

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
Of the
CITY OF CRANSTON,
RHODE ISLAND



AS OF AND FOR THE
FISCAL YEAR ENDED

JUNE 30, 2012

PREPARED BY:
DEPARTMENT OF FINANCE
ROBERT F. STROM, DIRECTOR OF FINANCE

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TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>		<u>PAGE</u>
TRANSMITTAL LETTER		1
ORGANIZATIONAL CHART		6
PRINCIPAL OFFICIALS		7
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE YEAR ENDED JUNE 30, 2011		8
<u>FINANCIAL SECTION</u>		
REPORT OF INDEPENDENT AUDITORS		9
MANAGEMENT'S DISCUSSION AND ANALYSIS.....		11
<u>BASIC FINANCIAL STATEMENTS</u>		
<u>EXHIBITS</u>		
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</u>		
A STATEMENT OF NET ASSETS.....		26
B STATEMENT OF ACTIVITIES.....		28
<u>FUND FINANCIAL STATEMENTS:</u>		
C BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES.....		29
D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....		31
E RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES		32
F STATEMENT OF NET ASSETS - PROPRIETARY FUNDS		34

EXHIBITS PAGE

FUND FINANCIAL STATEMENTS: (CONTINUED)

G	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS.....	35
H	STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	36
I	STATEMENT OF FIDUCIARY NET ASSETS.....	37
J	STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS.....	38

FINANCIAL STATEMENT NOTES (AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS):

K	NOTES TO BASIC FINANCIAL STATEMENTS.....	39
---	--	----

REQUIRED SUPPLEMENTARY INFORMATION:

	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND.....	85
	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - SCHOOL UNRESTRICTED.....	86
	SCHEDULE OF FUNDING PROGRESS - CRANSTON RETIREMENT SYSTEM.....	87
	SCHEDULE OF EMPLOYER CONTRIBUTIONS - CRANSTON RETIREMENT SYSTEM.....	90
	MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE ON CAPITAL ASSETS.....	91
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	93

SCHEDULES

SUPPLEMENTAL SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS:

1	COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS.....	95
2	COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS.....	98
3	NONMAJOR BUDGETARY FUNDS - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET BASIS - BUDGET AND ACTUAL.....	101

FIDUCIARY FUNDS:

4	AGENCY FUNDS - COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES.....	102
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PROPRIETARY FUNDS:

5	INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET ASSETS	103
6	INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS.....	104
7	INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF CASH FLOWS	105

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS:

8	SCHEDULE BY FUNCTION AND ACTIVITY	106
9	SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY.....	107

STATISTICAL SECTION

TABLE

1	NET ASSETS BY COMPONENT	108
2	CHANGES IN NET ASSETS.....	109
3	FUND BALANCES, GOVERNMENTAL FUNDS	112
4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS	113
5	ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY.....	114
6	PRINCIPAL PROPERTY TAXPAYERS.....	115
7	TAX RATES, LEVIES AND CASH COLLECTIONS	116
8	RATIO OF OUTSTANDING DEBT BY TYPE	117
9	RATIOS OF GENERAL DEBT OUTSTANDING.....	118
10	COMPUTATION OF LEGAL DEBT MARGIN	119
11	LEGAL DEBT MARGIN INFORMATION.....	120
12	DEMOGRAPHIC AND ECONOMIC STATISTICS.....	121
13	PRINCIPAL EMPLOYERS.....	122
14	FULL-TIME EQUIVALENT EMPLOYERS BY FUNCTION/PROGRAM	123
15	OPERATING INDICATORS BY FUNCTION/PROGRAM	124
16	CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM.....	125

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**Introductory
Section**

ALLAN W. FUNG
MAYOR



ROBERT F. STROM
FINANCE DIRECTOR

DEPARTMENT OF FINANCE
CITY HALL
869 PARK AVENUE
CRANSTON, RHODE ISLAND 02910

December 17, 2012

Honorable Mayor Allan W. Fung
and Members of the Cranston City Council
Cranston, Rhode Island

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Cranston, Rhode Island for the year ended June 30, 2012. The report includes the independent auditors' report as required by Rhode Island Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Braver PC, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Rhode Island, has audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cranston, Rhode Island for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Cranston's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). MD&A complement this letter of transmittal and should be read in conjunction with it. MD&A immediately follows the independent auditors report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued document.

PROFILE OF THE CITY OF CRANSTON

The City was established as a City in 1754 and incorporated as a City in 1910. With a population of 81,479 as determined by the Rhode Island Economic Development Corporation, the City is the third most populous municipality in the State of Rhode Island (the "State"). Primarily a residential community, the City contains many fine developments.

The City operates under a home rule charter adopted in 1962 (the "Charter"), providing for a mayor/council form of government with a nine-member City Council headed by a Council President. The Charter vests all legislative powers of the City in the City Council, including the ordering of any tax, the making of appropriations and the transacting of any other business pertaining to the financial affairs of the City.

Cranston is located immediately south of Rhode Island's Capitol. The City covers an area of almost 30 square miles, stretching from Narragansett Bay in the east to the Town of Scituate in the west. It is bordered on the north by Providence and Johnston and on the south by Warwick, West Warwick and Coventry.

The two main arteries that pass through the City are Routes 1-95 and 1-295. These interstate multi-lane highways run north-south through the City. They provide direct access to Providence and other major cities such as Boston (45 minutes north) and New York (3.5 hours south). Most of Rhode Island's hundreds of miles of scenic coastline are within a half-hour's drive. The City is also just minutes away from the State's T.F. Green Airport located in the City of Warwick.

Howard Industrial Park, located at the interchange of Interstate Route 95 and State Route 37, was the City's major economic development success story of the 1970s and 1980s. This location is home to 38 companies with a workforce of more than 3,000. Premiere national and international companies like Ross Simons and Swarovski help to identify this area as one of the premier industrial parks in the State.

Cranston has one of the best educational systems in the state. It has well-maintained housing, modern recreational facilities and active civic organizations. Its reputation as a comfortable, prosperous city makes it one of the most attractive areas in New England for both commercial and residential settlement.

LOCAL ECONOMY

Population

Ranked third in population among the 39 cities and towns in the State in 2010, the City experienced a 1.4% increase in population from 2000 to 2010.

LONG-TERM FINANCIAL PLANNING

The City of Cranston places a high priority on economic development initiatives in order to solicit and secure new businesses as well as give continual support to the improvement of the City's present business community, improving the City's tax base and the employment opportunities for Cranston residents. The City has successfully implemented aggressive business recruitment and expansion programs and has reinvested heavily in its urban business corridors. Through a variety of forward thinking legislative initiatives, the City offers comprehensive investment incentives to increase the viability of new and existing development areas.

The City has a commitment to the economic development in all of its available areas and strives to achieve a balance between appropriate land use and bringing higher quality jobs and living standards to its residents, With the assistance of the City's Department of Economic Development, the City has been a leader in bringing industrial and commercial development to its numerous sites over the past decade. Convenient highway access, ample water and sewer services, and a tradition of excellent municipal services combine to provide the type of environment that the business community seeks when considering expansion or relocation.

Industrial Park

Western Cranston Industrial Area - Currently, this is not only Cranston's but one of the State of Rhode Island's fastest developing industrial parks, located centrally in the State at an interchange of Interstate Route 295 and Route 14. This area continues to develop as one of the most important parts of the City's industrial tax base. Nationally recognized companies like Con-Way Trucking, Electro Standards, MPC Corp., Design Fabricators and Bay State Florist are just a few of the industrial tenants that have been attracted to this ever growing industrial area.

Garden City Center

Garden City Center, Rhode Island's premier outdoor shopping venue has been a shopping destination of choice for five generations. The Center opened in 1948 and was the first suburban shopping center in the State of R. I. with 500,000 square feet of retail and office space. Its well manicured landscapes and enhanced gardens frame the architecturally unique shops and restaurants, The Center has national retailers such as the Pottery Barn, LA Fitness, Banana Republic William Sonoma, Ann Taylor Co., Chico's, Coldwater Creek, Jos A Banks, Talbots, Edible Arrangements, Starbucks, GAP, Anthropologie, Destination Maternity, Pinkberry, Ten Thousand Villages, Soma Intimates, Loft, Mel and Me, F. Bianco, White House/Black Market, Providence Diamond Company, And Whole Foods Market.

Chapel View Shopping Center

Located directly across from Garden City, this new upscale mixed use shopping group, coupled with the many high quality stores of its next door neighbor, will establish this area of Cranston as one of the leading shopping centers of not only the State but the Southeastern New England region. Located on the former site of the State's Youth Training and Reform school, the developers have used a number of the former historic structures, all over one hundred years old, to develop a European Village atmosphere that will have extensive upscale condominiums, office space and retail components. Current tenants include Alex & Ani, (Retail and Corporate Headquarters) one of the World's Fastest growing companies, The Grille at Chapel View, First Comp a division of Market Insurance Company Residential Mortgage Services, Champlain Foundation, Bonefish Grille, Verizon FIOS, Shaw's Superstore Market, Omaha Steaks, Recreational Equipment Inc. (REI) Ted's Montana Grill and Johnny Rockets. When completed, this area will be home to over 368,000 square feet of retail and living space.

LONGTERM FINANCIAL PLANNING (CONTINUED)

Recent Development Initiatives

Cranston Parkade - The long awaited redevelopment of the 77-acre former Narragansett Brewery property is completed. The Brewery Parkade has over 400,000 square feet of retail shopping area including such wellknown retailers as Lowe's, Kmart, TJ Max, Super Stop & Shop, and several smaller stores. Phase II, the office development phase, has begun with a new 120,000 square foot complex to house the successful national restaurant chain, Texas Roadhouse. The developers completed a new state-of-the art Police Headquarters and Municipal Court for the City of Cranston in June of 2007. Additional office buildings are currently in the planning stages and seven acres of additional open space has been added with the razing of the former Trolley Barn, which was part of the original Brewery Site, This substantial and visible economic redevelopment effort along Route 10 is proving to be a catalyst for the redevelopment of other nearby former industrial sites.

Western Cranston Office/Retail Development - Taking advantage of a vacant 100-acre parcel at the interchange of Interstate Route 295 and State Route 14, the City revised its zoning of the site to approve the construction of a 200,000 square foot retail complex and a 300,000 square foot office park. The construction of the retail component of this development is completed, and is anchored by a Wal-Mart department store. The office park will offer corporate office clients a landscaped business environment in a campus-like setting. Two new banks have recently been added to this development and 108 units of apartment housing are also nearing completion at this site bringing together all of the latest components of mixed use development.

Citizens Bank - The Citizens Bank technology service center, located in the former Davol Company, is already the City's single largest office employer. Located in close proximity to both the Chapel View and the Garden City Shopping Centers, it provides an excellent complement to the retail and service establishments located nearby.

Tasca Ford Lincoln Mercury - Nationwide the largest Ford dealership, Tasca expanded its Regional headquarters in Cranston. The project resulted in the redevelopment of some additional State property as well as a vacant industrial building to create a state-of-the-art Ford Lincoln Mercury Dealership and Service Center that is a model for other Ford dealerships throughout the United States.

Taco Manufacturing Expansion -- As a leading developer, innovator and manufacturer of HVAC equipment and systems for ninety years, Taco has committed itself to the growth and success of its employees, customers and the industry as a whole. Taco has recently undergone an expansion to increase its facility from 40,000 square feet to over 200,000 creating an Innovation and Development Center. This new Center will utilize, display and provide a hands on learning environment for the best equipment and systems that the HVAC industry offers for efficiency and sustainability. HVAC products and systems will be visible throughout the entire facility forming " Living Laboratories " that allow for close-up viewing and hands on teaching and learning. This expansion is another example of the revitalization taking place in the Cranston Street area.

Relevant Financial Policies

The City's financial policies have been applied consistently with the prior year and had no notable current year effect on the financial statements. The State continues to struggle with balancing its budget. This has resulted in additional pressure at the local level from reductions in state aid compounded by tax levy caps imposed by the state.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cranston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011; In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

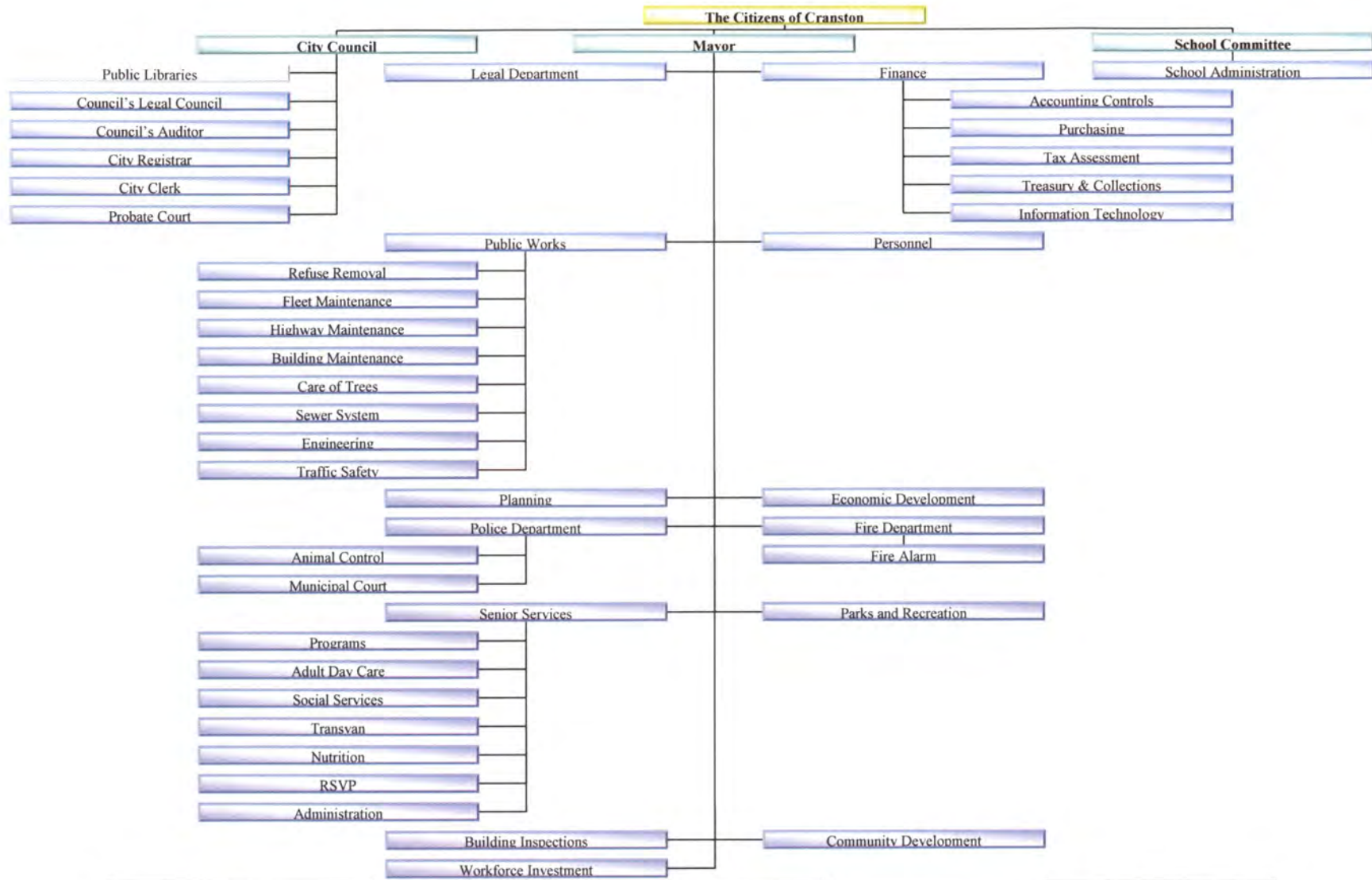
I would like to take this opportunity to thank the members of the Finance Department in the Division of Accounting Control, Treasury and Tax Collection, Contract and Purchase, Assessment and Management Information Systems for their diligence and cooperation on a daily basis in carrying out the duties and responsibilities of this department, The success that the Finance Department has enjoyed is due to their efforts.

