \$126,854. This unfavorable change is mostly attributable to an overall increase in expenses. In FY 2016 the City realized a favorable Change in Net Position of \$1,306,580.

Transfers

Inter-fund transfers for the year ended June 30, 2017 totaled \$1,684,759 for the year.

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

Statement of Changes in Fund Balances – Governmental Funds

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Increase (Decrease)
General Fund	\$ 668,143	\$ 586,240	\$ 81,903
State Pension	84,152	84,047	105
Capital Reserve	1,657,952	3,981,668	(2,323,716)
Other Governmental	615,130	1,078,681	(463,551)
Total	<u>\$ 3,025,377</u>	<u>\$ 5,730,636</u>	<u>\$ (2,705,259)</u>

The fund balance for the City of Central Falls general fund is \$668,143 as of June 30, 2017. This represents an increase of \$81,903 as compared to FY2016.

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

General Fund Revenues	2017	2016	Variance	Percentage Change
General property taxes	\$ 15,328,980	\$ 14,945,742	\$ 383,238	2.59%
Intergovernmental	2,253,918	2,476,125	(222,207)	-8.87%
Fees / Non-tax income	2,354,258	1,845,865	508,393	30.72%
Other revenues	14,311	143,412	(129,101)	-173.14%
Total	\$ 19,951,467	\$ 19,411,144	\$ 540,323	2.84%

The total increase in the City's general fund balance of \$540,323, under modified accrual was the result of the following:

FY2017 revenues exceeded expenditures by \$1,026,747 before other financing sources and uses were applied. The general fund realized an increase of \$81,903. Per the Bankruptcy Plan, \$944,844 was transferred to the Capital Improvement Plan account, which represents the budgetary surplus less \$50,000. In addition, there was another \$739,915 transferred from the Capital Reserve fund to the capital project funds.

Revenues from general property taxes increased by \$383,238 or 2.59%, as compared to FY2016. Intergovernmental revenues received from the State of Rhode Island decreased by \$222,207 or -8.87% as compared to last year, resulting from a decrease in state aid. Local fees, non-tax, and other income increased by \$508,393 or 30.72%.

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, 2017

Revenue Analysis	Adopted Budget FY17	Final Budget FY17	Actual FY17	Variance FY17
Tax revenue	\$ 14,219,932	\$ 14,219,932	\$ 15,297,077	\$ 1,077,145
Fees/Non-tax revenue	1,538,615	1,538,615	1,754,258	215,643
Intergovernmental/State	2,240,399	2,240,399	2,253,918	13,519
Other Income	11,961	11,961	14,311	2,350
Total	\$ 18,010,907	\$ 18,010,907	\$ 19,319,564	\$ 1,308,657
Expenditure Analysis				
General Government	\$ 2,619,112	\$ 2,668,741	\$ 2,907,168	\$ (238,427)
Public safety	7,208,282	7,189,188	7,231,064	(41,876)
Public works	2,041,343	2,056,343	2,191,170	(134,827)
Public Library	146,154	146,154	149,349	(3,195)
Public recreation/Planning	533,817	576,078	634,593	(58,515)
Municipal debt service	2,414,142	2,414,142	2,413,642	500
Reserve/Special Projects	70,529	(17,267)	24,884	(42,151)
Contingency	205	205	3,735	(3,530)
Employee benefits	486,691	486,691	361,265	125,426
Retirement	2,490,632	2,490,632	2,407,850	82,782
Total	\$ 18,010,907	\$ 18,010,907	\$ 18,324,720	\$ (313,813)

Financial Analysis of the City’s Funds – Governmental Fund Statements Analysis (Continued)
Other Governmental Funds

Other governmental funds consist of:

<u>Fund Type</u>	<u>Total Net Position</u>	<u>Note</u>
Restricted	\$ 615,130	Resources restricted for specific purposes
Total	\$ 615,130	

It should be noted that the Central Falls School District was not classified as a component unit of the City. It is a component unit of the State of Rhode Island through an act of the Rhode Island Legislature. This act provided for the State to assume administrative takeover of the School District effective July 1, 1991. Separately issued financial statements were prepared and may be obtained from the Rhode Island Department of Education.

Pension Trust Funds

<u>Pension Fund</u>	<u>Total Net Position</u>
Total	\$ 9,170,268

Total net position of the City’s pension trust funds amount to \$9,170,268 in FY2017, an increase of \$1,244,798 compared to FY2016, resulting from pension revenues exceeding expenses.

In an effort to reverse several years of Central Falls failing to make contributions into its pension funds, the City began to make annual contributions into Central Falls Pension Plan beginning in FY2012, so as to amortize the unfunded liability over a number of years and make these pension funds viable and safe for retirees in the future. Under the new plan, the ARC is projected to be less than the Pay-As-You-Go (“PAYGO”) costs until 2027, so the City will essentially be paying more than the annual required contribution which will result in a reduction of its “net pension obligation” on its statement of net position.

According to the City’s most recent actuarial studies, the combined unfunded actuarial accrued liability (UAAL) for the pension fund and post-employment benefits is \$29 million, including \$25.3 million for the pension fund as of July 1, 2017 and \$3.7 million for post-employment benefits as of June 30, 2016.

Debt Administration

At year end the total long-term debt for the City of Central Falls was \$45.6 million. The breakdown is as follows:

	<u>FY2017 Amount</u>	<u>Percent</u>	<u>FY2016 Amount</u>	<u>Percent</u>
General Obligation Municipal Bonds	\$ 5,895,000	13%	\$ 6,290,000	14%
RIHEBC Revenue Bonds	5,215,000	18%	6,710,000	18%
Net Pension Liability (NPL)	27,691,403	57%	26,955,151	57%
Net OPEB Obligation (NOO)	3,267,708	6%	3,228,211	6%
Due to State	3,345,884	6%	2,666,716	6%
Compensated Absences	274,824	0%	257,820	0%
Total	<u>\$ 45,689,819</u>	100%	<u>\$ 46,107,898</u>	100%

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

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

Debt Administration (Continued)

On July 18, 2013, Moody's upgraded the City's general obligation bond rating to B1 from B2 with a positive outlook. Moody's has also affirmed the Ba1 underlying rating on the Rhode Island Health and Educational Building Corporation's (RIHEBC) Series 2007B bonds, with a stable outlook.

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

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

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

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

Capital Assets

The City of Central Falls has \$19,437,048 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.

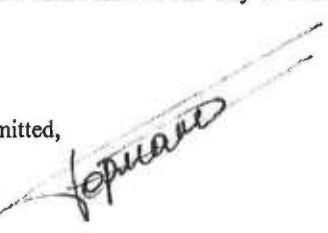
Independent Audit

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, 2017.

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,


Irina M. Gordon
Acting Finance Director

CITY OF CENTRAL FALLS

A - 1

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 3,294,992
Due from federal and state governments	1,030,586
Property taxes receivable, net	1,653,320
Other receivables, net	258,200
Prepaid Expenses	<u>121,280</u>
Total Current Assets	6,358,378
Noncurrent Assets	
Capital assets (non-depreciable)	5,332,727
Capital assets (net of accumulated depreciation)	<u>14,104,321</u>
Total Noncurrent Assets	19,437,048
Total Assets	<u>25,795,426</u>
Deferred Outflows of Resources	
Pension related	<u>5,900,251</u>
Total Deferred Outflows of Resources	<u>5,900,251</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CENTRAL FALLS

A - 1

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2017

	Governmental Activities
Current Liabilities	
Accounts payable	1,339,533
Accrued interest payable	137,156
Accrued expenses	264,861
Unearned revenue	372,463
Current portion of long-term liabilities	2,547,482
Total Current Liabilities	4,661,495
 Noncurrent Liabilities	
Net pension liability	27,691,403
Net OPEB obligation	3,267,708
Long-term liabilities	12,183,226
Total Noncurrent Liabilities	43,142,337
 Total Liabilities	47,803,832
 Deferred Inflows of Resources	
Pension related	6,357,716
Total Deferred Inflows of Resources	6,357,716
 Net Position (Deficit)	
Net investment in capital assets	8,327,048
Restricted:	
Retirees supplemental settlement	84,152
Capital projects	1,818,269
Special revenue/grantors	454,813
Unrestricted	(33,150,153)
 Total Net Position (Deficit)	\$ (22,465,871)

The accompanying notes are an integral part of these financial statements.

CITY OF CENTRAL FALLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue
					Governmental Activities
Governmental activities:					
General government	\$ 5,531,316	\$ 1,754,258	\$ 552,345	\$ 440,257	\$ (2,784,456)
Public safety	7,623,890	--	75,475	--	(7,548,415)
Public works	2,552,101	--	--	--	(2,552,101)
Public education	1,392,597	--	--	--	(1,392,597)
Public recreation	933,072	--	149,150	--	(783,922)
Contingency	3,735	--	--	--	(3,735)
Reserve	24,884	--	--	--	(24,884)
Employee benefits	361,265	--	--	--	(361,265)
Retirement	2,384,148	--	--	--	(2,384,148)
Debt service interest	514,876	--	--	--	(514,876)
Totals	<u>\$ 21,321,884</u>	<u>\$ 1,754,258</u>	<u>\$ 776,970</u>	<u>\$ 440,257</u>	<u>(18,350,399)</u>
General Revenues:					
Property taxes					15,078,492
Grants and contributions not restricted to specific programs					2,253,918
Investment earnings					343
Miscellaneous					890,792
					<u>18,223,545</u>
					Change in Net Position
					(126,854)
					Net Position (Deficit) - Beginning, As Restated
					<u>(22,339,017)</u>
					Net Position (Deficit) - Ending
					<u>\$ (22,465,871)</u>

The accompanying notes are an integral part of these financial statements.

GENERAL FUND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,761,156	\$ 3,607	\$ --	\$ 1,530,229	\$ 3,294,992
Due from federal and state governments	261,507	--	--	769,079	1,030,586
Property taxes receivable, net	1,653,320	--	--	--	1,653,320
Other receivables, net	258,200	--	--	--	258,200
Prepaid expenses	121,280	--	--	--	121,280
Due from other funds	6,547	80,545	6,606,412	3,661,904	10,355,408
Total Assets	<u>4,062,010</u>	<u>84,152</u>	<u>6,606,412</u>	<u>5,961,212</u>	<u>16,713,786</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	568,378	--	554,145	217,010	1,339,533
Accrued expenses	202,171	--	--	62,690	264,861
Due to other funds	1,218,381	--	4,394,315	4,742,712	10,355,408
Unearned revenue	48,793	--	--	323,670	372,463
Total Liabilities	<u>2,037,723</u>	<u>--</u>	<u>4,948,460</u>	<u>5,346,082</u>	<u>12,332,265</u>
Deferred Inflows of Resources					
Unavailable revenue - taxes	1,356,144	--	--	--	1,356,144
Total Deferred Inflows of Resources	<u>1,356,144</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,356,144</u>
Fund Balance					
Nonspendable	121,280	--	--	--	121,280
Restricted	--	84,152	1,657,952	615,130	2,357,234
Committed	266,107	--	--	--	266,107
Unassigned	280,756	--	--	--	280,756
Total Fund Balances	<u>668,143</u>	<u>84,152</u>	<u>1,657,952</u>	<u>615,130</u>	<u>3,025,377</u>
Total Liabilities and Fund Balances	<u>\$ 4,062,010</u>	<u>\$ 84,152</u>	<u>\$ 6,606,412</u>	<u>\$ 5,961,212</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,437,048
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(45,689,819)
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.	1,356,144
Pension related deferred outflows less pension related deferred inflows on the statement of net position	(457,465)
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position.	(137,156)
Net Position of Governmental Activities (A-1)	<u>\$ (22,465,871)</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, OTHER FINANCING SOURCES, EXPENDITURES
OTHER FINANCING USES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 15,328,980	\$ --	\$ --	\$ --	\$ 15,328,980
Interest and investment income	--	105	--	238	343
Intergovernmental	2,253,918	--	--	1,217,227	3,471,145
Fees/non-tax income	1,754,258	--	--	--	1,754,258
Other revenues	14,311	--	54,712	821,769	890,792
Total Revenues	<u>19,351,467</u>	<u>105</u>	<u>54,712</u>	<u>2,039,234</u>	<u>21,445,518</u>
Expenditures					
Current:					
General government	2,307,168	--	250,573	587,398	3,145,139
Public safety	7,231,064	--	--	64,458	7,295,522
Public works	2,191,170	--	--	--	2,191,170
Public education	149,349	--	--	--	149,349
Public recreation	634,593	--	--	143,979	778,572
Contingency	3,735	--	--	--	3,735
Employee benefits	361,265	--	--	--	361,265
Reserve	24,884	--	--	--	24,884
Retirement	2,407,850	--	--	--	2,407,850
Debt Service:					
Principal and interest	2,413,642	--	--	--	2,413,642
Capital:					
Capital expenditures	--	--	2,332,784	2,446,865	4,779,649
Total Expenditures	<u>17,724,720</u>	<u>--</u>	<u>2,583,357</u>	<u>3,242,700</u>	<u>23,550,777</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>1,626,747</u>	<u>105</u>	<u>(2,528,645)</u>	<u>(1,203,466)</u>	<u>(2,105,259)</u>
Other Financing Sources (Uses)					
Payments made to State	(600,000)	--	--	--	(600,000)
Transfers in	--	--	944,844	739,915	1,684,759
Transfers out	(944,844)	--	(739,915)	--	(1,684,759)
Net Other Financing Sources (Uses)	<u>(1,544,844)</u>	<u>--</u>	<u>204,929</u>	<u>739,915</u>	<u>(600,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing (Uses)	81,903	105	(2,323,716)	(463,551)	(2,705,259)
Fund Balance - Beginning of Year	<u>586,240</u>	<u>84,047</u>	<u>3,981,668</u>	<u>1,078,681</u>	<u>5,730,636</u>
Fund Balance - End of Year	<u>\$ 668,143</u>	<u>\$ 84,152</u>	<u>\$ 1,657,952</u>	<u>\$ 615,130</u>	<u>\$ 3,025,377</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, OTHER
FINANCING SOURCES, EXPENDITURES, OTHER FINANCING USES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS (B-2) TO THE STATEMENT OF ACTIVITIES (A-2)
FOR THE PERIOD ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds (B-2) \$ (2,705,259)

