



**Basic Financial Statements
And Supplementary Information**

For the year ended June 30, 2019

Prepared by:

Finance Department

CITY OF CENTRAL FALLS

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2019
WITH INDEPENDENT AUDITORS' REPORT**

CITY OF CENTRAL FALLS, RHODE ISLAND

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CITY OF CENTRAL FALLS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
JUNE 30, 2019



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of 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, 2019, 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.

Auditor's 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 auditor's 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, 2019, and the respective changes in financial position thereof 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, budgetary comparison information, supplementary pension information, and OPEB schedules on pages 4–11 and 68–91 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 nonmajor fund financial statements, Agency fund financial statements, Annual Supplemental Transparency Report (MTP2), Tax Collectors Annual Report, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, agency funds financial statements, Annual Supplemental Transparency Report (MTP2), Tax Collectors Annual Report, and other supplementary information, 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 nonmajor fund financial statements, agency funds financial statements, Annual Supplemental Transparency Report (MTP2), Tax Collectors Annual Report, and other supplementary information, 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 8, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Central Falls, Rhode Island's 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 the City of Central Falls, Rhode Island's internal control over financial reporting and compliance.

PPA, LLP

PPA, LLP
Warwick, Rhode Island
April 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2019

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, 2019. This is the City's sixteenth (16th) 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 2019 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 \$19,374,081, reflecting an increase of \$1,421,057 over FY2018.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$19,375,373 combined with additional program revenues of \$3,855,171, less program expenses of \$21,809,397, resulted in an increase of \$1,421,057 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 \$2,161,043, reflecting a decrease of \$22,201 (after other financing sources and uses) compared to the FY2018 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 sixteenth (16th) 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 \$18,621 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, 2019 was:

| Net Assets | | |
|--------------------------------|------------------------|------------------------|
| Governmental Activities | | |
| | <u>2019</u> | <u>2018</u> |
| Current and other assets | \$ 6,266,354 | \$ 5,384,548 |
| Capital assets | 19,968,249 | 21,450,615 |
| Total Assets | <u>26,234,603</u> | <u>26,835,163</u> |
| Deferred Outflow | 2,962,342 | 4,618,042 |
| Current liabilities | 4,181,968 | 4,954,327 |
| Long-term liabilities | 38,151,629 | 43,053,812 |
| Total Liabilities | <u>42,333,597</u> | <u>48,008,139</u> |
| Deferred Inflow | 6,237,429 | 4,240,204 |
| Net Position: | (19,374,081) | (20,795,138) |
| Net investment in | | |
| Capital assets | 11,303,249 | 12,305,615 |
| Restricted | 4,871,719 | 2,874,449 |
| Unrestricted | <u>(35,549,049)</u> | <u>(35,975,203)</u> |
| Total Net Position | <u>\$ (19,374,081)</u> | <u>\$ (20,795,138)</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 \$11,303,249 and restricted net position amounted to \$4,871,719. The negative balance of (\$35,549,049) in unrestricted net position is mostly attributable to the City's net pension liability of \$27,798,470 and the other post-employment benefits obligation of \$2,531,302.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2019 was \$21,809,397. Some of the costs (i.e. \$2,155,265) 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>2019</u> | <u>2018</u> |
|-----------------------------|--------------|--------------|
| Charges for Services | | |
| General government | \$ 1,699,906 | \$ 1,749,778 |

Total revenue received for charges for services in 2019 was \$1,699,906 a decrease of \$49,872 as compared to the amount received in 2018, which was \$1,749,778. The change is mostly attributable to a decrease in services provided.

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Operating Grants and Contributions | | |
| General government | \$ 339,611 | \$ 455,120 |
| Public safety | 154,465 | 120,492 |
| Public recreation | 104,239 | 111,937 |
| Total | <u>\$ 598,315</u> | <u>\$ 687,549</u> |

Total revenue received from Operating Grants and Contributions in 2019, was \$598,315 a decrease of \$89,234 as compared to the amount received in 2018, which was equal to \$687,549.

| | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|
| Capital Grants and Contributions | | |
| General government | \$ 1,556,950 | \$ 3,518,494 |

Total revenue received from Capital Grants and Contributions in 2019 was \$1,556,950, which was a decrease of \$1,961,544 to the amount received in 2018, which was \$3,518,494. The change in amount is revenue that was received for the School Building Capital account in 2018.

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Total Program Revenues | <u>\$ 3,855,171</u> | <u>\$ 5,955,821</u> |
| General Revenues | | |
| Property taxes | 15,287,652 | 16,645,560 |
| Grants and contributions (unrestricted) | 2,919,265 | 2,970,744 |
| Investment earnings | 7,180 | 8,982 |
| Miscellaneous | 1,161,276 | 417,447 |
| Total General Revenues | <u>19,375,373</u> | <u>20,042,733</u> |
| | <u>\$ 23,230,544</u> | <u>\$ 25,998,554</u> |

General revenues in 2018 were \$19,375,373, which reflects a decrease of \$667,360 as compared to the amount received in 2018, which was equal to \$20,042,733. Total Government-Wide Revenues in 2019 were \$23,230,544, a decrease of \$2,768,010 as compared to the amount received in 2018, which was equal to \$25,998,554.

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 2019 | Net Cost of Services 2019 | Total Cost of Services 2018 | Net Cost of Services 2018 |
|-------------------------|--|--------------------------------------|--|--------------------------------------|
| General Government | \$ 780,079 | \$ 2,816,388 | \$ 4,288,232 | \$ 1,435,160 |
| Public Safety | 8,667,184 | (8,512,719) | 8,600,393 | (8,479,901) |
| Planning | 457,952 | (457,952) | - | - |
| Public Works | 2,402,804 | (2,402,804) | 2,379,083 | (2,379,083) |
| Public Education | 1,046,375 | (1,046,375) | 1,396,371 | (1,396,371) |
| Public Recreation | 1,263,608 | (1,159,369) | 1,201,031 | (1,089,094) |
| Contingency | 1,245 | (1,245) | 6,015 | (6,015) |
| Reserve | - | - | - | - |
| Employee Benefits | 2,508,125 | (2,508,125) | 336,723 | (336,723) |
| Retirement | 5,989,903 | (5,989,903) | 1,561,630 | (1,561,630) |
| Debt Service Interest | 351,304 | (351,304) | 283,666 | (283,666) |
| | | | | |
| *Total Expenses | \$ 23,468,579 | \$ (19,613,408) | \$ 20,053,144 | \$ (14,097,323) |

The City's total program expenses were \$23,468,579. With additional program revenues of \$3,855,171 in FY 2019, the City's net cost of services was \$19,613,408. When subtracted from the City's total general revenues of \$17,935,605 the City realizes an unfavorable Change in Net Position of \$238,035.

Transfers

Inter-fund transfers for the year ended June 30, 2019 totaled \$1,876,985 for the year.

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

Statement of Changes in Fund Balances – Governmental Funds

| | <u>Fund Balance June 30, 2019</u> | <u>Fund Balance June 30, 2018</u> | <u>Increase (Decrease)</u> |
|--------------------|---------------------------------------|---------------------------------------|--------------------------------|
| General Fund | \$ 2,161,043 | \$ 2,758,298 | \$ (597,255) |
| State Pension | 84,157 | 84,157 | - |
| Other Governmental | 733,918 | 104,221 | 629,697 |
| Total | <u>\$ 2,979,118</u> | <u>\$ 2,946,676</u> | <u>\$ 32,442</u> |

The fund balance for the City of Central Falls general fund is \$2,161,043 as of June 30, 2019. This represents a decrease of \$597,255 as compared to FY2018.

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

| General Fund Revenues | <u>2019</u> | <u>2018</u> | <u>Variance</u> | <u>Percentage Change</u> |
|------------------------------|----------------------|----------------------|------------------------|---------------------------------|
| General property taxes | \$ 15,193,438 | \$ 15,394,220 | \$ (200,782) | -1.36% |
| Intergovernmental | 5,074,530 | 7,176,787 | (2,102,257) | -83.95% |
| Fees / Non-tax income | 1,699,906 | 1,749,778 | (49,872) | -3.01% |
| Other revenues | <u>1,168,456</u> | <u>426,429</u> | <u>742,027</u> | <u>995.15%</u> |
| Total | <u>\$ 23,136,330</u> | <u>\$ 24,747,214</u> | <u>\$ (1,610,884)</u> | <u>(0.08)</u> |

FY2019 expenditures exceeded revenues by \$292,499 before other financing sources and uses were applied. The general fund realized an increase of \$592,376.

Revenues from general property taxes decreased by \$200,782 (-1.36%), as compared to FY2018. Intergovernmental revenues received from the State of Rhode Island decreased by \$2,102,257 or (-83.95%) as compared to last year, resulting from an decrease in state aid. Local fees, non-tax, and other income increased by \$742,027.

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, 2019

| Revenue Analysis | <u>Adopted Budget FY19</u> | <u>Final Budget FY19</u> | <u>Actual FY19</u> | <u>Variance FY19</u> |
|-----------------------------|-----------------------------------|---------------------------------|---------------------------|-----------------------------|
| Tax revenue | \$ 14,548,061 | \$ 14,548,061 | \$ 15,257,744 | \$ 709,683 |
| Fees/Non-tax revenue | 1,422,162 | 1,422,162 | 1,699,906 | 277,744 |
| Intergovernmental/State | 2,642,782 | 2,642,782 | 2,919,265 | 276,483 |
| Other Income | <u>11,961</u> | <u>11,961</u> | <u>157,313</u> | <u>145,352</u> |
| Total | <u>\$ 18,624,966</u> | <u>\$ 18,624,966</u> | <u>\$ 20,034,228</u> | <u>\$ 1,409,262</u> |
| Expenditure Analysis | | | | |
| General Government | \$ 2,744,825 | \$ 2,744,825 | \$ 3,276,888 | \$ (532,063) |
| Public safety | 7,863,328 | 7,863,328 | 8,178,430 | (315,102) |
| Public works | 2,010,578 | 2,010,578 | 2,011,156 | (578) |
| Public Library | 146,154 | 146,154 | 145,314 | 840 |
| Public recreation/Planning | 804,992 | 804,992 | 807,907 | (2,915) |
| Municipal debt service | 2,264,846 | 2,264,846 | 2,320,015 | (55,169) |
| Reserve/Special Projects | - | - | - | - |
| Contingency | - | - | 1,245 | (1,245) |
| Employee benefits | 291,000 | 291,000 | 554,708 | (263,708) |
| Retirement | <u>2,499,244</u> | <u>2,499,244</u> | <u>2,631,303</u> | <u>(132,059)</u> |
| Total | <u>\$ 18,624,967</u> | <u>\$ 18,624,967</u> | <u>\$ 19,926,966</u> | <u>\$ (1,301,999)</u> |

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

Other governmental funds consist of:

| | Total Net Position |
|------------|-----------------------|
| Restricted | 790,598 |
| Unassigned | <u>(56,680)</u> |
| | <u><u>733,918</u></u> |

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 | \$ 11,474,800 |

Total net position of the City's pension trust funds amount to \$11,474,800 in FY2019, an increase of \$1,486,366 compared to FY2018, 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.

Debt Administration

At year end the total long-term debt for the City of Central Falls was \$40.4 million. The breakdown is as follows:

| | <u>FY2019 Amount</u> | <u>Percent</u> | <u>FY2018 Amount</u> <u>(As Restated)</u> | <u>Percent</u> |
|------------------------------------|----------------------|----------------|--|----------------|
| General Obligation Municipal Bonds | \$ 4,975,000 | 12% | \$ 5,435,000 | 12% |
| RIHEBC Revenue Bonds | 2,190,000 | 18% | 3,710,000 | 18% |
| R.I. Infrastructure Bank | 1,500,000 | 4% | - | 0% |
| Net Pension Liability (NPL) | 27,798,470 | 57% | 30,667,028 | 57% |
| Net OPEB Liability (NOL) | 2,531,302 | 6% | 3,936,768 | 6% |
| Due to State | 945,884 | 6% | 1,545,884 | 6% |
| Compensated Absences | <u>439,970</u> | 0% | <u>376,814</u> | 0% |
| Total | <u>\$ 40,380,626</u> | 100% | <u>\$ 45,671,494</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.

Credit rating agencies withdrew ratings of Central Falls' general obligation debt after the City paid off all rated, publicly offered debt in April of 2017. The City's existing general obligation debt is either held directly by a financial institution or the Rhode Island Health and Educational Building Corporation.

Capital Assets

The City of Central Falls has \$19,968,249 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.

Capital Assets

The City of Central Falls has \$19,968,249 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.

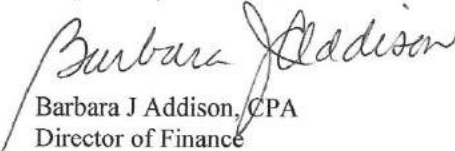
Independent Audit

State statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of PPA, LLP provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2019.

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,



Barbara J Addison, CPA
Director of Finance

FINANCIAL SECTION

CITY OF CENTRAL FALLS

STATEMENT OF NET POSITION

JUNE 30, 2019

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 1,719,970 |
| Due from federal and state governments | 813,921 |
| Property taxes receivable, net | 2,079,654 |
| Other receivables, net | 167,809 |
| Cash held in escrow - RIIB | <u>1,485,000</u> |
| Total Current Assets | 6,266,354 |
| Noncurrent Assets | |
| Capital assets (non-depreciable) | 2,099,033 |
| Capital assets (net of accumulated depreciation) | <u>17,869,216</u> |
| Total Noncurrent Assets | 19,968,249 |
| Total Assets | <u>26,234,603</u> |
| Deferred Outflows of Resources | |
| Pension related | <u>3,256,667</u> |
| Total Deferred Outflows of Resources | <u>3,256,667</u> |

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

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2019

| | Governmental Activities |
|--|----------------------------|
| Current Liabilities | |
| Accounts payable | 670,780 |
| Accrued interest payable | 11,289 |
| Accrued expenses | 390,123 |
| Unearned revenue | 880,779 |
| Current portion of long-term liabilities | <u>1,693,997</u> |
| Total Current Liabilities | 3,646,968 |
| Noncurrent Liabilities | |
| Net pension liability | 27,798,470 |
| Net OPEB liability | 2,531,302 |
| Long-term liabilities | <u>8,356,857</u> |
| Total Noncurrent Liabilities | <u>38,686,629</u> |
| Total Liabilities | <u>42,333,597</u> |
| Deferred Inflows of Resources | |
| Pension related | <u>8,190,846</u> |
| Total Deferred Inflows of Resources | <u>8,190,846</u> |
| Net Position (Deficit) | |
| Net investment in capital assets | 11,303,249 |
| Restricted: | |
| Retirees supplemental settlement | 84,157 |
| Capital projects | 3,991,904 |
| Special revenue/grantors | 795,658 |
| Unrestricted | <u>(37,208,141)</u> |
| Total Net Position (Deficit) | <u>\$ (21,033,173)</u> |

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE, 2019

| 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 | \$ 780,079 | \$ 1,699,906 | \$ 339,611 | \$ 1,556,950 | \$ 2,816,388 |
| Public safety | 8,667,184 | -- | 154,465 | -- | (8,512,719) |
| Planning | 457,952 | | | | (457,952) |
| Public works | 2,402,804 | -- | -- | -- | (2,402,804) |
| Public education | 1,046,375 | -- | -- | -- | (1,046,375) |
| Public recreation | 1,263,608 | -- | 104,239 | -- | (1,159,369) |
| Contingency | 1,245 | -- | -- | -- | (1,245) |
| Employee benefits | 2,508,125 | -- | -- | -- | (2,508,125) |
| Retirement | 5,989,903 | -- | -- | -- | (5,989,903) |
| Debt service interest | 351,304 | -- | -- | -- | (351,304) |
| Totals | <u>\$ 23,468,579</u> | <u>\$ 1,699,906</u> | <u>\$ 598,315</u> | <u>\$ 1,556,950</u> | (19,613,408) |
| General Revenues: | | | | | |
| | | | | | 15,287,652 |
| Property taxes | | | | | 2,919,265 |
| Grants and contributions not restricted to specific programs | | | | | 7,180 |
| Investment earnings | | | | | 1,161,276 |
| Miscellaneous | | | | | <u>19,375,373</u> |
| | | | Total General Revenues | | |
| | | | | | (238,035) |
| | | | Change in Net Position | | |
| | | | | | <u>(20,795,138)</u> |
| | | | Net Position (Deficit) - Beginning, As Restated | | |
| | | | | | <u>\$ (21,033,173)</u> |
| | | | Net Position (Deficit) - Ending | | |