I want to extend the grateful appreciation of all Finance Department employees and to you, Mayor and members of the City Council, for the confidence you have shown in us.

Sincerely,

A handwritten signature in cursive script that reads "Robert F. Strom".

Robert F. Strom,
Director of Finance



- Council Appointments:**
1. Tax Review Board
 2. Board of Contract and Purchasing
 3. Building Appeals Board
 4. Personnel Appeals Board
 5. Harbor Master
 6. Sealer of Weights/Measures
 7. Juvenile Hearing Board
 8. Library Board
 9. Municipal Court Judge
 10. Probate Judge
 11. Audit Committee
 12. Harbor Management Plan Commission
 13. Architects and Engineers
 14. Industrial Performance

- Joint Appointments:**
1. Board of Canvassers
 2. Conservation Commission
 3. Housing Board
 4. Claims Committee
 5. Charter Review Commission
 6. Historical Cemeteries Committee
 7. Housing Authority
 8. Zoning Board of Review
 9. School Building Committee

- Mayoral Appointments:**
1. Parks & Rec. Adv. Brd.
 2. Redevelopment Agency
 3. Historic District Comm.
 4. Industrial Dev. Comm.
 5. Investment Committee
 6. Pawtuxet River Authority
 7. Planning Commission
 8. Senior Services Advisory Board

CITY OF CRANSTON, RHODE ISLAND

PRINCIPAL OFFICIALS

JUNE 30, 2012

MAYOR

Allan Fung

FINANCE DEPARTMENT

Robert F. Strom, Finance Director

Michael Igoe, CPA - City Controller

Salvatore Saccoccio - Tax Assessor

David Capuano - City Treasurer

Mark Marchesi - Purchasing Agent

William Aguiar - Information Technology Manager

CITY COUNCIL

Anthony J. Lupino - Council President

Emilio L. Navarro - Council Vice President

James E. Donahue

Leslie Ann Luciano

Michael W. Favicchio

Paul H. Archetto

Richard D. Santamaria, Jr.

Steven A. Stycos

Maria A. Bucci

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cranston
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

**Financial
Section**

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor Allan W. Fung
and Members of the Cranston City Council
Cranston, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Cranston's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

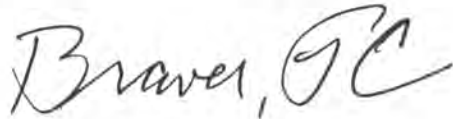
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of the City of Cranston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 25, and 85 through 94, respectively, 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.

City of Cranston, Rhode Island
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cranston, Rhode Island's basic financial statements. The accompanying financial information listed as supplemental schedules, on pages 95 through 107, in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying financial information listed as supplemental schedules, on pages 95 through 107, in the table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Braver, JC". The signature is written in a cursive style with a large, stylized "B" and "C".

Providence, Rhode Island
December 27, 2012



Department of Finance

869 Park Avenue
Cranston, RI 02910-2738
(401) 461-1000

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

As management of the City of Cranston, Rhode Island, we offer readers of the City of Cranston's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012.

It is designed to assist the reader in focusing on significant financial issues that the City has encountered.

Financial Highlights

- The assets of the City of Cranston exceeded its liabilities at the close of the fiscal year ended June 30, 2012 by \$1.8 million (*net assets*).
- There was a small change to the City's total net assets. The governmental net assets decreased by \$1.3 million (or 3.0%) and the business-type net assets increased by \$1.7 million (or 3.8%).
- The governmental activities revenue increased \$5.8 million (or 2.2%) and the net results from activities increased from prior year by \$2.3 million. In 2012, the results of activities produced a decrease in net assets of \$1.3 million and in 2011 the results of activities produced a decrease in net assets of \$3.6 million.
- The business-type activities revenue increased by \$2.1 million (or 8.5%), and the net results from activities had a slight increase from the prior fiscal year. In 2012, the results of activities produced an increase in business-type net assets of \$1.7 million, while in 2011 the results of activities produced an increase of \$1.3 million in business-type net assets.
- The General Fund (the primary operating fund) reflected on a current financial resource basis reports an increase in fund balance of \$1.6 million (or 7.4%), compared to a decrease of \$0.6 million in the prior year.
- The City's total debt decreased by \$2.9 million. The decrease is due primarily to the scheduled repayment of \$23.3 million of outstanding debt and issuance of \$20.4 million of new and refunded general and business-type debt.

Overview of the Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets (Exhibit A) and the Statement of Activities (Exhibit B) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government Wide Financial Statements

Reporting the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. You can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, to assess the overall health of the City.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cranston that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities present the functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety, public works, public libraries, parks and recreation, education, senior services, community development, and interest expense. The business-type activities of the City of Cranston include sewer utilities, the Public Facilities Management Foundation, and the School Lunch Fund.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 53 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and School Department, both of which are considered to be major funds. Data from the other 51 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other 51 governmental funds, which are consolidated into 21 funds for reporting purposes, is provided in the form of combining statements elsewhere in this report.

Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the installation of sprinkler systems into various schools) or to show that it is meeting legal responsibility for using certain taxes, grants and other money (like grants received from the U.S. Department of Housing and Urban Development).

The City adopts an annual budget for its General Fund and School Department. A budgetary comparison statement has been provided for each of them as required supplementary information to demonstrate compliance with this budget.

Proprietary funds. The City of Cranston maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Cranston uses enterprise funds to account for its sewer operations, Public Facilities Management Foundation, and its school lunch program. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Cranston uses an internal service fund to account for certain self-insured risks. Because this fund predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer utilities fund and the Public Facilities Management Foundation, which are considered to be major funds of the City of Cranston. The school lunch program fund is the sole non-major enterprise fund and is presented separately in the proprietary fund financial statements. The internal service fund is also presented separately in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on Exhibits F, G, and H of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibits I, and J of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on Exhibit K of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary compliance schedules for the General Fund and the Special Revenue Fund-School Unrestricted, as well as the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found following the notes.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Reporting the City's Most Significant Funds (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Included below is a condensed Statement of Net Assets for the City of Cranston. The condensed format allows the reader to view the overall financial position of the City.

Condensed Statement of Net Assets

**As of June 30
 (In Millions)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>(As Restated) 2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>(As Restated) 2011</u>
Assets:						
Current and other assets	\$ 231.6	\$ 226.4	\$ 14.4	\$ 15.1	\$ 246.0	\$ 241.5
Capital assets.....	126.6	127.7	61.4	63.3	188.0	191.0
Total assets	358.2	354.1	75.8	78.4	434.0	432.5
Liabilities:						
Long-term liabilities						
Outstanding.....	191.8	189.7	24.7	27.2	216.5	216.9
Other liabilities	210.8	207.5	4.9	6.7	215.7	214.2
Total liabilities.....	402.6	397.2	29.6	33.9	432.2	431.1
Net assets:						
Invested in capital assets,						
Net of debt	41.2	38.8	55.0	55.8	96.2	94.6
Unrestricted.....	(85.6)	(81.9)	(8.8)	(11.3)	(94.4)	(93.2)
Total net assets	\$ (44.4)	\$ (43.1)	\$ 46.2	\$ 44.5	\$ 1.8	\$ 1.4

The composition of net assets and the changes in net assets over a period of time serves as a useful indicator of the City's financial position. The City's total assets at June 30, 2012, exceed liabilities by \$1.8 million and were comprised of \$(44.4) million from governmental activities and \$46.2 million from business-type activities. For the fiscal year ending June 30, 2012 \$(94.4) million of the total \$1.8 in net assets are unrestricted.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Net Assets (Continued)

Invested in capital assets, net of related debt comprises \$96.2 and \$94.6 million of net assets at June 30, 2012 and 2011, respectively. This category reflects the total invested in capital assets (vehicles, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The second category of net assets, restricted net assets, represents net assets that are subject to external restriction on how they may be used. Restricted net assets as of June 30, 2012 totaled \$0.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Net Assets summary presentation:

Net Results of Activities - which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital - which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital - which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital - which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt - which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and invested in capital assets, net of debt.

Governmental Activities-Condensed Statements of Net Assets

The category of "Current and Other Assets" was \$231.6 million at June 30, 2012. This category included "Receivables-Property Taxes" of \$186.4 million, an increase of \$4.1 million or 2.2% from June 30, 2011 and was necessitated to cover the reduction of several categories of state aid previously pledged by the State of RI. Also included in this category were "Cash" of \$27.1 million and "Receivables-Intergovernmental" of \$6.4 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities-Condensed Statements of Net Assets (Continued)

The long-term liabilities outstanding at fiscal year-end were \$191.8 million, of which \$85.4 million consisted of general obligation bonds and leases payable. The proceeds from these obligations were used to fund various capital projects (such as school construction and playground construction and improvements).

Total net assets at June 30, 2012 was \$(44.4) million and was comprised of unrestricted net assets of \$(85.6) and "Invested in Capital Assets Net of Related Debt" of \$41.2 million.

Business-Type Activities-Condensed Statements of Net Assets

For business-type activities, such as the Sewer Enterprise Fund, "Current and Other Assets" of \$14.4 million consisted primarily of \$6.5 million in cash which was available to support the current operations of the Enterprise Funds, "Receivables-Intergovernmental" of \$5.3 million.

Long-term liabilities of \$24.7 million were comprised primarily of \$17.6 million of unearned revenues and \$7.0 million representing the non-current portion of long-term liabilities, primarily general obligation bonds used to finance the capital operations of the Sewer Plant as well as SRF (state revolving fund) loan from Rhode Island Clean Water Finance Agency. Other liabilities of \$4.9 million consisted primarily of the current portion of unearned revenue of \$1.9 million, \$2.0 million of accounts payable, and \$0.9 million for the current portion of long-term bonds payable.

The total net assets for the Business-type Activities as of June 30, 2012 were \$46.2 million. Invested in capital assets, net of related debt was the major component of net assets for business-type activities and amounted to \$55.0 million at June 30, 2012. As stated above, in the government-wide analysis of the Statement of Net Assets, the total of \$(8.8) million comprises "Unrestricted Net Assets".

Statement of Activities

A condensed Statement of Activities for the City of Cranston is presented below listing the major categories of revenues and expenses for the fiscal years ended June 30, 2012 and 2011.

Condensed Statement of Activities
 Year Ended June 30 (In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	(As Restated) 2011	2012	2011	2012	(As Restated) 2011
Revenues:						
Program revenues:						
Charges for services	\$ 15.6	\$ 14.5	\$23.7	\$23.0	\$39.3	\$ 37.5
Operating grants and contributions	61.1	59.8	2.6	1.8	63.7	61.6
Capital grants and contributions	0.3	0.6			0.3	0.6
General Revenues:						
Property taxes	183.9	178.9			183.9	178.9
Gain on sale of assets		0.7				0.7
Grants and contributions not Restricted to specific programs						
Unrestricted investment earnings	0.6	0.6	0.4	0.3	1.0	0.9
Transfers		0.5		(0.5)		
Other	3.5	3.6			3.5	3.6
Total revenues	265.0	259.2	26.7	24.6	291.7	283.8

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	(As Restated)				(As Restated)	
	2012	2011	2012	2011	2012	2011
Program Expenses:						
General government.....	\$ 14.1	\$ 11.7	\$	\$	\$ 14.1	\$ 11.7
Public safety.....	76.5	74.2			76.5	74.2
Public works.....	15.1	14.2			15.1	14.2
Education.....	145.6	148.8			145.6	148.8
Parks and recreation.....	2.3	1.7			2.3	1.7
Libraries.....	3.1	2.9			3.1	2.9
Senior services.....	2.9	2.7			2.9	2.7
Other.....	0.1		5.9	5.7	6.0	5.7
Community development.....	1.5	1.6			1.5	1.6
Sewer.....			19.1	17.6	19.1	17.6
Interest and other costs.....	5.1	5.0			5.1	5.0
Total expenses.....	266.3	262.8	25.0	23.3	291.3	286.1
Change in net assets.....	(1.3)	(3.6)	1.7	1.3	0.4	(2.3)
Net assets – July 1 (as restated).....	(43.1)	(39.5)	44.5	43.2	1.4	3.7
Net assets – June 30.....	\$(44.4)	\$(43.1)	\$ 46.2	\$ 44.5	\$ 1.8	\$ 1.4

The Condensed Statement of Net Assets presents revenues, expenses and changes in net assets separately for governmental activities and business-type activities. The condensed format allows for presentation of program revenues (charges for services, operating grants and contributions, and capital grants and contributions) followed by a listing of general revenues to support the City's overall government or business-type activities. Expenses are presented on a functional basis, with depreciation on capital assets directly allocated to the related expense.

Governmental Activities-Condensed Statement of Activities

General revenues include all revenues not required to be reported as "program revenue". The total of other "general revenues" for the fiscal years ending June 30, 2012 and 2011 were \$188.0 and \$184.3 million, respectively. Included in these totals were \$183.9 and \$178.9 million in property taxes for the years ended June 30, 2012 and 2011.

"Program expenses" are presented in the Condensed Statement of Activities by function and total \$266.3 and \$262.8 million (including interest on long-term debt) as restated, for the fiscal years June 30, 2012 and 2011, respectively.

"Changes in net assets" increased \$2 million to \$(1.3) million from \$(3.3) million for the years ended June 30, 2012 and 2011, respectively, as restated. The change resulted primarily from an increase in property tax revenue offset by a decrease in operating grants and charges for services.

Business-Type Activities – Condensed Statement of Activities

Business-Type Activities provided by the City of Cranston consists primarily of the operation of the wastewater facility commonly known as the Sewer Enterprise Fund. The majority of revenues for this fund consist of charges for services. In fiscal years 2012 and 2011, the City generated \$26.7 and \$24.6 million, respectively, in charges for services for all of its business-type activities.

The total amount of expenses for business-type activities were \$25.0 and \$23.3 million, for the fiscal years ended June 30, 2012 and 2011, respectively.

The “Change in Net Assets” increased slightly to \$1.7 million from \$1.3 million for the fiscal years ended June 30, 2012 and 2011, respectively. This activity increased the “Business-Type Net Assets” for the fiscal year ended June 30, 2012 to \$46.2 million as compared to \$44.5 million for the fiscal year ended June 30, 2011.

Financial Analysis of City’s Funds

Governmental Funds

The City of Cranston’s governmental funds consists of two major funds. The major funds are the City’s General Fund and the School Department. Presented below is a condensed Balance Sheet for the two major funds of the Governmental funds.

Combined fund balances for all the Governmental Funds was \$26.4 million. Fund balance was comprised of \$12.9 million nonspendable fund balances, \$9.4 million restricted fund balance and \$2.5 million committed fund balances. Under the modified-accrual basis for Fund Financial Statements, the emphasis is on accounting for current financial resources of the City. Assets of \$242.2 million include primarily \$26.4 million in “Cash”, \$184.9 million in “Taxes Receivable”, \$6.4 million in “Intergovernmental Receivables”, \$2.9 million “Loans”, “Due from Other Funds” of \$13.1 million, \$6.3 million in “Advance to School Department” and the remaining \$2.2 million in “Other Current Assets”. Liabilities of \$215.8 million consisted of \$6.4 million in “Accounts Payable”, \$7.9 million in “Due to Other Funds”, \$192.4 million in “Unearned Revenue”, \$0.4 million of “Claims Payable”, \$1.0 million of other miscellaneous liabilities, and \$6.3 million of “Advances from Other Funds”.