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. 2,378,346

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. 441,781

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. (250,488)

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. 8,766

**Change in Net Position of Governmental Activities in the
Statement of Activities (A-2)** \$ (126,854)

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2017

	Pension Trust Funds	OPEB Trust Fund	Agency Funds	Total
Assets				
Cash and cash equivalents	\$ 141,374	\$ --	\$ 33,106	\$ 174,480
Investments	9,028,893	221,558	--	9,250,451
Total Assets	<u>9,170,267</u>	<u>221,558</u>	<u>33,106</u>	<u>9,424,931</u>
Liabilities				
Deposits Held in Custody for Others	--	--	\$ 33,106	\$ 33,106
Net Position				
Restricted for pension and post-employment benefits	<u>\$ 9,170,267</u>	<u>\$ 221,558</u>		<u>\$ 9,391,825</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Pension Trust Funds	OPEB Trust Fund	Total
Additions			
Contributions	\$ 2,862,555	\$ 293,377	\$ 3,155,932
Investment income	220,054	13,683	233,737
Net appreciation in fair value of investments	569,114	--	569,114
Total Additions	<u>3,651,723</u>	<u>307,060</u>	<u>3,958,783</u>
Deductions			
Benefits paid to retirees	2,364,039	193,377	2,557,416
Other expenses	62,665	285	62,950
Total Deductions	<u>2,426,704</u>	<u>193,662</u>	<u>2,620,366</u>
Change in Net Position	1,225,019	113,398	1,338,417
Net Position, Restricted for Pension and Post-Employment Benefits - Beginning	<u>7,945,248</u>	<u>108,160</u>	<u>8,053,408</u>
Net Position, Restricted for Pension and Post-Employment Benefits - Ending	<u>\$ 9,170,267</u>	<u>\$ 221,558</u>	<u>\$ 9,391,825</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

RECENTLY ISSUED ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2017 the City implemented the following new accounting pronouncements:

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the fiscal year ending June 30, 2017. The effect of this standard in these financials resulted in additional disclosures and required supplementary schedules.
- GASB Statement No. 77 – *Tax Abatement Disclosures*, effective for the fiscal year ending June 30, 2017. The effect of this standard in these financials resulted in additional disclosures included in the notes to basic financial statements.
- GASB Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, effective for the fiscal year ending June 30, 2017. There has been no effect on these financial statements due to the adoption of this statement.
- GASB Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, effective for the fiscal year ending June 30, 2017. There has been no effect on these financial statements due to the adoption of this statement.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)

- GASB Statement No. 85 – *Omnibus 2017*, effective for the fiscal year ending June 30, 2017. There has been no effect on these financial statements due to the adoption of this statement.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, effective for the fiscal year ending June 30, 2017. There has been no effect on these financial statements due to the adoption of this statement.

The following are recently issued governmental accounting standards which will be applicable in future years:

- 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. 81 – *Irrevocable Split-Interest Agreements*, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective for the fiscal year ending June 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 87 – *Leases*, effective for the fiscal year ending June 30, 2019.

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

REPORTING ENTITY

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

- 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 2017:

- 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 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, 2017.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants, and grants and contributions restricted to meeting operational goals or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (not included in Government-wide statements)

Agency Funds

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

Pension Trust Funds

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

OPEB Trust Funds

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

MAJOR FUNDS

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

Special Revenue:	Retirees Supplemental Settlement
Capital Project:	Capital Reserve

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)

Retirees Supplemental Settlement

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

Capital Reserve

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

Budgets

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

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash Equivalents

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

Investments

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

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 \$840,000 at June 30, 2017. Receivable balances for the governmental activities include property taxes of \$1,653,320 and other receivables of \$1,911,520.

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

Accounts Payable

Accounts payable balances consist primarily of payables to vendors.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Rhode Island 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, 2017 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, 2017, 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).

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

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

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds (due from other funds / due to other funds).
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

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

Inter-fund transfers totaled \$1,684,759 for the year ended June 30, 2017, representing transfer from the Capital Reserve Fund to Other Governmental Funds of \$739,915 and \$944,844 representing transfer from General Fund to Capital Reserve Fund.

Net Position/Fund Balance

Government-Wide Statements

Net position is displayed in three categories:

- (a) Net investment in capital assets - Consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets or related debt would also be included in the net position component.

- (b) Restricted net position - Consists of net position restricted to specific purposes due to constraints placed on the use of those resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Government-Wide Statements (Continued)

- (c) Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements

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

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 \$(45,689,819) difference are as follows:

Bonds payable	\$ (11,110,000)
Pension liability	(27,691,403)
Net other post-employment benefit obligation	(3,267,708)
Compensated absences	(274,824)
Due to State	<u>(3,345,884)</u>
Total Differences	<u>\$ (45,689,819)</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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 \$3,027,175 difference are as follows:

Capital outlays (net of disposals)	\$ 5,436,846
Depreciation expense	<u>(2,409,671)</u>
Net difference	<u>\$ 3,027,175</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 \$418,079 difference are as follows:

Increase in compensated absences	\$ (17,004)
Increase in OPEB	(39,497)
Increase in due to State	(679,168)
Increase in pension liability	(736,252)
Debt repayments	<u>1,890,000</u>
Net difference	<u>\$ 418,079</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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)

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 (\$250,488) difference are as follows:

Deferred inflows - beginning	\$ (1,606,632)
Deferred inflows - ending	<u>1,356,144</u>
Net difference	<u>\$ (250,488)</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 (\$8,766) difference is as follows:

Change in accrued interest	<u>\$ (8,766)</u>
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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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the carrying amount of the City's deposits was \$3,469,473 and the bank balance was \$4,348,102 of which \$391,375 was covered by federal depository insurance and the remaining bank balance of \$3,956,727 was collateralized by the financial institutions and/or third parties in the name of the City.

INVESTMENTS

At June 30, 2017 the City's investments totaled \$9,250,451 (all of which are held in its Fiduciary Funds) and consisted of the following:

Description	Fair Value	Interest Rate	Maturity	Credit Rating
Fixed Income Funds	\$ 4,004,665	n/a	n/a	n/a
Equity Funds	3,631,556	n/a	n/a	n/a
Common Stock	1,392,672	n/a	n/a	n/a
Pooled Equity Index Funds	170,600	n/a	n/a	n/a
Money Market Funds	<u>50,958</u>	n/a	n/a	n/a
Total	<u>\$ 9,250,451</u>			

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

INTEREST RATE RISK

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

CREDIT RISK

The City has no investment policy that would limit its investment choices due to credit risk other than the State Statutes governing investments in obligations of any State or political subdivision or in obligations to the State of Rhode Island or political subdivision. At June 30, 2017 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. The investments were in a wide range of companies and various industries enabling the City to minimize its risk.

CUSTODIAL CREDIT RISK

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity).
Level 3 Inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

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

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME FUNDS

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

EQUITY FUNDS AND COMMON STOCK

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

POOLED EQUITY INDEX FUNDS

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

POOLED FIXED INCOME INDEX FUNDS

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in valuation methodology used in 2017.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2017:				
Fixed income funds	\$ 4,004,665	\$ --	\$ --	\$ 4,004,665
Equity funds	3,631,556	--	--	3,631,556
Common stock	1,392,672	--	--	1,392,672
Pooled Equity Index Funds	--	170,600	--	170,600
Pooled Fixed Income Index Funds	--	50,958	--	50,958
Investments at fair value	<u>\$ 9,028,893</u>	<u>\$ 221,558</u>	<u>\$ --</u>	<u>\$ 9,250,451</u>

There was no transfers between any levels during the year ended June 30, 2017.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

Activity for governmental activity capital assets is summarized below:

	<u>Balances</u> <u>July 1, 2016</u>	<u>Total</u> <u>Additions</u>	<u>Total</u> <u>Deductions</u>	<u>Balances</u> <u>June 30, 2017</u>
Capital Assets:				
Land (not being depreciated)	\$ 730,643	\$ 12,000	\$ --	\$ 742,643
Construction in progress (not depreciated)	<u>648,829</u>	<u>4,590,084</u>	<u>648,829</u>	<u>4,590,084</u>
	1,379,472	4,602,084	648,829	5,332,727
Buildings and land improvements	39,755,407	437,542	--	40,192,949
Motor vehicles	4,125,666	279,569	45,586	4,359,649
Equipment	2,052,602	73,918	--	2,126,520
Infrastructure	<u>13,244,808</u>	<u>43,733</u>	<u>--</u>	<u>13,288,541</u>
Total Capital Assets	<u>60,557,955</u>	<u>5,436,846</u>	<u>694,415</u>	<u>65,300,386</u>
Less: Accumulated Depreciation				
Buildings and land improvements	(27,141,412)	(1,864,060)	--	(29,005,472)
Motor vehicles	(3,047,613)	(323,131)	(45,586)	(3,325,158)
Equipment	(1,791,317)	(70,516)	--	(1,861,833)
Infrastructure	<u>(11,518,912)</u>	<u>(151,964)</u>	<u>--</u>	<u>(11,670,876)</u>
Total Accumulated Depreciation	<u>(43,499,254)</u>	<u>(2,409,671)</u>	<u>(45,586)</u>	<u>(45,863,339)</u>
Net Capital Assets	<u>\$17,058,701</u>	<u>\$ 3,027,175</u>	<u>\$ 648,829</u>	<u>\$ 19,437,047</u>

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

Governmental activities:	
General government	\$ 365,598
Public safety	277,026
Public works	369,299
Public recreation	154,500
Public education	<u>1,243,248</u>
Total	<u>\$ 2,409,671</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, 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	\$ 20,078
Unearned revenue - other	<u>28,715</u>
Total General Fund	<u>\$ 48,793</u>
Other Governmental Funds	
Unearned Revenue Grants	<u>\$ 323,670</u>

NOTE 6 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND OTHER DEBT

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

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

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

	<u>Amount</u>	<u>Percent</u>
General obligation municipal bonds	\$ 5,895,000	13%
R.I. Health & Education Building Corporation (RIHEBC) revenue bonds	5,215,000	11%
Net pension liability	27,691,403	61%
Net OPEB obligation	3,267,708	7%
Due to State	3,345,884	7%
Compensated absences	<u>274,824</u>	<u>1%</u>
Total	<u>\$ 45,689,819</u>	<u>100%</u>