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General Fund | Retirees Supplemental Settlement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,015,705 | \$ 3,612 | \$ 700,653 | \$ 1,719,970 |
| Due from federal and state governments | -- | -- | 813,921 | 813,921 |
| Property taxes receivable, net | 2,079,654 | -- | -- | 2,079,654 |
| Other receivables, net | 167,809 | -- | -- | 167,809 |
| Cash held in escrow - RIIB | 1,485,000 | -- | -- | 1,485,000 |
| Due from other funds | <u>3,737,628</u> | <u>80,545</u> | <u>5,796,811</u> | <u>9,614,984</u> |
| Total Assets | <u>8,485,796</u> | <u>84,157</u> | <u>7,311,385</u> | <u>15,881,338</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | 598,905 | -- | 71,875 | 670,780 |
| Accrued expenses | 342,566 | -- | 47,557 | 390,123 |
| Due to other funds | 3,530,264 | -- | 6,084,720 | 9,614,984 |
| Unearned revenue | <u>507,464</u> | -- | <u>373,315</u> | <u>880,779</u> |
| Total Liabilities | <u>4,979,199</u> | <u>--</u> | <u>6,577,467</u> | <u>11,556,666</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - taxes | <u>1,345,554</u> | -- | -- | <u>1,345,554</u> |
| Total Deferred Inflows of Resources | <u>1,345,554</u> | <u>--</u> | <u>--</u> | <u>1,345,554</u> |
| Fund Balance | | | | |
| Nonspendable | 1,485,000 | -- | -- | 1,485,000 |
| Restricted | 5,060 | 84,157 | 790,598 | 879,815 |
| Committed | 2,506,904 | -- | -- | 2,506,904 |
| Unassigned | <u>(1,835,921)</u> | -- | <u>(56,680)</u> | <u>(1,892,601)</u> |
| Total Fund Balances | <u>2,161,043</u> | <u>84,157</u> | <u>733,918</u> | <u>2,979,118</u> |
| Total Liabilities and Fund Balances | <u>\$ 8,485,796</u> | <u>\$ 84,157</u> | <u>\$ 7,311,385</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. | 19,968,249 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (40,380,626) |
| 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. | 1,345,554 |
| Pension related deferred outflows less pension related deferred inflows on the statement of net position | (4,934,179) |
| Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position. | <u>(11,289)</u> |
| Net Position of Governmental Activities (A-1) | <u>\$ (21,033,173)</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, 2019**

| | General Fund | Retirees Supplemental Settlement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--|--------------------------------|--------------------------------|
| Revenues | | | | |
| General property taxes | \$ 15,193,438 | \$ -- | \$ -- | \$ 15,193,438 |
| Interest and investment income | 6,854 | 5 | 321 | 7,180 |
| Intergovernmental | 2,919,265 | -- | 2,155,265 | 5,074,530 |
| Fees/non-tax income | 1,699,906 | -- | -- | 1,699,906 |
| Other revenues | 757,312 | -- | 403,964 | 1,161,276 |
| Total Revenues | <u>20,576,775</u> | <u>5</u> | <u>2,559,550</u> | <u>23,136,330</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,296,971 | -- | 751,265 | 4,048,236 |
| Planning | -- | -- | 457,952 | 457,952 |
| Public safety | 8,200,780 | -- | 88,298 | 8,289,078 |
| Public works | 2,011,156 | -- | -- | 2,011,156 |
| Public education | 145,314 | -- | -- | 145,314 |
| Public recreation | 807,907 | -- | 63,068 | 870,975 |
| Contingency | 1,245 | -- | -- | 1,245 |
| Employee benefits | 554,708 | -- | -- | 554,708 |
| Reserve | -- | -- | -- | -- |
| Retirement | 2,631,303 | -- | -- | 2,631,303 |
| Debt Service: | | | | |
| Principal and interest | 2,320,015 | -- | -- | 2,320,015 |
| Capital: | | | | |
| Capital expenditures | 15,000 | -- | 2,083,847 | 2,098,847 |
| Total Expenditures | <u>19,984,399</u> | <u>--</u> | <u>3,444,430</u> | <u>23,428,829</u> |
| Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses) | <u>592,376</u> | <u>5</u> | <u>(884,880)</u> | <u>(292,499)</u> |
| Other Financing Sources (Uses) | | | | |
| Payments made to State | (600,000) | -- | -- | (600,000) |
| Proceed from bond issuance | 1,500,000 | -- | -- | 1,500,000 |
| Transfers in | 17,644 | -- | 1,859,341 | 1,876,985 |
| Transfers out | (1,532,221) | -- | (344,764) | (1,876,985) |
| Net Other Financing Sources (Uses) | <u>(614,577)</u> | <u>--</u> | <u>1,514,577</u> | <u>900,000</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing (Uses) | <u>(22,201)</u> | <u>5</u> | <u>629,697</u> | <u>607,501</u> |
| Fund Balance - Beginning of Year, As Restated | <u>2,183,244</u> | <u>84,152</u> | <u>104,221</u> | <u>2,371,617</u> |
| Fund Balance - End of Year | <u>\$ 2,161,043</u> | <u>\$ 84,157</u> | <u>\$ 733,918</u> | <u>\$ 2,979,118</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, 2019**

Net Change in Fund Balances - Total Governmental Funds (B-2) \$ 607,501

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. (907,312)

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. 5,290,868

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in governmental funds. 94,214

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. (5,323,306)

**Change in Net Position of Governmental Activities in the
Statement of Activities (A-2)** \$ (238,035)

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

| | Pension Trust Funds | OPEB Trust Fund | Agency Funds | Total |
|--|---------------------------|-----------------------|------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 389,972 | \$ -- | \$ 33,348 | \$ 423,320 |
| Investments | 11,084,828 | 477,665 | -- | 11,562,493 |
| Other receivables | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Assets | <u>11,474,800</u> | <u>477,665</u> | <u>33,348</u> | <u>11,985,813</u> |
| Liabilities | | | | |
| Deposits Held in Custody for Others | <u>--</u> | <u>--</u> | <u>\$ 33,348</u> | <u>\$ 33,348</u> |
| Net Position | | | | |
| Restricted for pension and post-employment benefits | <u>\$ 11,474,800</u> | <u>\$ 477,665</u> | | <u>\$ 11,952,465</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, 2019**

| | Pension Trust Funds | OPEB Trust Fund | Total |
|--|---------------------------|-----------------------|----------------------|
| Additions | | | |
| Employer contributions | \$ 2,636,223 | \$ 100,000 | \$ 2,736,223 |
| Employee contributions | 867,170 | -- | 867,170 |
| Change in fair market value | 467,488 | -- | 467,488 |
| Investment income | 336,064 | 38,207 | 374,271 |
| Total Additions | <u>4,306,945</u> | <u>138,207</u> | <u>4,445,152</u> |
| Deductions | | | |
| Benefits paid to retirees | 2,749,099 | -- | 2,749,099 |
| Other expenses | 71,480 | 869 | 72,349 |
| Total Deductions | <u>2,820,579</u> | <u>869</u> | <u>2,821,448</u> |
| Change in Net Position | 1,486,366 | 137,338 | 1,623,704 |
| Net Position, Restricted for Pension and Post-Employment Benefits - Beginning | <u>9,988,434</u> | <u>340,327</u> | <u>10,328,761</u> |
| Net Position, Restricted for Pension and Post-Employment Benefits - Ending | <u>\$ 11,474,800</u> | <u>\$ 477,665</u> | <u>\$ 11,952,465</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019 the City implemented the following new accounting pronouncements:

- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the City’s fiscal year ending June 30, 2019.
- GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for City’s fiscal year ending June 30, 2019.
- GASB Statement No. 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, effective for City’s fiscal year ending June 30, 2020.

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

- GASB Statement No. 84 – Fiduciary Activities, effective for City’s fiscal year ending June 30, 2020.
- GASB Statement No. 87 – Leases, effective for City’s fiscal year ending June 30, 2021.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)

- GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period, effective for City’s fiscal year ending June 30, 2021.

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

REPORTING ENTITY

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

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

The following entities were considered for classification as component units for fiscal year 2019:

- 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, 2019.

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)

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

and

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

The governmental funds of the City are described below:

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

Permanent Funds

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds

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

Fiduciary Funds (not included in Government-wide statements)

Agency Funds

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

Pension Trust Funds

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

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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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 appropriation and settlement payments are made from a restricted fund separate from the General Fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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.

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.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$763,000 at June 30, 2019. Receivable balances for the governmental activities include property taxes of \$2,079,654 and other receivables of \$167,809.

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

Accounts Payable

Accounts payable balances consist primarily of payables to vendors.

Property Taxes

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position, that apply to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2019, 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, 2019, the City had two items qualifying as a deferred inflow of resources. In the governmental funds balance sheet, the City reports unavailable tax revenue.

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

Capital Assets

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

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 |

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 \$1,876,985 for the year ended June 30, 2019, representing transfer from the Capital-Reserve Funds to the General Fund of \$344,818 and \$1,532,167 representing transfer from General Fund to Capital Funds.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance

Government-Wide Statements

Net position is displayed in three categories:

- (a) Net investment in capital assets - Consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. 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.
- (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 – the City Council, as the City’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment. This constraint must be imposed prior to the fiscal year end, but the specific amount may be determined at a later date.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Fund Financial Statements (Continued)

- 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.

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.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$(40,380,626) difference are as follows:

| | |
|--|----------------------------|
| Bonds payable | \$ (8,665,000) |
| Pension liability | (27,798,470) |
| Net other post-employment benefit obligation | (2,531,302) |
| Compensated absences | (439,970) |
| Due to State | <u>(945,884)</u> |
| Total Differences | <u>\$ (40,380,626)</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this (\$907,312) difference are as follows:

| | |
|------------------------------------|-------------------------|
| Capital outlays (net of disposals) | \$ 1,519,822 |
| Depreciation expense | <u>(2,427,134)</u> |
| Net difference | <u>\$ (907,312)</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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 “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 \$5,290,868 difference are as follows:

| | |
|----------------------------------|---------------------|
| Increase in compensated absences | \$ (63,156) |
| Decrease in OPEB | 1,405,466 |
| Decrease in due to State | 600,000 |
| Decrease in pension liability | 2,868,558 |
| Debt proceeds | (1,500,000) |
| Debt repayments | <u>1,980,000</u> |
| Net difference | <u>\$ 5,290,868</u> |

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this (\$3,275,087) difference are as follows:

| | |
|----------------------------|-----------------------|
| Deferred outflows - ending | \$ 2,962,342 |
| Deferred inflows - ending | <u>(6,237,429)</u> |
| Net difference | <u>\$ (3,275,087)</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019, the term of the Plan.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS

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

At June 30, 2019, the carrying amount of the City's deposits was \$2,143,292 and the bank balance was \$2,714,020 of which \$250,000 was covered by federal depository insurance and the remaining bank balance of \$2,462,870 was collateralized by the financial institutions and/or third parties in the name of the City.

INVESTMENTS

At June 30, 2019 the City's investments totaled \$11,562,493 (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 | \$ 19,934 | n/a | n/a | n/a |
| Common Stock | 1,382,700 | n/a | n/a | n/a |
| Mutual Funds | 9,691,222 | n/a | n/a | n/a |
| Pooled Equity Index Funds | 468,637 | n/a | n/a | n/a |
| Total | <u>\$ 11,562,493</u> | | | |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

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

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, 2019 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:

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 2019.

| 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, 2019: | | | | |
| Fixed income funds | \$ 4,034,463 | \$ -- | \$ -- | \$ 4,034,463 |
| Equity funds | 5,676,693 | -- | -- | 5,676,693 |
| Common stock | 1,382,700 | -- | -- | 1,382,700 |
| Pooled Equity Index Funds | -- | 468,637 | -- | 468,637 |
| Investments at fair value | <u>\$ 11,093,856</u> | <u>\$ 468,637</u> | <u>\$ --</u> | <u>\$ 11,562,493</u> |

There was no transfers between any levels during the year ended June 30, 2019.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 4 - CAPITAL ASSETS

Activity for governmental activity capital assets is summarized below:

| | <u>Balances</u> <u>July 1, 2018</u> | <u>Total</u> <u>Additions</u> | <u>Total</u> <u>Deductions</u> | <u>Balances</u> <u>June 30, 2019</u> |
|---|--|----------------------------------|-----------------------------------|---|
| Capital Assets: | | | | |
| Land (not being depreciated) | \$ 1,009,008 | \$ -- | \$ -- | \$ 1,009,008 |
| Construction in progress (not depreciated) | <u>3,991,838</u> | <u>507,779</u> | <u>3,409,592</u> | <u>1,090,025</u> |
| | 5,000,846 | 507,779 | 3,409,592 | 2,099,033 |
| Buildings and land improvements | 43,083,769 | 4,273,750 | -- | 47,357,519 |
| Motor vehicles | 4,441,150 | -- | -- | 4,441,150 |
| Equipment | 3,061,439 | 147,885 | -- | 3,209,324 |
| Infrastructure | <u>13,846,933</u> | <u>--</u> | <u>--</u> | <u>13,846,933</u> |
| Total Capital Assets | <u>69,434,137</u> | <u>4,929,414</u> | <u>3,409,592</u> | <u>70,953,959</u> |
| Less: Accumulated Depreciation | | | | |
| Buildings and land improvements | (30,982,539) | (1,665,210) | -- | (32,647,749) |
| Motor vehicles | (3,684,295) | (307,916) | -- | (3,992,211) |
| Equipment | (2,059,371) | (273,030) | -- | (2,332,401) |
| Infrastructure | <u>(11,832,371)</u> | <u>(180,978)</u> | <u>--</u> | <u>(12,013,349)</u> |
| Total Accumulated Depreciation | <u>(48,558,576)</u> | <u>(2,427,134)</u> | <u>--</u> | <u>(50,985,710)</u> |
| Net Capital Assets | <u>\$20,875,561</u> | <u>\$ 2,502,280</u> | <u>\$ 3,409,592</u> | <u>\$ 19,968,249</u> |

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

| | |
|--------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 363,686 |
| Public safety | 378,106 |
| Public works | 391,648 |
| Public recreation | 901,061 |
| Public education | <u>392,633</u> |
| Total | <u>\$ 2,427,134</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019, 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 | \$ 423,754 |
| Unearned revenue - other | <u>83,710</u> |
| Total General Fund | <u>\$ 507,464</u> |
| Other Governmental Funds | |
| Unearned Revenue Grants | <u>\$ 373,315</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 | \$ 4,975,000 | 12% |
| R.I. Health & Education Building Corporation (RIHEBC) revenue bonds | 2,190,000 | 5% |
| R.I. Infrastructure Bank | 1,500,000 | 4% |
| Net pension liability | 27,798,470 | 69% |
| Net OPEB obligation | 2,531,302 | 6% |
| Due to State | 945,884 | 2% |
| Compensated absences | <u>439,970</u> | <u>1%</u> |
| Total | <u>\$ 40,380,626</u> | <u>100%</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Schedule of long-term bond requirements:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|---------------------|----------------------|
| 2020 | \$ 1,050,000 | \$ 331,621 | \$ 1,381,621 |
| 2021 | 929,000 | 320,450 | 1,249,450 |
| 2022 | 955,000 | 237,983 | 1,192,983 |
| 2023 | 736,000 | 248,932 | 984,932 |
| 2024 | 762,000 | 170,643 | 932,643 |
| 2025 | 794,000 | 136,796 | 930,796 |
| Thereafter | <u>3,439,000</u> | <u>457,139</u> | <u>3,896,139</u> |
| Total | <u>\$ 8,665,000</u> | <u>\$ 1,903,564</u> | <u>\$ 10,568,564</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, 2019, the City's total assessed property value was \$572,173,934 and three percent of this value equals \$17,165,218. As of June 30, 2019, the City was in compliance with this limit.

DUE TO STATE

Due to State of \$945,884 at June 30, 2019 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 2020 | \$ 600,000 |
| FY 2021 | <u>345,884</u> |
| | <u>\$ 945,884</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND
Notes to the Financial Statements
For the year ended June 30, 2019

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, 2018 | Additions | Deductions | Outstanding June 30, 2019 | Current Portion |
|------------------------------------|------------------|------------------|--------------------|---------------|-----------------------------|---------------------|---------------------|------------------------------|---------------------|
| General obligation municipal bonds | 10/1/2007 | 7/15/2027 | \$ 8,700,000 | 4.0%-5.5% | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| General obligation municipal bonds | 7/25/2017 | 7/25/2027 | \$ 5,435,000 | 3.04% | 5,435,000 | | 460,000 | 4,975,000 | 5,000 |
| RIHEBC revenue bonds | 12/12/2013 | 5/15/2020 | \$ 5,510,000 | 2.58% | 1,835,000 | | 910,000 | 925,000 | 470,000 |
| RIHEBC revenue bonds | 8/15/2007 | 4/1/2027 | \$ 1,300,000 | 4.25%-5.00% | 775,000 | | 60,000 | 715,000 | 70,000 |
| RIHEBC revenue bonds | 6/29/2010 | 5/5/2020 | \$ 750,000 | 5.39% | 160,000 | | 80,000 | 80,000 | 80,000 |
| RIHEBC revenue bonds | 6/30/2010 | 5/5/2020 | \$ 4,250,000 | 6.00% | 940,000 | | 470,000 | 470,000 | 425,000 |
| Rhode Island Infrastructure Bank | 5/2/2019 | 9/1/2038 | \$ 1,500,000 | 1.37%-2.62% | -- | 1,500,000 | -- | 1,500,000 | -- |
| Total bonds and leases | | | | | <u>9,145,000</u> | <u>1,500,000</u> | <u>1,980,000</u> | <u>8,665,000</u> | <u>1,050,000</u> |
| Accrued compensated absences | | | | | 376,814 | 63,156 | | 439,970 | 43,997 |
| Net pension liability | | | | | 30,667,028 | | 2,868,558 | 27,798,470 | |
| Net OPEB liability | | | | | 3,936,768 | | 1,405,466 | 2,531,302 | |
| Due to State | | | | | <u>1,545,884</u> | <u>--</u> | <u>600,000</u> | <u>945,884</u> | <u>600,000</u> |
| Total long-term debt | | | | | <u>\$ 45,671,494</u> | <u>\$ 1,563,156</u> | <u>\$ 6,854,024</u> | <u>\$ 40,380,626</u> | <u>\$ 1,693,997</u> |

Total interest paid on general long-term debt for the year ended June 30, 2019 was \$388,646.