Condensed Balance Sheet

As of June 30
 (In Millions)

	General Fund		School Department		Total Major Funds	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u> (As Restated)	<u>2012</u>	<u>2011</u> (As Restated)
Assets:						
Current and other assets	\$217.4	\$211.2	\$10.4	\$11.4	\$227.8	\$222.6
Total assets	<u>217.4</u>	<u>211.2</u>	<u>10.4</u>	<u>11.4</u>	<u>227.8</u>	<u>222.6</u>
Liabilities:						
Other liabilities	194.2	189.6	16.3	18.7	210.5	208.3
Total liabilities	<u>194.2</u>	<u>189.6</u>	<u>16.3</u>	<u>18.7</u>	<u>210.5</u>	<u>208.3</u>
Fund Balance:						
Non-spendable	7.3	3.2	5.6	3.5	12.9	6.7
Restricted	0.1	6.4			0.1	6.4
Committed	2.3	1.3	0.1	0.1	2.4	1.4
Assigned						
Unassigned	<u>13.5</u>	<u>10.7</u>	<u>(11.6)</u>	<u>(10.9)</u>	<u>1.9</u>	<u>(0.2)</u>
Total fund balance	<u>\$23.2</u>	<u>\$21.6</u>	<u>\$(5.9)</u>	<u>\$(7.3)</u>	<u>\$17.3</u>	<u>\$14.3</u>

General Fund - Condensed Balance Sheet

The General Fund's total assets of \$217.4 million consists primarily of \$14.8 million in "Cash", \$184.9 million of "Taxes Receivable" \$4.8 million of "Intergovernmental Receivables", "Advances" of \$6.3 million, amounts "Due from Other Funds" of \$6.1 million, "Prepaid and Other" of \$0.2 million and "Advanced Deposits-hospitalization" of \$0.3million.

Total liabilities for the General Fund were \$194.2 million. "Accounts payable" amounted to \$2.0 million; \$188.9 million represented "Unearned Revenue", \$0.6 million in "Due to Other Funds", \$0.4 million in "Claims Payable" and \$2.3 million of accrued liabilities.

As of June 30, 2012 the City's fund balance was \$23.2 million of which \$7.2 million was "Nonspendable", \$0.1 million was "Restricted", \$2.4 million was "Committed" and \$13.5 million was "Unassigned".

School Department - Condensed Balance Sheet

The School Department's total assets were \$10.4 million. The majority of that consisted primarily of \$1.9 million in "Cash", \$0.2 million of "Prepays", \$1.5 million of "Other Receivables" and \$6.8 of "Due from other funds".

Liabilities for the School Department totaled \$16.3 million. The majority of that consisted of \$6.3 million of advances from the general fund, "Accounts Payable" of \$3.6 million and \$6.4 million "Due to Other Funds". For the fiscal year ending June 30, 2012, the School Department had a fund balance of \$(5.9) million. This was comprised of \$5.6 million "Nonspendable", \$0.1 million "Committed" and \$(11.6) million in "Unassigned" fund balance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

A condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the City of Cranston is presented below listing the major categories of revenues and expenditures for the fiscal years ended June 30, 2012 and 2011. The major funds for the City of Cranston are the "General Fund" and the "School Department."

The fund reporting format, also presented on a functional basis, presented in "Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds" presents all revenue types followed by the expenditures of the City. The fund financial statements report current year capital expenditures and do not report depreciation on capital assets. Likewise, principal payments on long-term liabilities are reported as current year expenditures and are not offset against the related long-term liability as within the Government-Wide Financial Statements. The major source of revenues for the City comes from "General Property Taxes". For the years ending June 30, 2012, and 2011, the City collected \$184.8, and \$178.7 million of property taxes, respectively. Total revenues for all major governmental funds for the years ended June 30, 2012 and 2011, were \$266.0, and \$258.0 million, respectively. For the major governmental funds, the total expenditures for the years ending June 30, 2012, and 2011, were \$265.6, and \$260.7 million, respectively. For the year ended June 30, 2012, General Fund revenues exceeded expenditures by \$92.5 million before other financing sources (uses) as compared to \$88.8 million for the period ending June 30, 2011.

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

	Year Ended June 30 (In Millions)				Total Major Governmental	
	General Fund		School Department (As Restated)		(As Restated)	
	2012	2011	2012	2011	2012	2011
Revenues:						
General Revenues:						
Property taxes	\$184.8	\$178.7	\$	\$	\$184.8	\$178.7
Intergovernmental	8.7	5.9	35.9	32.6	44.6	38.5
Charges for services	12.3	10.9	1.5	1.9	13.8	12.8
State fiscal stabilization funds				0.8		0.8
State on behalf pension contributions			6.1	5.7	6.1	5.7
Investment income	0.1	0.1			0.1	0.1
Other	1.8	1.2	1.6	1.8	3.4	3.0
Total revenues	207.7	196.8	45.1	42.8	252.8	239.6
Expenditures:						
Current:						
General government	9.8	7.9			9.8	7.9
Public safety	71.7	67.6			71.7	67.6
Public works	15.6	14.5			15.6	14.5
Education			134.6	132.6	134.6	132.6
Parks and recreation	1.9	1.8			1.9	1.8
Public libraries	3.1	2.9			3.1	2.9
Senior services	2.8	2.6			2.8	2.6
Other	0.1	0.1			0.1	0.1
Debt Service:						
Principal	6.4	6.5			6.4	6.5
Interest and other costs	3.8	4.1			3.8	4.1
Total expenditures	115.2	108.0	134.6	132.6	249.8	240.6

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

	<u>General Fund</u>		<u>School Department</u>		<u>Total Major Governmental</u>	
	2012	2011	2012	2011	2012	2011
			(As Restated)		(As Restated)	
Excess (deficiency) of revenues over expenditures before other financing sources (uses).....	92.5	88.8	(89.5)	(89.8)	3.0	(1.0)
Other Financing Sources (Uses):						
Issuance of Debt.....				1.0		
Carulo action-settlement		(1.0)				
Transfers in		0.8	90.9	89.2	90.9	90.0
Transfers out	(90.9)	(89.2)		(1.2)	(90.9)	(90.4)
<i>Net other financing sources (uses).....</i>	<i>(90.9)</i>	<i>(89.4)</i>	<i>90.9</i>	<i>89.0</i>	<i>0.0</i>	<i>(0.4)</i>
Net change in fund balances	1.6	(0.6)	1.4	(0.8)	3.0	(1.4)
Fund balance July 1 (as restated)	21.6	22.2	(7.3)	(6.5)	14.3	15.7
Fund balance June 30	\$ 23.2	\$ 21.6	\$ (5.9)	\$ (7.3)	\$ 17.3	\$ 14.3

Review of Governmental Major Funds-Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund

The City's General Fund had revenues of \$207.7 million for the fiscal year ended June 30, 2012. This was comprised of \$184.8 million in "General Property Taxes", \$8.7 million of "Intergovernmental" revenues, \$12.3 million in "Charges for Services", \$0.1 million in "Investment Income", and \$1.8 million in "Other" revenue.

Expenditures for the General Fund for fiscal year ended June 30, 2012 were \$115.2 million. These expenditures consisted of \$9.8 million in "General Government" expenditures, \$71.7 million of "Public Safety" expenditures, \$15.6 million of "Public Works" expenditures, \$1.9 million of "Parks and Recreation" expenditures, \$3.1 million of "Public Libraries" expenditures, \$2.8 million of "Senior Services" expenditures, \$0.1 million of "Other" expenditures, \$6.4 million of "Debt Service Principal" expenditures, and \$3.8 million of "Interest and Other Costs".

In addition to general operating expenses, the General Fund also had "Net Other Financing Uses" of \$(90.9) million. This was composed of a \$(90.9) million transfers out, which was transferred to the "School Department".

The net change in fund balances was \$1.6 million for the fiscal year ended June 30, 2012. This was primarily due to the increase in Property Tax revenue and a reduction of interest expense due to the refinancing of outstanding governmental debt issuances.

Review of Governmental Major Funds-Statement of Revenues, Expenditures and Changes in Fund Balances-School Department

The "School Department" had revenues for the year ended June 30, 2012 of \$45.1 million. This was derived from \$35.9 million of "Intergovernmental" revenues, \$1.5 million of "Charges for Services", \$6.1 million of an on behalf pension contribution made by the state and \$1.6 million of "Other Income".

Expenditures for the School Department totaled \$134.6 million. This entire amount represents expenditures related to "Education".

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Review of Governmental Major Funds-Statement of Revenues, Expenditures and Changes in Fund Balances-School Department

In addition to general operating revenues, the School Department received \$90.9 million of "Other Financing Sources". This amount was comprised of "Transfers In" from the "General Fund" of \$90.9 million for operations.

The net change in fund balance was \$1.4 million for the fiscal year ended June 30, 2012. This was due primarily to the budgeting of a \$1.5 million loan repayment structured to increase the school department's fund balance and repay the City a portion of the cumulative deficit as agreed upon in the structured settlement between the City and the School Department.

Proprietary Funds

The Proprietary Funds consist of the Sewer Fund, the Public Facilities Management Foundation, the School Lunch Program, the Charter School Program and the Internal Service Funds. The major source of revenues consists of "Charges for Usage and Service" of \$41.1 million. Total operating revenues were \$45.4 million. Total operating expenses for the year ending June 30, 2012, for the Proprietary Funds were \$46.5 million. The "Health Care Management" of the school department of \$21.0 million and the "Contract Payments" of \$15.3 million for sewer privatization comprise the majority of the expenses. Net "Non-Operating Revenues" for the year ending June 30, 2012 were \$2.8 million. The Proprietary Funds ended fiscal year 2012 with \$1.7 million more in revenues than expenses. Total Net Assets were \$44.5 million at June 30, 2012, of that "Invested in Capital Assets, Net of Related Debt" was \$54.9 million and \$(10.4) million were "Unrestricted Net Assets". Total Net Assets June 30, 2012 increased \$1.7 million from \$42.8 million to \$44.5 million or 3.9%.

Analysis of Significant Budget Variations in the General Fund

For the year ended June 30, 2012, the General Fund Revenues were under budget projections by \$ 2.4 million or 1.0%. General Fund expenditures were under budget by \$2.9 million or 1.2%. This resulted in a \$0.6 million surplus for the General Fund for the year ending June 30, 2012.

Significant revenue variances include:

- Property taxes – Favorable variance of \$1.4 million due to an aggressive collection policy.
- Departmental Income – Unfavorable variance of \$1.1 million due primarily to the sluggish economy and lack of real estate transactions including building permits.
- Intergovernmental – Unfavorable variance of \$2.6 million from the reductions in state aid.

Significant expenditure variances include:

- Rescue Fund – Favorable variance of \$1.8 million due to fewer rescue runs for Cranston residents than anticipated.
- The following departments had favorable variances due to attrition in the work force and reduction in departmental expenditures:
 1. Fire- \$0.4 million
 2. Police-\$0.2 million
 3. Municipal Debt-\$0.7 million

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The City of Cranston's investment in capital assets for its governmental and business-type activities as of June 30, 2012 and 2011 amounted to \$188.0 and \$191.0 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles, machinery and equipment and office furniture and equipment, and infrastructure.

The presentation below for the current fiscal year lists the major categories of capital assets for governmental activities and business-type activities. Infrastructure assets, assets that are long-lived and can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature such as streets, sidewalks and curbing are subject to different rules under the standards established by GASB 34. All infrastructure assets are included in the City's capital assets.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its streets. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Capital Assets at Year End
(In Millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Land.....	\$ 12.8	\$ 12.8	\$ 0.3	\$ 0.3	\$ 13.1	\$ 13.1
Construction in progress	0.8	1.9	0.8	0.5	1.6	2.4
Land improvements	17.8	15.7	0.3	0.3	18.1	16.0
Buildings.....	91.1	89.6			91.1	89.6
Motor vehicles	16.4	15.8			16.4	15.8
Equipment.....	11.2	10.9	0.6	0.5	11.8	11.4
Infrastructure.....	82.9	82.9			82.9	82.9
Leasehold improvements			0.2	0.2	0.2	0.2
Sewer lines.....			49.5	49.4	49.5	49.4
Treatment and pumping plant			81.0	81.0	81.0	81.0
Total assets	233.0	229.6	132.7	132.2	365.7	361.8
Less: accumulated depreciation	(106.4)	(101.9)	(71.3)	(68.9)	(177.7)	(170.8)
Net capital assets	\$ 126.6	\$ 127.7	\$ 61.4	\$ 63.3	\$ 188.0	\$ 191.0

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 were \$365.7 million less accumulated depreciation of \$177.7 million for a net investment in capital assets of \$188.0 million.

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Capital Assets (Continued)

Governmental Activities:

Major capital asset additions during the fiscal year ended June 30, 2012 included the following:

- \$0.5 million for new DPW equipment.
- \$0.9 million in paving of roads.
- \$0.2 million for cost associated with construction project in process to upgrade schools facilities.

Business-Type Activities:

Major capital asset additions during the fiscal year ended June 30, 2012 included the following:

- \$1.9 million of completed infrastructure improvements placed in service.

Additional information on the City's capital assets can be found on Note III C of this report.

Long-Term Liabilities

As of June 30, 2012, the governmental activities had total long-term obligations of \$199.8 million. Of that, \$80.5 million related to bonded debt guaranteed by the City's assets. The City currently has \$1.4 million in leases payable. The business-type activities had total long-term obligations of \$8.0 million. Of that, \$6.5 million related to State Revolving Loans (SRF) from Rhode Island Clean Water Finance Agency and \$1.4 million related to Certificates of Participation that relate to the Public Facilities Management Foundation. The (SRF) funds are available for projects related to clean water. The \$1.4 million of Certificates of Participation relate to acquisition and improvements of the Public Works Facility. See Note III.F.1. for further explanation of outstanding debt.

Based on an actuarial valuations completed as of July 1, 2012, the net pension obligation liability for unpaid pension contributions increased by \$2.8 million from \$93.6 million at June 30, 2011 to \$96.4 million at June 30, 2012. Also, the net other post-employment benefit obligation (OPEB) liability increased \$1.4 million to \$7.0 million at June 30, 2012 as compared to \$5.6 million as of June 30, 2011.

Additional information can be found in Note III.F.1.

Debt Outstanding

For the year ending June 30, 2012, the City had \$93.3 million in debt (bonds, notes, etc.) outstanding as compared to \$96.2 million at June 30, 2011, a net decrease of \$2.9 million or 3.0% (considering debt retirement and new issues). The key factors for this decrease were \$23.3 million in principal payments. These payments were offset by an additional \$20.4 million in additional borrowings and refinancing of general obligations used to finance various construction projects.

Outstanding Debt, at June 30
(in Millions)

	<u>2012</u>	<u>2011</u>
Governmental:		
General obligation bonds	\$ 84.0	\$85.2
Capital lease	1.4	1.7
Subtotal	85.4	86.9
Business-type:		
Sewer revolving loans	6.5	7.5
Certificates of participation	1.4	1.8
Subtotal	7.9	9.3
Total	\$ 93.3	\$ 96.2

Principal payments of \$21.5 million and \$1.0 million were made in the governmental and business-type activities, respectively, during fiscal year 2012.