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Schedule of long-term bond requirements:

Schedule of long-term bond and lease requirements

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,920,000	\$ 441,366	\$ 2,361,366
2019	1,955,000	362,780	2,317,780
2020	2,000,000	286,180	2,286,180
2021	555,000	207,555	762,555
2022	585,000	184,105	769,105
2023-2028	<u>4,095,000</u>	<u>536,141</u>	<u>4,631,141</u>
 Total	 <u>\$ 11,110,000</u>	 <u>\$ 2,018,127</u>	 <u>\$ 13,128,127</u>

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, 2017, the City was in compliance with this limit.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

DUE TO STATE

Due to State of \$3,345,884 at June 30, 2017 represents non-interest bearing amount due to the State of Rhode Island for receivership costs paid by the State. During fiscal 2013, legislation was passed by the State of Rhode Island allowing the City to repay the State over a period of time for these costs. In accordance with the City's bankruptcy documents, progress payments are budgeted as follows:

FY 2018	\$ 600,000
FY 2019	600,000
FY 2020	600,000
FY 2021	600,000
FY 2022	600,000
FY 2023	<u>345,884</u>
	<u>\$ 3,345,884</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	Outstanding July 1, 2016	Additions	Deductions	Outstanding June 30, 2017	Current Portion
General obligation municipal bonds	10/1/2007	7/15/2027	\$ 8,700,000	4.0%-5.5%	\$ 6,290,000	\$ --	\$ 395,000	\$ 5,895,000	\$ 415,000
RIHEBC revenue bonds	12/12/2013	5/15/2020	\$ 5,510,000	2.58%	3,610,000	--	880,000	2,730,000	895,000
RIHEBC revenue bonds	8/15/2007	4/1/2027	\$ 1,300,000	4.25%-5.00%	895,000	--	60,000	835,000	60,000
RIHEBC revenue bonds	6/29/2010	5/5/2020	\$ 750,000	5.39%	325,000	--	85,000	240,000	80,000
RIHEBC revenue bonds	6/30/2010	5/5/2020	\$ 4,250,000	6.00%	1,880,000	--	470,000	1,410,000	470,000
Total bonds and leases					<u>13,000,000</u>	<u>--</u>	<u>1,890,000</u>	<u>11,110,000</u>	<u>1,920,000</u>
Accrued compensated absences					257,820	274,824	257,820	274,824	27,482
Net pension liability					26,955,151	736,252	--	27,691,403	--
Net OPEB obligation					3,228,211	39,497	--	3,267,708	--
Due to State					<u>2,666,716</u>	<u>1,279,168</u>	<u>600,000</u>	<u>3,345,884</u>	<u>600,000</u>
Total long-term debt					<u>\$ 46,107,898</u>	<u>\$ 2,329,741</u>	<u>\$ 2,747,820</u>	<u>\$ 45,689,819</u>	<u>\$ 2,547,482</u>

Total interest paid on general long-term debt for the year ended June 30, 2017 was \$522,142.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

Interfund receivables and payables at June 30, 2017 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 6,547	\$ 1,218,381
Retirees Supplemental Settlement Fund	80,545	--
Capital Reserve Fund	6,606,412	4,394,315
Other Governmental Funds	3,661,904	4,742,712
	\$ 10,355,408	\$ 10,355,408

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

The following funds had operational and/or fund deficits:

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

	Operational	Fund Deficit
Capital Reserve	\$ 2,323,716	\$ --
Historic Trust	\$ 23,149	\$ --
Redevelopment Agency	\$ 100,000	\$ --
Property Development	\$ 5,255	\$ --
CDBG Revolving	\$ 225,491	\$ --
EPA	\$ --	\$ 1,687
Home	\$ 8,760	\$ --
ED	\$ 195,143	\$ --
EDI Comm Center	\$ 2,925	\$ 2,925
Police C.A.R.E.	\$ 1,005	\$ --
Police Special Accounts	\$ 114	\$ --
Public Federal Forfeiture	\$ 60,258	\$ --

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - FUND BALANCES

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

At June 30, 2017 *Nonspendable Fund Balance* consisted of the following:

Nonspendable fund balance:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
General Fund - prepaid expenses	\$ 121,280	\$ --	\$ --	\$ --	\$ 121,280
Total Nonspendable Fund Balance	<u>\$ 121,280</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 121,280</u>

At June 30, 2017 *Restricted Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
Retirees Supplemental Settlement	\$ --	\$ 84,152	\$ --	\$ --	\$ 84,152
Capital Reserve	--	--	1,657,952	--	1,657,952
CDBG Revolving	--	--	--	19,826	19,826
EDI Comm Center	--	--	--	(2,925)	(2,925)
2014 JAG Grant	--	--	--	993	993
Grant in Aid	--	--	--	58,306	58,306
Recreation Summer Lunch	--	--	--	17,138	17,138
Police Federal Forfeiture	--	--	--	13,876	13,876
Police Special Accounts	--	--	--	10,655	10,655
School Building Capital	--	--	--	322,553	322,553
Rural Grants	--	--	--	49	49
Emergency Equipment Replacement	--	--	--	1,987	1,987
Recycling Account	--	--	--	8,142	8,142
Property Development	--	--	--	155,924	155,924
Recreation Capital	--	--	--	4,393	4,393
EPA	--	--	--	(1,687)	(1,687)
Historic Trust	--	--	--	5,900	5,900
Total Restricted Fund Balance	<u>\$ --</u>	<u>\$ 84,152</u>	<u>\$ 1,657,952</u>	<u>\$ 615,130</u>	<u>\$ 2,357,234</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - FUND BALANCES (CONTINUED)

At June 30, 2017 *Committed Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
Sixty-day property tax collections budgeted in subsequent fiscal year	\$ 266,107	\$ --	\$ --	\$ --	\$ 266,107
Total Committed Fund Balance	<u>\$ 266,107</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 266,107</u>

At June 30, 2017 *Unassigned Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
General Fund	\$ 280,756	\$ --	\$ --	\$ --	\$ 280,756
Total Unassigned Fund Balance	<u>\$ 280,756</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 280,756</u>

NOTE 9 - PENSION PLANS

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

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

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

(a) City of Central Falls Pension Plan

PLAN DESCRIPTION

All full-time non-civilian police and fire employees hired after July 1, 1972 are eligible and must participate in this pension plan administered formerly by John Hancock Financial Services until June 3, 2011 and currently administered by the City of Central Falls. The new plan, entitled the “City of Central Falls Pension Plan”, also consolidates all payments paid to former employees and beneficiaries who retired prior to July 1, 1972 under the “1% Plan”. The plan was restated effective August 1, 2011 and delineates the new pension benefits as well as disability and death benefits. Specifically, a member may retire and receive normal retirement benefits if they have accumulated 25 years of service and are at least 57 years of age. Members earn 2% of their final average base pay for the number of completed years and months of service up to a maximum of 25 years as of their normal retirement date and 1% of their final average base pay for each additional year of service after 25 years, up to a maximum of 30 years. The base pay includes regular wages, longevity payments and holiday pay. The final average base pay is the average of the participant’s base pay for the 5 consecutive years of the last 10 years of employment that produce the highest average. After retirement a participant’s pension benefit is increased annually by 2% (COLA), but the increases are not compounded. These cost of living adjustments are made effective July 1 following a participant’s retirement date and every July 1 thereafter. The following plan information was based on an actuarial valuations completed as of July 1, 2016.

As of June 30, 2017, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	72
Active plan members	39
 Total	 145

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.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

INVESTMENT POLICY

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

For the year ended June 30, 2017 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.75 percent.

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of June 30, 2017, 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	7.50%, net of investment managements fees
Cost of living adjustments	2.0% per year without compounding

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

ASSUMED RATE OF RETURN AND TARGET ALLOCATION

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

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

ASSUMED RATE OF RETURN AND TARGET ALLOCATION (CONTINUED)

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:

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

DISCOUNT RATE

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

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, 2017, employee contributions were \$439,546. The City is required to contribute at an actuarially determined rate; the current rate is 51.7% of annual covered payroll. The employer contribution for the fiscal year ended June 30, 2017 was \$2,423,009.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

NET PENSION LIABILITY

The following presents the net pension liability of the system calculated using the discount rate of 7.50%, as well as the sensitivity of the net pension liability to changes in the discount rate and what the system's net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 29,821,153	\$ 25,532,570	\$ 22,098,193

The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 26.6%.

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, 2016	\$ 32,872,594	\$ 7,945,248	\$ 24,927,346
Service cost	604,729	--	604,729
Interest	2,423,750	--	2,423,750
Interest on benefit payments	--	--	--
Experience (gain) and loss	(376,824)	--	(376,824)
Employer contributions	--	2,423,009	(2,423,009)
Employee contributions	--	439,546	(439,546)
Expenses	--	(62,664)	62,664
Change in assumptions*	1,362,628	--	1,362,628
Benefit payments	(2,364,040)	(2,364,040)	--
Net investment income	--	789,168	(789,168)
Net Changes	1,650,243	1,225,019	425,224
Balance as of June 30, 2017	\$ 34,522,837	\$ 9,170,267	\$ 25,352,570

* The change in assumptions is related to a change in the rate of investment return from 5.75% to 7

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

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

For the year ended June 30, 2017 the employer recognized pension expense of \$2,463,475. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in assumptions	\$ 4,902,450	\$ 4,666,524
Contributions and proportionate share of contributions	--	195,939
Net asset (gain)	368,831	283,410
Differences between Expected and Actual Experience	192,179	960,954
Total	<u>\$ 5,463,460</u>	<u>\$ 6,106,827</u>

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

Year Ending June 30	Inflows of Resources
2018	\$ 360,010
2019	360,009
2020	(389,482)
2021	(875,657)
2022	<u>(98,247)</u>
Total	<u>\$ (643,367)</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

PLAN DESCRIPTION

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

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

BENEFITS PROVIDED

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

KEY PLAN TERMS

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

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

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

KEY PLAN TERMS (CONTINUED)

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

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

RETIREMENT BENEFITS

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

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

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

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

RETIREMENT BENEFITS (CONTINUED)

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

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

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

OTHER BENEFIT PROVISIONS

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

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

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

OTHER BENEFIT PROVISIONS (CONTINUED)

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

EMPLOYEES COVERED BY BENEFIT TERMS

At the June 30, 2015 valuation date, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	72
Active plan members	<u>39</u>
Total	<u><u>145</u></u>

CONTRIBUTIONS

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. The City of Central Falls contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City of Central Falls contributed \$269,399 in the year ended June 30, 2017 which was 13.66% of annual covered payroll.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by actuarial valuations performed as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2017 measurement date	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 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, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

ASSUMED RATE OF RETURN AND TARGET ALLOCATION

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	<u>100.00%</u>	

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

DISCOUNT RATE

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2015	\$ 6,915,015	\$ 4,887,210	\$ 2,027,805
Service Cost	116,360		116,360
Interest on the total pension liability	500,546		500,546
Difference between expected and actual experience	(2,161)		(2,161)
Employer contributions		269,399	(269,399)
Employee contributions		35,604	(35,604)
Net investment income		(1,594)	1,594
Other changes		4,596	(4,596)
Administrative expense		(4,288)	4,288
Benefit payments, including employee refunds	(598,500)	(598,500)	--
Net Changes	<u>16,245</u>	<u>(294,783)</u>	<u>311,028</u>
Balance as of June 30, 2016	<u>\$ 6,931,260</u>	<u>\$ 4,592,427</u>	<u>\$ 2,338,833</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%
\$ 3,095,188	\$ 2,338,833	\$ 1,719,580

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 the employer recognized pension expense of \$205,861. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Experience	\$ --	\$ 119,745
Differences in Assumptions	--	1,221
Excess (Deficit) Investment Returns	436,791	129,923
Total	\$ 436,791	\$ 250,889

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
2018	\$ (12,974)
2019	6,113
2020	121,335
2021	71,428
Total	\$ 185,902

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS (CONTINUED)

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

DEFINED CONTRIBUTION PLAN DESCRIPTION

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

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 \$19,540, for the fiscal year ended June 30, 2017.