For FY2019, revenue from State sources of \$1,456,089 was restricted for use in bond repayment.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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

Interfund receivables and payables at June 30, 2019 were as follows:

| | Due from Other Funds | Due to Other Funds |
|---------------------------------------|-------------------------|-----------------------|
| General Fund | \$ 3,737,628 | \$ 3,530,264 |
| Retirees Supplemental Settlement Fund | 80,545 | -- |
| Other Governmental Funds | <u>5,796,811</u> | <u>6,084,720</u> |
| | <u>\$ 9,614,984</u> | <u>\$ 9,614,984</u> |

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 |
|---------------------------------|-------------|--------------|
| JAG Grant | \$ 2,703 | \$ -- |
| CDBG Revolving | \$ 20,674 | \$ -- |
| Police State Forfeiture | \$ 37,740 | \$ 18,024 |
| Historic Trust | \$ 8,687 | \$ -- |
| Mortgage Foreclosure Prevention | \$ 12,030 | \$ 38,656 |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019 *Nonspendable Fund Balance* consisted of the following:

| | General Fund | Retirees Supplemental Settlement | Other Government Funds | Total |
|---------------------------------|---------------------|--|------------------------------|---------------------|
| General Fund - cash escrow RIIB | \$ 1,485,000 | \$ -- | \$ -- | \$ 1,485,000 |
| Total Nonspendable Fund Balance | <u>\$ 1,485,000</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 1,485,000</u> |
| Total Fund Balance | <u>\$ 2,161,043</u> | <u>\$ 84,157</u> | <u>\$ 733,918</u> | <u>\$ 2,979,118</u> |

At June 30, 2019 *Restricted Fund Balance* consisted of the following:

| | General Fund | Retirees Supplemental Settlement | Other Government Funds | Total |
|----------------------------------|-----------------|--|------------------------------|-------------------|
| Retirees Supplemental Settlement | \$ -- | \$ 84,157 | \$ -- | \$ 84,157 |
| Census 2020 | 5,060 | -- | -- | 5,060 |
| JAG Grant | -- | -- | 642 | 642 |
| Planning Project Fund | -- | -- | 111,823 | 111,823 |
| Recreation Summer Lunch Program | -- | -- | 41,171 | 41,171 |
| RI Department of Health | -- | -- | 185,409 | 185,409 |
| RI Foundation Grant | -- | -- | 35,000 | 35,000 |
| Police Federal Forfeiture | -- | -- | 17,838 | 17,838 |
| Police Seizures Escrow | -- | -- | 2,799 | 2,799 |
| Emergency Equipment Replacement | -- | -- | 600 | 600 |
| Recycling Account | -- | -- | 8,142 | 8,142 |
| Redevelopment Agency | -- | -- | 225,328 | 225,328 |
| Property Development | -- | -- | 155,924 | 155,924 |
| Historic Trust | -- | -- | 5,922 | 5,922 |
| Total Restricted Fund Balance | <u>\$ 5,060</u> | <u>\$ 84,157</u> | <u>\$ 790,598</u> | <u>\$ 879,815</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 8 - FUND BALANCES (CONTINUED)

At June 30, 2019 *Committed Fund Balance* consisted of the following:

| | General Fund | Retirees Supplemental Settlement | Other Government Funds | Total |
|--|----------------------------|--|------------------------------|----------------------------|
| Capital reserves based on ordinance | \$ 2,211,198 | \$ - | \$ - | \$ 2,211,198 |
| Sixty-day property tax collections budgeted in subsequent fiscal year | <u>295,706</u> | <u>-</u> | <u>-</u> | <u>295,706</u> |
| Total Committed Fund Balance | <u>\$ 2,506,904</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 2,506,904</u> |

At June 30, 2019 *Unassigned Fund Balance* consisted of the following:

| | General Fund | Retirees Supplemental Settlement | Other Government Funds | Total |
|--------------------------------------|-----------------------------|--|------------------------------|-----------------------------|
| General Fund | <u>\$(1,835,921)</u> | <u>\$ --</u> | <u>\$ (56,680)</u> | <u>\$(1,892,601)</u> |
| Total Unassigned Fund Balance | <u>\$(1,835,921)</u> | <u>\$ --</u> | <u>\$ (56,680)</u> | <u>\$(1,892,601)</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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019.

As of June 30, 2019, membership consisted of the following:

| | |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 116 |
| Inactive plan members entitled to but not yet receiving benefits | -- |
| Active plan members | <u>68</u> |
| Total | <u><u>184</u></u> |

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the experience study dated July 1, 2019:

| | |
|----------------------------|--|
| Actuarial cost method | Individual entry age normal method |
| Asset valuation method | Market value |
| Inflation | 3.00% |
| Salary increases | 3% per year, including longevity and holiday pay |
| Investment rate of return | 7.5%, net of investment management 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 SOA RP-2014 IRS Static Mortality Table for males and females. Mortality for disabled members is represented by the SOA RP-2014 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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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:

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

DISCOUNT RATE

The Discount Rate of 7.50%, 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, 2019, employee contributions were \$867,170. The City establishes employer contributions based on an actuarially determined contribution determined by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at an actuarially determined rate; the current rate is 62.26% of annual covered payroll. The employer contribution for the fiscal year ended June 30, 2019 was \$ 2,585,270.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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% |
|-----------------------------|----------------------|--------------------------------|----------------------|
| Total Pension Liability | \$ 41,034,653 | \$ 36,621,180 | \$ 32,952,285 |
| Plan Fiduciary Net Position | \$ 11,474,800 | \$ 11,474,800 | \$ 11,474,800 |
| Net Pension Liability | <u>\$ 29,559,853</u> | <u>\$ 25,146,380</u> | <u>\$ 21,477,485</u> |

The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 31.3%.

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, 2018 | \$ 37,631,988 | \$ 9,988,434 | \$ 27,643,554 |
| Service cost | 264,073 | | 264,073 |
| Interest | 2,740,977 | | 2,740,977 |
| Change in plan provisions | | | |
| Experience (gain) and loss | (1,266,759) | | (1,266,759) |
| Employer contributions | | 2,636,223 | (2,636,223) |
| Employee contributions | | 867,170 | (867,170) |
| Expenses | | (71,470) | 71,470 |
| Change in assumptions | | | |
| Benefit payments | (2,749,099) | (2,749,099) | |
| Net investment income | -- | 803,542 | (803,542) |
| Net Changes | <u>(1,010,808)</u> | <u>1,486,366</u> | <u>(2,497,174)</u> |
| Balance as of June 30, 2019 | <u>\$ 36,621,180</u> | <u>\$ 11,474,800</u> | <u>\$ 25,146,380</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019 the employer recognized pension expense of \$2,631,303. 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 | \$ 1,529,338 | \$ (2,150,878) |
| Net asset (gain) | 127,188 | (141,524) |
| Contributions and proportionate share of contributions | -- | (2,056,833) |
| Differences between Expected and Actual Experience | <u>700,992</u> | <u>(1,462,014)</u> |
| Total | <u>\$ 2,357,518</u> | <u>\$ (5,811,249)</u> |

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

| Year Ending June 30 | Net Deferred Inflows of Resources |
|---------------------|---|
| 2020 | (2,481,518) |
| 2021 | (910,859) |
| 2022 | 62,491 |
| 2023 | <u>(123,845)</u> |
| Total | <u>\$ (3,453,731)</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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.

Employer Contributions: Each participating unit's contribution rate is determined actuarially. Contributions determined in a given actuarial valuation go into effect two years after the actuarial valuation.

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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 9 - PENSION PLANS (CONTINUED)

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

KEY PLAN TERMS (CONTINUED)

Final Compensation: 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.

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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, \$26,098 for 2017, \$26,290 for 2018, \$26,687 for 2019, \$27,184 for 2020 and \$27,608 for 2021.

EMPLOYEES COVERED BY BENEFIT TERMS

At the June 30, 2016 valuation date, membership consisted of the following:

| | |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 33 |
| Inactive plan members entitled to but not yet receiving benefits | 72 |
| Active plan members | <u>48</u> |
| Total | <u><u>153</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 \$294,325 in the year ended June 30, 2019 which was 14.36% of annual covered payroll.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2016 and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|-------------------------------|--|
| Actuarial Cost | Individual entry age normal method |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 20 Years |
| Asset valuation method | 5-Year Smoothed Market |
| Inflation | 2.50% |
| Salary increases | 3.5% to 7.5% for general employees per year, including longevity and holiday pay 7.00%, compounded annually, composed of an assumed 2.5% inflation rate and a 4.5% net real rate of return, net of investment management fees. |
| Investment rate of return | 2.0% per year without compounding |
| Cost of living adjustments | A flat 20% per year retirement probability for members eligible for unreduced retirement. A 35% retirement probability at first eligibility will be only applied if they have reached age 65 or with at least 25 years of service. |
| Retirement Age | Males: RP-2014 Combined Healthy for Males with White Collar adjustments, projected with Scale Ultimate MP16. Females: RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Scale Ultimate MP16. |
| Mortality | |

The actuarial assumptions used in the June 30, 2017 valuation rolled forward to June 30, 2018 and the calculation of the total pension liability at June 30, 2018 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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 34 sources. The June 30, 2018 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|--------------------------------|-------------------------|---|
| GROWTH | | |
| Global Equity | | |
| US Equity | 20.80% | 6.43% |
| International Developed Equity | 14.40% | 6.72% |
| Emerging Markets Equity | 4.80% | 8.90% |
| Sub-total | 40.00% | |
| Private Growth | | |
| Private Equity | 11.30% | 9.08% |
| Non-Core Real Estate | 2.20% | 5.03% |
| Opportunistic Private Credit | 1.50% | 9.08% |
| Sub-total | 15.00% | |
| INCOME | | |
| High Yield Infrastructure | 1.00% | 3.81% |
| REITS | 1.00% | 5.03% |
| Liquid Credit | 2.80% | 3.81% |
| Private Credit | 3.20% | 3.81% |
| Sub-total | 8.00% | |
| STABILITY | | |
| Crisis Protection Class | | |
| Treasury Duration | 4.00% | 0.61% |
| Systematic Trend | 4.00% | 4.00% |
| Sub-total | 8.00% | |
| Inflation Protection | | |
| Core Real Estate | 3.60% | 5.03% |
| Private Infrastructure | 2.40% | 5.61% |
| TIPs | 1.00% | 1.75% |
| Natural Resources | 1.00% | 3.81% |
| Sub-total | 8.00% | |
| Volatility Protection | | |
| IG Fixed Income | 11.50% | 2.14% |
| Absolute Return | 6.50% | 4.00% |
| Cash | 3.00% | 0.61% |
| Sub-total | 21.00% | |
| Total | 100.00% | |

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.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 9 - PENSION PLANS (CONTINUED)

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

DISCOUNT RATE

The discount rate used to measure the total pension liability of the plans was 7.0 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.

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, 2017 | \$ 7,881,335 | \$ 4,857,861 | \$ 3,023,474 |
| Service Cost | 137,303 | | 137,303 |
| Interest on the total pension liability | 540,961 | | 540,961 |
| Difference between expected and actual experience | (363,438) | | (363,438) |
| Employer contributions | | 275,704 | (275,704) |
| Employee contributions | | 39,609 | (39,609) |
| Net investment income | | 381,632 | (381,632) |
| Other changes | | (5,655) | 5,655 |
| Administrative expense | | (5,080) | 5,080 |
| Benefit payments, including employee refunds | (443,944) | (443,944) | -- |
| Net Changes | (129,118) | 242,266 | (371,384) |
| Balance as of June 30, 2018 | \$ 7,752,217 | \$ 5,100,127 | \$ 2,652,090 |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 9 - PENSION PLANS (CONTINUED)

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

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 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 | Current Discount | 1.00% Increase |
|-----------------------|-------------------------|-----------------------|
| 6.00% | Rate | 8.00% |
| | 7.00% | |
| \$ 3,554,479 | \$ 2,652,090 | \$ 1,980,071 |

PENSION PLAN FIDUCIARY NET POSITION

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 9 - PENSION PLANS (CONTINUED)

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

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

For the year ended June 30, 2019 the employer recognized pension expense of \$294,325. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferrred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------|---------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Difference in Experience | \$ 241,945 | \$ (280,504) |
| Differences in Assumptions | 169,662 | -- |
| Excess (Deficit) Investment Returns | <u>193,217</u> | <u>(145,676)</u> |
| Total | <u>\$ 604,824</u> | <u>\$ (426,180)</u> |

\$294,325 reported as deferred outflows of resources related to pensions resulting from the City of Central Falls contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent period.

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

| <u>Year Ending June 30</u> | <u>Net Deferred Inflows of Resources</u> |
|----------------------------|--|
| 2019 | \$ 204,795 |
| 2020 | 141,875 |
| 2021 | (128,848) |
| 2022 | <u>(39,178)</u> |
| Total | <u>\$ 178,644</u> |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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.

| Table: % CONTRIBUTIONS | Employee contribution | Employer contribution |
|--|---|--|
| MERS – general employees who contribute to Social Security – and had less than 20 years of service on July 1, 2012 | 5% | 1% to 1.5% depending on years of service |
| MERS – general employees – more than 20 years of service on July 1, 2012 | No DC plan contributions after July 1, 2015 | |

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 \$19,281, for the fiscal year ended June 30, 2019.

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>.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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 as required by union contracts. 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, 2019, there are no separate financial statements available for the Plan. Most full-time employees of the police and fire department are eligible to participate in the plan. Benefit provisions are established through negotiations between the City and the Police Officers and Fire Unions.

Management of the post-employment benefits plan is vested with the Mayor, Director of Human Resources and Director of Finance. Funds are managed by a third-party investment management firm.

CLASSES OF EMPLOYEES COVERED

As of July 1, 2019 (the date of the last actuarial valuation), the membership data was as follows:

| | |
|---------------------|------------|
| Retired and spouses | 25 |
| Active plan members | <u>132</u> |
| Total | <u>157</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.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

INVESTMENT POLICY

The City is responsible for directing and monitoring the investment and management of the Assets. Under the Plan document, the City has the power to make such rules and regulations as may be necessary for the administration of the Plan and the Fund and the investment and reinvestment of the Assets. As such, the City is authorized to delegate certain responsibilities to professional experts in various fields. These include Investment Managers, Custodians, and other specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others to assist the City in meeting its responsibilities and obligations to administer Plan assets prudently.

The investment Plan assets shall be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

The Investment Policy, while not formal, is as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|----------------------|--------------------------|
| Cash and equivalents | 0 - 10% |
| Equities | 35 - 75% |
| Fixed Income | 25 - 50% |

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 July 1, 2019 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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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, 2019 were as follows:

| | OPEB Liability (a) | Increase (Decrease) Net Position Restricted for OPEB (b) | Net OPEB Liability (a) - (b) |
|---|--------------------------|---|------------------------------------|
| | ----- | ----- | ----- |
| Balance as of June 30, 2018 | \$ 4,177,095 | \$ 240,327 | \$ 3,936,768 |
| Service cost | 755,714 | | 755,714 |
| Interest | 365,321 | | 365,321 |
| Employer contributions | | 325,991 | (325,991) |
| Experience gain | (2,163,172) | | (2,163,172) |
| Expenses | -- | (869) | 869 |
| Benefit payments | (125,991) | (125,991) | -- |
| Net investment income | -- | 38,207 | (38,207) |
| Net Changes | <u>(1,168,128)</u> | <u>237,338</u> | <u>(1,405,466)</u> |
| Balance as of June 30, 2019 | <u>\$ 3,008,967</u> | <u>\$ 477,665</u> | <u>\$ 2,531,302</u> |
| Plan fiduciary net position as percentage of total OPEB liability | | 15.87% | |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, 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><thead><tr><th>Year</th><th>Inflation Rate</th></tr></thead><tbody><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></tbody></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, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

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 | \$ 3,407,622 | \$ 3,008,967 | \$ 2,678,717 |
| Plan Fiduciary Net Position | 477,665 | 477,665 | 477,665 |
| Net OPEB Liability | <u>\$ 2,929,957</u> | <u>\$ 2,531,302</u> | <u>\$ 2,201,052</u> |

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5% decreasing to 3.5%) or 1-percentage-point higher (9.5% decreasing to 5.5%) than the current healthcare cost trend rates:

| | 1% Decrease (7.5% decreasing to 3.5%) | Current Health Care Trend Rates (8.5% decreasing to 4.5%) | 1% Increase (9.5% decreasing to 5.5%) |
|----------------------|---|--|---|
| Total OPEB Liability | \$ 2,646,453 | \$ 3,008,967 | \$ 3,446,089 |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,953,417 in the Government-wide Statement of Activities. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------|--------------------------------------|-------------------------------------|
| Difference in Experience | \$ -- | \$ (1,953,417) |

Amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30 | Net Deferred Inflows of Resources |
|---------------------|---|
| 2019 | (219,166) |
| 2020 | (219,166) |
| 2021 | (219,166) |
| 2022 | (219,166) |
| 2023 | (219,166) |
| 2024 | (219,166) |
| 2025 | (219,166) |
| 2026 | (219,166) |
| 2027 | (219,166) |
| 2028 | (190,678) |
| Total | <u>\$ (2,163,172)</u> |

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

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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, 2019.

NOTE 12 - 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.