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Except as explained below, under Rhode Island law the City may not, without special statutory authorization, incur any debt that would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. There is currently no outstanding debt of the city subject to the 3% debt limit. The current 3% debt limit of the City is \$227.6 million based on taxable property as of December 31, 2010, of approximately \$7.6 billion. On June 30, 2012, the City had \$80.5 million of debt outstanding that is outside the 3% debt limit.

The City's bond ratings are as follows:

- Standard & Poor's : "A"
- Fitch Ratings: "A"
- Moody's Investors Service : "A2"

Economic Factors and Next Year's Budget and Rates

- As noted previously, the Fiscal Year 2013 operating budget was passed by a majority vote of the City Council. Property tax collections were assumed to be collected at 98.35% of the current levy.
- The City budgeted approximately \$22.0 million for Police and Fire Pension Fund contributions.

Unemployment Statistics

The most recent labor market information summary indicates that annualized unemployment for the years indicated was as shown in the following table:

	Annualized									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City of Cranston.....	4.4%	5.3%	5.3%	5.1%	5.0%	5.4%	7.7%	10.9%	11.9%	11.1%
State of Rhode Island.....	5.1	5.3	5.4	5.2	5.2	4.9	7.9	11.2	11.3	11.1
United States.....	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	8.9

Source: Rhode Island Department of Labor and Training.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City of Cranston's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Finance Director
 City of Cranston
 869 Park Avenue
 Cranston RI 02910

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**Basic
Financial
Statements**

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash.....	\$ 27,069,364	\$ 6,452,613	\$ 33,521,977
Investments.....	11,721		11,721
Receivables:			
Property taxes.....	186,404,297		186,404,297
Sewer assessments and user fees, net.....		917,454	917,454
Intergovernmental.....	6,361,103	5,316,209	11,677,312
Loans.....	2,949,057		2,949,057
Other.....	1,649,765	432,129	2,081,894
Prepays.....	2,007,391	24,385	2,031,776
Advance deposits - hospitalization.....	1,959,650		1,959,650
Inventory.....		36,601	36,601
Bond issue costs - current.....	259,881	7,554	267,435
Internal balances.....	(90,813)	90,813	-
Total current assets.....	228,581,416	13,277,758	241,859,174
Noncurrent assets:			
Receivables (net):			
Other.....		1,065,000	1,065,000
Advance deposits - hospitalization.....	896,500		896,500
Other assets.....		500	500
Bond issue costs - noncurrent.....	2,134,357	56,205	2,190,562
Total receivables and other assets.....	3,030,857	1,121,705	4,152,562
Capital assets (net of accumulated depreciation):			
Land.....	12,849,088	342,712	13,191,800
Construction in progress.....	755,271	837,791	1,593,062
Land improvements.....	8,447,947	33,887	8,481,834
Buildings and leasehold improvements.....	51,827,249	86,661	51,913,910
Sewer service to customers.....		26,877	26,877
Treatment and pumping plant.....		40,506,077	40,506,077
GIS project.....		5,230	5,230
Vehicles.....	2,126,772	5,859	2,132,631
Machinery, equipment and furniture.....	1,624,421	41,041	1,665,462
Infrastructure.....	49,009,032	19,520,104	68,529,136
Total net capital assets (net of accumulated depreciation).....	126,639,780	61,406,239	188,046,019
Total noncurrent assets.....	129,670,637	62,527,944	192,198,581
TOTAL ASSETS.....	358,252,053	75,805,702	434,057,755

(Continued)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	\$ 6,416,478	\$ 2,012,645	\$ 8,429,123
Accrued liabilities.....	1,399,548		1,399,548
Accrued payroll.....	1,030,938	279	1,031,217
Accrued interest payable.....	1,319,509	40,124	1,359,633
Retainage payable.....	10,472		10,472
Unearned revenue.....	190,909,690	1,923,632	192,833,322
Claims payable.....	1,720,459		1,720,459
Long-term liabilities due within one year.....	8,007,329	897,871	8,905,200
Total current liabilities.....	210,814,423	4,874,551	215,688,974
Noncurrent liabilities:			
Unearned revenue.....		17,610,404	17,610,404
Net OPEB obligation.....	7,025,358	90,505	7,115,863
Long-term liabilities due in more than one year.....	184,801,578	7,028,714	191,830,292
Total noncurrent liabilities.....	191,826,936	24,729,623	216,556,559
TOTAL LIABILITIES.....	402,641,359	29,604,174	432,245,533
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt.....	41,265,304	54,943,414	96,208,718
Unrestricted.....	(85,654,610)	(8,741,886)	(94,396,496)
TOTAL NET ASSETS.....	\$ (44,389,306)	\$ 46,201,528	\$ 1,812,222

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET REVENUES (EXPENSES) AND CHANGES IN NET ASSETS		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
GOVERNMENTAL ACTIVITIES:							
General government.....	\$ 14,249,185	\$ 5,786,052	\$ 5,486,901	\$ -	\$ (2,976,232)	\$ -	\$ (2,976,232)
Public safety.....	76,501,580	5,512,505	565,502	330,885	(70,092,688)	-	(70,092,688)
Public works.....	15,167,301	737,643	71,765	-	(14,357,893)	-	(14,357,893)
Education.....	145,560,327	1,499,384	51,587,444	-	(92,473,499)	-	(92,473,499)
Parks and recreation.....	2,271,516	286,551	1,330,993	-	(653,972)	-	(653,972)
Public libraries.....	3,068,582	87,400	786,814	-	(2,194,368)	-	(2,194,368)
Senior services.....	2,894,707	1,651,421	-	-	(1,243,286)	-	(1,243,286)
Community development.....	1,467,564	-	1,243,334	-	(224,230)	-	(224,230)
Interest expense.....	5,143,233	-	-	-	(5,143,233)	-	(5,143,233)
TOTAL GOVERNMENTAL ACTIVITIES.....	266,323,995	15,560,956	61,072,753	330,885	(189,359,401)	-	(189,359,401)
BUSINESS-TYPE ACTIVITIES:							
Sewer fund.....	19,102,192	19,359,122	685,333	-	-	942,263	942,263
Public facilities management foundation.....	93,501	41,900	-	-	-	(51,601)	(51,601)
School lunch fund.....	2,710,210	926,029	1,990,560	-	-	206,379	206,379
Charter school fund.....	3,073,738	3,355,110	-	-	-	281,372	281,372
TOTAL BUSINESS-TYPE ACTIVITIES.....	24,979,641	23,682,161	2,675,893	-	-	1,378,413	1,378,413
TOTALS.....	\$ 291,303,636	\$ 39,243,117	\$ 63,748,646	\$ 330,885	(189,359,401)	1,378,413	(187,980,988)
GENERAL REVENUES:							
Property taxes.....	-	-	-	-	183,880,964	-	183,880,964
Investment income.....	-	-	-	-	586,730	313,299	900,029
Other income.....	-	-	-	-	3,574,315	-	3,574,315
Operating transfers in (out).....	-	-	-	-	(23,817)	23,817	-
TOTAL GENERAL REVENUES.....	-	-	-	-	188,018,192	337,116	188,355,308
CHANGE IN NET ASSETS.....	-	-	-	-	(1,341,209)	1,715,529	374,320
NET ASSETS - JULY 1, 2011 (AS RESTATED).....	-	-	-	-	(43,048,097)	44,485,999	1,437,902
NET ASSETS - JUNE 30, 2012.....	\$ -	\$ -	\$ -	\$ -	\$ (44,389,306)	\$ 46,201,528	\$ 1,812,222

The notes to the financial statements are an integral part of this statement

CITY OF CRANSTON, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash	\$ 14,801,049	\$ 1,928,524	\$ 9,677,527	\$ 26,407,100
Investments			11,721	11,721
Receivables:				
Taxes, net	184,878,265			184,878,265
Intergovernmental	4,782,522		1,578,581	6,361,103
Loans			2,949,057	2,949,057
Other	154,350	1,451,983	35,825	1,642,158
Prepays	106,380	145,131	-	251,511
Advance deposits - hospitalization	328,800			328,800
Due from other funds	6,122,757	6,842,056	158,711	13,123,524
Advances to School Department	6,295,561			6,295,561
TOTAL ASSETS	\$ 217,469,684	\$ 10,367,694	\$ 14,411,422	\$ 242,248,800
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 1,974,249	\$ 3,636,124	\$ 800,008	\$ 6,410,381
Accrued payroll	1,014,176		14,418	1,028,594
Accrued liabilities	1,370,058			1,370,058
Retainage payable			10,472	10,472
Due to other funds	549,765	6,364,717	966,449	7,880,931
Unearned revenue	188,906,557		3,460,726	192,367,283
Claims payable	421,860			421,860
Other liabilities	-		29,490	29,490
Advances from City		6,295,561		6,295,561
TOTAL LIABILITIES	194,236,665	16,296,402	5,281,563	215,814,630
FUND BALANCES:				
Nonspendable	7,261,553	5,622,837	-	12,884,390
Restricted	69,702		9,323,955	9,393,657
Committed	2,356,649	119,410	-	2,476,059
Assigned	-		-	-
Unassigned	13,545,115	(11,670,955)	(194,096)	1,680,064
TOTAL FUND BALANCES	23,233,019	(5,928,708)	9,129,859	26,434,170
TOTAL LIABILITIES AND FUND BALANCES	\$ 217,469,684	\$ 10,367,694	\$ 14,411,422	\$ 242,248,800

(Continued)

CITY OF CRANSTON, RHODE ISLAND

RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1).....	\$	26,434,170
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning capital assets and current additions.....		131,512,185
Depreciation expense.....		(4,861,045)
Disposal of capital assets.....		(11,360)
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:		
Property tax, interest and lien accrual, (net).....		1,526,032
Property tax receivable - accrual basis change.....		1,457,593
Bond issue costs.....		2,394,238
INTERNAL SERVICE FUND IS USED BY MANAGEMENT TO CHARGE THE COST OF SELF-INSURANCE TO INDIVIDUAL DEPARTMENTS:		
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.....		(1,687,345)
SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Bonds and notes payable.....		(83,974,476)
Leases payable.....		(1,400,000)
Compensated absences.....		(10,782,021)
Deferred salary.....		(178,495)
Net pension obligation.....		(96,373,915)
Net OPEB obligation.....		(7,025,358)
Claims and judgements.....		(100,000)
Accrued interest payable.....		(1,319,509)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>(44,389,306)</u>
		(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
General property taxes.....	\$ 184,783,590			\$ 184,783,590
Intergovernmental.....	8,730,640	\$ 35,855,144	\$ 11,634,083	56,219,867
Charges for services.....	12,320,966	1,499,384	1,090,606	14,910,956
Investment income.....	43,203		365,508	408,711
State fiscal stabilization funds.....		2,396		2,396
State on-behalf pension contributions.....		6,144,339		6,144,339
Other.....	1,811,737	1,547,100	135,483	3,494,320
TOTAL REVENUES	207,690,136	45,048,363	13,225,680	265,964,179
EXPENDITURES:				
Current:				
General government.....	9,782,483		564,423	10,346,906
Public safety.....	71,705,027		1,270,266	72,975,293
Public works.....	15,636,714			15,636,714
Education.....		134,559,278	9,585,565	144,144,843
Parks and recreation.....	1,881,377		314,213	2,195,590
Public libraries.....	3,085,970		56,414	3,142,384
Senior services.....	2,784,829		126,533	2,911,362
Community development.....			1,467,564	1,467,564
Other.....	124,638			124,638
Debt Service:				
Principal.....	6,360,000			6,360,000
Interest and other costs.....	3,843,558		220,691	4,064,249
Capital Outlay:				
Capital expenditures.....			2,268,257	2,268,257
TOTAL EXPENDITURES	115,204,596	134,559,278	15,873,926	265,637,800
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	92,485,540	(89,510,915)	(2,648,246)	326,379
OTHER FINANCING SOURCES (USES):				
Issuance of debt.....			19,385,000	19,385,000
Bond premium.....			1,066,929	1,066,929
Repayment of debt to escrow agent.....			(16,788,678)	(16,788,678)
Transfers in.....	8,500	90,882,652	-	90,891,152
Transfers out.....	(90,906,469)		(8,500)	(90,914,969)
NET OTHER FINANCING SOURCES (USES)	(90,897,969)	90,882,652	3,654,751	3,639,434
NET CHANGE IN FUND BALANCES	1,587,571	1,371,737	1,006,505	3,965,813
FUND BALANCES - JULY 1, 2011 (AS RESTATED)	21,645,448	(7,300,445)	8,123,354	22,468,357
FUND BALANCES - JUNE 30, 2012	\$ 23,233,019	\$ (5,928,708)	\$ 9,129,859	\$ 26,434,170

CITY OF CRANSTON, RHODE ISLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(EXHIBIT B) ARE DUE TO:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... \$ 3,965,813

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay.....	3,832,840
Depreciation expense.....	<u>(4,861,045)</u>
Total.....	<u>(1,028,205)</u>

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. In the Statement of Activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.....

(11,360)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the Fund Financial Statements are not recognized in the Statement of Activities:

Decrease in property tax receivable - accrual basis change.....	(1,973,294)
Increase in property tax interest and lien revenue.....	<u>107,704</u>
Total	<u>(1,865,590)</u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Bond premium.....	(1,066,929)
Bonds and capital lease.....	<u>(19,385,000)</u>
Principal repayments:	
General obligation bonds.....	6,035,000
Transfer to refunding bond escrow.....	15,465,000
Capital lease.....	<u>325,000</u>
Total	<u>1,373,071</u>

(Continued)

CITY OF CRANSTON, RHODE ISLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences and deferred salary.....	(98,516)
Net pension obligation.....	(2,776,580)
Net OPEB obligation.....	(1,371,333)
Amortization of bond issuance costs.....	60,564
Amortization of bond premium.....	175,902
Accrued interest payable.....	184,130
Total	<u>(3,825,833)</u>
The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	<u>50,895</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u>\$ (1,341,209)</u>

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				TOTALS	GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM	NONMAJOR CHARTER SCHOOL PROGRAM		INTERNAL SERVICE FUND
ASSETS						
Current Assets:						
Cash and cash equivalents.....	\$ 6,057,541		\$ 377,482	\$ 17,590	\$ 6,452,613	\$ 662,264
Prepaid expenses.....				24,384	24,384	1,755,880
Inventory.....			36,601		36,601	
Receivables:						
Sewer assessments and user fees, net.....	917,454				917,454	
Other.....	62,300		1,018	33,811	97,129	7,607
Due from other funds.....	254,932			675,524	930,456	144,300
Capital lease.....		\$ 335,000			335,000	
Intergovernmental.....	5,196,247		119,962		5,316,209	
Claims deposits.....						1,630,850
Bond issuance costs.....	7,554				7,554	
Total Current Assets	12,496,028	335,000	535,063	751,309	14,117,400	4,200,901
Noncurrent Assets:						
Capital lease receivable.....		1,065,000			1,065,000	
Bond issuance costs.....	10,015	46,190			56,205	
Advanced deposits - medical.....						896,500
Other assets.....		500			500	
Subtotal Noncurrent Assets	10,015	1,111,690	-	-	1,121,705	896,500
Capital Assets:						
Capital assets, net of accumulated depreciation.....	61,282,665	84,203	39,372		61,406,240	
Total Noncurrent Assets	61,292,680	1,195,893	39,372	-	62,527,945	896,500
TOTAL ASSETS	73,788,708	1,530,893	574,435	751,309	76,645,345	5,097,401
LIABILITIES						
Current Liabilities:						
Accounts payable.....	1,743,093		232,699	36,853	2,012,645	8,097
Accrued payroll.....	278				278	2,344
Accrued interest.....	33,682	6,442			40,124	
Due to other funds.....	137,528		702,115		839,643	5,477,706
Claims payable.....						1,298,599
Unearned revenue.....	1,920,000		3,632		1,923,632	
Bonds, notes payable and compensated absences.....	562,871	335,000			897,871	
Total Current Liabilities	4,397,452	341,442	938,446	36,853	5,714,193	6,784,746
Noncurrent Liabilities:						
Unearned revenue.....	17,610,404				17,610,404	
Net OPEB obligation.....				90,506	90,506	
Bonds, notes payable and compensated absences.....	5,952,515	1,076,199			7,028,714	
Total Noncurrent Liabilities	23,562,919	1,076,199	-	90,506	24,729,624	-
TOTAL LIABILITIES	27,960,371	1,417,641	938,446	127,359	30,443,817	6,784,746
NET ASSETS						
Invested in capital assets, net of related debt.....	54,784,848	119,194	39,372		54,943,414	
Unrestricted.....	(8,956,511)	(5,942)	(403,383)	623,950	(8,741,886)	(1,687,345)
TOTAL NET ASSETS	\$ 45,828,337	\$ 113,252	\$ (364,011)	\$ 623,950	46,201,528	\$ (1,687,345)

The notes to the financial statements are an integral part of this statement.