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. The trust is accounted for as an OPEB trust fund in the City's financial statements. As of June 30, 2017, there are no separate financial statements available for the Plan.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

CLASSES OF EMPLOYEES COVERED

As of July 1, 2017 (the date of the last actuarial valuation), the membership data was as follows:

Retired and spouses	41
Active plan members	<u>139</u>
Total	<u><u>180</u></u>

BASIS OF ACCOUNTING

The OPEB trust fund financial statements are prepared on the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits and administration) are recognized when they are due and payable in accordance with terms of the plan.

VALUATION OF INVESTMENTS

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

FUNDING POLICY

The City's funding policy provides for actuarially determined periodic contributions to the plans at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due. Municipal retirees are required to contribute 20% of the health care cost between ages 62 to 65, and 100% of the premium prior to age 62. Retired police officers and firefighters may elect to be covered by the City's medical plan until age 65 and must pay 20% co-shares. Coverage reverts to COBRA for 36 months upon death of the member, or until the spouse reaches age 65, whichever occurs first. The annual OPEB cost was estimated from the June 30, 2016 actuarial valuation using the projected unit credit funding method. The actuarial assumptions included a 4.0% unfunded discount rate and the SOA RP-2014 Blue Collar Mortality with Scale MP-2016 Improvements and RP 2000 Disabled Mortality Table.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

NET OPEB LIABILITY

The City's net OPEB liability is calculated based on the annual required contribution of the employer and employees in accordance with the parameters of GASB Statement 74. The following table shows the components of the City's net OPEB liability for the year, the amount actually contributed to the plan, and changes in the City's net OPEB liability.

The components of the net OPEB liability of the City as of June 30, 2017 were as follows:

	OPEB Liability (a)	Increase (Decrease) Net Position Restricted for OPEB (b)	Net OPEB Liability (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance as of June 30, 2016	\$ 3,848,869	\$ 108,160	\$ 3,740,709
Service cost	60,202	--	60,202
Interest	286,327	--	286,327
Employer contributions	--	293,377	(293,377)
Expenses	--	(285)	285
Benefit payments	(186,131)	(193,377)	7,246
Net investment income	--	13,683	(13,683)
Net Changes	<u>160,398</u>	<u>113,398</u>	<u>47,000</u>
Balance as of June 30, 2017	<u>\$ 4,009,267</u>	<u>\$ 221,558</u>	<u>\$ 3,787,709</u>

Plan fiduciary net position as percentage of total OPEB liability 5.53%

The City's net OPEB liability will be required to be recorded on the government-wide financial statement of net position at June 30, 2018.

CITY OF CENTRAL FALLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Interest	Full Prefunding: 7.5%, net of investment expenses								
Actuarial Cost Method	Entry Age Normal								
Medical Care Inflation	<table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: left;">Year</td> <td style="text-align: left;">Inflation Rate</td> </tr> <tr> <td>2017</td> <td>5.5%</td> </tr> <tr> <td>2018</td> <td>5.0%</td> </tr> <tr> <td>2019+</td> <td>4.5%</td> </tr> </table>	Year	Inflation Rate	2017	5.5%	2018	5.0%	2019+	4.5%
Year	Inflation Rate								
2017	5.5%								
2018	5.0%								
2019+	4.5%								
Participation	70% of future retirees are assumed to participate in the retiree medical plan								
Marital Status	85% of male employees and 65% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.								
Termination Benefit	No benefits will be payable for terminations prior to retirement eligibility.								
Medical Plan Costs	The City is treated as community rated and therefore, the expected claims costs does not include the implicit subsidy. It is assumed that future retirees participate in the same manner as current retirees. Employee cost sharing is based on 20% of current unadjusted rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.								
Pre-Age 65 Retirees	<p>Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.</p> <p>Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.</p>								
Post-Age 65 Retirees	Current retirees over age 65 remain in their current medical plan until death for purposes of measuring their contributions. It is assumed that all current retirees under 65 will participate in the same proportion as current retirees over 65. Per capital costs were developed from the City developed monthly costs. Amounts to be received in the future for Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.								
Mortality	It is assumed that both pre-retirement and post-retirement mortality are represented by the SOA RP-2014 Blue Collar Mortality with Scale MP-2016 improvements, fully generational, 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, 2017

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

DISCOUNT RATE

The City selected 7.5% as the long-term expectation of investment returns and the resulting discount rate is also 7.5%.

The discount rate 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. Based on these laws and above assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current discount rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total OPEB Liability	\$ 4,547,492	\$ 4,009,267	\$ 3,565,832
Plan Fiduciary Net Position	221,558	221,558	221,558
Net OPEB Liability	\$ 4,325,934	\$ 3,787,709	\$ 3,344,274

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 284,360
Interest on net OPEB obligation	242,116
Adjustment to annual required contribution	<u>(193,602)</u>
Annual OPEB cost (expense)	332,874
Contributions made	<u>(293,377)</u>
Increase in net OPEB obligation	39,497
Net OPEB obligation-beginning of year	<u>3,228,211</u>
Net OPEB obligation-end of year	<u>\$ 3,267,708</u>

The City's annual OPEB cost, contributions made, percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation for June 30, 2017, 2016, and 2015 is as follows:

Trend Information

Fiscal Year Ending	Annual OPEB Cost	Contributions Made	% of OPEB Contributed	Net OPEB Obligation
6/30/2017	\$ 332,874	\$ 293,377	88.1%	\$ 3,267,708
6/30/2016	\$ 373,576	\$ 290,305	77.7%	\$ 3,228,211
6/30/2015	\$ 361,565	\$ 222,119	61.4%	\$ 3,144,940

The required supplementary information which follows the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

ANNUAL OPEB COST AND NET OPEB OBLIGATION (CONTINUED)

Actuarial Value of Assets Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (AVA) (1)	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)	
6/30/2017	\$ 221,559	\$ 3,961,411	\$ 3,739,852	6%	\$ 6,787,861	55.10%
6/30/2015	\$ --	\$ 3,969,550	\$ 3,969,550	0%	\$ 5,872,102	67.60%
6/30/2013	\$ --	\$ 12,000,546	\$ 12,000,546	0%	\$ 6,214,955	193.09%

NOTE 11 - 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 reductions in insurance coverage during the year ended June 30, 2017.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 12 - 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 at 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, 2017 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 13 - TAX ABATEMENTS

The City enters into tax abatement agreements with local businesses under its *Economic Expansion Incentive Program*, under the City's Ordinance Section 2-332. Under the Program, the City has two plans.

The first program is the Job Creation Incentive Plan, is offered to any business operating within city limits that creates and/or adds a minimum of five new permanent full-time or full-time equivalent jobs will be eligible for tax exemptions for additional tangible personal property located at the business sites.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 13 - TAX ABATEMENTS (CONTINUED)

The second program is the Real Property Improvement Plan, which is offered to any property owner renovating or upgrading any property within the City where such renovations or upgrades, as approved by the building inspector, result in an increase in the assessed value of the structure, as determined by the tax assessor.

For the fiscal year ended June 30, 2017, the City abated \$86,359 under this program, including the following tax abatement:

Purpose	Percentage of Taxes Abated During FY2017	Amount of Taxes Abated During FY2017
Job Creation Incentive Plan	33.51%	\$ 49,542
Real Property Improvement Plan	44.59%	\$ 36,817

The City's individual tax abatement agreements include the following:

- A twelve year property tax abatement was entered into in 2016 for the renovation of a historic building and to expand the number of apartments in the City. The abatement is for a declining stabilization rate and amounted to \$49,542 during FY2017.
- A twelve year property tax abatement was entered into in 2016 to increase the number of jobs in the City and to completely renovate a rundown building in a high traffic area of the City. The abatement amounted to \$19,021 during FY2017.
- A twelve year property tax abatement was entered into in 2016 increase the number of jobs in the City. The abatement amounted to \$17,796 during FY2017.

NOTE 14 – RESTATEMENT – CORRECTION OF ERRORS

The net deficit as of June 30, 2016 was restated due to correction of errors in the capital asset ledger due to errors on the ledger excluding some assets. The effect of the corrections on the government wide financial statement is presented below.

Net deficit, June 30, 2016, as previously stated	\$ (22,517,304)
Correction for assets that were incorrectly included	<u>178,287</u>
Net deficit, June 30, 2016, as restated	<u>\$ (22,339,017)</u>

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

CITY OF CENTRAL FALLS

D-1

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - OPEB TRUST

LAST TEN YEARS

Schedule of funding progress for the Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage Of Covered Payroll ((a-b)/c)
6/30/2017	\$ 221,559	\$ 3,961,411	\$ (3,739,852)	5.59%	\$ 6,787,861	-55.10%
6/30/2015	\$ --	\$ 3,969,550	\$ (3,969,550)	0%	\$ 5,872,102	-67.60%
6/30/2013	\$ --	\$ 12,000,546	\$ (12,000,546)	0%	\$ 6,214,955	-193.09%
12/31/2011	\$ --	\$ 14,112,791	\$ (14,112,791)	0%	\$ 3,620,778	-389.77%
6/30/2010	\$ --	\$ 32,011,503	\$ (32,011,503)	0%	N/A	N/A
6/30/2009	\$ --	\$ 30,693,955	\$ (30,693,955)	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2014	\$ 586,612	49%
6/30/2015	\$ 356,192	62%
6/30/2016	\$ 367,954	79%
6/30/2017	\$ 284,360	103%