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, 2019, the City abated \$90,484 under this program, including the following tax abatement:

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 \$60,007 during FY2019.
- 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 \$12,681 during FY2019.
- 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 FY2019.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Financial Statements

For the year ended June 30, 2019

NOTE 13 – RESTATEMENT – CORRECTION OF ERRORS

The net deficit as of June 30, 2018 was restated due to errors identified in the current year on the MERS pension liability and miscellaneous receivables on the general fund. The effect of the corrections is reflected in the accompanying financial statements in both the general fund balance and the government wide financial statement as presented below.

| | |
|--|------------------------|
| Fund Balance-General fund, June 30, 2018, as previously stated | \$ 2,759,298 |
| Correction for assets/revenues that were incorrectly included | <u>(575,054)</u> |
| Fund Balance-General fund, June 30, 2018, as restated | <u>\$ 2,184,244</u> |
| Net deficit, June 30, 2018, as previously stated | \$ (15,840,461) |
| Correction for MERS liability being excluded from 2018 report | (3,023,474) |
| Correction for advance tax collections duplicated in 2018 | (2,506,257) |
| Correction for assets that were incorrectly included | <u>575,054</u> |
| Net deficit, June 30, 2018, as restated | <u>\$ (20,795,138)</u> |

NOTE 14 – SUBSEQUENT EVENTS

In September 2019 and with mutual agreement by RIHEBC, the City extended the maturity date of the RIHEBC General Obligation School Refunding Bonds issued on December 12, 2013 by two years to May 15, 2022. The principal payment due in fiscal 2020 was reduced by \$500,000 and will be paid equally in fiscal years 2021 and 2022.

In June 2019, the Rhode Island General Assembly authorized the Municipal Employees' Retirement System of the state of Rhode Island to administer the local Central Falls pension plan. As of August 31, 2019, the locally administered City of Central Falls Pension Plan for police and fire fighters was closed to new members.

Members of the Central Falls plan in active service as of August 31, 2019 would continue to be subject to the applicable retirement ages and restrictions, and accrue benefits on total service at the rates of the Central Falls plan pursuant to the collective bargaining agreements in effect on August 31, 2019 between Central Falls and the labor organizations representing members of the Central Falls plan. New employees hired on or after September 1, 2019 would be subject to all of the provisions of § 45-21.2, including all applicable disability provisions and benefits provided by §§ 36-10.3-4 and 45-21-52.