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM	NONMAJOR CHARTER SCHOOL PROGRAM	TOTALS	INTERNAL SERVICE FUND
OPERATING REVENUES:						
Charges for usage and service.....	\$ 18,446,872	\$ 41,900	\$ 895,931		\$ 19,384,703	\$ 21,673,804
Tuition.....				\$ 3,315,932	3,315,932	
Miscellaneous.....	912,250		30,098	39,178	981,526	79,995
TOTAL OPERATING REVENUES.....	19,359,122	41,900	926,029	3,355,110	23,682,161	21,753,799
OPERATING EXPENSES:						
Operations.....	709,097	20,403	2,625,573	1,069,181	4,424,254	541,631
Personnel.....	78,330		74,879	1,974,754	2,127,963	86,172
Claims.....					-	60,145
Contract payments.....	15,290,202				15,290,202	-
Capital expenditures.....	600,265				600,265	-
Health care management.....				29,803	29,803	21,017,073
Depreciation.....	2,306,460	20,617	9,758		2,336,835	-
TOTAL OPERATING EXPENSES.....	18,984,354	41,020	2,710,210	3,073,738	24,809,322	21,705,021
OPERATING INCOME (LOSS).....	374,768	880	(1,784,181)	281,372	(1,127,161)	48,778
NONOPERATING REVENUES (EXPENSES):						
Interest expense.....	(110,284)	(37,084)			(147,368)	
Transfer in.....		23,817			23,817	
Investment income.....	313,170		129		313,299	2,117
Amortization.....	(7,554)	(15,397)			(22,951)	
Grants.....	685,333		1,990,560		2,675,893	
NET NONOPERATING REVENUES (EXPENSES).....	880,665	(28,664)	1,990,689	-	2,842,690	2,117
CHANGE IN NET ASSETS.....	1,255,433	(27,784)	206,508	281,372	1,715,529	50,895
NET ASSETS - JULY 1, 2011.....	44,572,904	141,036	(570,519)	342,578	44,485,999	(1,738,240)
NET ASSETS - JUNE 30, 2012.....	\$ 45,828,337	\$ 113,252	\$ (364,011)	\$ 623,950	\$ 46,201,528	\$ (1,687,345)

The notes to the financial statements are an integral part of this statement.

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES	
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM	NONMAJOR CHARTER SCHOOL PROGRAM	TOTALS	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers.....	\$ 16,157,455	\$ 41,900	\$ 926,029	\$ 3,462,925	\$ 20,588,309	\$ 21,760,522
Cash paid to suppliers.....	(15,290,202)		(2,627)	(1,081,984)	(16,374,813)	
Cash paid to employees.....	(80,316)		(74,879)	(1,974,754)	(2,129,949)	(86,003)
Cash paid for claims.....						(23,333,391)
Cash paid for other operating expenses.....	(2,020,887)	(20,403)	(2,624,346)		(4,665,636)	(537,338)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	(1,233,950)	21,497	(1,775,823)	406,187	(2,582,089)	(2,196,210)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Nonoperating grants received.....	685,333		2,019,757		2,705,090	
Change in interfund loans.....	(217,280)		(236,156)	(438,372)	(891,808)	2,066,183
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	468,053	-	1,783,601	(438,372)	1,813,282	2,066,183
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets.....	(406,717)	(3,414)	(7,831)		(417,962)	
Collection of capital lease payment.....		325,000			325,000	
Transfer in.....		23,817			23,817	
Principal paid on bonds.....	(995,454)	(325,000)			(1,320,454)	
Interest paid on bonds.....	(105,721)	(41,900)			(147,621)	
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,507,892)	(21,497)	(7,831)	-	(1,537,220)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Income from investments.....	313,170		129		313,299	2,117
NET INCREASE (DECREASE) IN CASH.....	(1,960,619)	-	76	(32,185)	(1,992,728)	(127,910)
CASH - JULY 1, 2011 (INCLUDING RESTRICTED CASH).....	8,018,160	-	377,406	49,775	8,445,341	790,174
CASH - JUNE 30, 2012 (INCLUDING RESTRICTED CASH).....	\$ 6,057,541	\$ -	\$ 377,482	\$ 17,590	\$ 6,452,613	\$ 662,264
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 374,768	\$ 880	\$ (1,784,181)	\$ 281,372	\$ (1,127,161)	\$ 48,778
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation.....	2,306,460	20,617	9,758		2,336,835	
(Increase) decrease in accounts receivable.....	(293,343)			107,815	(185,528)	6,722
Increase in inventory.....			(3,773)		(3,773)	
Decrease in claims deposits.....						(1,630,850)
(Increase) decrease in intergovernmental receivables.....	(626,726)				(626,726)	
Increase (decrease) in accounts payable.....	(711,525)		2,373	(12,803)	(721,955)	(692,136)
Increase (decrease) in accrued payroll.....	(1,986)				(1,986)	170
Increase (decrease) in prepaid assessments.....	(361,598)				(361,598)	17,032
Decrease in claims payable.....						138,574
Decrease in unearned revenue.....	(1,920,000)				(1,920,000)	
Increase in advanced deposits.....						(84,500)
Increase in OPEB liabilities.....				29,803	29,803	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,233,950)	\$ 21,497	\$ (1,775,823)	\$ 406,187	\$ (2,582,089)	\$ (2,196,210)

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Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Funds

A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Postemployment Healthcare Trust Fund

This fund is used to account for postemployment benefits for public safety employees.

Private-Purpose Trust Funds

A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds

Agency funds were established to function as clearing mechanisms for cash resources which are collected and disbursed to authorized recipients. The following is a list of Agency Funds included in this section:

Unclaimed Estates in Probate - This fund was established to account for unclaimed estates that are in probate.

Performance Bonds - This Fund accounts for deposits received by the City to ensure certain work is completed by various developers. Once the work has been completed to the satisfaction of the Planning Department, the refunds are returned to the developers.

Student Activity Funds - This fund was established to account for the receipt and disbursement of school student activity programs.

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	PENSION TRUST FUND	OPEB TRUST FUND	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS:				
Cash and cash equivalents.....	\$ 2,408,645	\$ 15,149	\$ 120,187	\$ 1,082,739
Investments:				
Real Estate Investment Trust.....	87,862			
Equity Mutual Funds.....	35,490,071			
Fixed Income Mutual Funds.....	15,412,517			
Total Investments.....	50,990,450	-	-	-
Accounts receivable.....	6,438	389,059		
TOTAL ASSETS.....	53,405,533	404,208	120,187	1,082,739
LIABILITIES:				
Accounts payable.....	7,475	149,055		
Deposits held in custody for others.....				1,082,739
TOTAL LIABILITIES.....	7,475	149,055	-	1,082,739
NET ASSETS HELD IN TRUST FOR PENSION AND OPEB BENEFITS AND OTHER PURPOSES.....	\$ 53,398,058	\$ 255,153	\$ 120,187	\$ -

The notes to the financial statements are an integral part of this statement

CITY OF CRANSTON, RHODE ISLANDSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	PENSION TRUST FUND	OPEB TRUST FUND	PRIVATE PURPOSE TRUST FUND
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 20,369,456	\$ 4,089,059	\$ 24,732
Plan member contributions.....	427,550	330,902	
Other.....	36,759	-	
Total contributions.....	20,833,765	4,419,961	24,732
Investment income (loss):			
Interest and dividends.....	1,257,997	142	335
Net depreciation in the fair value of investments.....	(1,414,439)		
Total investment income (loss).....	(156,442)	142	335
TOTAL ADDITIONS.....	20,677,323	4,420,103	25,067
DEDUCTIONS:			
Benefits.....	22,156,284	4,265,915	17,660
Other.....			9,493
Administrative expenses.....	481,824	13,925	
TOTAL DEDUCTIONS.....	22,638,108	4,279,840	27,153
CHANGE IN NET ASSETS.....	(1,960,785)	140,263	(2,086)
NET ASSETS - JULY 1, 2011.....	55,358,843	114,890	122,273
NET ASSETS - JUNE 30, 2012.....	\$ 53,398,058	\$ 255,153	\$ 120,187

The notes to the financial statements are an integral part of this statement

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012HISTORY AND ORGANIZATION

The City of Cranston, Rhode Island (the City) was incorporated in 1910 and covers an area of 28 square miles. The City operates under a Mayor-Council form of government as prescribed by the City's home rule charter, which was adopted in 1962. The Mayor is elected by the voters of the City to a two-year term limited to four consecutive terms. City Council members are elected to two-year terms, limited to five consecutive terms. The City provides the following services as authorized by its charter: public safety (police and fire), public works (streets and highways), public health and social services, sewers and water, a free public library, and education encompassing grades PreK-12.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

The City of Cranston, Rhode Island, is a municipal corporation governed by an elected mayor and City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Blended Component Units:

The Public Facilities Management Foundation (the Foundation), a non-profit corporation, was created by the City on November 28, 2000. The Foundation consists of five members who are elected by or work for the City of Cranston. These members include the President of the Cranston City Council, the City Solicitor, the Director of Public Works, the Director of Finance and the Director of Administration. The Foundation provides exclusive rights, by a term lease as entered into with the City on November 1, 2000, to the use of land and buildings located in the City to be used as a storage and maintenance facility by the Public Works Department. The Foundation is reported as an enterprise fund.

B. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2012 the City implemented the following new accounting pronouncements:

- GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53. Adoption of this Statement did not have a significant impact on the City's fiscal 2012 statements.
- GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, effective for the fiscal year ending June 30, 2012.

(CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Recently Issued Accounting Standards

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

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 66 – Technical Corrections – An Amendment of GASB Statements No 10 and No. 63, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 67 – Financial Reporting of Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014,
- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *School Department Fund* accounts for the financial transactions of the City's School Department which are not required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Sewer Department Fund* accounts for the activities of the City's sewer operations.

The *Public Facilities Management Foundation*, a blended component unit of the City, accounts for the activities that support and facilitate multiple divisions of the Public Works Department.

Additionally, the City reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.

The *Capital Project Funds* account for the acquisition of capital assets or construction of major capital projects other than those financed by proprietary funds.

The *Internal Service Fund*, a proprietary type fund, is used to account for claims made against the City.

The *Pension Trust Funds* account for the activities of the Cranston Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *OPEB Trust Fund* accumulates resources for future retiree health benefits and retiree life insurance benefits for eligible teachers and police and fire retirees.

The *Private-Purpose Trust Funds* are used to account for employee contributions held in trust for qualified medical related plan expenditures. All resources of the fund, including any earnings on invested resources, may not be used to support the City's activities. There is no requirement that any portion of these resources be preserved as capital.

The *Agency Funds* account for monies held on behalf of students and amounts held for performance bonds.

(CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's sewer operations and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer department enterprise fund and of the City's internal service funds are charges to customers for sales and services. The sewer department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Deposits - The City's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Rhode Island Statutes allow the City to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Rhode Island or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it is earned.

(CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

The City's pension funds are invested in accordance with the plans investment policy, the City has agreements with the investment advisors, who manage the investment portfolios and have full authority for the investment and reinvestment of pension fund assets.

Investments for the City are reported at fair value.

2. Receivables and Payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, and sewer use amounts are shown net of an allowance for uncollectibles. Allowance percentages range from 5 to 100% of outstanding receivable balances at June 30, 2012, and are calculated upon prior collection history.

In the fund financial statements, all property taxes receivable at June 30, which have not been collected within sixty days of June 30, have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the sixty day period have been recorded as revenue.

Property taxes are assessed on property as of December 31. Taxes are billed on or about June 1 (for the subsequent fiscal year) based on the assessed value for all real property, tangible property, and motor vehicles located in the City. Taxes are due in four installments in July, October, January and April. Rhode Island general laws restrict the City's ability to increase either its total tax levy or its tax rates by more than 5.5% over those of the preceding year. Recently the State of Rhode Island passed a law, which went into effect for fiscal year 2008, which would decrease this cap by .25% each year until it has been lowered to a maximum of 4% of the prior year's tax levy by fiscal year 2013. Overdue taxes are assessed penalties and will be collected through the sale of tax titles if required.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out (FIFO) method of valuation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are accounted for using the consumption method.

4. Restricted Assets

The restricted assets for the City are restricted for debt reserve requirements, building improvements and minor maintenance costs associated with the Public Facilities Management Foundation.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 in the City and \$5,000 in the School Department for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Leasehold improvements	20
Infrastructure	5-65
Sewer plant	50
Sewer lines and pumping stations	50-100
Vehicles	5
Machinery and equipment	3-20

(CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Compensated Absences

Under the terms of various contracts and policies, City employees are granted vacation and sick leave based on length of service. The City's policy is to recognize the cost of vacation and sick leave in governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid vacation and sick leave relating to governmental fund employees is recorded as long-term debt in the government-wide financial statements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity and Net Assets

Government-wide Statements

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

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

(CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fund Equity and Net Assets (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. With the implementation of GASB Statement #54 (effective fiscal 2011), fund balance is classified into one of the following five categories: nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below.

- (a) Nonspendable Fund Balance - includes amounts that cannot be spent because they are 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.
- (b) Restricted Fund Balance - includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance - includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The highest level of decision-making authority for the City of Cranston is the City Council that assembles annually to vote on the City's budget and resolutions proposed by the various committees.
- (d) 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.
- (e) Unassigned Fund Balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Stabilization Arrangements

- (a) Budget Stabilization Fund - this fund shall be created, into which the City shall transfer such funds as are available to provide for capital expenditures and other one-time expenditures. Any such transfer shall not create an operating deficit in the general fund. Any expenditure from or transfer to this fund must first be approved by the City Council.
- (b) Healthcare Budget Stabilization Fund - this fund shall be created, into which the excess of departmental health care expenses over actual health care claims and related expenses shall be transferred. Any such transfer shall not create an operating deficit in the general fund. In the event that health care claims and related expenses exceed the budgeted appropriation, then funds may be transferred from the health care budget stabilization fund to cover the deficit. Any expenditure or transfer from this fund must first be approved by the City Council.

(CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

It is the responsibility of the Mayor, with the cooperation of the Director of Finance, to submit a proposed budget for the following fiscal year to the City Council not later than the first day of April of each year. The City Council acts on the budget not later than the 15th day of May. Public hearings are conducted on the recommended budget and the final recommended budget is legally enacted through an ordinance at the Financial City Council Meeting. Budget appropriations lapse at the end of the fiscal year, with the exception of capital project funds.