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Tax Revenue				
Tax revenue (current year)	\$ 14,105,828	\$ 14,105,828	\$ 15,065,275	\$ 959,447
Tax revenue (prior years)	255,162	255,162	231,802	(23,360)
Emergency Reserve Fund	(141,058)	(141,058)	--	141,058
Total Tax Revenue	<u>14,219,932</u>	<u>14,219,932</u>	<u>15,297,077</u>	<u>1,077,145</u>
Fees / Non-Tax Revenue				
Interest on taxes	246,986	246,986	360,605	113,619
VIN check fees	19,126	19,126	24,915	5,789
Probate fees	12,328	12,328	4,407	(7,921)
Realty Stamps	36,872	36,872	53,809	16,937
Real Estate Recordings	52,211	52,211	62,133	9,922
Licenses (other than marriage)	76,344	76,344	68,445	(7,899)
Certificates (vital records)	10,727	10,727	16,100	5,373
Marriage Licenses	947	947	1,696	749
Reports/copying fees	1,975	1,975	1,485	(490)
City Clerk miscellaneous fees	11,811	11,811	16,013	4,202
Fire code inspection fees/other fire permits	6,459	6,459	13,948	7,489
Alarm box fees & smoke detector certificates	27,687	27,687	22,605	(5,082)
Rescue runs	350,000	350,000	377,966	27,966
Hazardous material permits	1,907	1,907	1,000	(907)
Building permits	30,505	30,505	39,990	9,485
Plumbing & mechanical permits	19,373	19,373	24,482	5,109
Electrical permits	15,863	15,863	16,754	891
Certificates of occupancy	3,625	3,625	5,100	1,475
CARE account revenue	19,516	19,516	18,910	(606)
Municipal Court Fees/Traffic Fines/Other Fines	108,060	108,060	131,567	23,507
Administrative and Other Fees	48,012	48,012	28,222	(19,790)
Vehicle Fees for Road Details	67,828	67,828	13,680	(54,148)
Code Court Fees	1,500	1,500	--	(1,500)
Property preservation revenue	8,936	8,936	14,498	5,562
Misc. departmental revenue	81,770	81,770	145,629	63,859
Local Pilot Revenue	269,877	269,877	274,426	4,549
Public works	8,370	8,370	13,681	5,311
Restitution	--	--	2,192	2,192
Total Fees / Non-Tax Revenue	<u>1,538,615</u>	<u>1,538,615</u>	<u>1,754,258</u>	<u>215,643</u>
State Revenue				
Motor Vehicle Phase out	96,208	96,208	102,184	5,976
Distressed Communities Aid	187,737	187,737	226,497	38,760
Public Service Corporation Tax/Telephone tax	239,912	239,912	242,093	2,181
Hotel/meals & beverage tax	130,000	130,000	122,787	(7,213)
School Housing Aid - Direct payment	1,417,173	1,417,173	1,436,697	19,524
School Housing Aid - RIHBEC reimbursement	--	--	19,524	19,524
Debt Service QSCB Subsidy	117,533	117,533	54,771	(62,762)
Non Profit Organizations	24,507	24,507	24,507	--
Miscellaneous state aid/grants	27,329	27,329	24,858	(2,471)
Total State Revenue	<u>2,240,399</u>	<u>2,240,399</u>	<u>2,253,918</u>	<u>13,519</u>
Other Income				
Misc. other revenue	11,961	11,961	14,311	2,350
Total Other Income	<u>11,961</u>	<u>11,961</u>	<u>14,311</u>	<u>2,350</u>
TOTAL REVENUES	<u>18,010,907</u>	<u>18,010,907</u>	<u>19,319,564</u>	<u>1,308,657</u>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT				
City Executive Management				
Salaries	182,241	182,241	218,031	(35,790)
Social Security	11,299	11,299	13,423	(2,124)
Medicare	2,642	2,642	3,139	(497)
Municipal State Pension	24,566	24,566	29,452	(4,886)
TIAA-Cref	2,734	2,734	2,188	546
Medical Insurance	8,108	8,108	8,535	(427)
Dental Insurance	593	593	628	(35)
Supplies - Executive	1,000	1,000	3,985	(2,985)
Community Outreach	8,000	28,933	32,658	(3,725)
Professional Development & Training	5,000	7,068	9,739	(2,671)
Total City Executive Management	<u>246,183</u>	<u>269,184</u>	<u>321,778</u>	<u>(52,594)</u>
City Council				
Stipends	20,580	20,580	20,580	--
Total City Council	<u>20,580</u>	<u>20,580</u>	<u>20,580</u>	<u>--</u>
City Clerk				
Salaries	194,837	194,837	183,170	11,667
Longevity	4,000	4,000	2,000	2,000
Social Security	12,328	12,328	11,087	1,241
Medicare	2,883	2,883	2,593	290
Municipal State Pension	26,803	26,803	24,896	1,907
TIAA Cref	2,983	2,983	1,849	1,134
Medical Insurance	33,657	33,657	22,333	11,324
Dental Insurance	2,993	2,993	2,064	929
Dues/subscriptions	510	510	510	--
Non-capital equipment	510	510	2,223	(1,713)
Claims/Settlement	10,000	10,000	22,128	(12,128)
Other professional services	28,000	28,000	25,205	2,795
Education & Training	1,000	1,000	692	308
Total City Clerk	<u>320,504</u>	<u>320,504</u>	<u>300,750</u>	<u>19,754</u>
Board of Canvassers				
Election workers	19,500	19,500	21,765	(2,265)
Total Board of Canvassers	<u>19,500</u>	<u>19,500</u>	<u>21,765</u>	<u>(2,265)</u>
Personnel				
Workers Compensation	79,678	79,678	76,606	3,072
Other professional services	40,000	40,000	42,862	(2,862)
Education & training	2,000	2,000	7,298	(5,298)
Testing	12,000	16,435	17,477	(1,042)
Total Personnel	<u>133,678</u>	<u>138,113</u>	<u>144,243</u>	<u>(6,130)</u>
Legal				
Salaries	124,137	124,137	124,149	(12)
Social Security	7,697	7,697	7,532	165
Medicare	1,800	1,800	1,761	39
Municipal State Pension	6,219	6,219	6,211	8
TIAA Cref	692	692	462	230
Medical Insurance	9,868	9,868	9,775	93
Dental Insurance	899	899	897	2
Legal contingencies	15,000	15,000	16,782	(1,782)
Other professional services	35,000	35,000	54,995	(19,995)
Total Legal	<u>201,312</u>	<u>201,312</u>	<u>222,564</u>	<u>(21,252)</u>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Tax Assessor				
Salaries	39,323	39,323	40,126	(803)
Longevity Pay	2,000	2,000	1,000	1,000
Social Security	2,562	2,562	2,514	48
Medicare	599	599	588	11
Municipal State Pension	5,570	5,570	5,419	151
TIAA Cref	620	620	403	217
Dental Insurance	976	976	897	79
Dues/subscriptions	1,082	1,082	1,162	(80)
Other professional services	60,000	60,000	76,596	(16,596)
Total Tax Assessor	<u>112,732</u>	<u>112,732</u>	<u>128,705</u>	<u>(15,973)</u>
Finance				
Salaries	274,210	274,210	275,936	(1,726)
Longevity Pay	3,500	3,500	5,000	(1,500)
Sick incentive pay	622	622	622	--
Social Security	17,218	17,218	16,231	987
Medicare	4,027	4,027	3,796	231
Municipal State Pension	37,435	37,435	35,301	2,134
TIAA Cref	4,166	4,166	2,621	1,545
Medical Insurance	49,339	49,339	47,244	2,095
Dental Insurance	3,891	3,891	3,733	158
Postage	22,536	22,536	22,536	--
Collection agency	14,179	5,569	2,281	3,288
Accounting/auditing	68,000	68,000	73,706	(5,706)
Other professional services	53,233	54,733	60,223	(5,490)
Education & training	1,000	1,000	274	726
Total Finance	<u>553,356</u>	<u>546,246</u>	<u>549,504</u>	<u>(3,258)</u>
City Property				
Office supplies	8,500	14,703	9,154	5,549
Other supplies	5,000	5,000	4,997	3
Janitorial Supplies	1,730	1,730	2,830	(1,100)
Dues/Subscriptions	3,500	3,500	3,026	474
Non-capital equipment	3,000	3,000	11,817	(8,817)
Advertising	18,500	18,500	13,846	4,654
IT Consulting services	20,400	20,400	62,853	(42,453)
R&M Contracts - City Buildings	40,800	40,800	44,782	(3,982)
General liability insurance	235,485	235,485	230,526	4,959
Misc. City Property	2,040	2,040	102,440	(100,400)
Heating fuel (Police)	12,240	12,240	6,194	6,046
Heating fuel (Fire)	21,244	21,244	12,272	8,972
Water Public Safety Complex	19,380	19,380	19,322	58
Telephone (Police)	15,000	15,000	19,562	(4,562)
Telephone (Fire)	10,000	10,000	9,967	33
Electric-Police	31,620	31,620	24,072	7,548
Electric-Fire	31,620	31,620	23,648	7,972
Custodial Services - Public Safety	25,500	25,500	19,968	5,532
Heating fuel (DPW)	6,120	6,120	5,382	738
DPW Water/Sewer	3,467	3,467	3,535	(68)
Telephone-DPW Building	4,080	4,080	3,800	280
Electric-DPW Building	21,420	21,420	19,521	1,899
DPW Custodial Services	6,398	6,398	5,100	1,298
Heating Fuel-Other City Buildings	7,140	7,140	5,812	1,328
Telephone Other City Buildings	21,000	21,000	24,285	(3,285)
Repairs/Maint.-Other City Buildings	5,000	5,000	14,606	(9,606)
Water/Sewer-Other City Buildings	20,000	22,100	24,498	(2,398)
Electric-Other City Buildings	37,965	37,965	37,344	621
Custodial Services - Other City Buildings	11,028	11,028	9,900	1,128
Hydrants	115,000	115,000	127,609	(12,609)
Sewer/ NBC	10,000	10,000	4,712	5,288
Street lights	226,440	247,440	280,423	(32,983)
Total City Property	<u>1,000,617</u>	<u>1,029,920</u>	<u>1,187,803</u>	<u>(157,883)</u>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
City Boards				
Pension board	675	675	169	506
Personnel board	675	675	675	--
Purchasing board	675	675	731	(56)
Appeals board	900	900	1,150	(250)
Planning board	1,125	1,125	1,088	37
Zoning board	1,750	1,750	1,750	--
Canvassers board	2,100	2,100	1,575	525
Housing authority board	2,750	2,750	2,338	412
Total City Boards	<u>10,650</u>	<u>10,650</u>	<u>9,476</u>	<u>1,174</u>
TOTAL GENERAL GOVERNMENT	<u>2,619,112</u>	<u>2,668,741</u>	<u>2,907,168</u>	<u>(238,427)</u>
PUBLIC SAFETY				
Police Department				
Salaries	2,179,115	2,159,115	2,034,668	124,447
Police trainee wages	1,410	1,410	29,840	(28,430)
Overtime	168,000	168,000	229,255	(61,255)
Special Investigations Overtime	10,000	10,000	15,078	(5,078)
Community Policing	24,031	24,031	23,759	272
K-9	4,082	4,082	4,685	(603)
Holiday pay	136,195	136,195	125,768	10,427
Longevity pay	73,500	73,500	68,500	5,000
Detective Stipends	7,956	7,956	7,950	6
Clothing/tool allowances	45,500	45,500	45,967	(467)
Sick Incentive Pay	3,061	3,061	8,040	(4,979)
Police Social Security	87	87	2,057	(1,970)
Police Medicare	35,189	35,189	43,482	(8,293)
Police Medical Insurance	216,401	216,401	206,596	9,805
Police Dental Insurance	24,524	24,524	22,788	1,736
Injuries/Medical (Work Related Injuries)	51,393	51,393	27,830	23,563
Office supplies	4,000	4,500	4,486	14
Other supplies	8,200	9,100	7,942	1,158
Vehicle fuel	55,000	55,000	51,635	3,365
Dues/Subscriptions	816	816	730	86
Detective supplies	4,500	8,700	8,022	678
Non-capital equipment	5,000	5,000	4,729	271
General R & M	7,000	14,062	13,426	636
Vehicle R & M	26,000	28,500	29,582	(1,082)
Other professional services	93,120	93,120	90,616	2,504
Finger printing	2,500	2,500	2,440	60
Education & training	20,000	20,300	19,012	1,288
College tuitions	30,000	14,538	13,592	946
Salaries (Animal control)	37,473	37,473	37,469	4
Overtime (Animal control)	648	648	1,077	(429)
Longevity pay (Animal Control)	1,500	1,500	1,500	--
Sick Incentive Pay (Animal control)	--	--	422	(422)
Clothing/tool allowance (Animal control)	350	350	350	--
Social Security (Animal control)	2,438	2,438	2,488	(50)
Medicare (Animal control)	570	570	582	(12)
Municipal State Pension (Animal control)	5,301	5,301	5,246	55
TIAA-Cref - Animal Control	590	590	389	201
Medical Insurance (Animal control)	4,054	4,054	4,017	37
Dental Insurance (Animal control)	296	296	296	--
Boarding of animals (Animal control)	2,000	2,000	1,098	902
Clerk & IT Salaries	81,381	81,381	81,370	11
Clerk & IT Overtime	425	425	1,798	(1,373)
Clerk & IT Longevity Pay	4,500	4,500	4,500	--
Clerk & IT Sick Incentive Pay	520	520	--	520
Clothing/tool allowances civilian	350	350	350	--
Clerk & IT Social Security	5,346	5,346	5,125	221
Clerk & IT Medicare	1,250	1,250	1,198	52
Municipal State Pension (Civilian Staff)	11,624	11,624	11,561	63
TIAA-Cref - Civilian	1,293	1,293	408	885
Clerk & IT Medical Insurance	19,736	19,736	19,549	187
Clerk & IT Dental Insurance	1,798	1,798	1,793	5
Dispatcher Salaries	318,563	318,563	274,223	44,340
Dispatcher & Clerk Overtime	35,000	35,000	36,851	(1,851)
Dispatcher Holiday Pay	19,910	19,910	13,227	6,683