As of January 1, 2020, all assets including the accumulated contributions of each member of the locally managed Central Falls Pension Plan were transferred to the Municipal Employees' Retirement System of the state of Rhode Island.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Tax Revenue | | | | |
| Tax revenue (current year) | 14,431,811 | \$ 14,431,811 | 14,369,793 | \$ (62,018) |
| Tax revenue (prior years) | 275,000 | \$ 275,000 | 887,951 | 612,951 |
| Emergency Reserve Fund | (158,750) | (158,750) | -- | 158,750 |
| Total Tax Revenue | <u>14,548,061</u> | <u>14,548,061</u> | <u>15,257,744</u> | <u>709,683</u> |
| Fees / Non-Tax Revenue | | | | |
| Interest on taxes | 275,000 | 275,000 | 308,630 | 33,630 |
| VIN check fees | 28,000 | 28,000 | 21,758 | (6,242) |
| Probate fees | 12,329 | 12,329 | 6,758 | (5,572) |
| Realty Stamps | 50,000 | 50,000 | 66,993 | 16,993 |
| Real Estate Recordings | 60,000 | 60,000 | 61,984 | 1,984 |
| Licenses (other than marriage) | 91,344 | 91,344 | 95,270 | 3,927 |
| Certificates (vital records) | 10,727 | 10,727 | 16,334 | 5,607 |
| Marriage Licenses | 947 | 947 | 1,248 | 302 |
| Reports/copying fees | 1,975 | 1,975 | 2,177 | 202 |
| City Clerk miscellaneous fees | -- | -- | -- | -- |
| Fire code inspection fees/other fire permits | -- | -- | -- | -- |
| Alarm box fees & smoke detector certificates | -- | -- | -- | -- |
| Rescue runs | 375,000 | 375,000 | 369,914 | (5,086) |
| Hazardous material permits | -- | -- | -- | -- |
| Building permits | 40,000 | 40,000 | 38,403 | (1,597) |
| Plumbing & mechanical permits | 24,000 | 24,000 | 31,569 | 7,569 |
| Electrical permits | 16,000 | 16,000 | 27,555 | 11,555 |
| Certificates of occupancy | 5,000 | 5,000 | 5,200 | 200 |
| CARE account revenue | 23,500 | 23,500 | 10,910 | (12,590) |
| Municipal Court Fees/Traffic Fines/Other Fines | 150,000 | 150,000 | 183,433 | 33,433 |
| Administrative and Other Fees | 30,000 | 30,000 | 33,947 | 3,947 |
| Vehicle Fees for Road Details | 45,000 | 45,000 | 78,406 | 33,406 |
| Code Court Fees | 1,500 | 1,500 | -- | (1,500) |
| Property preservation revenue | 10,000 | 10,000 | 17,636 | 7,636 |
| Misc. departmental revenue | 50,000 | 50,000 | 86,037 | 36,037 |
| Local Pilot Revenue | 69,877 | 69,877 | 81,547 | 11,670 |
| Public works | 51,964 | 51,964 | 69,664 | 17,700 |
| Federal Revenue | -- | -- | 84,395 | 84,395 |
| Restitution | -- | -- | 140 | 140 |
| Total Fees / Non-Tax Revenue | <u>1,422,162</u> | <u>1,422,162</u> | <u>1,699,906</u> | <u>277,744</u> |
| State Revenue | | | | |
| Motor Vehicle Phase out | 559,678 | 559,678 | 502,570 | (57,108) |
| Distressed Communities Aid | 217,757 | 217,757 | 217,757 | 0 |
| Public Service Corporation Tax/Telephone tax | 242,093 | 242,093 | 244,423 | 2,330 |
| Hotel/meals & beverage tax | 139,270 | 139,270 | 120,912 | (18,358) |
| School Housing Aid - Direct payment | 1,456,089 | 1,456,089 | 1,553,807 | 97,717 |
| School Housing Aid - RIHBEC reimbursement | -- | -- | -- | -- |
| Debt Service QSCB Subsidy | -- | 0 | 125,901 | 125,901 |
| Non Profit Organizations | 895 | 895 | 895 | 0 |
| Miscellaneous state aid/grants | 27,000 | 27,000 | 153,000 | 126,000 |
| Total State Revenue | <u>2,642,782</u> | <u>2,642,782</u> | <u>2,919,265</u> | <u>276,483</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, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|-------------------|------------------------------------|
| Other Income | | | | |
| Tax Sales/Miscellaneous Other Revenue | 11,961 | 11,961 | 157,313 | 145,352 |
| Other financial sources | -- | -- | -- | -- |
| Total Other Income | <u>11,961</u> | <u>11,961</u> | <u>157,313</u> | <u>145,352</u> |
| TOTAL REVENUES | <u>18,624,967</u> | <u>18,624,967</u> | <u>20,034,228</u> | <u>1,409,261</u> |
| GENERAL GOVERNMENT | | | | |
| City Executive Management | | | | |
| Salaries | 179,000 | 179,000 | 192,127 | (13,128) |
| Social Security | 11,098 | 11,098 | 11,080 | 18 |
| Medicare | 2,596 | 2,596 | 2,591 | 4 |
| Municipal State Pension | 25,704 | 25,704 | 25,958 | (254) |
| TIAA-Cref | 2,685 | 2,685 | 1,811 | 874 |
| Medical Insurance | 14,562 | 14,562 | 15,454 | (892) |
| Dental Insurance | 819 | 819 | 808 | 11 |
| Supplies - Executive | 1,000 | 1,000 | 2,506 | (1,506) |
| Community Outreach | 20,000 | 20,000 | 31,568 | (11,568) |
| Professional Development & Training | 6,000 | 6,000 | 15,475 | (9,475) |
| Total City Executive Management | <u>263,464</u> | <u>263,464</u> | <u>299,379</u> | <u>(35,915)</u> |
| City Council | | | | |
| Stipends | 30,870 | 30,870 | 30,503 | 368 |
| Total City Council | <u>30,870</u> | <u>30,870</u> | <u>30,503</u> | <u>368</u> |
| City Clerk | | | | |
| Salaries | 200,951 | 200,951 | 205,496 | (4,545) |
| Longevity | 2,000 | 2,000 | 2,000 | -- |
| Social Security | 12,583 | 12,583 | 12,382 | 201 |
| Medicare | 2,943 | 2,943 | 2,896 | 47 |
| Municipal State Pension | 29,144 | 29,144 | 29,716 | (573) |
| TIAA Cref | 3,044 | 3,044 | 2,073 | 971 |
| Medical Insurance | 33,339 | 33,339 | 32,426 | 913 |
| Dental Insurance | 2,203 | 2,203 | 1,975 | 228 |
| Dues/subscriptions | 500 | 500 | 498 | 2 |
| Non-capital equipment | 500 | 500 | 794 | (294) |
| Claims/Settlement | 15,000 | 15,000 | 22,552 | (7,552) |
| Other professional services | 33,000 | 33,000 | 28,490 | 4,510 |
| Education & Training | 1,000 | 1,000 | 1,000 | -- |
| Total City Clerk | <u>336,207</u> | <u>336,207</u> | <u>342,300</u> | <u>(6,093)</u> |
| Board of Canvassers | | | | |
| Election workers | 22,000 | 22,000 | 20,005 | 1,995 |
| Total Board of Canvassers | <u>22,000</u> | <u>22,000</u> | <u>20,005</u> | <u>1,995</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, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------|--------------------|-----------------|----------------|------------------------------------|
| Personnel | | | | |
| Workers Compensation | 80,000 | 80,000 | 109,012 | (29,012) |
| Other professional services | 40,000 | 40,000 | 55,677 | (15,677) |
| Education & training | 5,500 | 5,500 | 2,963 | 2,537 |
| Testing | 12,000 | 12,000 | 23,439 | (11,439) |
| Total Personnel | <u>137,500</u> | <u>137,500</u> | <u>191,092</u> | <u>(53,592)</u> |
| Legal | | | | |
| Salaries | 48,001 | 48,001 | 49,042 | (1,041) |
| Social Security | 2,976 | 2,976 | 2,840 | 136 |
| Medicare | 696 | 696 | 664 | 32 |
| Municipal State Pension | 6,893 | 6,893 | 7,029 | (136) |
| TIAA Cref | 720 | 720 | 490 | 230 |
| Medical Insurance | 11,815 | 11,815 | 13,456 | (1,641) |
| Dental Insurance | 828 | 828 | 848 | (20) |
| Legal contingencies | 15,000 | 15,000 | 26,083 | (11,083) |
| Other professional services | 121,000 | 121,000 | 139,134 | (18,134) |
| Total Legal | <u>207,930</u> | <u>207,930</u> | <u>239,587</u> | <u>(31,657)</u> |
| Tax Assessor | | | | |
| Salaries | 38,581 | 38,581 | 40,526 | (1,944) |
| Longevity Pay | -- | -- | -- | -- |
| Social Security | 2,392 | 2,392 | 2,431 | (39) |
| Medicare | 559 | 559 | 569 | (9) |
| Municipal State Pension | 5,540 | 5,540 | 5,676 | (135) |
| TIAA Cref | 579 | 579 | 396 | 183 |
| Medical Insurance | -- | -- | 5,514 | (5,514) |
| Dental Insurance | 828 | 828 | 279 | 549 |
| Dues/subscriptions | 2,500 | 2,500 | 933 | 1,567 |
| Other professional services | 60,690 | 60,690 | 129,914 | (69,224) |
| Revaluation services | 25,000 | 25,000 | 34,660 | (9,660) |
| Total Tax Assessor | <u>136,670</u> | <u>136,670</u> | <u>220,897</u> | <u>(84,227)</u> |
| Finance | | | | |
| Salaries | 292,465 | 292,465 | 283,729 | 8,737 |
| Longevity Pay | 5,500 | 5,500 | 6,000 | (500) |
| Sick incentive pay | 622 | 622 | -- | 622 |
| Social Security | 18,474 | 18,474 | 17,694 | 780 |
| Medicare | 4,321 | 4,321 | 4,138 | 182 |
| Municipal State Pension | 42,788 | 42,788 | 38,040 | 4,748 |
| TIAA Cref | 4,469 | 4,469 | 2,655 | 1,815 |
| Medical Insurance | 47,262 | 47,262 | 48,203 | (941) |
| Dental Insurance | 2,759 | 2,759 | 2,469 | 290 |
| Postage | 20,000 | 20,000 | 17,199 | 2,801 |
| Non-capital equipment | -- | -- | -- | -- |
| Collection agency | 2,500 | 2,500 | 912 | 1,588 |
| Accounting/auditing | 75,000 | 75,000 | 138,441 | (63,441) |
| Other professional services | 60,000 | 60,000 | 265,013 | (205,013) |
| Education & training | 3,000 | 3,000 | 3,000 | -- |
| Total Finance | <u>579,160</u> | <u>579,160</u> | <u>827,493</u> | <u>(248,333)</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, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|------------------|------------------|------------------------------------|
| City Property | | | | |
| Office supplies | 10,000 | 10,000 | 9,967 | 33 |
| Other supplies | 5,000 | 5,000 | 1,855 | 3,145 |
| Janitorial Supplies | 2,000 | 2,000 | 2,034 | (34) |
| Dues/Subscriptions | 11,866 | 11,866 | 12,838 | (972) |
| Non-capital equipment | 10,500 | 10,500 | 6,379 | 4,121 |
| Advertising | 18,500 | 18,500 | 14,479 | 4,021 |
| IT Consulting services | 72,000 | 72,000 | 80,060 | (8,060) |
| R&M Contracts - City Buildings | 118,007 | 118,007 | 141,348 | (23,341) |
| General liability insurance | 240,000 | 240,000 | 236,833 | 3,167 |
| Capital Expenditures-City Property | -- | -- | -- | -- |
| Miscellaneous expense - City Proper | 3,000 | 3,000 | 2,702 | 298 |
| Heating Fuel-Other City Buildings | 45,000 | 45,000 | 55,895 | (10,895) |
| Telephone Other City Buildings | 43,000 | 43,000 | 61,071 | (18,071) |
| Repairs/Maint.-Other City Buildings | 10,000 | 10,000 | 7,200 | 2,800 |
| Water/Sewer-Other City Buildings | 53,000 | 53,000 | 62,172 | (9,172) |
| Electric-Other City Buildings | 115,000 | 115,000 | 151,895 | (36,895) |
| Custodial Services - Other City Buildings | -- | -- | -- | -- |
| Hydrants | 110,000 | 110,000 | 141,765 | (31,765) |
| Sewer/ NBC | 3,500 | 3,500 | 2,817 | 683 |
| Street lights | 150,000 | 150,000 | 104,822 | 45,178 |
| Total City Property | <u>1,020,373</u> | <u>1,020,373</u> | <u>1,096,131</u> | <u>(75,758)</u> |
| City Boards | | | | |
| Pension board | 675 | 675 | 506 | 169 |
| Personnel board | 675 | 675 | 450 | 225 |
| Purchasing board | 675 | 675 | 506 | 169 |
| Appeals board | 900 | 900 | 788 | 113 |
| Planning board | 1,125 | 1,125 | 1,125 | -- |
| Zoning board | 1,750 | 1,750 | 1,750 | -- |
| Canvassers board | 2,100 | 2,100 | 2,175 | (75) |
| Housing authority board | 2,750 | 2,750 | 2,200 | 550 |
| Total City Boards | <u>10,650</u> | <u>10,650</u> | <u>9,500</u> | <u>1,150</u> |
| TOTAL GENERAL GOVERNMENT | <u>2,744,825</u> | <u>2,744,825</u> | <u>3,276,888</u> | <u>(532,063)</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, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------------|-----------|------------------------------------|
| PUBLIC SAFETY | | | | |
| Police Department | | | | |
| Salaries | 2,305,195 | 2,305,195 | 2,200,492 | 104,704 |
| Police trainee wages | 8,000 | 8,000 | 23,850 | (15,850) |
| Overtime | 168,000 | 168,000 | 295,969 | (127,969) |
| Special Investigations Overtime | 15,000 | 15,000 | 12,620 | 2,380 |
| Community Policing | 25,000 | 25,000 | 22,482 | 2,518 |
| K-9 | 7,000 | 7,000 | 6,030 | 970 |
| Holiday pay | 135,357 | 135,357 | 127,111 | 8,247 |
| Longevity pay | 94,000 | 94,000 | 102,910 | (8,910) |
| Detective Stipends | 7,800 | 7,800 | 7,971 | (171) |
| Clothing/tool allowances | 38,000 | 38,000 | 41,558 | (3,558) |
| Police education stipend | -- | -- | 12,500 | (12,500) |
| Sick Incentive Pay | 7,975 | 7,975 | 7,266 | 709 |
| Police Social Security | -- | -- | 1,599 | (1,599) |
| Police Medicare | 34,788 | 34,788 | 47,507 | (12,719) |
| Police Medical Insurance | 254,259 | 254,259 | 293,181 | (38,923) |
| Police Dental Insurance | 23,161 | 23,161 | 21,797 | 1,364 |
| Injuries/Medical (Work Related Injuries) | 28,946 | 28,946 | -- | 28,946 |
| Office supplies | 4,000 | 4,000 | 3,236 | 764 |
| Other supplies | 8,200 | 8,200 | 6,369 | 1,831 |
| Vehicle fuel | 45,000 | 45,000 | 60,274 | (15,274) |
| Dues/Subscriptions | 809 | 809 | 690 | 119 |
| Detective supplies | 5,000 | 5,000 | 2,336 | 2,664 |
| Non-capital equipment | 5,000 | 5,000 | 4,781 | 219 |
| General R & M | 6,500 | 6,500 | 17,707 | (11,207) |
| Vehicle R & M | 22,500 | 22,500 | 27,570 | (5,070) |
| Other professional services | 95,130 | 95,130 | 94,894 | 236 |
| Finger printing | 2,230 | 2,230 | 2,970 | (740) |
| Education & training | 20,000 | 20,000 | 16,883 | 3,117 |
| College tuitions | 35,000 | 35,000 | 31,680 | 3,320 |
| Salaries (Animal control) | 38,796 | 38,796 | 39,636 | (840) |
| Overtime (Animal control) | 1,200 | 1,200 | 722 | 478 |
| Longevity pay (Animal Control) | 1,500 | 1,500 | 1,500 | -- |
| Sick Incentive Pay (Animal control) | -- | -- | 448 | (448) |
| Clothing/tool allowance (Animal control) | 350 | 350 | 350 | -- |
| Social Security (Animal control) | 2,498 | 2,498 | 2,585 | (87) |
| Medicare (Animal control) | 584 | 584 | 605 | (20) |
| Municipal State Pension (Animal control) | 5,787 | 5,787 | 5,896 | (110) |
| TIAA-Cref - Animal Control | 604 | 604 | 411 | 193 |
| Medical Insurance (Animal control) | 4,854 | 4,854 | 5,514 | (660) |
| Dental Insurance (Animal control) | 273 | 273 | 279 | (6) |
| Boarding of animals (Animal control) | 3,000 | 3,000 | 1,566 | 1,434 |
| Clerk & IT Salaries | 84,254 | 84,254 | 86,080 | (1,826) |
| Clerk & IT Overtime | 1,000 | 1,000 | 4,354 | (3,354) |
| Clerk & IT Longevity Pay | 5,000 | 5,000 | 5,000 | -- |
| Clerk & IT Sick Incentive Pay | 555 | 555 | -- | 555 |
| Clothing/tool allowances civilian | 350 | 350 | 350 | -- |
| Clerk & IT Social Security | 5,534 | 5,534 | 5,537 | (4) |
| Clerk & IT Medicare | 1,294 | 1,294 | 1,295 | (1) |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|------------------|------------------|------------------------------------|
| Police Department (Continued) | | | | |
| Municipal State Pension (Civilian Staff) | 12,817 | 12,817 | 13,056 | (239) |
| TIAA-Cref - Civilian | 1,339 | 1,339 | 436 | 903 |
| Clerk & IT Medical Insurance | 23,631 | 23,631 | 26,958 | (3,327) |
| Clerk & IT Dental Insurance | 1,657 | 1,657 | 1,696 | (39) |
| Dispatcher Salaries | 253,291 | 253,291 | 205,432 | 47,859 |
| Dispatcher & Clerk Overtime | 40,000 | 40,000 | 68,405 | (28,405) |
| Dispatcher Holiday Pay | 15,831 | 15,831 | 12,614 | 3,217 |
| Dispatchers Longevity | 8,500 | 8,500 | 7,500 | 1,000 |
| Dispatchers Sick Incentive Pay | 482 | 482 | 998 | (516) |
| Dispatcher clothing/tool allowances | 2,100 | 2,100 | 1,400 | 700 |
| Dispatcher Social Security | 16,231 | 16,231 | 17,047 | (816) |
| Dispatchers Medicare | 3,796 | 3,796 | 3,987 | (191) |
| Municipal State Pension (Dispatch) | 37,593 | 37,593 | 31,300 | 6,293 |
| TIAA-Cref - Dispatch | 3,927 | 3,927 | 2,183 | 1,744 |
| Dispatcher & Clerk Medical Insurance | 50,009 | 50,009 | 43,616 | 6,393 |
| Dispatcher & Clerk Dental Insurance | 3,305 | 3,305 | 2,263 | 1,042 |
| Public Safety Dispatcher Shared Equip R&M | 6,000 | 6,000 | 3,335 | 2,665 |
| Total Police Department | 4,039,793 | 4,039,793 | 4,098,587 | (58,794) |
| Fire Department | | | | |
| Salaries-Fire | 2,492,200 | 2,492,200 | 2,470,716 | 21,483 |
| Fire Trainee Wages | -- | -- | 27,585 | (27,585) |
| Stipend | 7,280 | 7,280 | -- | 7,280 |
| Overtime-Fire | 165,000 | 165,000 | 273,203 | (108,203) |
| Holiday pay-Fire | 139,728 | 139,728 | 141,225 | (1,498) |
| Longevity pay-Fire | 78,000 | 78,000 | 76,000 | 2,000 |
| Out of rank pay | 13,700 | 13,700 | 16,488 | (2,788) |
| Mechanic pay | 6,800 | 6,800 | 7,400 | (600) |
| Rescue pay | -- | -- | 14,649 | (14,649) |
| Sick incentive pay -Fire | 7,647 | 7,647 | 9,463 | (1,816) |
| Clothing/tool allowance-Fire | 41,000 | 41,000 | 38,000 | 3,000 |
| Social Security-Fire | 2,205 | 2,205 | 12,910 | (10,706) |
| Medicare-Fire | 35,368 | 35,368 | 42,164 | (6,795) |
| Municipal State Pension-Fire Clerk | 5,106 | 5,106 | 5,328 | (221) |
| TIAA-Cref - Fire Clerk | 533 | 533 | 372 | 162 |
| Medical Insurance-Fire | 370,307 | 370,307 | 407,145 | (36,838) |
| Dental Insurance-Fire | 27,850 | 27,850 | 26,591 | 1,259 |
| Injuries/Medical (Work Related Injuries)-Fire | 46,309 | 46,309 | -- | 46,309 |
| Other supplies-Fire | 20,000 | 20,000 | 39,857 | (19,857) |
| Vehicle fuel-Fire | 15,000 | 15,000 | 23,027 | (8,027) |
| Dues/subscriptions-Fire | 1,500 | 1,500 | 1,395 | 105 |
| Non-capital equipment-Fire | 6,000 | 6,000 | 4,518 | 1,482 |
| Fire Fighter Equipment | 22,000 | 22,000 | 29,792 | (7,792) |
| General R & M-Fire | 10,000 | 10,000 | 21,223 | (11,223) |
| Vehicle R & M-Fire | 35,000 | 35,000 | 60,026 | (25,026) |
| Education & training-Fire | 25,000 | 25,000 | 31,377 | (6,377) |
| College tuitions-Fire | 5,000 | 5,000 | 6,523 | (1,523) |
| Other professional services-Fire | 32,000 | 32,000 | 88,430 | (56,430) |
| Total Fire Department | 3,610,532 | 3,610,532 | 3,875,407 | (264,875) |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|--------------------|------------------|------------------|------------------------------------|
| Office of Health | | | | |
| Salaries/Wages - Office of Health | 45,882 | 45,882 | 46,897 | (1,015) |
| Sick Incentive Pay- Office of Health | -- | -- | -- | -- |
| Social Security - Office Of Health | 2,845 | 2,845 | 2,707 | 138 |
| Medicare- Office of Health | 665 | 665 | 633 | 32 |
| Municipal State Pension- Office of | 6,589 | 6,589 | 6,722 | (133) |
| TIAA-Cref- Office of Health | 688 | 688 | 469 | 219 |
| Medical Insurance - Office Of Health | 11,815 | 11,815 | 13,433 | (1,618) |
| Dental Insurance- Office of Health | 828 | 828 | 848 | (20) |
| Other Professional Services | 15,000 | 15,000 | (9,867) | 24,867 |
| Total Office of Health | <u>84,313</u> | <u>84,313</u> | <u>61,842</u> | <u>22,471</u> |
| Municipal Court | | | | |
| Salaries - Municipal | 43,562 | 43,562 | 44,507 | (945) |
| Overtime - Municipal | 1,500 | 1,500 | 2,446 | (946) |
| Court Security | 500 | 500 | 184 | 316 |
| Longevity Pay | 3,500 | 3,500 | 2,500 | 1,000 |
| Sick Incentive Pay | 520 | 520 | -- | 520 |
| Social Security | 2,918 | 2,918 | 2,865 | 52 |
| Medicare | 682 | 682 | 670 | 12 |
| Municipal State Pension | 6,758 | 6,758 | 6,738 | 20 |
| TIAA-Cref - Municipal Court | 706 | 706 | 588 | 118 |
| Medical Insurance | 11,815 | 11,815 | 13,410 | (1,595) |
| Dental Insurance | 828 | 828 | 848 | (20) |
| Office supplies | 7,000 | 7,000 | 5,938 | 1,062 |
| Municipal Court Judge | 14,000 | 14,000 | 21,000 | (7,000) |
| Housing Court Judge | 12,000 | 12,000 | 12,000 | -- |
| Probate Court Judge | 12,000 | 12,000 | 12,000 | -- |
| Total Municipal Court | <u>118,291</u> | <u>118,291</u> | <u>125,695</u> | <u>(7,404)</u> |
| Inspection Officers | | | | |
| Plumbing officer | 5,200 | 5,200 | 6,500 | (1,300) |
| Electrical inspector | 5,200 | 5,200 | 10,400 | (5,200) |
| Total Inspection Officers | <u>10,400</u> | <u>10,400</u> | <u>16,900</u> | <u>(6,500)</u> |
| TOTAL PUBLIC SAFETY | <u>7,863,328</u> | <u>7,863,328</u> | <u>8,178,430</u> | <u>(315,102)</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, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|--------------------|------------------|------------------|------------------------------------|
| PUBLIC WORKS | | | | |
| Highway Department | | | | |
| Salaries-DPW/Code | 603,114 | 603,114 | 576,764 | 26,349 |
| Overtime-DPW/Code | 49,000 | 49,000 | 48,630 | 370 |
| Longevity pay-DPW/Code | 21,500 | 21,500 | 22,000 | (500) |
| Sick Incentive Pay-DPW/Code | 563 | 563 | 542 | 22 |
| Clothing/tool allowance-DPW/Code | 2,800 | 2,800 | 2,800 | -- |
| Backhoe Lic | -- | -- | -- | -- |
| Social Security-DPW/Code | 38,726 | 38,726 | 39,213 | (486) |
| Medicare-DPW/Code | 9,057 | 9,057 | 9,171 | (114) |
| Municipal State Pension-DPW/Code | 82,655 | 82,655 | 80,133 | 2,523 |
| TIAA-Cref - DPW/Code | 8,634 | 8,634 | 4,693 | 3,941 |
| Medical Insurance-DPW/Code | 99,378 | 99,378 | 110,381 | (11,003) |
| Dental Insurance-DPW/Code | 6,901 | 6,901 | 7,113 | (212) |
| Other supplies-DPW/Code | 2,500 | 2,500 | 2,499 | 1 |
| Other Professional Services-DPW/Code | 35,000 | 35,000 | 30,374 | 4,626 |
| Education & training-DPW/Code | 1,000 | 1,000 | 1,516 | (516) |
| Property protection-DPW/Code | -- | -- | -- | -- |
| Vehicle Fuel-DPW/Code | 15,000 | 15,000 | 18,778 | (3,778) |
| Non-capital equipment-DPW/Code | 6,000 | 6,000 | 3,769 | 2,231 |
| Winter road supplies-DPW/Code | 40,000 | 40,000 | 28,779 | 11,221 |
| General R & M-DPW/Code | 12,500 | 12,500 | 9,781 | 2,719 |
| Vehicle R & M-DPW/Code | 50,000 | 50,000 | 54,725 | (4,725) |
| DPW Building R&M-DPW/Code | 2,000 | 2,000 | 1,877 | 123 |
| Road R & M-DPW/Code | 25,000 | 25,000 | 26,756 | (1,756) |
| Traffic Signal R & M-DPW/Code | 3,000 | 3,000 | 6,320 | (3,320) |
| Capital Expenditures-DPW/Code | -- | -- | -- | -- |
| Misc. Highway-DPW/Code | 500 | 500 | -- | 500 |
| Total Highway Department | <u>1,114,828</u> | <u>1,114,828</u> | <u>1,086,614</u> | <u>28,215</u> |
| Public Works | | | | |
| Solid waste removal/disposal | 220,000 | 220,000 | 248,792 | (28,792) |
| Trash Removal/Recycling | <u>675,750</u> | <u>675,750</u> | <u>675,750</u> | <u>--</u> |
| Total Public Works | <u>895,750</u> | <u>895,750</u> | <u>924,542</u> | <u>(28,792)</u> |
| TOTAL PUBLIC WORKS | <u>2,010,578</u> | <u>2,010,578</u> | <u>2,011,156</u> | <u>(578)</u> |
| PUBLIC EDUCATION | | | | |
| Library | | | | |
| City Contribution | 118,825 | 118,825 | 118,825 | -- |
| State Library Grant-In-Aid | <u>27,329</u> | <u>27,329</u> | <u>26,489</u> | <u>841</u> |
| TOTAL PUBLIC EDUCATION | <u>146,154</u> | <u>146,154</u> | <u>145,314</u> | <u>841</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, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------------|----------------|------------------------------------|
| PUBLIC RECREATION | | | | |
| Parks, Recreation And Community Service | | | | |
| Salaries | 94,860 | 94,860 | 77,437 | 17,423 |
| Temporary Salary | 19,213 | 19,213 | 23,674 | (4,461) |
| Stipends | 15,000 | 15,000 | 7,787 | 7,213 |
| Grant Writer | 37,324 | 37,324 | 38,133 | (808) |
| Street Beautification Workers | 27,890 | 27,890 | 38,134 | (10,244) |
| Social Security | 11,116 | 11,116 | 11,079 | 36 |
| Medicare | 2,600 | 2,600 | 2,591 | 9 |
| Municipal State Pension | 18,982 | 18,982 | 16,258 | 2,724 |
| TIAA-Cref - Parks/Recreation | 1,423 | 1,423 | 1,136 | 287 |
| Medical Insurance | 16,670 | 16,670 | 8,085 | 8,585 |
| Dental Insurance | 1,102 | 1,102 | 465 | 636 |
| Salaries-Afterschool | 55,798 | 55,798 | 52,963 | 2,835 |
| Social Security-Afterschool Program | 2,761 | 2,761 | 3,272 | (511) |
| Medicare-Afterschool Program | 646 | 646 | 765 | (119) |
| Municipal State Pension - Afterschool Program | 1,619 | 1,619 | -- | 1,619 |
| TIAA-Cref - Afterschool Program | 169 | 169 | -- | 169 |
| Other supplies | 10,000 | 10,000 | 9,906 | 94 |
| General R & M | 15,000 | 15,000 | 23,923 | (8,923) |
| Other professional services | 5,000 | 5,000 | 9,469 | (4,469) |
| Public events & activities | 57,000 | 57,000 | 66,501 | (9,501) |
| Education and Training | 250 | 250 | 1,913 | (1,663) |
| Misc. recreation | 20,000 | 20,000 | 12,518 | 7,482 |
| Total Parks, Recreation and Community Service | 414,420 | 414,420 | 406,008 | 8,412 |
| Planning | | | | |
| Salaries | 261,511 | 261,511 | 198,517 | 62,994 |
| Social Security | 16,214 | 16,214 | 9,709 | 6,505 |
| Medicare | 3,792 | 3,792 | 2,270 | 1,521 |
| Municipal State Pension | 30,373 | 30,373 | 22,475 | 7,898 |
| TIAA-Cref - Planning | 3,173 | 3,173 | 1,568 | 1,605 |
| Medical Insurance | 19,417 | 19,417 | 27,480 | (8,064) |
| Dental Insurance | 1,092 | 1,092 | 1,691 | (599) |
| Other supplies | 5,000 | 5,000 | 4,482 | 518 |
| Education/Training | 10,000 | 10,000 | 6,480 | 3,520 |
| Other Professional Services | 40,000 | 40,000 | 127,226 | (87,226) |
| Total Planning | 390,571 | 390,571 | 401,899 | (11,327) |
| TOTAL PUBLIC RECREATION | 804,992 | 804,992 | 807,907 | (2,915) |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|-------------------|------------------------------------|
| CITY DEBT SERVICE | | | | |
| Bond principal | 1,950,000 | 1,950,000 | 1,980,000 | (30,000) |
| Bond interest | 311,346 | 311,346 | 311,739 | (393) |
| Lease purchase/debt restructure | -- | -- | -- | -- |
| Other debt fees | 3,500 | 3,500 | 28,276 | (24,776) |
| TOTAL CITY DEBT SERVICE | <u>2,264,846</u> | <u>2,264,846</u> | <u>2,320,015</u> | <u>(55,169)</u> |
| CONTINGENCY | | | | |
| General contingencies | -- | -- | 1,245 | (1,245) |
| TOTAL CONTINGENCY | <u>--</u> | <u>--</u> | <u>1,245</u> | <u>(1,245)</u> |
| OTHER CITY GOVERNMENT | | | | |
| Compensated absences | 20,000 | 20,000 | 114,674 | (94,674) |
| Unemployment compensation | 10,000 | 10,000 | 15,026 | (5,026) |
| Group Life | 11,000 | 11,000 | 10,749 | 251 |
| Medical insurance | 75,000 | 75,000 | 5,270 | 69,730 |
| OPEB | 100,000 | 100,000 | 100,000 | -- |
| HRA - Health Reimbursement | 75,000 | 75,000 | 127,800 | (52,800) |
| School Building Expenses | -- | -- | 181,190 | (181,190) |
| TOTAL OTHER CITY GOVERNMENT | <u>291,000</u> | <u>291,000</u> | <u>554,708</u> | <u>(263,708)</u> |
| RESERVE | | | | |
| 0.59% of total budget | -- | -- | -- | -- |
| TOTAL RESERVE | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| RETIREMENT | | | | |
| Police retirement- Public Safety Pension | 92,000 | 92,000 | 182,436 | (90,436) |
| Fire retirement - Public Safety Pension | 92,000 | 92,000 | 182,436 | (90,436) |
| Public Pension - JH Other Paygo | 2,315,244 | 2,315,244 | 2,266,431 | 48,813 |
| TOTAL RETIREMENT | <u>2,499,244</u> | <u>2,499,244</u> | <u>2,631,303</u> | <u>(132,059)</u> |
| TOTAL EXPENDITURES | <u>18,624,967</u> | <u>18,624,967</u> | <u>19,926,966</u> | <u>(1,301,999)</u> |