The level of budgetary control for the General Fund (that is, the level at which expenditures cannot legally exceed appropriations) is fixed by resolution as part of the annual budget adoption process at the Financial City Council Meeting. Although the resolution prohibits spending in excess of the authorized budget, it does allow management the right to create interdepartmental transfers at any time during the fiscal year. Intradepartmental transfers and supplemental appropriations are restricted to the fourth quarter and must be approved by the City Council in the form of an ordinance. Intradepartmental transfers reallocate surplus funds from one department to another. Supplemental appropriations increase both revenue appropriation and expenditure appropriation by an equal amount. For the fiscal year ended June 30, 2012, intradepartmental transfers and supplemental appropriations netted an increase to the original adopted budget of \$1,432,573.

The budget for the Schools Unrestricted Fund is prepared annually and approved by the School Committee. The amount of the annual transfer from the General Fund is ultimately determined through the adoption of the General Fund budget. This appropriation does not lapse at year end. The City also adopts budgets for two of the non-major special revenue funds.

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in the City's budgetary reports as expenditures in the current year. The budgetary reports are located in the Required Supplementary Information (RSI) immediately following these notes. Generally, aside from the Capital Projects Fund, all unencumbered appropriations lapse at year end. Appropriations for capital projects are reissued in the amount available at the end of the fiscal year.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (RSI), is as follows:

	GENERAL FUND			SCHOOL DEPARTMENT FUND		
	REVENUES	EXPENDITURES	FUND BALANCE	REVENUES	EXPENDITURES	FUND BALANCE
BALANCE, BUDGETARY BASIS						
JUNE 30, 2012,	\$ 244,295,485	\$ 243,739,346	\$ 20,517,257	\$ 38,037,030	\$ 127,581,497	\$ (5,962,260)
Revenues/Expenditures accounted for on the budgetary basis associated with Education funds	(38,191,980)	(129,074,632)				
Encumbrances outstanding at June 30, 2011 liquidated during the year June 30, 2012					92,911	(92,911)
Encumbrances outstanding at June 30, 2012 Charged to budgetary expenditures					(119,410)	119,410
Transfers to/from other funds			8,500			
Amounts transferred for Public Facilities Management Foundation		(23,817)				
GASBS4 opening balance adjustments			1,684,330			
GASBS4 current year activity	1,363,528	340,516	1,023,012			
Revenue/Expenditure pass-thru	223,103	223,183	(80)	866,994	859,941	7,053
State Teachers' Retirement on-behalf payment				6,144,339	6,144,339	
BALANCE, GAAP BASIS, JUNE 30, 2012 EXHIBIT D	\$ 207,690,136	\$ 115,204,596	\$ 23,233,019	\$ 45,048,363	\$ 134,559,278	\$ (5,928,708)

C. Capital Projects Authorizations

The following is a summary of projects recorded in the Capital Projects Fund at June 30, 2012:

PROJECT NAME	PROJECT AUTHORIZATION	CURRENT YEAR		CUMULATIVE EXPENDITURE	BALANCE JUNE 30, 2012	Cumulative Exp - PY
		EXPENDITURES	EXPENDITURES			
GOVERNMENTAL FUNDS:						
School bond fund	\$ 16,073,772	\$ 157,366	\$ 15,890,877	\$ 182,895	15,733,511	
Police and fire bond fund	9,432,166	89,655	7,620,997	1,811,169	7,531,342	
Public building bond fund	1,500,000	57,907	1,369,978	130,022	1,312,071	
Recreation bond fund	4,973,932	72,365	4,829,381	144,551	4,757,016	
Highway bond fund	6,529,674	3,606,673	4,177,010	2,352,664	570,337	
Storm drains bond fund	796,893	5,659	502,459	294,434	496,800	
Neighborhood infrastructure fund	1,531,223	1,318	1,445,881	85,342	1,444,563	
Open space bond fund	1,996,090		1,996,090		1,996,090	
ENTERPRISE FUNDS:						
Sewer system project	4,000,000		1,159,631	2,840,369	1,159,631	

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

D. Deficit Fund Balance

During the year ended June 30, 2012, the City had a deficit fund balance in the following funds:

<u>Major Governmental Funds</u>	
School Department Unrestricted Fund	\$ 5,928,708
 <u>Non-Major Governmental Funds</u>	
Community Development Block Grant	\$ 55,335
Connetta Park	6,642
Special Police Duty	54,231
WIA Job Development Fund	52,031
Special Fire Duty	25,857
 <u>Enterprise Funds</u>	
School Lunch Fund	\$ 364,011
 <u>Internal Service Funds</u>	
School Department Claims Fund	\$ 2,236,008

The major governmental fund deficit will be eliminated through the approved deficit reduction plan that the School Department has submitted to the Auditor General. The non – major fund deficits will be eliminated through future intergovernmental grant receipts, repayment of program loans or inter-fund contributions.

III. DETAILED NOTES

A. Cash and Investments

1. Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires that deposits be placed in financial institutions that are FDIC insured up to \$250,000 and rated "well capitalized" on the institution's most recent audited financial statements/SEC filings, if deposits exceed \$250,000. As of June 30, 2012, the City's bank balance of \$37,344,427 was insured and collateralized as follows:

Insured	\$ 8,985,006
Uninsured	15,156,993
 Collateralized:	
Collateral held by pledging banks' trust department, not in the City's name	13,202,428
 Total amount subject to custodial risk	 <u>\$ 37,344,427</u>

2. Certain investments are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES

A. Cash and Investments (Continued)

At June 30, 2012, the City's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)		
		N/A	LESS THAN 1	1-5 YEARS
Equity Mutual Funds.....	\$ 35,490,071	\$ 35,490,071	\$ -	\$ -
Fixed Income Mutual Funds	15,412,517	15,412,517		
Real Estate Investment Trusts.....	87,862	87,862		
Certificates of Deposit	11,721		11,721	
TOTAL.....	\$ 51,002,171	\$ 50,990,450	\$ 11,721	\$ -

Interest rate risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As noted above, approximately 99% of the City's investments are in mutual funds. The remaining 1% of the investments are held in real estate investment trusts and certificates of deposit. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions. These investments are not rated by Standard & Poor's as of June 30, 2012.

At June 30, 2012 the City's investments totaled \$51,002,171 (including those held in Fiduciary Funds) and these investment options represent 5% or more of the total investment balance:

<u>Investment</u>	<u>Percentage</u>	<u>Fair Value</u>
IShares Trust Barclays 1-3 Year Credit Bond Fund	6.73%	3,434,488
Vanguard Total Bond Market ETF	6.5%	3,316,134

Credit risk - The City has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Rhode Island or political subdivision.

Custodial credit risk - The City does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not believe that it has a significant custodial credit risk as all the investments are registered and held in the name of the City.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

B. Receivables

Receivables as of year end for the City's government-wide financial statements by type, including the applicable allowances for uncollectibles, are as follows:

	<u>PROPERTY TAXES</u>		
	<u>TAXES</u>	<u>INTEREST & LIENS</u>	<u>TOTAL</u>
Current Portion	\$ 187,589,570	\$ 3,253,096	\$ 190,842,666
Less Allowance for Uncollectibles	<u>(2,711,305)</u>	<u>(1,727,064)</u>	<u>(4,438,369)</u>
Total Receivable	<u>\$ 184,878,265</u>	<u>\$ 1,526,032</u>	<u>\$ 186,404,297</u>

	<u>CONNETTA PARK LOAN</u>	<u>ECONOMIC DEVELOPMENT LOANS</u>	<u>CDBG LOANS</u>	<u>UDAG LOANS</u>	<u>TOTAL</u>
	Gross Receivable	<u>\$ 13,836</u>	<u>\$951,415</u>	<u>\$1,893,806</u>	<u>\$ 90,000</u>

	<u>SEWER USE CHARGES</u>		
	<u>USE CHARGES</u>	<u>INTEREST & LIENS</u>	<u>TOTAL</u>
Current Portion	\$ 1,036,557	\$ 152,181	\$ 1,188,738
Less Allowance for Uncollectibles	<u>(230,473)</u>	<u>(40,811)</u>	<u>(271,284)</u>
Total Receivable	<u>\$ 806,084</u>	<u>\$ 111,370</u>	<u>\$ 917,454</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

DEFERRED REVENUE:	
Property taxes receivable (general fund)	\$182,624,544
UNEARNED REVENUE:	
Advance tax collections	4,753,537
Unearned developer security deposits	70,883
Grant draw-downs prior to meeting all eligibility requirements.....	<u>3,460,726</u>
TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	<u>\$190,909,690</u>
Sewer	<u>\$ 19,534,036</u>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Governmental Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land.....	\$ 12,849,088	\$ -	\$ -	\$ 12,849,088
Construction in progress.....	1,890,593	785,852	(1,921,174)	755,271
Total Capital Assets, not being Depreciated.....	14,739,681	785,852	(1,921,174)	13,604,359
<u>Capital Assets, being Depreciated:</u>				
Land improvements.....	15,766,916	2,001,684		17,768,600
Buildings.....	89,578,823	1,536,549		91,115,372
Machinery and equipment.....	4,585,054	237,329		4,822,383
Office furniture and equipment.....	6,283,967	229,734	(70,000)	6,443,701
Vehicles.....	15,774,837	962,866	(334,734)	16,402,969
Infrastructure.....	82,861,374	-		82,861,374
Total Capital Assets, being Depreciated.....	214,850,971	4,968,162	(404,734)	219,414,399
Total Capital Assets.....	229,590,652	5,754,014	(2,325,908)	233,018,758
<u>Less Accumulated Depreciation for:</u>				
Land improvements.....	8,619,537	701,116		9,320,653
Buildings.....	37,818,373	1,469,753		39,288,126
Machinery and equipment.....	3,186,380	419,300		3,605,680
Office furniture and equipment.....	5,878,194	227,790	(70,000)	6,035,984
Vehicles.....	13,612,463	987,106	(323,374)	14,276,195
Infrastructure.....	32,796,360	1,055,980		33,852,340
Total Accumulated Depreciation.....	101,911,307	4,861,045	(393,374)	106,378,978
Total Capital Assets, being Depreciated, net.....	112,939,664	107,117	(11,360)	113,035,421
Governmental Activities Capital Assets, net.....	\$ 127,679,345	\$ 892,967	\$ (1,932,534)	\$ 126,639,780

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Business-Type Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land	\$ 342,712	\$	\$	\$ 342,712
Construction in progress	529,073	308,718	-	837,791
Total Capital Assets, not being Depreciated.....	871,785	308,718	-	1,180,503
<u>Capital Assets, being Depreciated:</u>				
Land improvements.....	266,795			266,795
Leasehold improvements.....	177,273	3,414		180,687
Collection systems.....	49,390,111	97,998		49,488,109
Treatment and pumping plant.....	81,023,184			81,023,184
Machinery and equipment	519,723	7,830		527,553
Total Capital Assets, being Depreciated.....	131,377,086	109,242		131,486,328
Total Capital Assets	132,248,871	417,960	-	132,666,831
<u>Less Accumulated Depreciation for:</u>				
Land improvements.....	225,214	7,694		232,908
Leasehold improvements.....	75,957	18,069		94,026
Collection systems.....	29,313,273	654,730		29,968,003
Treatment and pumping plant.....	38,872,657	1,639,220		40,511,877
Machinery and equipment	436,656	17,122		453,778
Total Accumulated Depreciation	68,923,757	2,336,835		71,260,592
Total Capital Assets, being Depreciated, net.....	62,453,329	(2,227,593)		60,225,736
Business-Type Capital Assets, net.....	\$ 63,325,114	(\$ 1,918,875)	\$ -	\$ 61,406,239

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:

General government.....	\$ 3,261,146
Public safety.....	1,042,588
Public works	262,922
Education	200,056
Parks and recreation.....	80,216
Public libraries.....	4,490
Senior services.....	9,627
Total Depreciation Expense – Governmental Activities.....	<u>\$ 4,861,045</u>

Depreciation expense was charged to business-type activities as follows:

Business-Type Activities:

Sewer.....	\$ 2,306,460
Public facilities management foundation.....	20,617
School lunch	9,758
Total Depreciation Expense – Business-Type Activities.....	<u>\$ 2,336,835</u>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. **DETAILED NOTES (CONTINUED)**

C. **Capital Assets (Continued)**

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its streets. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's streets are constantly deteriorating resulting from the following five factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; (4) water damage from natural precipitation and other urban runoff and (5) deterioration from the use of chemicals to melt snow and ice. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$154,569 on street maintenance for the fiscal year ended June 30, 2012. These expenditures delayed deterioration, however the overall condition of the streets was not improved through these maintenance expenditures. The City has determined that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating 70 through the year 2012 is a minimum of \$1,000,000.

Construction Commitments

The City has active construction projects as of June 30, 2012. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>
Governmental Activities:	
Public Works	\$ 197,561
Total	<u>\$ 197,561</u>

D. **Interfund Accounts**

1. **Interfund Payables and Receivables**

A summary of interfund balances as of June 30, 2012 is as follows:

	CORRESPONDING FUND	DUE FROM	DUE TO
MAJOR FUNDS:			
GENERAL FUND:			
School Unrestricted Fund.....	N/A	\$ 5,681,553	\$
Emergency Management Fund.....	N/A	2,625	
Community Development Fund.....	N/A	43,420	
Special Duty Fire Fund.....	N/A	29,304	
Economic Development Rev. Loan Fund	N/A	8,500	
Special Duty Police Fund.....	N/A	134,061	
WIA Job Development Fund	N/A	73,523	
Police Federal Seizure Fund.....	N/A	10,255	169
Police State Seizure Fund.....	N/A	1,642	
Historical Records.....	N/A	715	
Neighborhood Infrastructure.....	N/A		903
Police Federal Forfeiture.....	N/A	170	
Internal Service Fund.....	N/A		144,300
Fire Grants and Donations.....	N/A		150,000
Sewer Fund.....	N/A	137,529	254,392
TOTAL GENERAL FUND.....		<u>\$ 6,123,297</u>	<u>\$ 549,764</u>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

1. Interfund Payables and Receivables (Continued)

	CORRESPONDING FUND	DUE FROM	DUE TO
SCHOOL SPECIAL REVENUE			
UNRESTRICTED:			
General Fund	N/A	\$	\$ 5,681,553
School Lunch Fund	N/A	702,115	
School Restricted Fund	N/A	662,235	7,639
Health Insurance Fund	N/A	5,477,706	
Charter School Fund	N/A	-	675,524
		<u>6,842,056</u>	<u>6,364,716</u>
TOTAL SCHOOL SPECIAL REVENUE UNRESTRICTED			
PROPRIETARY FUNDS:			
Sewer Fund	General Fund	254,392	137,529
Internal Service Fund	General Fund	144,300	-
		<u>398,692</u>	<u>137,529</u>
TOTAL ENTERPRISE FUNDS			
NONMAJOR FUNDS:			
Restricted School Funds	School Unrestricted Fund	7,639	662,235
Emergency Management Fund	General Fund		2,625
Community Development Block Grant Fund	General Fund		43,420
Police State Seizure	General Fund		1,642
Police Federal Seizure	General Fund	169	10,255
Historical Records	General Fund		715
Police Federal Forfeiture	General Fund		170
Neighborhood Infrastructure	General Fund	903	
Fire Grants and Donations	General Fund	150,000	
Special Duty Fire Fund	General Fund		29,304
Economic Development Rev. Loan Fund	General Fund		8,500
Special Duty Police Fund	General Fund		134,061
WIA Job Development Fund	General Fund		73,523
		<u>158,711</u>	<u>966,450</u>
TOTAL NONMAJOR FUNDS			
SCHOOL PROPRIETARY FUNDS:			
Charter School Fund	School Unrestricted Fund	675,524	
Health Insurance Fund	School Unrestricted Fund		5,477,706
School Lunch Fund	School Unrestricted Fund		702,115
		<u>675,524</u>	<u>6,179,821</u>
TOTAL SCHOOL ENTERPRISE FUNDS			
GRAND TOTAL		<u>\$14,198,280</u>	<u>\$ 14,198,280</u>

All interfund balances result from time lag between the dates payments occur between funds for short-term internal financing.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

2. Interfund Transfers

A summary of interfund transfers as of June 30, 2012 is as follows:

	CORRESPONDING FUND	TRANSFERS IN	TRANSFERS OUT
GENERAL FUND:			
School Unrestricted Fund	N/A	\$	\$ 90,882,652
Public Facilities Management	N/A		23,817
Econ. Development Rev Loan Fund	Nonmajor fund	8,500	
TOTAL GENERAL FUND		8,500	90,906,469
SCHOOL UNRESTRICTED:			
General Fund	N/A	90,882,652	
NONMAJOR FUNDS:			
Econ. Deveoplment Rev. Loan Fund....Nonmajor Fund			8,500
TOTAL NONMAJOR FUNDS			8,500
PROPRIETARY FUNDS:			
Public Facilities Management Foundation	General Fund	23,817	
GRAND TOTAL		\$ 90,914,969	\$90,914,969

Transfers are used to account for the financing by the general fund of various programs and activities in other funds, and administration of other funds by the general fund.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

E. Short-Term Obligations – Bond Anticipation Notes

The City uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

There was a general obligation bond anticipation note dated July 8, 2010 for the amount of \$2,000,000. This short-term obligation was due on July 7, 2011. This short-term obligation was paid off during the current fiscal year.