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Police Department (Continued)				
Dispatchers Longevity	7,000	7,000	--	7,000
Dispatchers Sick Incentive Pay	964	964	606	358
Dispatcher clothing/tool allowances	2,800	2,800	2,450	350
Dispatcher Social Security	21,651	21,651	19,762	1,889
Dispatchers Medicare	5,064	5,064	4,621	443
Municipal State Pension (Dispatch)	47,074	47,074	39,180	7,894
TIAA-Cref - Dispatch	5,238	5,238	2,910	2,328
Dispatcher & Clerk Medical Insurance	55,687	55,687	40,752	14,935
Dispatcher & Clerk Dental Insurance	5,383	5,383	4,302	1,081
Public Safety Dispatcher Shared Equip R&M	6,000	6,000	5,886	114
Total Police Department	3,950,357	3,930,357	3,769,831	160,526
Fire Department				
Salaries-Fire	2,108,182	2,108,182	2,164,747	(56,565)
Fire Trainee Wages	--	--	27,397	(27,397)
Stipend	250	250	250	--
Overtime-Fire	165,000	165,000	304,297	(139,297)
Holiday pay-Fire	129,664	129,664	137,275	(7,611)
Longevity pay-Fire	76,000	76,000	76,000	--
Out of rank pay	13,714	13,714	10,529	3,185
Rescue pay	6,864	6,864	7,280	(416)
Sick incentive pay -Fire	7,490	7,490	7,606	(116)
Clothing/tool allowance-Fire	37,000	37,000	38,000	(1,000)
Social Security-Fire	2,173	2,173	2,978	(805)
Medicare-Fire	34,193	34,193	37,817	(3,624)
Municipal State Pension-Fire Clerk	4,725	4,725	7,189	(2,464)
TIAA-Cref - Fire Clerk	526	526	553	(27)
Medical Insurance-Fire	279,661	279,661	268,394	11,267
Dental Insurance-Fire	27,220	27,220	27,159	61
Injuries/Medical (Work Related Injuries)-Fire	77,868	77,868	49,784	28,084
Other supplies-Fire	20,000	16,327	16,327	--
Vehicle fuel-Fire	20,000	14,755	14,755	--
Dues/subscriptions-Fire	1,000	897	897	--
Non-capital equipment-Fire	6,000	5,947	5,947	--
Fire Fighter Equipment	15,000	22,467	--	22,467
General R & M-Fire	5,000	7,440	--	7,440
Vehicle R & M-Fire	37,740	37,002	28,244	8,758
Education & training-Fire	10,000	10,000	25,098	(15,098)
College tuitions-Fire	5,000	4,904	4,904	--
Other professional services-Fire	45,186	45,186	73,951	(28,765)
Total Fire Department	3,135,456	3,135,455	3,337,378	(201,923)
Municipal Court				
Salaries - Municipal	42,077	42,077	42,072	5
Overtime - Municipal	1,000	1,000	1,896	(896)
Court Security	500	500	928	(428)
Longevity Pay	2,500	2,500	2,500	--
Sick Incentive Pay	520	520	474	46
Social Security	2,796	2,796	2,745	51
Medicare	654	654	642	12
Municipal State Pension	6,079	6,079	6,000	79
TIAA-Cref - Municipal Court	676	676	557	119
Medical Insurance	9,868	9,868	9,775	93
Dental Insurance	899	899	897	2
Office supplies	6,500	7,407	7,369	38
Municipal Court Judge	14,000	14,000	14,000	--
Housing Court Judge	12,000	12,000	12,000	--
Probate Court Judge	12,000	12,000	12,000	--
Total Municipal Court	112,069	112,976	113,855	(879)
Inspection Officers				
Plumbing officer	5,200	5,200	5,000	200
Electrical inspector	5,200	5,200	5,000	200
Total Inspection Officers	10,400	10,400	10,000	400
TOTAL PUBLIC SAFETY	7,208,282	7,189,188	7,231,064	(41,876)

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS				
Highway Department				
Salaries-DPW/Code	576,313	576,313	564,613	11,700
Overtime-DPW/Code	45,000	45,000	45,959	(959)
Longevity pay-DPW/Code	21,000	21,000	23,000	(2,000)
Sick Incentive Pay-DPW/Code	555	555	555	--
Clothing/tool allowance-DPW/Code	3,150	3,150	2,800	350
Backhoe Lic	--	--	300	(300)
Social Security-DPW/Code	37,067	37,067	38,116	(1,049)
Medicare-DPW/Code	8,669	8,669	8,914	(245)
Municipal State Pension-DPW/Code	75,198	75,198	74,242	956
TIAA-Cref - DPW/Code	8,368	8,368	4,349	4,019
Medical Insurance-DPW/Code	82,996	82,996	82,214	782
Dental Insurance-DPW/Code	7,487	7,487	7,469	18
Other supplies-DPW/Code	2,040	20,140	24,562	(4,422)
Other Professional Services-DPW/Code	31,000	31,000	26,635	4,365
Education & training-DPW/Code	1,000	1,000	--	1,000
Property protection-DPW/Code	10,000	4,000	156	3,844
Vehicle Fuel-DPW/Code	20,000	16,900	12,924	3,976
Non-capital equipment-DPW/Code	6,000	12,000	10,165	1,835
Winter road supplies-DPW/Code	40,000	40,000	31,539	8,461
General R & M-DPW/Code	5,000	5,000	4,677	323
Vehicle R & M-DPW/Code	50,000	50,000	48,162	1,838
DPW Building R&M-DPW/Code	2,000	2,000	1,991	9
Road R & M-DPW/Code	220,000	220,000	380,304	(160,304)
Traffic Signal R & M-DPW/Code	3,000	3,000	2,872	128
Misc. Highway-DPW/Code	500	500	147	353
Total Highway Department	<u>1,256,343</u>	<u>1,271,343</u>	<u>1,396,665</u>	<u>(125,322)</u>
Public Works				
Solid waste removal/disposal	135,000	135,000	144,505	(9,505)
Trash Removal/Recycling	650,000	650,000	650,000	--
Total Public Works	<u>785,000</u>	<u>785,000</u>	<u>794,505</u>	<u>(9,505)</u>
TOTAL PUBLIC WORKS	<u>2,041,343</u>	<u>2,056,343</u>	<u>2,191,170</u>	<u>(134,827)</u>
PUBLIC EDUCATION				
Library				
City Contribution	118,825	118,825	118,825	--
State Library Grant-In-Aid	27,329	27,329	30,524	(3,195)
TOTAL PUBLIC EDUCATION	<u>146,154</u>	<u>146,154</u>	<u>149,349</u>	<u>(3,195)</u>
PUBLIC RECREATION				
Parks, Recreation And Community Service				
Salaries	51,250	51,250	51,255	(5)
Temporary Salary	18,735	18,735	21,590	(2,855)
Stipends	15,000	15,000	13,966	1,034
Grant Writer	35,875	35,875	35,872	3
Street Beautification Workers	27,343	27,343	38,544	(11,201)
Social Security	8,259	8,259	9,127	(868)
Medicare	1,931	1,931	2,130	(199)
Municipal State Pension	6,909	6,909	12,303	(5,394)
TIAA-Cref - Parks/Recreation	769	769	914	(145)
Salaries-Afterschool	56,420	28,817	34,693	(5,876)
Social Security-Afterschool Program	3,498	3,498	1,557	1,941
Medicare-Afterschool Program	818	818	369	449
Municipal State Pension - Afterschool Program	2,979	2,979	--	2,979
TIAA-Cref - Afterschool Program	332	332	--	332
Other supplies	11,100	12,020	22,149	(10,129)
General R & M	11,719	11,719	14,330	(2,611)
Other professional services	5,000	35,944	36,809	(865)
Public events & activities	10,000	15,000	14,872	128
Education and Training	1,000	1,000	981	19
Misc. recreation	2,000	22,000	21,150	850
Total Parks, Recreation and Community Service	<u>270,937</u>	<u>300,198</u>	<u>332,611</u>	<u>(32,413)</u>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Planning				
Salaries	153,275	138,775	151,816	(13,041)
Social Security	9,503	5,503	9,446	(3,943)
Medicare	2,222	1,922	2,209	(287)
Municipal State Pension	20,661	19,161	21,043	(1,882)
TIAA-Cref - Planning	2,299	1,499	1,564	(65)
Medical Insurance	17,976	4,576	5,690	(1,114)
Dental Insurance	1,491	991	630	361
Other supplies	5,000	5,000	5,034	(34)
Education/Training	10,000	10,000	12,972	(2,972)
Other Professional Services	40,453	88,453	91,578	(3,125)
Total Planning	<u>262,880</u>	<u>275,880</u>	<u>301,982</u>	<u>(26,102)</u>
TOTAL PUBLIC RECREATION	<u>533,817</u>	<u>576,078</u>	<u>634,593</u>	<u>(58,515)</u>
CITY DEBT SERVICE				
Bond principal	1,890,000	1,890,000	1,890,000	--
Bond interest	522,142	522,142	522,142	--
Other debt fees	2,000	2,000	1,500	500
TOTAL CITY DEBT SERVICE	<u>2,414,142</u>	<u>2,414,142</u>	<u>2,413,642</u>	<u>500</u>
CONTINGENCY				
General contingencies	205	205	3,735	(3,530)
TOTAL CONTINGENCY	<u>205</u>	<u>205</u>	<u>3,735</u>	<u>(3,530)</u>
OTHER CITY GOVERNMENT				
Compensated absences	33,518	33,518	16,951	16,567
Unemployment compensation	13,000	13,000	6,451	6,549
Group Life	11,000	11,000	10,013	987
Medical insurance	210,458	210,458	120,006	90,452
OPEB	100,000	100,000	100,000	--
HRA - Health Reimbursement	118,715	118,715	107,844	10,871
TOTAL OTHER CITY GOVERNMENT	<u>486,691</u>	<u>486,691</u>	<u>361,265</u>	<u>125,426</u>
RESERVE				
0.59% of total budget	70,529	(17,267)	24,884	(42,151)
TOTAL RESERVE	<u>70,529</u>	<u>(17,267)</u>	<u>24,884</u>	<u>(42,151)</u>
RETIREMENT				
Police retirement- Public Safety Pension	92,000	92,000	84,424	7,576
Fire retirement - Public Safety Pension	92,000	92,000	84,424	7,576
Public Pension - JH Other Paygo	2,306,632	2,306,632	2,239,002	67,630
TOTAL RETIREMENT	<u>2,490,632</u>	<u>2,490,632</u>	<u>2,407,850</u>	<u>82,782</u>
TOTAL EXPENDITURES	<u>18,010,907</u>	<u>18,010,907</u>	<u>18,324,720</u>	<u>(313,813)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
OTHER USES - BUDGETARY BASIS	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 994,844</u>	<u>\$ 994,844</u>

CITY OF CENTRAL FALLS

D-3

BUDGETARY AND LEGAL COMPLIANCE

FOR THE YEAR ENDED JUNE 30, 2017

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

Total budgetary revenues and other financing sources	\$	19,319,564
Reclassification of:		
Property tax revenue- sixty day rule		266,107
Prior years property tax revenue - sixty day rule		<u>(234,204)</u>
Total GAAP revenues and other financing sources	\$	<u>19,351,467</u>
Total budgetary expenditures and other financing uses	\$	18,324,720
Transfer to capital reserve fund, not part of budget		<u>944,844</u>
Total GAAP expenditures and other financing uses	\$	<u>19,269,564</u>

CITY OF CENTRAL FALLS

D-4

GENERAL FUND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

FOR THE YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017, expenditures exceeded budget at the department level as follows:

Department	Excess
City Executive Management	\$ 52,594
Board of Canvassars	\$ 2,265
Personnel	\$ 6,130
Legal	\$ 21,252
Tax Assessor	\$ 15,973
Finance	\$ 3,258
City Property	\$ 157,883
Fire Department	\$ 201,923
Highway Department	\$ 125,322
Public Works	\$ 9,505
Public Education	\$ 3,195
Parks, Recreation And Community Service	\$ 32,413
Planning	\$ 26,102
Municipal Court	\$ 879
Contingency	\$ 3,530