CITY OF CENTRAL FALLS

D-3

BUDGETARY AND LEGAL COMPLIANCE

FOR THE YEAR ENDED JUNE 30, 2019

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 | \$ | 20,034,228 |
| Debt forgiveness for due to state | | 600,000 |
| Transfer in from govt funds, not part of budget | | 6,854 |
| Reclassification of: | | |
| Property tax revenue- sixty day rule | | 295,706 |
| Prior years property tax revenue - sixty day rule | | (360,013) |
| Total revenues and other financing source as reported in the Statement of Revenues, Other Financing Sources, Expenditures, Other Financing Uses and Changes in Fund Balances - Governmental Funds | | <u>20,576,775</u> |
| Bond proceeds not budgeted | | 1,500,000 |
| Transfer in from govt funds, not part of budget | | 10,790 |
| Total GAAP revenues and other financing sources | \$ | <u>22,087,565</u> |
| | | |
| Total budgetary expenditures and other financing uses | \$ | 19,926,966 |
| Capital expense paid by RIIB, not part of budget | | 15,000 |
| Transfer in from govt funds, not part of budget | | 42,403 |
| Total expenditures and other financing source as reported in the Statement of Revenues, Other Financing Sources, Expenditures, Other Financing Uses and Changes in Fund Balances - Governmental Funds | | <u>19,984,369</u> |
| Debt forgiveness for due to state | | 600,000 |
| Transfer out to govt funds, not part of budget | | (42,403) |
| Transfer to capital reserve funds, not part of budget | | 1,532,167 |
| Total GAAP expenditures and other financing uses | \$ | <u>22,074,133</u> |

CITY OF CENTRAL FALLS

D-4

GENERAL FUND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

FOR THE YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, expenditures exceeded budget at the department level as follows:

| Department | Excess |
|-----------------------|--------------|
| City Clerk | \$ (6,093) |
| Personnel | \$ (53,592) |
| Legal | \$ (31,657) |
| Tax Assessor | \$ (84,227) |
| Finance | \$ (248,333) |
| City Property | \$ (75,758) |
| Police Department | \$ (58,794) |
| Fire Department | \$ (264,875) |
| Municipal Court | \$ (7,404) |
| Highway Department | \$ -- |
| Public Works | \$ (28,792) |
| Planning | \$ (11,327) |
| City Debt Service | \$ (55,169) |
| Contingency | \$ (1,245) |
| Other City Government | \$ (263,708) |

SCHEDULE OF CHANGES IN CITY OF CENTRAL FALLS

D-5

NET PENSION LIABILITY AND RELATED RATIOS
MERS
LAST FIVE FISCAL YEARS

| | Year Ended June 30, 2018 | Year Ended June 30, 2017 | Year Ended June 30, 2016 | Year Ended June 30, 2015 | Year Ended June 30, 2014 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| A. Total pension liability | | | | | |
| 1. Service Cost | \$ 137,303 | \$ 127,458 | \$ 116,360 | \$ 105,194 | \$ 112,984 |
| 2. Interest on the Total Pension Liability | 540,961 | 505,170 | 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 | (363,438) | 491,539 | (2,161) | (254,173) | -- |
| 5. Changes of assumptions | -- | 344,688 | -- | -- | (24,723) |
| 6. Benefit payments, including refunds of employee contributions | (443,944) | (518,780) | (598,500) | (503,299) | (567,898) |
| 7. Net change in total pension liability | (129,118) | 950,075 | 16,245 | (149,877) | 30,856 |
| 8. Total pension liability – beginning | 7,881,335 | 6,931,260 | 6,915,015 | 7,064,892 | 7,034,036 |
| 9. Total pension liability – ending (a) | \$ 7,752,217 | \$ 7,881,335 | \$ 6,931,260 | \$ 6,915,015 | \$ 7,064,892 |
| B. Plan fiduciary net position | | | | | |
| 1. Contributions – employer | \$ 275,704 | \$ 287,795 | \$ 269,399 | \$ 266,285 | \$ 162,612 |
| 2. Contributions – employee | 39,609 | 39,027 | 35,604 | 18,326 | 16,471 |
| 3. Net investment income | 381,632 | 515,888 | (1,594) | 114,533 | 665,429 |
| 4. Benefit payments, including refunds of employee contributions | (443,944) | (518,780) | (598,500) | (503,299) | (567,898) |
| 5. Pension Plan Administrative Expense | (5,080) | (53,622) | (4,288) | (4,621) | (4,167) |
| 6. Other | (5,655) | (4,874) | 4,596 | (146) | (28,883) |
| 7. Net change in plan fiduciary net position | 242,266 | 265,434 | (294,783) | (108,922) | 243,564 |
| 8. Plan fiduciary net position – beginning | 4,857,861 | 4,592,427 | 4,887,210 | 4,996,132 | 4,752,568 |
| 9. Plan fiduciary net position – ending (b) | \$ 5,100,127 | \$ 4,857,861 | \$ 4,592,427 | \$ 4,887,210 | \$ 4,996,132 |
| C. Net pension liability - ending (a) - (b) | \$ 2,652,090 | \$ 3,023,474 | \$ 2,338,833 | \$ 2,027,805 | \$ 2,068,760 |
| D. Plan fiduciary net position as a percentage of the total pension liability | 65.79% | 61.64% | 66.26% | 70.68% | 70.72% |
| E. Covered employee payroll | \$ 2,189,847 | \$ 2,134,978 | \$ 1,972,211 | \$ 1,832,653 | \$ 1,647,003 |
| F. Net pension liability as a percentage of covered payroll | 121.11% | 141.62% | 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 FIVE FISCAL YEARS

| | Year Ended June 30, 2019 | Year Ended June 30, 2018 | Year Ended June 30, 2017 | Year Ended June 30, 2016 | Year Ended June 30, 2015 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| A. Total pension liability | | | | | |
| 1. Service Cost | \$ 264,073 | \$ 625,895 | \$ 604,729 | \$ 782,937 | \$ 451,646 |
| 2. Interest on Liability and Service Cost | 2,740,977 | 2,548,469 | 2,423,750 | 2,359,718 | 2,455,649 |
| 3. Change in Plan Provisions | -- | 1,247,670 | -- | -- | -- |
| 4. Experience (Gain) and Loss | (1,266,759) | 1,068,464 | (376,824) | (1,003,524) | 411,659 |
| 5. Changes of Assumptions | -- | -- | 1,362,628 | (7,182,170) | 8,108,455 |
| 6. Benefit Payments | (2,749,099) | (2,381,347) | (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 | (1,010,808) | 3,109,151 | 1,650,243 | (7,383,050) | 9,021,498 |
| 9. Total pension liability – beginning | 37,631,988 | 34,522,837 | 32,872,594 | 40,255,644 | 31,234,146 |
| 10. Total pension liability – ending (a) | \$ 36,621,180 | \$ 37,631,988 | \$ 34,522,837 | \$ 32,872,594 | \$ 40,255,644 |
| B. Plan fiduciary net position | | | | | |
| 1. Contributions – employer | \$ 2,636,223 | \$ 2,276,371 | \$ 2,423,009 | \$ 2,404,956 | \$ 2,412,068 |
| 2. Contributions – employee | 867,170 | 503,146 | 439,546 | 455,617 | 410,224 |
| 3. Other Payments | -- | -- | -- | -- | -- |
| 4. Benefit Payments | (2,749,099) | (2,381,347) | (2,364,040) | (2,275,504) | (2,317,773) |
| 5. Expenses | (71,470) | (67,953) | (62,664) | (18,992) | (19,312) |
| 6. Investment Income | 803,552 | 487,949 | 789,169 | 678,721 | (176,495) |
| 7. Net change in plan fiduciary net position | 1,486,376 | 818,166 | 1,225,020 | 1,244,798 | 308,712 |
| 8. Plan fiduciary net position – beginning | 9,988,424 | 9,170,268 | 7,945,248 | 6,700,450 | 6,391,738 |
| 9. Plan fiduciary net position – ending (b) | \$ 11,474,800 | \$ 9,988,434 | \$ 9,170,268 | \$ 7,945,248 | \$ 6,700,450 |
| C. Net pension liability - ending (a) - (b) | \$ 25,146,380 | \$ 27,643,554 | \$ 25,352,569 | \$ 24,927,346 | \$ 33,555,194 |
| D. Plan fiduciary net position as a percentage of the total pension liability | 31.33% | 26.54% | 26.56% | 24.17% | 16.64% |
| E. Covered employee payroll | \$ 4,152,699 | \$ 4,684,587 | \$ 4,717,866 | \$ 4,777,056 | \$ 4,482,450 |
| F. Net pension liability as a percentage of covered payroll | 605.54% | 590.10% | 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 FIVE FISCAL YEARS

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------|-------|-------|-------|-------|
| Annual money-weighted rate of return net of investment expense | 7.72% | 5.33% | 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 FIVE FISCAL YEARS

| | Fiscal 2019 | Fiscal 2018 | Fiscal 2017 | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 294,325 | \$ 275,704 | \$ 287,795 | \$ 269,399 | \$ 266,285 | \$ 162,612 |
| Contributions in relation to the actuarially determined contribution | <u>294,325</u> | <u>275,704</u> | <u>287,795</u> | <u>269,399</u> | <u>266,285</u> | <u>162,612</u> |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Covered-employee payroll | \$ 2,048,999 | \$ 2,189,847 | \$ 2,134,978 | \$ 1,972,211 | \$ 1,832,653 | \$ 1,647,003 |
| Contributions as a percentage of covered-employee payroll | 14.36% | 12.59% | 13.48% | 13.66% | 14.53% | 9.87% |

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 EIGHT FISCAL YEARS

| | Fiscal 2019 | Fiscal 2018 | Fiscal 2017 | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 2,585,270 | \$ 2,513,311 | \$ 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>2,636,223</u> | <u>2,276,371</u> | <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>(50,953)</u> | \$ <u>236,940</u> | \$ <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>4,152,699</u> | \$ <u>4,684,587</u> | \$ <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 | 63.48% | 48.59% | 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, 2019 | Year Ended June 30, 2018 | Year Ended June 30, 2017 |
|---|-----------------------------|-----------------------------|-----------------------------|
| A. Total OPEB liability | | | |
| 1. Service Cost | \$ 755,714 | \$ 62,911 | \$ 60,202 |
| 2. Interest on Liability and Service Cost | 365,321 | 298,293 | 286,327 |
| 3. Change in Plan Provisions | -- | -- | -- |
| 4. Experience (Gain) and Loss | (2,163,172) | -- | -- |
| 5. Changes of Assumptions | -- | -- | -- |
| 6. Benefit Payments | (125,991) | (193,377) | (186,131) |
| 7. Interest on Benefit Payments | -- | -- | -- |
| 8. Net change in total OPEB liability | (1,168,128) | 167,827 | 160,398 |
| 9. Total OPEB liability – beginning | 4,177,095 | 4,009,268 | 3,848,869 |
| 10. Total OPEB liability – ending (a) | <u>\$ 3,008,967</u> | <u>\$ 4,177,095</u> | <u>\$ 4,009,267</u> |
| B. Plan fiduciary net position | | | |
| 1. Contributions – employer | \$ 325,991 | \$ 193,377 | \$ 293,377 |
| 2. Contributions – employee | -- | -- | -- |
| 3. Other Payments | -- | -- | -- |
| 4. Benefit Payments | (125,991) | (193,377) | (193,377) |
| 5. Expenses | (869) | (285) | (285) |
| 6. Investment Income | 38,207 | 19,053 | 13,683 |
| 7. Net change in plan fiduciary net position | 237,338 | 18,768 | 113,398 |
| 8. Plan fiduciary net position – beginning | 240,327 | 221,559 | 108,160 |
| 9. Plan fiduciary net position – ending (b) | <u>\$ 477,665</u> | <u>\$ 240,327</u> | <u>\$ 221,558</u> |
| C. Net OPEB liability - ending (a) - (b) | <u>\$ 2,531,302</u> | <u>\$ 3,936,768</u> | <u>\$ 3,787,709</u> |
| D. Plan fiduciary net position as a percentage of the total OPEB liability | 15.87% | 5.75% | 5.53% |
| E. Covered employee payroll | <u>\$ 7,535,514</u> | <u>\$ 7,025,436</u> | <u>\$ 6,787,861</u> |
| F. Net OPEB liability as a percentage of covered payroll | 33.59% | 56.04% | 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**

| | Fiscal 2019 | Fiscal 2018 | Fiscal 2017 |
|--|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 100,000 | \$ 100,000 | \$ 284,360 |
| Contributions in relation to the actuarially determined contribution | <u>325,991</u> | <u>193,377</u> | <u>293,377</u> |
| Contribution deficiency (excess) | <u>\$ (225,991)</u> | <u>\$ (93,377)</u> | <u>\$ (9,017)</u> |
| Covered-employee payroll | <u>\$ 7,535,514</u> | <u>\$ 7,025,436</u> | <u>\$ 6,787,861</u> |
| Contributions as a percentage of covered-employee payroll | 4.33% | 2.75% | 4.32% |

Notes:

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

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Required Supplementary Information

June 30, 2019

Municipal Employees Retirement Plan

Schedule of Proportionate Share of the Net Pension Liability

The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

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.

Employers participating in the Teachers' Survivors Benefit Plan contribute at a rate established by RI General Laws, Section 16-16-35.

June 30, 2018 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 measurement date –

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Required Supplementary Information

June 30, 2019

Schedule of Proportionate Share of the Net Pension Liability (Continued)

June 30, 2016 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

June 30, 2015 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. 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, are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision)
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Required Supplementary Information

June 30, 2019

Schedule of Proportionate Share of the Net Pension Liability (Continued)

June 30, 2015 measurement date (Continued) –

- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

City of Central Falls Pension Plan

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the experience study dated July 1, 2019:

| | |
|----------------------------|--|
| Actuarial cost method | Individual entry age normal method |
| Asset valuation method | Market value |
| Inflation | 3.00% |
| Salary increases | 3% per year, including longevity and holiday pay |
| Investment rate of return | 7.5%, net of investment management 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 SOA RP-2014 IRS Static Mortality Table for males and females. Mortality for disabled members is represented by the SOA RP-2014 Disabled Mortality Table.

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Required Supplementary Information

June 30, 2019

Other Post-Employment Benefits

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, 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><thead><tr><th>Year</th><th>Inflation Rate</th></tr></thead><tbody><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></tbody></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> | | | | | | | | |

CITY OF CENTRAL FALLS, RHODE ISLAND

Notes to the Required Supplementary Information

June 30, 2019

Other Post-Employment Benefits (Continued)

| | |
|----------------------|--|
| 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. |

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF CENTRAL FALLS

E-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

| | CDBG Revolving | CDBG 2013 | CDBG 2014 | CDBG 2015 | CDBG 2016 | Planning Projects Fund |
|--|-------------------|--------------|--------------|----------------|----------------|---------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 10,000 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 337,260 |
| Due from federal and state governments | -- | -- | -- | 247,547 | 304,000 | -- |
| Due from other funds | -- | -- | -- | 33,298 | -- | -- |
| Total Assets | <u>10,000</u> | <u>--</u> | <u>--</u> | <u>280,845</u> | <u>304,000</u> | <u>337,260</u> |
| Liabilities | | | | | | |
| Accounts payable | -- | -- | -- | 183 | 44,330 | 12,007 |
| Deposits held for others | -- | -- | -- | -- | -- | -- |
| Due to other funds | 10,000 | -- | -- | 119,177 | 56,936 | 213,430 |
| Unearned revenue | -- | -- | -- | 161,485 | 202,734 | -- |
| Total Liabilities | <u>10,000</u> | <u>--</u> | <u>--</u> | <u>280,845</u> | <u>304,000</u> | <u>225,437</u> |
| Fund Balance | | | | | | |
| Restricted | -- | -- | -- | -- | -- | 111,823 |
| Unassigned | -- | -- | -- | -- | -- | -- |
| Total Fund Balance | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 111,823</u> |