F. Changes in Long-Term Obligations

1. Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

Governmental Activities:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012	CURRENT PORTION
GENERAL OBLIGATION:									
Public improvement	\$ 17,540,000	06/15/98	07/15/18	4.4-6.0%	\$ -	\$ -	\$ -	\$ -	\$ -
Public improvement	16,115,000	11/15/99	11/15/19	4.5-5.45%	-	-	-	-	-
Refunding	13,320,000	12/01/00	07/01/15	4.5-5.5%	3,850,000	-	2,910,000	940,000	940,000
Public improvement	27,050,000	02/15/04	02/15/24	2.0-5.0%	17,565,000	-	14,855,000	2,710,000	1,355,000
Advance refunding	22,280,000	05/13/05	07/15/19	3.0-5.0%	19,230,000	-	1,890,000	17,340,000	1,985,000
Public improvements	23,900,000	06/14/06	04/01/26	4.0-5.0%	19,485,000	-	945,000	18,540,000	985,000
Public improvements	13,075,000	06/18/08	07/01/28	4.0-5.0%	12,255,000	-	440,000	11,815,000	460,000
School borrowing..	7,000,000	08/07/08	04/01/29	3.75-6.0%	6,545,000	-	240,000	6,305,000	250,000
Public improvements	3,000,000	07/08/10	07/01/22	2.0-4.3%	3,000,000	-	150,000	2,850,000	150,000
School borrowing	700,000	01/15/11	05/15/31	2.0-4.3%	700,000	-	70,000	630,000	70,000
Public improvements	3,430,000	03/29/12	02/01/33	2.0-4.37%	-	3,430,000	-	3,430,000	-
Refunding	15,955,000	04/10/12	07/01/23	2.0-5.0%	-	15,955,000	-	15,955,000	-
Total General Obligation Bonds					82,630,000	19,385,000	21,500,000	80,515,000	6,195,000
Bond Premiums					2,568,449	1,066,929	175,902	3,459,476	281,277
TOTAL BONDS AND RELATED LIABILITIES					85,198,449	20,451,929	21,675,902	83,974,476	6,476,277
LEASES PAYABLE:									
Public Facilities Management									
Foundation Lease	1,725,000	12/14/10	11/01/15	2-3%	1,725,000	-	325,000	1,400,000	335,000
Total Leases Payable.....					1,725,000	-	325,000	1,400,000	335,000
TOTAL BONDS AND NOTES AND RELATED LIABILITIES					86,923,449	20,451,929	22,000,902	85,374,476	6,811,277
COMPENSATED ABSENCES.....					10,654,439	3,028,173	2,900,591	10,782,021	1,078,202
DEFERRED SALARY					207,561	-	29,066	178,495	17,850
NET PENSION OBLIGATION					93,597,335	2,776,580	-	96,373,915	N/A
NET OPEB OBLIGATION.....					5,654,025	1,371,333	-	7,025,358	N/A
CLAIMS AND JUDGMENTS.....					100,000	-	-	100,000	100,000
TOTAL LONG-TERM OBLIGATIONS.....					\$ 197,136,809	\$ 27,628,015	\$ 24,930,559	\$ 199,834,265	\$8,007,329

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

All long-term liabilities are generally liquidated by the General Fund.

Capital assets obtained from capital leases totaled \$7,008,757.

Business-Type Activities:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012	CURRENT PORTION
ENTERPRISE FUNDS									
SEWER:									
RI Clean Water	\$ 3,242,000	09/01/93	09/01/15	3.0%	\$ 810,500	\$ -	\$ 162,100	\$ 648,400	\$ 162,100
RI Clean Water	700,000	08/25/99	09/01/15	3.0%	266,340	-	50,354	215,986	51,771
RI Clean Water	2,000,000	11/13/03	09/01/24	0.0%	1,400,000	-	100,000	1,300,000	100,000
RI Clean Water	3,400,000	12/30/04	09/01/11	0.0%	484,000	-	484,000	-	-
RI Clean Water	900,000	09/01/05	09/01/25	3.0%	850,000	-	10,000	840,000	60,000
RI Clean Water	3,000,000	09/01/07	09/01/28	3.0%	2,700,000	-	150,000	2,550,000	150,000
RI Clean Water	1,000,000	09/01/10	09/01/30	0.52% - 3.19%	1,000,000	-	39,000	961,000	39,000
TOTAL SEWER.....					7,510,840	-	995,454	6,515,386	562,871
PUBLIC FACILITIES MANAGEMENT FOUNDATION:									
Certificates of									
Participation	1,725,000	12/14/10	11/01/15	2 - 3%	1,725,000	-	325,000	1,400,000	335,000
Certification of participation premium.....					14,932	-	3,733	11,199	-
TOTAL BONDS AND RELATED LIABILITIES.....					9,250,772	-	1,324,187	7,926,585	897,871
NET OPEB OBLIGATION.....					60,702	29,803		90,505	-
TOTAL ENTERPRISE FUNDS.....					\$ 9,311,474	\$ 29,803	\$ 1,324,187	\$ 8,017,090	\$ 897,871

The following is a summary of annual debt service requirements to maturity for the retirement of general obligation debt, leases and certificates of participation:

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			
	GENERAL OBLIGATION DEBT		LEASES PAYABLE		CERTIFICATES OF PARTICIPATION		CLEAN WATER BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 6,195,000	\$ 3,283,932	\$ 335,000	\$ 35,300	\$ 335,000	\$ 35,300	\$ 562,871	\$ 124,270
2014	6,470,000	3,211,805	345,000	26,775	345,000	26,775	565,327	112,993
2015	6,670,000	2,924,240	355,000	16,275	355,000	16,275	567,824	101,494
2016	6,135,000	2,677,840	365,000	5,475	365,000	5,475	569,364	89,769
2017	6,220,000	2,414,990					352,000	81,048
2018-2022	27,015,000	7,879,036					1,780,000	316,309
2023-2027	17,220,000	2,919,069					1,561,000	156,118
2028-2032	4,590,000	371,038					557,000	25,957
TOTALS	\$ 80,515,000	\$ 25,681,950	\$ 1,400,000	\$ 83,825	\$ 1,400,000	\$ 83,825	\$ 6,515,386	\$ 1,007,958

(CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

2. Lease Commitment

The City is obligated under various operating leases to make the following aggregate annual lease payments. Lease expenditures approximated \$1,361,061 for fiscal year ended June 30, 2012.

Year Ended June 30

2013	\$	1,068,456
2014		1,068,456
2015		1,068,456
2016		1,065,000
2017		1,065,000
2018-2022		5,325,000
2023-2027		5,325,000
2028-2030		2,130,000
Totals	\$	18,115,368

3. Statutory Debt Limitations

Debt Limit

Except as explained below, under Rhode Island law the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. There is currently no outstanding debt of the City subject to the 3% debt limit. The current 3% debt limit of the City is \$234 million based on taxable property as of December 31, 2009, of approximately \$7.8 billion.

The State of Rhode Island General Assembly ("General Assembly") may by special act permit the City to incur indebtedness outside the 3% debt limit. Bonds issued either within the 3% debt limit or by special legislation adopted by the General Assembly authorizing the City to incur debt are subject to referendum by the electors of the City. On June 30, 2012, the City had \$80,515,000 of debt outstanding, none of which is subject to the 3% debt limit.

In addition to debt authorized within the 3% debt limit and debt authorized by special act of the General Assembly, Rhode Island General Laws Section 45-12-11 authorizes the State Director of Administration, upon petition by a municipality, to authorize such municipality to incur indebtedness in excess of the 3% debt limit whenever the Director shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the municipality. The City has not requested the State Director of Administration to authorize indebtedness of the City under Section 45-12-11.

4. Current Year Debt Refundings

In April 2012, the City issued \$15,955,000 of general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$15,465,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This advance refunding was undertaken to reduce total debt service payment over the next 12 years by \$686,086 and resulted in an economic gain on \$423,014. As of June 30, 2012, the in-substance defeased bonds, which remain outstanding was \$15,465,000.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

5. Authorized/Unissued Bonds

The amount of authorized, unissued bonds is as follows:

General purposes	\$ 43,760,022
Schools	<u>11,701,228</u>
TOTAL	<u>\$ 55,461,250</u>

6. Deferred Salary

Deferred salary represents an agreement Cranston Public Schools made with the teachers union in 1992. Under the agreement any teacher who was employed by the school system prior to and inclusive of the 1991-1992 school year is eligible, upon departure from the Cranston Public School system, for a stipend. The amount of the stipend is based on the salary step held by the teacher during the 1991-1992 school year. The deferral, not to exceed \$1,500 per teacher will be paid in a lump sum upon each teacher's separation from service. In the event a teacher dies while in the employ of the Cranston Public Schools the benefit will be paid to the teacher's estate. As of June 30, 2012, there were 150 teachers eligible for the benefit, with an outstanding balance of \$178,495.

G. Fund Balance

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. Committed Fund Balance represents that amount of fund balance which can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. The City's Council is considered to be the highest level of decision-making authority. In accordance with the City Charter, the Council votes on the annual budget and on any resolutions proposed by the Committees. The passage of the Council's annual budget and proposed resolutions may result in the commitment of fund balance.

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

Capital and One-Time Expenditures	\$ 39,260
Excess Healthcare Funds	2,317,389
School Department Encumbrances	<u>119,410</u>
Total Committed Fund Balance	<u>\$ 2,476,059</u>

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

To Fund Future Library Expenses	\$ 69,702
To Fund School Capital Projects	182,984
To Fund Police and Fire Capital Projects	1,811,170
To Fund Public Building Capital Projects	130,022
To Fund Parks and Recreation Capital Projects	144,552
To Fund Highway Capital Projects	2,342,192
To Fund Storm Drains Capital Projects	294,434
To Fund Neighborhood Infrastructure Capital Projects	85,342
To Fund Future Community Development Expenditures	1,467,375
To Fund Future Public Service Expenditures	894,842
To Fund Future Senior Services Expenditures	237,834
To Fund Future Parks and Recreation Expenditures	1,729
To Fund Future Capital Facilities Impact Expenditures	1,074,478
To Fund Future Cemetery Trust Expenditures	8,819
To Fund Future Historical Record Expenditures	<u>648,182</u>
Total Restricted Fund Balance	<u>\$ 9,393,657</u>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

III. DETAILED NOTES (CONTINUED)

G. Fund Balance (Continued)

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

Long-Term Receivable From School Department	\$ 3,678,594
Deficit Reduction Plan	3,147,779
Advance Deposits-Hospitalization	328,800
City and School Department Prepays	251,511
Long-Term Receivable From Health Insurance Fund	5,477,706
Total Nonspendable Fund Balance	<u>\$ 12,884,390</u>

The City of Cranston 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.

The City of Cranston's general fund has a balance of \$11,977,114 due from the School Department based on funding that has been provided to the School Department over the past several years in excess of the budgeted amount. This balance is classified in two separate categories for the GASB 54 reporting. The amount not collected within in the next fiscal year of \$6,826,373 has been reported as nonspendable fund balance based on the City not being able to show how payments will be paid from the School Department. The balance of \$5,150,741 has been paid down subsequent to year end and has been reported as unassigned fund balance. This balance is created based on the timing of when school department bills are due versus when payments are received from the school department's funding agencies. In addition all deficits created by the school department that are financed by the City are recorded in this account during the year.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The City is self-insured in most areas of risk, subject to certain third party "stop loss" coinsurance. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims. Settled claims have not exceeded commercial coverage in any of the past three years, and there have not been any significant reductions in insurance coverage from amounts held in prior years.

The City's health insurance program provides coverage to the City's employees and retirees through Healthmate and Blue Cross - Blue Shield of Rhode Island (BC/BS), United Healthcare and Delta Dental of Rhode Island. The City's program is a self-insured program with BC/BS, United Healthcare and Delta Dental acting as third-party agents for the City in the payment of the various claim plans used by the City.

The City of Cranston contributes to a separate account an amount per covered employee which would otherwise have been paid to an insurance carrier. These amounts are determined by an independent third party consultant hired by the City of Cranston who works with the provider to examine past experience and determine an adequate amount for each type of plan offered by the City. Factors considered by the plan administrator include the amount of claims paid during the previous year, claims administration costs and projected insurance industry inflation rates. The City of Cranston, including Cranston Public Schools, incurred approximately \$31 million for fiscal year 2011 under this plan.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The claims liabilities reported in the general and school department funds are related to the self-insurance program and are based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported (IBNR) be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation, and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop-loss insurance" from BC/BS Insurance Co. and United Healthcare Services. Two types of "stop-loss insurance" are purchased: 1) individual stop-loss; and 2) aggregate stop-loss, with both provided through the Plan Administrator. Under the individual stop-loss insurance, the City pays the first \$200,000/\$225,000 of claims for individual employees or dependents. Any charges accrued by an individual in excess of \$200,000/\$225,000 in a fiscal year are thereafter reimbursed by BCS Insurance Co. and United Healthcare Services. The aggregate stop-loss is designed to protect the City for multiple large claims which may not reach the individual stop-loss attachment point (\$200,000/\$225,000). The aggregate stop-loss limit is \$2,000,000/\$2,200,000 per claim.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City established the Cranston Claims Committee (an internal service fund) to account for and finance its uninsured risks of loss.

The City records liabilities for self-insured claims reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City has established a liability based on historical trends of previous years, where available, and attorney's estimates of pending matters and lawsuits in which the City is involved.

Changes in the self-insurance liability for the fiscal years ended June 30, 2012 are as follows:

	<u>2012</u>	<u>2011</u>
July 1	\$ 1,617,313	\$ 1,827,590
Add: incurred claims	28,605,870	31,114,289
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	28,474,355	31,314,555
Other claims	28,369	10,011
June 30	<u>\$ 1,720,459</u>	<u>\$ 1,617,313</u>

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

The School Department has chosen to participate in the Health Benefits Project provided by the West Bay Community Health, an independent, non-profit organization. Deposits made to the Collaborative are treated as expenditures when it is probable that a claim has been incurred, and include estimated amounts for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim and health care trends, and other economic and social factors.