SCHEDULE OF CHANGES IN CITY OF CENTRAL FALLS

D-5

**NET PENSION LIABILITY AND RELATED RATIOS
MERS
LAST THREE FISCAL YEARS**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability			
1. Service Cost	\$ 116,360	\$ 105,194	\$ 112,984
2. Interest on the Total Pension Liability	500,546	514,938	510,493
3. Changes of benefit terms	--	(12,537)	--
4. Difference between expected and actual experience of the Total Pension Liability	(2,161)	(254,173)	--
5. Changes of assumptions	--	--	(24,723)
6. Benefit payments, including refunds of employee contributions	<u>(598,500)</u>	<u>(503,299)</u>	<u>(567,898)</u>
7. Net change in total pension liability	16,245	(149,877)	30,856
8. Total pension liability – beginning	<u>6,915,015</u>	<u>7,064,892</u>	<u>7,034,036</u>
9. Total pension liability – ending (a)	<u>\$ 6,931,260</u>	<u>\$ 6,915,015</u>	<u>\$ 7,064,892</u>
B. Plan fiduciary net position			
1. Contributions – employer	\$ 269,399	\$ 266,285	\$ 162,612
2. Contributions – employee	35,604	18,326	16,471
3. Net investment income	(1,594)	114,533	665,429
4. Benefit payments, including refunds of employee contributions	(598,500)	(503,299)	(567,898)
5. Pension Plan Administrative Expense	(4,288)	(4,621)	(4,167)
6. Other	<u>4,596</u>	<u>(146)</u>	<u>(28,883)</u>
7. Net change in plan fiduciary net position	(294,783)	(108,922)	243,564
8. Plan fiduciary net position – beginning	<u>4,887,210</u>	<u>4,996,132</u>	<u>4,752,568</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 4,592,427</u>	<u>\$ 4,887,210</u>	<u>\$ 4,996,132</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 2,338,833</u>	<u>\$ 2,027,805</u>	<u>\$ 2,068,760</u>
D. Plan fiduciary net position as a percentage of the total pension liability	66.26%	70.68%	70.72%
E. Covered employee payroll	<u>\$ 1,972,211</u>	<u>\$ 1,832,653</u>	<u>\$ 1,647,003</u>
F. Net pension liability as a percentage of covered payroll	118.59%	110.65%	125.61%

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

SCHEDULE OF CHANGES IN THE CITY OF CENTRAL FALLS

D-6

NET PENSION LIABILITY AND RELATED RATIOS
CITY PLAN
LAST THREE FISCAL YEARS

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
A. Total pension liability			
1. Service Cost	\$ 604,729	\$ 782,937	\$ 451,646
2. Interest on Liability and Service Cost	2,423,750	2,359,718	2,455,649
3. Change in Plan Provisions	--	--	--
4. Experience (Gain) and Loss	(376,824)	(1,003,524)	411,659
5. Changes of Assumptions	1,362,628	(7,182,170)	8,108,455
6. Benefit Payments	(2,364,040)	(2,275,505)	(2,317,773)
7. Interest on Benefit Payments	--	(64,506)	(88,138)
8. Net change in total pension liability	1,650,243	(7,383,050)	9,021,498
9. Total pension liability – beginning	32,872,594	40,255,644	31,234,146
10. Total pension liability – ending (a)	<u>\$ 34,522,837</u>	<u>\$ 32,872,594</u>	<u>\$ 40,255,644</u>
B. Plan fiduciary net position			
1. Contributions – employer	\$ 2,423,009	\$ 2,404,956	\$ 2,412,068
2. Contributions – employee	439,546	455,617	410,224
3. Other Payments	--	--	--
4. Benefit Payments	(2,364,040)	(2,275,504)	(2,317,773)
5. Expenses	(62,664)	(18,992)	(19,312)
6. Investment Income	789,168	678,721	(176,495)
7. Net change in plan fiduciary net position	1,225,019	1,244,798	308,712
8. Plan fiduciary net position – beginning	7,945,248	6,700,450	6,391,738
9. Plan fiduciary net position – ending (b)	<u>\$ 9,170,267</u>	<u>\$ 7,945,248</u>	<u>\$ 6,700,450</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 25,352,570</u>	<u>\$ 24,927,346</u>	<u>\$ 33,555,194</u>
D. Plan fiduciary net position as a percentage of the total pension liability	26.56%	24.17%	16.64%
E. Covered employee payroll	<u>\$ 4,717,866</u>	<u>\$ 4,777,056</u>	<u>\$ 4,482,450</u>
F. Net pension liability as a percentage of covered payroll	537.37%	521.81%	748.59%

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

CITY OF CENTRAL FALLS

D-7

**SCHEDULE OF INVESTMENT RETURNS
CITY PLAN**

LAST THREE FISCAL YEARS

	2017	2016	2015
Annual money-weighted rate of return net of investment expense	9.75%	9.97%	2.68%

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

D-8

**SCHEDULE OF CITY OF CENTRAL FALLS CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Actuarially determined contribution	\$ 269,399	\$ 246,916	\$ 266,285
Contributions in relation to the actuarially determined contribution	<u>269,399</u>	<u>246,916</u>	<u>266,285</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered-employee payroll	<u>\$ 1,972,211</u>	<u>\$ 1,832,653</u>	<u>\$ 1,647,003</u>
Contributions as a percentage of covered-employee payroll	13.66%	13.47%	16.17%

Notes:

- 1.) *Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.*
- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

CITY OF CENTRAL FALLS

D-9

**SCHEDULE OF CITY OF CENTRAL FALLS CONTRIBUTIONS
CITY PLAN
LAST TEN FISCAL YEARS**

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012
Actuarially determined contribution	\$ 2,441,365	\$ 2,335,487	\$ 2,227,079	\$ 2,006,770	\$ 2,014,476	\$ 2,030,996
Contributions in relation to the actuarially determined contribution	<u>2,423,009</u>	<u>2,451,749</u>	<u>2,412,068</u>	<u>2,328,947</u>	<u>2,309,325</u>	<u>2,547,562</u>
Contribution deficiency (excess)	<u>\$ 18,356</u>	<u>\$ (116,262)</u>	<u>\$ (184,989)</u>	<u>\$ (322,177)</u>	<u>\$ (294,849)</u>	<u>\$ (516,566)</u>
Covered-employee payroll	<u>\$ 4,717,866</u>	<u>\$ 4,777,056</u>	<u>\$ 4,482,450</u>	<u>\$ 4,025,037</u>	<u>\$ 3,849,274</u>	<u>\$ 3,620,778</u>
Contributions as a percentage of covered-employee payroll	51.36%	51.32%	53.81%	57.86%	59.99%	70.36%

Notes:

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

SCHEDULE OF CHANGES IN THE CITY OF CENTRAL FALLS

D-10

NET OPEB LIABILITY AND RELATED RATIOS
CITY PLAN

	Year Ended June 30, 2017
A. Total OPEB liability	
1. Service Cost	\$ 60,202
2. Interest on Liability and Service Cost	286,327
3. Change in Plan Provisions	--
4. Experience (Gain) and Loss	--
5. Changes of Assumptions	--
6. Benefit Payments	(186,131)
7. Interest on Benefit Payments	--
	160,398
8. Net change in total OPEB liability	160,398
9. Total OPEB liability – beginning	3,848,869
	3,848,869
10. Total OPEB liability – ending (a)	\$ 4,009,267
B. Plan fiduciary net position	
1. Contributions – employer	\$ 293,377
2. Contributions – employee	--
3. Other Payments	--
4. Benefit Payments	(193,377)
5. Expenses	(285)
6. Investment Income	13,683
	113,398
7. Net change in plan fiduciary net position	113,398
8. Plan fiduciary net position – beginning	108,160
	108,160
9. Plan fiduciary net position – ending (b)	\$ 221,558
C. Net OPEB liability - ending (a) - (b)	\$ 3,787,709
D. Plan fiduciary net position as a percentage of the total OPEB liability	5.53%
E. Covered employee payroll	\$ 6,787,861
F. Net OPEB liability as a percentage of covered payroll	55.80%

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

D-11

SCHEDULE OF CITY OF CENTRAL FALLS CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS

	<u>Fiscal 2017</u>
Actuarially determined contribution	\$ 284,360
Contributions in relation to the actuarially determined contribution	<u>293,377</u>
Contribution deficiency (excess)	<u>\$ (9,017)</u>
Covered-employee payroll	<u>\$ 6,787,861</u>
Contributions as a percentage of covered-employee payroll	4.32%

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, 2017**

	CDBG Revolving	CDBG 2009	CDBG 2010	CDBG 2012	CDBG 2013	CDBG 2014
Assets						
Cash and cash equivalents	\$ 663,753	\$ --	\$ --	\$ --	\$ --	\$ --
Due from federal and state governments	--	--	5	34,675	50,381	407,597
Due from other funds	--	14,799	22,941	42,434	89,448	100,111
Total Assets	<u>663,753</u>	<u>14,799</u>	<u>22,946</u>	<u>77,109</u>	<u>139,829</u>	<u>507,708</u>
Liabilities						
Accounts payable	--	--	--	--	--	--
Deposits held for others						
Due to other funds	643,927	14,799	17,952	77,109	92,266	411,593
Unearned revenue	--	--	4,994	--	47,563	96,115
Total Liabilities	<u>643,927</u>	<u>14,799</u>	<u>22,946</u>	<u>77,109</u>	<u>139,829</u>	<u>507,708</u>
Fund Balance						
Restricted	19,826	--	--	--	--	--
Total Fund Balance	<u>\$ 19,826</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF CENTRAL FALLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2017**

	CDBG Revolving	CDBG 2009	CDBG 2010	CDBG 2012	CDBG 2013	CDBG 2014
Revenues						
Interest and investment income	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	49,350	1,933	149,979
Other	--	--	--	--	--	--
Total Revenues	<u>--</u>	<u>--</u>	<u>--</u>	<u>49,350</u>	<u>1,933</u>	<u>149,979</u>
Expenditures						
General government	21,025	--	--	--	1,933	76,412
Public safety	--	--	--	--	--	--
Recreation	--	--	--	--	--	--
Capital outlays	204,466	--	--	49,350	--	73,567
Total Expenditures & Capital Outlays	<u>225,491</u>	<u>--</u>	<u>--</u>	<u>49,350</u>	<u>1,933</u>	<u>149,979</u>
Excess of Revenue Over (Under)						
Expenditures Before Transfers	(225,491)	--	--	--	--	--
Other Financing Sources (Uses)						
Transfers in	--	--	--	--	--	--
Transfer out	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(225,491)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance - Beginning of Year	<u>245,317</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 19,826</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF CENTRAL FALLS

E-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	CDBG 2015	UDAG Revolving Loan Fund	Home	ED	EDI Comm Center	COPS Grant
Assets						
Cash and cash equivalents	\$ --	\$ 35,234	\$ 60,701	\$ 396,939	\$ --	\$ --
Due from federal and state governments	255,000	--	--	--	--	21,421
Due from other funds	--	--	--	--	--	--
Total Assets	<u>255,000</u>	<u>35,234</u>	<u>60,701</u>	<u>396,939</u>	<u>--</u>	<u>21,421</u>
Liabilities						
Accounts payable	--	--	--	197,884	--	--
Deposits held for others						
Due to other funds	117,122	35,234	60,701	199,055	2,925	21,421
Unearned revenue	137,878	--	--	--	--	--
Total Liabilities	<u>255,000</u>	<u>35,234</u>	<u>60,701</u>	<u>396,939</u>	<u>2,925</u>	<u>21,421</u>
Fund Balance						
Restricted	--	--	--	--	(2,925)	--
Total Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (2,925)</u>	<u>\$ --</u>

CITY OF CENTRAL FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2017

	CDBG 2015	UDAG Revolving Loan Fund	Home	ED	EDI Comm Center	COPS Grant
Revenues						
Interest and investment income	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	60,827	--	44,109	100,898	--	--
Other	--	--	--	--	--	--
Total Revenues	<u>60,827</u>	<u>--</u>	<u>44,109</u>	<u>100,898</u>	<u>--</u>	<u>--</u>
Expenditures						
General government	60,827	--	52,869	13,314	--	--
Public safety	--	--	--	--	--	--
Recreation	--	--	--	--	2,925	--
Capital outlays	--	--	--	282,727	--	--
Total Expenditures & Capital Outlays	<u>60,827</u>	<u>--</u>	<u>52,869</u>	<u>296,041</u>	<u>2,925</u>	<u>--</u>
Excess of Revenue Over (Under)						
Expenditures Before Transfers	--	--	(8,760)	(195,143)	(2,925)	--
Other Financing Sources (Uses)						
Transfers in	--	--	--	--	--	--
Transfer out	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>(8,760)</u>	<u>(195,143)</u>	<u>(2,925)</u>	<u>--</u>
Fund Balance - Beginning of Year	<u>--</u>	<u>--</u>	<u>8,760</u>	<u>195,143</u>	<u>--</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (2,925)</u>	<u>\$ --</u>