CITY OF CENTRAL FALLS

COMBINING STATEMENT OF REVENUES,
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2019

| | CDBG Revolving | CDBG 2013 | CDBG 2014 | CDBG 2015 | CDBG 2016 | Planning Projects Fund |
|--|-------------------|--------------|-----------------|----------------|----------------|---------------------------|
| Revenues | | | | | | |
| Interest and investment income | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Licenses, fees, permits and fines | -- | -- | 13,807 | 132,297 | 101,267 | -- |
| Intergovernmental | -- | -- | -- | -- | -- | -- |
| Other | -- | -- | -- | -- | -- | -- |
| Total Revenues | <u>--</u> | <u>--</u> | <u>13,807</u> | <u>132,297</u> | <u>101,267</u> | <u>--</u> |
| Expenditures | | | | | | |
| General government | -- | -- | 9,855 | 132,297 | 101,267 | -- |
| Planning | -- | -- | -- | -- | -- | 344,857 |
| Public safety | -- | -- | -- | -- | -- | -- |
| Recreation | -- | -- | -- | -- | -- | -- |
| Public Education | -- | -- | -- | -- | -- | -- |
| Capital outlays | -- | -- | -- | -- | -- | -- |
| Total Expenditures & Capital Outlays | <u>--</u> | <u>--</u> | <u>9,855</u> | <u>132,297</u> | <u>101,267</u> | <u>344,857</u> |
| Excess of Revenue Over (Under) | | | | | | |
| Expenditures Before Transfers | -- | -- | 3,952 | -- | -- | (344,857) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | -- | -- | 91,136 | -- | -- | 545,832 |
| Transfer out | (20,674) | -- | -- | -- | -- | (89,152) |
| Net Other Financing Sources (Uses) | <u>(20,674)</u> | <u>--</u> | <u>91,136</u> | <u>--</u> | <u>--</u> | <u>456,680</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(20,674)</u> | <u>--</u> | <u>95,088</u> | <u>--</u> | <u>--</u> | <u>111,823</u> |
| Fund Balance - Beginning of Year | <u>20,674</u> | <u>--</u> | <u>(95,088)</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Fund Balance - End of Year | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 111,823</u> |

CITY OF CENTRAL FALLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

E-1

| | Main Street Grant ROCD 2006 | Blackstone Bike Way | RIDOH | Overdose Strategic Planning | RIGHA RI Foundation Grant | Planning Fund | Home | ED |
|--|--------------------------------|------------------------|-------------------|--------------------------------|------------------------------|------------------|--------------|--------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Due from federal and state governments | 164,709 | 51,360 | -- | -- | -- | -- | -- | -- |
| Due from other funds | -- | -- | 185,409 | -- | 35,000 | -- | -- | -- |
| Total Assets | <u>164,709</u> | <u>51,360</u> | <u>185,409</u> | <u>--</u> | <u>35,000</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Liabilities | | | | | | | | |
| Accounts payable | -- | -- | -- | -- | -- | -- | -- | -- |
| Deposits held for others | -- | -- | -- | -- | -- | -- | -- | -- |
| Due to other funds | 164,709 | 51,360 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unearned revenue | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Liabilities | <u>164,709</u> | <u>51,360</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Fund Balance | | | | | | | | |
| Restricted | -- | -- | 185,409 | -- | 35,000 | -- | -- | -- |
| Unassigned | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Fund Balance | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 185,409</u> | <u>\$ --</u> | <u>\$ 35,000</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, 2019

| | Main Street Grant ROCD 2006 | Blackstone Bike Way | RIDOH | Overdose Strategic Planning | RIGHA RI Found Grant | UDAG Revolving Loan Fund | Home | ED |
|--|--------------------------------|------------------------|-------------------|--------------------------------|-------------------------|--------------------------------|--------------|----------------|
| Revenues | | | | | | | | |
| Interest and investment income | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Licenses, fees, permits and fines | -- | 92,240 | -- | -- | -- | -- | -- | 0 |
| Intergovernmental | -- | -- | 200,000 | -- | -- | -- | -- | -- |
| Other | 164,709 | -- | -- | -- | -- | -- | -- | -- |
| Total Revenues | <u>164,709</u> | <u>92,240</u> | <u>200,000</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Expenditures | | | | | | | | |
| General government | 164,709 | 0 | 16,945 | 15,000 | 0 | -- | -- | 162,001 |
| Planning | -- | 92,240 | -- | -- | -- | -- | -- | -- |
| Public safety | -- | -- | -- | -- | -- | -- | -- | -- |
| Recreation | -- | -- | -- | -- | -- | -- | -- | -- |
| Public Education | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital outlays | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Expenditures & Capital Outlays | <u>164,709</u> | <u>92,240</u> | <u>16,945</u> | <u>15,000</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>162,001</u> |
| Excess of Revenue Over (Under) | | | | | | | | |
| Expenditures Before Transfers | -- | -- | 183,055 | (15,000) | -- | -- | -- | (162,001) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | -- | -- | 2,354 | 15,000 | 35,000 | -- | -- | 396,939 |
| Transfer out | -- | -- | -- | -- | -- | -- | -- | (234,938) |
| Net Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>2,354</u> | <u>15,000</u> | <u>35,000</u> | <u>--</u> | <u>--</u> | <u>162,001</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>--</u> | <u>--</u> | <u>185,409</u> | <u>--</u> | <u>35,000</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Fund Balance - Beginning of Year | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Fund Balance - End of Year | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 185,409</u> | <u>\$ --</u> | <u>\$ 35,000</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

CITY OF CENTRAL FALLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

E-1

| | COPS Grant | Mortgage Foreclosure Prevention | Recreation Summer Lunch Program | Police C.A.R.E. | Police Federal Forfeiture | Police State Forfeiture | Police Seizures Escrow | JAG Grant | School Bldg Capital |
|--|---------------|---------------------------------------|---------------------------------------|--------------------|---------------------------------|-------------------------------|------------------------------|---------------|------------------------|
| Assets | | | | | | | | | |
| Cash and cash equivalents | \$ -- | \$ -- | \$ -- | \$ -- | \$ 23,622 | \$ 76,200 | \$ 191,897 | \$ -- | \$ -- |
| Due from federal and state governments | 21,421 | 24,884 | -- | -- | -- | -- | -- | -- | -- |
| Due from other funds | -- | 246,251 | 130,492 | 11,162 | 17,365 | 1,997 | -- | 81,100 | 4,502,082 |
| Total Assets | 21,421 | 271,135 | 130,492 | 11,162 | 40,987 | 78,197 | 191,897 | 81,100 | 4,502,082 |
| Liabilities | | | | | | | | | |
| Accounts payable | -- | 5,850 | -- | -- | 775 | -- | -- | -- | -- |
| Deposits held for others | -- | -- | -- | -- | -- | 0 | 47,557 | -- | -- |
| Due to other funds | 21,421 | 303,941 | 89,321 | 11,162 | 22,374 | 96,221 | 141,541 | 80,458 | 4,502,082 |
| Unearned revenue | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Liabilities | 21,421 | 309,791 | 89,321 | 11,162 | 23,149 | 96,221 | 189,098 | 80,458 | 4,502,082 |
| Fund Balance | | | | | | | | | |
| Restricted | -- | -- | 41,171 | -- | 17,838 | -- | 2,799 | 642 | -- |
| Unassigned | -- | (38,656) | -- | -- | -- | (18,024) | -- | -- | -- |
| Total Fund Balance | \$ -- | \$ (38,656) | \$ 41,171 | \$ -- | \$ 17,838 | \$ (18,024) | \$ 2,799 | \$ 642 | \$ -- |

CITY OF CENTRAL FALLS

**COMBINING STATEMENT OF REVENUES,
AND CHANGES IN FUND BALANCE
Non-Major Governmental Funds
For the year ended June 30, 2019**

| | COPS Grant | Mortgage Foreclosure Prevention | Recreation Summer Lunch Program | Police C.A.R.E. | Police Federal Forfeiture | Police State Forfeiture | Police Seizures Escrow | JAG Grant | School Bldg Capital |
|--|---------------|---------------------------------------|---------------------------------------|--------------------|---------------------------------|-------------------------------|------------------------------|----------------|------------------------|
| Revenues | | | | | | | | | |
| Interest and investment income | \$ -- | \$ -- | \$ -- | \$ -- | \$ 16 | \$ 65 | \$ 193 | \$ -- | \$ -- |
| Licenses, fees, permits and fines | -- | -- | 104,239 | 89,772 | 20,003 | -- | -- | 44,690 | 556,950 |
| Intergovernmental | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other | -- | 38,655 | -- | -- | -- | -- | -- | -- | -- |
| Total Revenues | -- | 38,655 | 104,239 | 89,772 | 20,019 | 65 | 193 | 44,690 | 556,950 |
| Expenditures | | | | | | | | | |
| General government | -- | 50,685 | -- | 89,772 | -- | -- | -- | -- | -- |
| Planning | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Public safety | -- | 0 | -- | -- | 3,100 | 37,805 | 0 | 47,393 | -- |
| Recreation | -- | -- | 63,068 | -- | -- | -- | -- | -- | -- |
| Public Education | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital outlays | -- | -- | -- | -- | -- | -- | -- | -- | 661,118 |
| Total Expenditures & Capital Outlays | -- | 50,685 | 63,068 | 89,772 | 3,100 | 37,805 | -- | 47,393 | 661,118 |
| Excess of Revenue Over (Under) | | | | | | | | | |
| Expenditures Before Transfers | -- | (12,030) | 41,171 | -- | 16,919 | (37,740) | 193 | (2,703) | (104,168) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | -- | -- | -- | -- | -- | -- | -- | -- | 104,168 |
| Transfer out | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Net Other Financing Sources (Uses) | -- | -- | -- | -- | -- | -- | -- | -- | 104,168 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | -- | (12,030) | 41,171 | -- | 16,919 | (37,740) | 193 | (2,703) | -- |
| Fund Balance - Beginning of Year | -- | (26,626) | -- | -- | 919 | 19,716 | 2,606 | 3,345 | -- |
| Fund Balance - End of Year | \$ -- | \$ (38,656) | \$ 41,171 | \$ -- | \$ 17,838 | \$ (18,024) | \$ 2,799 | \$ 642 | \$ -- |

CITY OF CENTRAL FALLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

E-1

| | Emergency Equipment Replacement | Recycling Account | RIC Dexter Street | Property Development | Redevelopment Agency | Historic Trust | TOTALS |
|--|---------------------------------------|----------------------|----------------------|-------------------------|-------------------------|-------------------|-------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 17,691 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 43,983 | \$ 700,653 |
| Due from federal and state governments | -- | -- | -- | -- | -- | -- | 813,921 |
| Due from other funds | -- | 19,382 | -- | 161,180 | 341,637 | 30,456 | 5,796,811 |
| Total Assets | <u>17,691</u> | <u>19,382</u> | <u>--</u> | <u>161,180</u> | <u>341,637</u> | <u>74,439</u> | <u>7,311,385</u> |
| Liabilities | | | | | | | |
| Accounts payable | -- | -- | -- | -- | 0 | 8,730 | 71,875 |
| Deposits held for others | -- | -- | -- | -- | -- | -- | 47,557 |
| Due to other funds | 17,091 | 2,144 | 0 | 5,256 | 116,309 | 59,787 | 6,084,720 |
| Unearned revenue | -- | 9,096 | -- | -- | -- | -- | 373,315 |
| Total Liabilities | <u>17,091</u> | <u>11,240</u> | <u>--</u> | <u>5,256</u> | <u>116,309</u> | <u>68,517</u> | <u>6,577,467</u> |
| Fund Balance | | | | | | | |
| Restricted | 600 | 8,142 | -- | 155,924 | 225,328 | 5,922 | 790,598 |
| Unassigned | -- | -- | -- | -- | -- | -- | (56,680) |
| Total Fund Balance | <u>\$ 600</u> | <u>\$ 8,142</u> | <u>\$ --</u> | <u>\$ 155,924</u> | <u>\$ 225,328</u> | <u>\$ 5,922</u> | <u>\$ 733,918</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, 2019

| | Emergency Equipment Replacement | Recycling Account | RIC Dexter Street | Property Development | Redevelopment Agency | Historic Trust | TOTALS |
|--|---------------------------------------|----------------------|----------------------|-------------------------|-------------------------|-------------------|-------------------|
| Revenues | | | | | | | |
| Interest and investment income | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 47 | \$ 321 |
| Licenses, fees, permits and fines | -- | -- | -- | -- | -- | -- | -- |
| Intergovernmental | -- | -- | 1,000,000 | -- | -- | -- | 2,155,265 |
| Other | 600 | -- | -- | -- | -- | -- | 403,964 |
| Total Revenues | <u>600</u> | <u>--</u> | <u>1,000,000</u> | <u>--</u> | <u>--</u> | <u>47</u> | <u>2,559,550</u> |
| Expenditures | | | | | | | |
| General government | -- | 0 | -- | -- | -- | 8,734 | 751,265 |
| Planning | -- | -- | -- | -- | 20,855 | -- | 457,952 |
| Public safety | -- | -- | -- | -- | -- | -- | 88,298 |
| Recreation | -- | -- | -- | -- | -- | -- | 63,068 |
| Public Education | -- | -- | -- | -- | -- | -- | -- |
| Capital outlays | 127,275 | -- | 1,200,000 | -- | 95,454 | -- | 2,083,847 |
| Total Expenditures & Capital Outlays | <u>127,275</u> | <u>--</u> | <u>1,200,000</u> | <u>--</u> | <u>116,309</u> | <u>8,734</u> | <u>3,444,430</u> |
| Excess of Revenue Over (Under) | | | | | | | |
| Expenditures Before Transfers | (126,675) | -- | (200,000) | -- | (116,309) | (8,687) | (884,880) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 127,275 | -- | 200,000 | -- | 341,637 | -- | 1,859,341 |
| Transfer out | -- | -- | -- | -- | -- | -- | (344,764) |
| Net Other Financing Sources (Uses) | <u>127,275</u> | <u>--</u> | <u>200,000</u> | <u>--</u> | <u>341,637</u> | <u>--</u> | <u>1,514,577</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 600 | -- | -- | -- | 225,328 | (8,687) | 629,697 |
| Fund Balance - Beginning of Year | -- | 8,142 | -- | 155,924 | -- | 14,609 | 104,221 |
| Fund Balance - End of Year | <u>\$ 600</u> | <u>\$ 8,142</u> | <u>\$ --</u> | <u>\$ 155,924</u> | <u>\$ 225,328</u> | <u>\$ 5,922</u> | <u>\$ 733,918</u> |

AGENCY FUNDS

CITY OF CENTRAL FALLS

F-1

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Beginning Balance | Additions | Deductions | Ending Balance |
|-------------------------------------|----------------------|---------------|--------------|-------------------|
| <u>Unclaimed Estates</u> | | | | |
| Assets | | | | |
| Cash | \$ 33,227 | \$ 121 | \$ -- | \$ 33,348 |
| Liabilities | | | | |
| Deposits Held in Custody for Others | \$ 33,227 | \$ 121 | \$ -- | \$ 33,348 |
| <u>Totals</u> | | | | |
| Assets | | | | |
| Cash | \$ 33,227 | \$ 121 | \$ -- | \$ 33,348 |
| Total Assets | \$ 33,227 | \$ 121 | \$ -- | \$ 33,348 |
| Liabilities | | | | |
| Deposits Held in Custody for Others | \$ 33,227 | \$ 121 | \$ -- | \$ 33,348 |
| Total Liabilities | \$ 33,227 | \$ 121 | \$ -- | \$ 33,348 |

CITY OF CENTRAL FALLS
TAX COLLECTOR'S ANNUAL REPORT
YEAR ENDED JUNE 30, 2019

G-1

| FY 2019 Cash Collections Summary | | | |
|---|--|---|--|
| <i>July - August 2018 Collections Subject to 60-day FY 18 Accrual</i> | <i>September - June 2019 Collections</i> | <i>Total FY 2019 Cash Collections</i> | <i>July - August 2019 (FY 19) Cash Collections Subject to 60-day FY 19 Accrual</i> |
| \$ - | \$ 14,351,181 | \$ 14,351,181 | \$ 252,559 |
| 306,279 | 411,460 | 717,739 | 28,884 |
| 34,641 | 60,299 | 94,940 | 4,750 |
| 10,960 | 26,787 | 37,747 | 2,397 |
| 4,718 | 14,173 | 18,891 | 1,654 |
| 1,047 | 9,299 | 10,346 | 1,317 |
| 578 | 6,057 | 6,635 | 1,264 |
| 663 | 4,598 | 5,261 | 1,129 |
| 806 | 8,421 | 9,227 | 1,582 |
| - | 670 | 670 | 170 |
| 320 | 4,787 | 5,107 | - |
| <u>\$ 360,012</u> | <u>\$ 14,897,732</u> | <u>\$ 15,257,744</u> | <u>\$ 295,706</u> |

| Fiscal Year | Balance - July 1, 2018 | Current Year Assessment | Additions | Abatements | Refunds / Adjustments | Amount to be Collected | FY 2019 Collections | Balance - June 30, 2019 |
|----------------|------------------------|-------------------------|------------------|--------------------|-----------------------|------------------------|----------------------|-------------------------|
| 2018 | - | \$ 15,345,671 | \$ 53,994 | \$ (22,572) | \$ - | \$ 15,377,093 | \$ 14,351,181 | \$ 1,025,912 |
| 2017 | \$ 975,755 | | 13,934 | (1,574) | | 988,115 | 717,739 | 270,376 |
| 2016 | 283,956 | | 6,890 | (1,970) | | 288,876 | 94,940 | 193,936 |
| 2015 | 204,724 | | 405 | (488) | | 204,641 | 37,747 | 166,894 |
| 2014 | 201,086 | | 524 | (851) | | 200,759 | 18,891 | 181,868 |
| 2013 | 165,782 | | 15 | (387) | | 165,410 | 10,346 | 155,064 |
| 2012 | 170,194 | | | (471) | (1,227) | 168,496 | 6,635 | 161,861 |
| 2011 | 205,191 | | | (1,123) | (361) | 203,707 | 5,261 | 198,446 |
| 2010 | 221,128 | | | (1,820) | (119) | 219,189 | 9,227 | 209,962 |
| 2009 | 99,532 | | | (35) | (193) | 99,304 | 670 | 98,634 |
| 2008 and prior | 248,268 | | | - | (63,507) | 184,761 | 5,107 | 179,654 |
| | <u>\$ 2,775,616</u> | <u>\$ 15,345,671</u> | <u>\$ 75,762</u> | <u>\$ (31,291)</u> | <u>\$ (65,407)</u> | <u>\$ 18,100,351</u> | <u>\$ 15,257,744</u> | <u>\$ 2,842,607</u> |

owance for Uncollectible Accounts \$ (762,953) \$ (762,953)

Net Property Tax Receivable \$ 2,012,663 \$ 2,079,654

| Schedule of Net Assessed Property, Value by Category | | |
|---|------------------------------|----------------------|
| Description of Property | Valuations December 31, 2017 | Levy July 1, 2018 |
| Real Property | \$ 460,083,550 | \$ 12,352,852 |
| Motor Vehicle | 47,729,325 | 1,575,535 |
| Tangible | 19,385,642 | 1,417,284 |
| Total | <u>\$ 527,198,517</u> | <u>\$ 15,345,671</u> |
| Exemptions | (49,745,851) | |
| Net Assessed Value | <u>\$ 477,452,666</u> | <u>\$ 15,345,671</u> |

| Reconciliation of Current Year Property Tax Revenue | |
|--|----------------------|
| Current Year Collections | \$ 15,257,744 |
| July - August 2019 Collections Subject to 60-day FY 19 Accrual | <u>\$ 295,706</u> |
| | \$ 15,553,450 |
| July - August 2018 Collections Subject to 60-day FY 18 Accrual | <u>\$ (360,012)</u> |
| Current Year Property Tax Revenue | <u>\$ 15,193,438</u> |

OTHER SUPPLEMENTARY INFORMATION

The Annual Supplemental Transparency Report Schedules
required by the State of Rhode Island General Law § 45-12-22.2 and § 44-35-10

Annual Supplemental Transparency Report (MTP2) - Revenue

Annual Supplemental Transparency Report (MTP2) – Expenditures

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Municipal

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Education Department

Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

City of Central Falls
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2019

| <u>REVENUE</u> | <u>Municipal</u> |
|--|-----------------------------|
| Current Year Levy Tax Collection | \$ 14,286,875 |
| Last Year's Levy Tax Collection | 717,739 |
| Prior Years Property Tax Collection | 188,824 |
| Interest & Penalty | 308,630 |
| PILOT & Tax Treaty (excluded from levy) Collection | 81,547 |
| Other Local Property Taxes | - |
| Licenses and Permits | 387,437 |
| Fines and Forfeitures | 253,237 |
| Investment Income | 6,854 |
| Departmental | 125,430 |
| Rescue Run Revenue | 369,914 |
| Police & Fire Detail | 78,406 |
| Other Local Non-Property Tax Revenues | 1,000,000 |
| Tuition | - |
| Impact Aid | - |
| Medicaid | - |
| Federal Stabilization Funds | - |
| Federal Food Service Reimbursement | - |
| CDBG | 65,122 |
| COPS Grants | - |
| SAFER Grants | - |
| Other Federal Aid Funds | 95,305 |
| MV Excise Tax Reimbursement | 102,184 |
| State PILOT Program | 895 |
| Distressed Community Relief Fund | 217,757 |
| Library Resource Aid | - |
| Library Construction Aid | - |
| Public Service Corporation Tax | 244,423 |
| Meals & Beverage Tax / Hotel Tax | 120,912 |
| LEA Aid | - |
| Group Home | - |
| Housing Aid Capital Projects | - |
| Housing Aid Bonded Debt | 1,679,708 |
| State Food Service Revenue | - |
| Incentive Aid | - |
| Property Revaluation Reimbursement | - |
| Other State Revenue | 1,178,898 |
| Motor Vehicle Phase Out | 400,386 |
| Other Revenue | 157,312 |
| Local Appropriation for Education | - |
| Regional Appropriation for Education | - |
| Supplemental Appropriation for Education | - |
| Regional Supplemental Appropriation for Education | - |
| Other Education Appropriation | - |
| Rounding | - |
| Total Revenue | <u><u>\$ 22,067,795</u></u> |
| Financing Sources: Transfer from Capital Funds | \$ - |
| Financing Sources: Transfer from Other Funds | 306,522 |
| Financing Sources: Debt Proceeds | 1,500,000 |
| Financing Sources: Other | 17,644 |
| Rounding | - |
| Total Other Financing Sources | <u><u>\$ 1,824,166</u></u> |

City of Central Falls
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2019

| EXPENDITURES | General Government | Finance | Social Services | Centralized IT | Planning | Libraries | Public Works | Parks and Rec | Police Department |
|---|-----------------------|---------------------|--------------------|-------------------|-------------------|-------------------|---------------------|-------------------|----------------------|
| Compensation- Group A | \$ 459,742 | \$ 330,254 | \$ - | \$ - | \$ 249,321 | \$ - | \$ 602,106 | \$ 238,127 | \$ 2,685,532 |
| Compensation - Group B | - | - | - | - | - | - | - | - | 227,944 |
| Compensation - Group C | - | - | - | - | - | - | - | - | - |
| Compensation -Volunteer | - | - | - | - | - | - | - | - | - |
| Overtime- Group A | - | - | - | - | - | - | 48,630 | - | 313,665 |
| Overtime - Group B | - | - | - | - | - | - | - | - | 68,405 |
| Overtime - Group C | - | - | - | - | - | - | - | - | - |
| Police & Fire Detail | - | - | - | - | - | - | - | - | - |
| Active Medical Insurance - Group A | 61,337 | 53,717 | - | - | 31,617 | - | 110,381 | 8,085 | 247,740 |
| Active Medical Insurance- Group B | - | - | - | - | - | - | - | - | 43,616 |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Active Dental insurance- Group A | 3,632 | 2,748 | - | - | 1,925 | - | 7,113 | 465 | 23,773 |
| Active Dental Insurance- Group B | - | - | - | - | - | - | - | - | 2,263 |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Payroll Taxes | 33,302 | 24,832 | - | - | 15,411 | - | 48,383 | 17,707 | 80,162 |
| Life Insurance | 711 | 533 | - | - | 355 | - | 977 | 178 | 4,353 |
| State Defined Contribution- Group A | 4,465 | 3,051 | - | - | 1,568 | - | 4,693 | 1,136 | 847 |
| State Defined Contribution - Group B | - | - | - | - | - | - | - | - | 2,183 |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group A | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group B | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group C | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension- Group A | - | - | - | - | - | - | - | - | 1,315,651 |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | 64,010 | 43,716 | - | - | 22,900 | - | 80,133 | 16,258 | 18,952 |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | 31,300 |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | - | - | - | - | 6,090 | - | - | - | - |
| Purchased Services | 396,095 | 534,281 | - | 80,060 | 254,452 | - | 30,374 | 139,038 | 117,244 |
| Materials/Supplies | 13,855 | - | - | - | 10,962 | - | 2,499 | 9,906 | 20,747 |
| Software Licenses | - | - | - | - | - | - | - | - | - |
| Capital Outlays | 2,303,895 | - | - | - | - | - | - | - | - |
| Insurance | 335,096 | - | - | - | - | - | - | - | - |
| Maintenance | 7,200 | - | - | - | - | - | 99,460 | 23,923 | 17,707 |
| Vehicle Operations | - | - | - | - | - | - | 18,778 | - | 87,844 |
| Utilities | 402,321 | - | - | - | - | - | 19,181 | - | 25,629 |
| Contingency | - | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 104,822 | - | - |
| Revaluation | - | 34,660 | - | - | - | - | - | - | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 28,779 | - | - |
| Trash Removal & Recycling | - | - | - | - | - | - | 675,750 | - | - |
| Claims & Settlements | 48,636 | - | - | - | - | - | - | - | - |
| Community Support | 31,568 | - | - | - | - | - | - | - | - |
| Other Operation Expenditures | 119,643 | 21,132 | - | - | 37,482 | 145,314 | 26,945 | 14,431 | 53,099 |
| Tipping Fees | - | - | - | - | - | - | 248,792 | - | - |
| Local Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Principal | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Interest | - | - | - | - | - | - | - | - | - |
| School Debt- Principal | - | - | - | - | - | - | - | - | - |
| School Debt- Interest | - | - | - | - | - | - | - | - | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 4,285,508 | \$ 1,048,924 | \$ - | \$ 80,060 | \$ 632,083 | \$ 145,314 | \$ 2,157,796 | \$ 469,254 | \$ 5,388,656 |

City of Central Falls
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2019

| EXPENDITURES | Fire Department | Centralized Dispatch | Public Safety Other | Education Appropriation | Debt | OPEB | Total Municipal |
|---|---------------------|-------------------------|------------------------|----------------------------|---------------------|-------------------|----------------------|
| Compensation- Group A | \$ 2,801,527 | \$ - | \$ 96,534 | \$ - | \$ - | \$ - | \$ 7,463,143 |
| Compensation - Group B | - | - | - | - | - | - | 227,944 |
| Compensation - Group C | - | - | - | - | - | - | - |
| Compensation -Volunteer | - | - | - | - | - | - | - |
| Overtime- Group A | 273,203 | - | - | - | - | - | 635,498 |
| Overtime - Group B | - | - | - | - | - | - | 68,405 |
| Overtime - Group C | - | - | - | - | - | - | - |
| Police & Fire Detail | - | - | - | - | - | - | - |
| Active Medical Insurance - Group A | 359,068 | - | 26,843 | - | - | - | 898,788 |
| Active Medical Insurance- Group B | - | - | - | - | - | - | 43,616 |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - |
| Active Dental insurance- Group A | 26,591 | - | 1,696 | - | - | - | 67,943 |
| Active Dental Insurance- Group B | - | - | - | - | - | - | 2,263 |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - |
| Payroll Taxes | 55,074 | - | 6,876 | - | - | - | 281,747 |
| Life Insurance | 3,553 | - | 89 | - | - | - | 10,749 |
| State Defined Contribution- Group A | 372 | - | 1,057 | - | - | - | 17,189 |
| State Defined Contribution - Group B | - | - | - | - | - | - | 2,183 |
| State Defined Contribution - Group C | - | - | - | - | - | - | - |
| Other Benefits- Group A | - | - | - | - | - | - | - |
| Other Benefits- Group B | - | - | - | - | - | - | - |
| Other Benefits- Group C | - | - | - | - | - | - | - |
| Local Defined Benefit Pension- Group A | 1,315,651 | - | - | - | - | - | 2,631,302 |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | 5,328 | - | 13,460 | - | - | - | 264,757 |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | 31,300 |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | - | - | - | - | - | - | 6,090 |
| Purchased Services | 88,430 | - | 68,978 | - | - | - | 1,708,952 |
| Materials/Supplies | 69,649 | - | 5,938 | - | - | - | 133,556 |
| Software Licenses | - | - | - | - | - | - | - |
| Capital Outlays | - | - | - | - | - | - | 2,303,895 |
| Insurance | - | - | - | - | - | - | 335,096 |
| Maintenance | 21,223 | - | - | - | - | - | 169,513 |
| Vehicle Operations | 83,053 | - | - | - | - | - | 189,675 |
| Utilities | 28,485 | - | - | - | - | - | 475,616 |
| Contingency | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 104,822 |
| Revaluation | - | - | - | - | - | - | 34,660 |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 28,779 |
| Trash Removal & Recycling | - | - | - | - | - | - | 675,750 |
| Claims & Settlements | - | - | - | - | - | - | 48,636 |
| Community Support | - | - | - | - | - | - | 31,568 |
| Other Operation Expenditures | 43,812 | - | - | - | - | - | 461,858 |
| Tipping Fees | - | - | - | - | - | - | 248,792 |
| Local Appropriation for Education | - | - | - | - | - | - | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | - | - | - | - |
| Municipal Debt- Principal | - | - | - | - | 1,980,000 | - | 1,980,000 |
| Municipal Debt- Interest | - | - | - | - | 340,015 | - | 340,015 |
| School Debt- Principal | - | - | - | - | - | - | - |
| School Debt- Interest | - | - | - | - | - | - | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | 231,261 | 231,261 |
| Rounding | - | - | - | - | - | - | - |
| Total Expenditures | \$ 5,175,019 | \$ - | \$ 221,471 | \$ - | \$ 2,320,015 | \$ 231,261 | \$ 22,155,361 |

| | |
|--|---------------------|
| Financing Uses: Transfer to Capital Funds | \$ - |
| Financing Uses: Transfer to Other Funds | 1,532,221 |
| Financing Uses: Payment to Bond Escrow Agent | - |
| Financing Uses: Other | - |
| Total Other Financing Uses | \$ 1,532,221 |
| Net Change in Fund Balance¹ | 204,379 |
| Fund Balance1- beginning of year | \$2,758,303 |
| Funds removed from Reportable Government Services (RGS) | - |
| Funds added to Reportable Government Services (RGS) | - |
| Prior period adjustments | (575,054) |
| Misc. Adjustment | (5) |
| Fund Balance¹ - beginning of year adjusted | 2,183,244 |
| Rounding | - |
| Fund Balance¹ - end of year | \$ 2,387,623 |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

City of Central Falls
Annual Supplemental Transparency Report (MTP2)
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Municipal
Fiscal Year Ended June 30, 2019

| Fund Description | Per Audited Fund Financial Statements | | | | | | | | | |
|--|---------------------------------------|-------------------------------|----------------------|----------------------------|---|---|-------------------------|--|--|--|
| | Total Revenue | Total Other Financing Sources | Total Expenditures | Total Other Financing Uses | Net Change in Fund Balance ¹ | Beginning Fund Balance ¹ (Deficit) | Prior Period Adjustment | Restated Beginning Fund Balance ¹ (Deficit) | Ending Fund Balance ¹ (Deficit) | |
| Fund Balance¹ - per MTP-2 at June 30, 2018 adjusted | | | | | | | | | | |
| <i>No funds removed from RGS for fiscal 2018</i> | | | | | | | | | | |
| <i>No funds added to RGS for Fiscal 2018</i> | | | | | | | | | | |
| <i>Misc. adjustments made for fiscal 2018</i> | | | | | | | | | | |
| Fund Balance¹ - per MTP-2 at June 30, 2018 adjusted | | | | | | | | | | |
| General Fund | \$ 20,576,775 | \$ 1,517,644 | \$ 19,984,399 | \$ 2,132,221 | \$ (22,201) | \$ 2,758,298 | \$ (575,054) | \$ 2,183,249 | \$ 2,183,249 | |
| CDBG Revolving | - | - | - | 20,674 | (20,674) | 20,674 | - | 20,674 | - | |
| CDBG 2014 | 13,807 | 91,136 | 9,855 | - | 95,088 | (95,088) | - | (95,088) | - | |
| CDBG 2015 | 132,297 | - | 132,297 | - | - | - | - | - | - | |
| CDBG2016 | 101,267 | - | 101,267 | - | - | - | - | - | - | |
| Main Street Grant | 164,709 | - | 164,709 | - | - | - | - | - | - | |
| RIDOH | 200,000 | 2,354 | 16,945 | - | 185,409 | - | - | - | 185,409 | |
| Recreation Summer Lunch Program | 104,239 | - | 63,068 | - | 41,171 | - | - | - | 41,171 | |
| School Building Capital | 556,950 | 104,168 | 661,118 | - | - | - | - | - | - | |
| RIC Dexter Street | 1,000,000 | 200,000 | 1,200,000 | - | - | - | - | - | - | |
| Totals per audited financial statements | \$ 22,850,044 | \$ 1,915,302 | \$ 22,333,658 | \$ 2,152,895 | \$ 278,793 | \$ 2,683,884 | \$ (575,054) | \$ 2,108,830 | \$ 2,387,623 | |
| Reconciliation from financial statements to MTP2 | | | | | | | | | | |
| Program Activity in CDBG Funds that are not reported on the MTP2 because they are for program revenues & expenses and not for administration | \$ (182,249) | \$ (91,136) | \$ (178,297) | \$ (20,674) | \$ (74,414) | \$ 74,414 | \$ - | \$ 74,414 | \$ - | |
| Forgiveness of debt from state | (600,000) | - | - | (600,000) | - | - | - | - | - | |
| Rounding | - | - | - | - | - | - | - | - | - | |
| Totals Per MTP2 | \$ 22,067,795 | \$ 1,824,166 | \$ 22,155,361 | \$ 1,532,221 | \$ 204,379 | \$ 2,758,298 | \$ (575,054) | \$ 2,183,244 | \$ 2,387,623 | |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Notes to Supplementary Information – *Annual Supplemental Transparency Report (MTP2)*

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a supplemental schedule required by the State of Rhode Island General Laws 45-12-22.2 and 44-35-10. This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State’s Municipal Transparency portal. Consistent with that goal, the State has defined “reportable government services”, RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality’s general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the City’s (or Town’s) budget and accounting system. To report these costs, the City (or Town) made allocations of costs to the State’s departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups - Compensation and Benefit Costs

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses.

For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

Group A: This group consists of employees who serve the primary function of the department.

- Police Department - police officers (e.g., uniform personnel - including, leadership positions)
- Fire Department - fire fighters (e.g., uniform personnel - including, leadership positions)
- Centralized Dispatch Department - civilian dispatchers only
- Education Department - professional staff providing direct services to students
- For the remaining departments - all employees’ compensation and benefits are reported under Group A

Group B: For Police and Fire Departments, compensation and benefits paid to its administrative employees and civilian dispatch employees are reported under Group B. The Education Department reports compensation and benefits paid to executive/mid-level educational administration employees under Group B.

Group C: This group is only used for the Education Department and it includes administrative and support staff.

Other post-employment benefits (OPEB) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State's Municipal Transparency portal website.

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.



Independent Auditor's Report on Internal Control Over Financial Reporting and On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PPA, LLP

PPA, LLP
Warwick, Rhode Island
April 8, 2020