CITY OF CENTRAL FALLS

E-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Mortgage Foreclosure Prevention	Grant In Aid	RI Foundation	Recreation Summer Lunch Program	Police C.A.R.E.	Police Federal Forfeiture
Assets						
Cash and cash equivalents	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 107,335
Due from federal and state governments	--	--	--	--	--	--
Due from other funds	222,315	58,306	5,954	262,238	48,669	1,937
Total Assets	<u>222,315</u>	<u>58,306</u>	<u>5,954</u>	<u>262,238</u>	<u>48,669</u>	<u>109,272</u>
Liabilities						
Accounts payable	4,917	--	--	--	805	5,726
Deposits held for others	--	--	--	--	--	--
Due to other funds	195,329	--	--	245,100	47,864	89,670
Unearned revenue	22,069	--	5,954	--	--	--
Total Liabilities	<u>222,315</u>	<u>--</u>	<u>5,954</u>	<u>245,100</u>	<u>48,669</u>	<u>95,396</u>
Fund Balance						
Restricted	--	58,306	--	17,138	--	13,876
Total Fund Balance	<u>\$ --</u>	<u>\$ 58,306</u>	<u>\$ --</u>	<u>\$ 17,138</u>	<u>\$ --</u>	<u>\$ 13,876</u>

CITY OF CENTRAL FALLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2017**

	Mortgage Foreclosure Prevention	Grant In Aid	RI Foundation	Recreation Summer Lunch Program	Police C.A.R.E.	Police Federal Forfeiture
Revenues						
Interest and investment income	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	145,249	--	--	149,150	65,781	1,937
Other	--	--	--	--	--	4,062
Total Revenues	<u>145,249</u>	<u>--</u>	<u>--</u>	<u>149,150</u>	<u>65,781</u>	<u>5,999</u>
Expenditures						
General government	--	--	--	--	66,786	20,089
Public safety	45,249	--	--	--	--	--
Recreation	--	--	--	141,054	--	--
Capital outlays	100,000	--	--	--	--	46,168
Total Expenditures & Capital Outlays	<u>145,249</u>	<u>--</u>	<u>--</u>	<u>141,054</u>	<u>66,786</u>	<u>66,257</u>
Excess of Revenue Over (Under)						
Expenditures Before Transfers	--	--	--	8,096	(1,005)	(60,258)
Other Financing Sources (Uses)						
Transfers in	--	--	--	--	--	--
Transfer out	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,096</u>	<u>(1,005)</u>	<u>(60,258)</u>
Fund Balance - Beginning of Year	<u>--</u>	<u>58,306</u>	<u>--</u>	<u>9,042</u>	<u>1,005</u>	<u>74,134</u>
Fund Balance - End of Year	<u>\$ --</u>	<u>\$ 58,306</u>	<u>\$ --</u>	<u>\$ 17,138</u>	<u>\$ --</u>	<u>\$ 13,876</u>

CITY OF CENTRAL FALLS

E-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Police Special Accounts	2014 JAG Grant	School Bldg Capital	Rural Grants	Emergency Equipment Replacement
Assets					
Cash and cash equivalents	\$ 210,624	\$ --	\$ --	\$ --	\$ 17,125
Due from federal and state governments	--	--	--	--	--
Due from other funds	46,006	34,058	940,257	49	--
Total Assets	<u>256,630</u>	<u>34,058</u>	<u>940,257</u>	<u>49</u>	<u>17,125</u>
Liabilities					
Accounts payable	--	--	--	--	--
Deposits held for others	62,690	--	--	--	--
Due to other funds	183,285	33,065	617,704	--	15,138
Unearned revenue	--	--	--	--	--
Total Liabilities	<u>245,975</u>	<u>33,065</u>	<u>617,704</u>	<u>--</u>	<u>15,138</u>
Fund Balance					
Restricted	10,655	993	322,553	49	1,987
Total Fund Balance	<u>\$ 10,655</u>	<u>\$ 993</u>	<u>\$ 322,553</u>	<u>\$ 49</u>	<u>\$ 1,987</u>

CITY OF CENTRAL FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2017

	Police Special Accounts	2014 JAG Grant	School Bldg Capital	Rural Grants	Emergency Equipment Replacement
Revenues					
Interest and investment income	\$ 199	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	7,757	440,257	--	--
Other	12,132	--	--	--	--
Total Revenues	<u>12,331</u>	<u>7,757</u>	<u>440,257</u>	<u>--</u>	<u>--</u>
Expenditures					
General government	--	--	16,466	--	127,275
Public safety	12,445	6,764	--	--	--
Recreation	--	--	--	--	--
Capital outlays	--	--	274,331	--	--
Total Expenditures & Capital Outlays	<u>12,445</u>	<u>6,764</u>	<u>290,797</u>	<u>--</u>	<u>127,275</u>
Excess of Revenue Over (Under)					
Expenditures Before Transfers	(114)	993	149,460	--	(127,275)
Other Financing Sources (Uses)					
Transfers in	--	--	--	--	127,275
Transfer out	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>127,275</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(114)	993	149,460	--	--
Fund Balance - Beginning of Year	10,769	--	173,093	49	1,987
Fund Balance - End of Year	<u>\$ 10,655</u>	<u>\$ 993</u>	<u>\$ 322,553</u>	<u>\$ 49</u>	<u>\$ 1,987</u>

CITY OF CENTRAL FALLS

E-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Recycling Account	EPA	Property Development	Redevelopment Agency
Assets				
Cash and cash equivalents	\$ --	\$ --	\$ --	\$ --
Due from federal and state governments	--	--	--	--
Due from other funds	19,383	--	161,179	100,000
Total Assets	<u>19,383</u>	<u>--</u>	<u>161,179</u>	<u>100,000</u>
Liabilities				
Accounts payable	--	--	--	7,678
Deposits held for others				
Due to other funds	2,144	1,687	5,255	92,322
Unearned revenue	9,097	--	--	--
Total Liabilities	<u>11,241</u>	<u>1,687</u>	<u>5,255</u>	<u>100,000</u>
Fund Balance				
Restricted	8,142	(1,687)	155,924	--
Total Fund Balance	<u>\$ 8,142</u>	<u>\$ (1,687)</u>	<u>\$ 155,924</u>	<u>\$ --</u>

CITY OF CENTRAL FALLS

**COMBINING STATEMENT OF REVENUES,
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2017**

	Recycling Account	EPA	Property Development	Redevelopment Agency
Revenues				
Interest and investment income	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	--
Other	1,209	--	--	--
Total Revenues	<u>1,209</u>	<u>--</u>	<u>--</u>	<u>--</u>
Expenditures				
General government	1,209	--	5,255	100,000
Public safety	--	--	--	--
Recreation	--	--	--	--
Capital outlays	--	--	--	--
Total Expenditures & Capital Outlays	<u>1,209</u>	<u>--</u>	<u>5,255</u>	<u>100,000</u>
Excess of Revenue Over (Under)				
Expenditures Before Transfers	--	--	(5,255)	(100,000)
Other Financing Sources (Uses)				
Transfers in	--	--	--	--
Transfer out	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	--	--	(5,255)	(100,000)
Fund Balance - Beginning of Year	8,142	(1,687)	161,179	100,000
Fund Balance - End of Year	<u>\$ 8,142</u>	<u>\$ (1,687)</u>	<u>\$ 155,924</u>	<u>\$ --</u>

CITY OF CENTRAL FALLS

E-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Recreation Capital	115 Illinois Street	Historic Trust	TOTALS
Assets				
Cash and cash equivalents	\$ --	\$ --	\$ 38,518	\$ 1,530,229
Due from federal and state governments	--	--	--	769,079
Due from other funds	4,393	1,456,970	30,457	3,661,904
Total Assets	<u>4,393</u>	<u>1,456,970</u>	<u>68,975</u>	<u>5,961,212</u>
Liabilities				
Accounts payable	--	--	--	217,010
Deposits held for others				62,690
Due to other funds	--	1,456,970	63,075	4,742,712
Unearned revenue	--	--	--	323,670
Total Liabilities	<u>--</u>	<u>1,456,970</u>	<u>63,075</u>	<u>5,346,082</u>
Fund Balance				
Restricted	4,393	--	5,900	615,130
Total Fund Balance	<u>\$ 4,393</u>	<u>\$ --</u>	<u>\$ 5,900</u>	<u>\$ 615,130</u>

CITY OF CENTRAL FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2017

	Recreation Capital	115 Illinois Street	Historic Trust	TOTALS
Revenues				
Interest and investment income	\$ --	\$ --	\$ 39	\$ 238
Intergovernmental			--	1,217,227
Other	--	803,616	750	821,769
Total Revenues	<u>--</u>	<u>803,616</u>	<u>789</u>	<u>2,039,234</u>
Expenditures				
General government	--	--	23,938	587,398
Public safety	--	--	--	64,458
Recreation	--	--	--	143,979
Capital outlays	--	1,416,256	--	2,446,865
Total Expenditures & Capital Outlays	<u>--</u>	<u>1,416,256</u>	<u>23,938</u>	<u>3,242,700</u>
Excess of Revenue Over (Under)				
Expenditures Before Transfers	--	(612,640)	(23,149)	(1,203,466)
Other Financing Sources (Uses)				
Transfers in	--	612,640	--	739,915
Transfer out	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>612,640</u>	<u>--</u>	<u>739,915</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>(23,149)</u>	<u>(463,551)</u>
Fund Balance - Beginning of Year	<u>4,393</u>	<u>--</u>	<u>29,049</u>	<u>1,078,681</u>
Fund Balance - End of Year	<u>\$ 4,393</u>	<u>\$ --</u>	<u>\$ 5,900</u>	<u>\$ 615,130</u>

AGENCY FUNDS

CITY OF CENTRAL FALLS

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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
Assets				
Cash	\$ 32,986	\$ 120	\$ --	\$ 33,106
Liabilities				
Deposits Held in Custody for Others	\$ 32,986	\$ 120	\$ --	\$ 33,106
<u>Totals</u>				
Assets				
Cash	\$ 32,986	\$ 120	\$ --	\$ 33,106
Total Assets	<u>\$ 32,986</u>	<u>\$ 120</u>	<u>\$ --</u>	<u>\$ 33,106</u>
Liabilities				
Deposits Held in Custody for Others	\$ 32,986	\$ 120	\$ --	\$ 33,106
Total Liabilities	<u>\$ 32,986</u>	<u>\$ 120</u>	<u>\$ --</u>	<u>\$ 33,106</u>

CITY OF CENTRAL FALLS

SCHEDULE OF PROPERTY TAXES RECEIVABLE

YEAR ENDED JUNE 30, 2017

Assessment of	Balance Uncollected July 1, 2016	2016 Assessment	Additions & Adjustments	Abatements	Amount to be Collected	Current Year Collections	Balance Uncollected June 30, 2017
2016	\$ --	\$ 15,308,928	\$ 11,403	\$ (65,544)	\$ 15,254,787	\$ 14,623,884	\$ 630,903
2015	998,869	--	(4,897)	(43,000)	950,972	473,294	477,678
2014	274,908	--	(1,134)	(28,434)	245,340	60,673	184,667
2013	233,746	--	9	(11,160)	222,595	41,878	180,717
2012	229,736	--	185	--	229,921	27,156	202,765
2011	273,155	--	--	--	273,155	60,536	212,619
2010	258,330	--	141	--	258,471	31,902	226,569
2009	84,425	--	(5,002)	--	79,423	1,762	77,661
2008	101,004	--	163	--	101,167	3,537	97,630
2007	126,086	--	--	--	126,086	2,287	123,799
2006	80,383	--	--	--	80,383	2,071	78,312
	<u>2,660,642</u>	<u>\$ 15,308,928</u>	<u>\$ 868</u>	<u>\$ (148,138)</u>	<u>\$ 17,822,300</u>	<u>\$ 15,328,980</u>	<u>2,493,320</u>
Less: allowance for uncollectible accounts	<u>(810,000)</u>						<u>(840,000)</u>
	<u>\$ 1,850,642</u>						<u>\$ 1,653,320</u>

Schedule of property valuation assessed as of December 31, 2015:

Real estate	\$ 13,018,325
Motor vehicles	2,808,504
Tangibles	1,316,508
Less: exemptions	(1,841,132)
Adjustments	<u>6,723</u>
	<u>\$ 15,308,928</u>

Schedule of General Property Taxes:

Current Year Collections	\$ 15,328,980
Prior year 60 day Collections	(234,204)
Current year 60 Collections	<u>266,107</u>
	<u>\$ 15,360,883</u>