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IV. OTHER INFORMATION (CONTINUED)

B. Lease of Wastewater Treatment Facility

The City has entered into a Wastewater Treatment Facility Lease and Service Agreement with Triton, LLC/U.S. Filter/Veolia Water (the "Company"). The terms of the agreement include among others that the City will lease to the Company its Wastewater Treatment System for 25 years. The City will remain owner of the system and will continue to establish and collect all sewer fees. The Company will be responsible for providing wastewater treatment services to the City for that time period; operating and maintaining the City's wastewater treatment facility, pumping stations, force mains, sewer interceptors and the rest of the collection system; designing, constructing and testing certain system improvements; and administering the City's municipal industrial pre-treatment program ("MIPP").

The contract required the Company to pay the City a one-time payment as consideration for the lease. The payment of \$48.0 million represents a prepayment of the lease payments due to the City over the next 25 years. These lease payments are "earned" over the life of the lease. Accordingly, deferred revenue has been recorded in the Sewer Enterprise Fund which will be realized on a straight-line basis over the life of the lease (25 years).

At June 30, 2012, the balance of unearned revenue related to this was \$19,200,000 which is comprised of a short-term portion of \$1,920,000 and a long-term portion of \$17,280,000.

During the term of the agreement, the City pays the Company a service fee, which is calculated based on definitive components and amounts, as adjusted in accordance with guidelines established in the agreement. The service fee is generally fixed at the beginning of each fiscal year. During 2012, the City paid service fees totaling \$15 million. The City also recognized 4% of the lease payment (\$1,920,000) as revenue for the year ended June 30, 2012.

C. Commitments and Litigation

Construction and other significant commitments have been reported as reserve for commitments in the fund equity section of the balance sheet.

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

The City is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is a party to a professional management services agreement as of July 1, 2009. The agreement is between Northeast Facility Management, Inc. and the City. The City has hired this management company to operate and maintain the ice arena, its equipment, material and supplies. The initial term of the agreement is 24 months plus two one year options to renew. The first option to renew is scheduled for July 1, 2011. The City is committed to pay the following compensation to Northeast Facility Management, Inc.

2013	\$52,000
2014 (if applicable)	\$54,000

The City is also committed to pay NEFMGI and incentive bonus based on 25% of the ice arena net operating income.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems

Summary

The City contributes to five defined benefit pension plans - the Police and Fire Employees' Pension Plan of the City of Cranston ("PFERS"), a single-employer plan; the Municipal Employees' Retirement System ("MERS"), an agent multiple-employer plan; the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple employer plan; the National (Industrial) Pension Plan, a cost-sharing multi-employer defined benefit plan; and the New England Teamsters & Trucking Industry Pension Plan, a cost-sharing multiple-employer plan. The PFERS is presented in the accompanying financial statements as a fiduciary fund. MERS, ERS, the National Industrial Pension Plan and the New England Teamsters & Trucking Industry Pension Plan are not included in the City's financial statements.

1. Police and Fire Employees' Pension Plan of the City of Cranston ("PFERS")

a. Summary of Significant Accounting Policies and Plan Asset Matters

(i) Basis of Accounting

PFERS' financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contract requirements and investment income is recognized when earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the plan. As of June 30, 2012, there are no separate financial statements available for the PFERS plan.

(ii) Valuation of Investments

Investments are valued at fair value. There are no investments of 5% or greater in any one organization.

b. Classes of Employees Covered

As of July 1, 2012, the plans' membership consists of:

	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Retirees, disability retirees and beneficiaries receiving benefits.....	223	208	431
Active plan members vested.....	35	13	48
Active plan members non vested.....	—	—	—
TOTALS.....	<u>258</u>	<u>221</u>	<u>479</u>

c. Benefit Provisions

PFERS is a single-employer defined benefit pension plan that covers all Police and Fire Department personnel hired before July 1, 1995. The Plan provides retirement, disability and survivorship benefits to plan members and their beneficiaries. A member may retire after 20 years of service. The pension is equal to 2 ½% of the member's final compensation for each year of service up to 20 years and increases 2% for each year (up to 10 years) in excess of 20 years. An additional 5% of final compensation is added to the pension at 55 years of age. A deferred pension is available to employees completing 10 years of service.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

1. Police and Fire Employees' Pension Plan of the City of Cranston ("PFERS") (Continued)

c. Benefit Provisions (Continued)

Contributions

Police personnel are required to contribute 10% of their base salary to the pension plan and fire personnel are required to contribute 10.5% of their base salary and longevity to the pension plan.

d. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 (the date of the most recent actuarial valuation) was as follows:

Actuarial accrued liability (AAL)	\$343,683,000
Actuarial value of plan assets	<u>53,405,000</u>
Unfunded actuarial accrued liability (UAAL)	(290,278,000)
Funded ratio (actuarial value of plan assets/AAL)	15.5 %
Covered payroll (active plan members)	4,108,000
UAAL as a percentage of covered payroll	7,066.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

e. Schedule of Employer Contributions

FISCAL YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
6/30/2010	\$ 22,209,224	\$ 19,396,892	87%
6/30/2011	23,947,728	19,947,728	83%
6/30/2012	24,154,120	20,369,456	84%

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

1. Police and Fire Employees' Pension Plan of the City of Cranston ("PFERS") (Continued)

f. Actuarial Assumptions

The information presented as historical trend information was determined as part of the actuarial valuation as of the date indicated in the tabulation. Additional information as of the latest valuation is as follows:

VALUATION DATE.....	JULY 1, 2012
ACTUARIAL COST METHOD	ATTAINED AGE NORMAL
ASSET VALUATION METHOD.....	FAIR VALUE
ACTUARIAL ASSUMPTIONS:	
Investment Rate of Return	7.5%
PROJECTED SALARY INCREASES:	
Merit.....	3%
Cost-of-living adjustment.....	3%
Inflation	3%
AMORTIZATION METHOD	
	LEVEL DOLLAR OVER A CLOSED PERIOD
REMAINING AMORTIZATION PERIOD	22 YEARS

g. Annual Pension Cost and Net Pension Obligation (NPO)

The changes in the net pension obligation of PFERS as of June 30, 2012, were as follows:

Annual required contribution.....	\$ 24,154,120
Interest on net pension obligation.....	7,520,466
Adjustments to ARC.....	(8,528,550)
Annual pension cost.....	23,146,036
Contribution made	(20,369,456)
Change in net pension obligation	2,776,580
Net pension obligation - July 1, 2011.....	<u>93,597,335</u>
Net pension obligation - June 30, 2012.....	<u>\$ 96,373,915</u>

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

1. Police and Fire Employees' Pension Plan of the City of Cranston ("PFERS") (Continued)

h. Three Year Trend Information

FISCAL YEAR ENDED	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
6/30/2010	21,507,692	90%	90,436,567
6/30/2011	23,108,496	86%	93,597,335
6/30/2012	23,146,036	86%	96,373,915

2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS")

a. Plan Description

Upon the date of hire, all full-time City, non-certified school employees and police and fire personnel hired on or after July 1, 1995, are eligible to participate in MERS, an agent multiple-employer plan administered by the Employees' Retirement System of the State of Rhode Island. Employees who retire at or after age 58 with 10 years of credited service or at any age after 30 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is 2% of final average salary multiplied by the number of years of total service up to a maximum of 75%. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. MERS also provides death and disability benefits. Benefits are established by State Statute. Financial statements for MERS can be obtained by contacting the Employees' Retirement System of the State of Rhode Island, 40 Fountain Street, Providence, RI 02903, or by accessing their website at www.ersri.org.

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

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS")

b. Funding Policy

General employees are required by Rhode Island General Law Section 45-21-41 to contribute 6% of their salary to the plan and contribute an additional 1% for a cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal cost and, where applicable, a payment to amortize the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized as a level percent of payroll over a close period of 30 years measured from June 30, 1999. Police contribute 10% and fire personnel are required to contribute 11.5% of their salary with the excess contribution (1.5%) offsetting the City's required contribution. For 2012, the City's contribution rate for police personnel was 21.43% and 21.33% for fire personnel, resulting in a net contribution by the City for fire personnel of 19.83%.

A variety of significant actuarial assumptions are used and these assumptions are summarized below:

VALUATION DATE.....	JUNE 30, 2011
ACTUARIAL COST METHOD.....	ENTRY AGE NORMAL
AMORTIZATION METHOD.....	LEVEL PERCENT OF PAYROLL – CLOSED
EQUIVALENT SINGLE REMAINING AMORTIZATION PERIOD.....	24 YEARS
ASSET VALUATION METHOD.....	5 YEAR SMOOTHED MARKET
ACTUARIAL ASSUMPTIONS:	
Investment Rate of Return.....	7.50%
Inflation.....	2.75%
Cost of Living Adjustments.....	0-4% (non-compounded with a few exceptions)
PROJECTED SALARY INCREASES:	
General Employees.....	4 – 8%
Police and Fire Employees.....	4.25 – 14.25%
Payroll Growth Rate.....	3.75%

In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.75% per year. This increase is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth.

MORTALITY.....	1994 Group Annuity Mortality Table with mortality for disable persons set equal to the age 65 under the PBGC Table Via and Va.
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CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS")

D. Employee Retirement Systems (Continued)

b. Funding Policy (Continued)

RETIREMENT AGEEmployees are assumed to retire at the later of age 65 or completion of the service requirements.

c. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011 (the date of the most recent actuarial valuation) was as follows:

	<u>General Employees</u>
Actuarial accrued liability (AAL)	\$129,416,637
Actuarial value of plan assets	<u>123,152,349</u>
Unfunded actuarial accrued liability (UAAL)	(6,264,288)
Funded ratio (actuarial value of plan assets/AAL)	95.2 %
Covered payroll (active plan members)	24,775,508
UAAL as a percentage of covered payroll	25.3%
	<u>Police</u>
Actuarial accrued liability (AAL)	\$ 21,231,248
Actuarial value of plan assets	<u>21,353,093</u>
Unfunded actuarial accrued liability (UAAL)	(121,845)
Funded ratio (actuarial value of plan assets/AAL)	100.6 %
Covered payroll (active plan members)	6,354,144
UAAL as a percentage of covered payroll	1.9%
	<u>Fire</u>
Actuarial accrued liability (AAL)	\$ 33,547,401
Actuarial value of plan assets	<u>34,840,407</u>
Unfunded actuarial accrued liability (UAAL)	(1,293,006)
Funded ratio (actuarial value of plan assets/AAL)	103.9%
Covered payroll (active plan members)	8,608,962
UAAL as a percentage of covered payroll	15.0 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS") (Continued)

d. Contributions

The City's contribution rate for general employees was 5.90%.

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
<u>General Employees</u>			
6/30/2010	\$ 629,289	\$ 629,289	100%
6/30/2011	513,618	513,618	100%
6/30/2012	664,740	664,740	100%
<u>Police</u>			
6/30/2010	\$1,012,190	\$ 1,012,190	100%
6/30/2011	1,340,290	1,340,290	100%
6/30/2012	1,460,815	1,460,815	100%
<u>Fire</u>			
6/30/2010	\$ 1,115,745	\$ 1,115,745	100%
6/30/2011	1,646,073	1,646,073	100%
6/30/2012	1,492,911	1,492,911	100%

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

3. Employees' Retirement System of the State of Rhode Island ("ERS")

a. Plan Description

All full-time teachers including superintendents, principals, school nurses and certain other school officials ("classified employees") in the Cranston Public Schools participate in the ERS, a cost-sharing multiple-employer public retirement system. ERS provides retirement, death and disability and health care benefits, all of which are established by State Statute. ERS issues a publicly available financial statement that includes the financial statements and required supplementary information for ERS. That report may be obtained by contacting the Employees' Retirement System of Rhode Island, 40 Fountain Street, Providence, RI 02903, or by accessing their website at www.ersri.org.

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

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, or title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two-tier benefit structure referred to as schedules A and B as follows:

Schedule A Benefits: Classified employees who retire at or after age 60 with 10 years of credited service on or before July 1, 2005, or at any age with 28 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 80% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. The percent of earnings related to each year of credited service is as follows:

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1 - 10	1.7%
11 - 20	1.9%
21 - 34	3.0%
35	2.0%

Benefit accrual rates: The percentage accrual a Schedule A member has earned as of September 30, 2009 will be frozen. Future accruals will be earned under Schedule B. The member's benefit will be based on the sum of these credits, multiplied by his/her Final Average Salary.

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IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

3. Employees' Retirement System of the State of Rhode Island ("ERS") (Continued)

a. Plan Description (Continued)

Schedule B Benefits: Classified employees who were hired after July 1, 2005, or current employees with less than 10 years of contributory services on or before July 1, 2005, who attain at least 10 years of credited service, will become entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 75% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. An unreduced retirement benefit becomes available at age 65 and 10 years of service; actuarially reduced retirement benefits become available at age 55 and 20 years of service. The percent of earnings related to each year of credited service is as follows:

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1 - 10	1.60%
11 - 20	1.80%
21 - 25	2.00%
26 - 30	2.25%
31 - 37	2.50%
38	2.25%

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2011 which can be found at www.ersri.org.

b. Funding Policy

Rhode Island General Laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both employees and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. Plan members are required by State statute to contribute 9.5% of their salary to the plan. The School Department contributions are based on a percentage of annual compensation of active members, half of which is payable by the State of Rhode Island. The School Department contributions made for the years ended June 30, 2012, 2011, and 2010 are listed under contributions below and were equal to the required contributions for each year.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

3. Employees' Retirement System of the State of Rhode Island ("ERS") (Continued)

b. Funding Policy (Continued)

The employer contribution rates for ERSRI are determined actuarially. Separate rates are determined for State Employees and for Teachers. The rates determined in this valuation become effective two years after the valuation date, i.e., as of July 1, 2012. The rate consists of two pieces: the normal cost rate and the amortization rate. The normal cost rate is the Employer's Entry Age normal cost, expressed as a percent of pay. The amortization rate is the contribution required to amortize the unfunded actuarial liability over 21 years as a level percent of pay. For the Teachers, the State of Rhode Island pays 40% of the rate, adjusted so that the State pays the entire amortization charge for the 1990/91 and 1991/92 deferrals, and the city employing the Teacher pays the balance. The School Department was required to contribute 13.23%, 11.25%, and 11.41% for all full-time employees for fiscal years 2012, 2011 and 2010, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability.

A variety of significant actuarial assumptions are used and these assumptions are summarized below:

VALUATION DATE.....	JUNE 30, 2011
ACTUARIAL COST METHOD.....	ENTRY AGE NORMAL
AMORTIZATION METHOD.....	LEVEL PERCENT OF PAYROLL – CLOSED
EQUIVALENT SINGLE REMAINING AMORTIZATION PERIOD.....	24 YEARS
ASSET VALUATION METHOD.....	5 YEAR SMOOTHED MARKET
ACTUARIAL ASSUMPTIONS:	
Investment Rate of Return.....	7.50%
Inflation.....	2.75%
Cost of Living Adjustments.....	3.00%
PROJECTED SALARY INCREASES:	
Teachers	4.00 – 12.75%
MORTALITY	1994 Group Annuity Mortality Table with mortality for disable persons set equal to the age 65 under the PBGC Table Via and Va.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

3. Employees' Retirement System of the State of Rhode Island ("ERS") (Continued)

b. Funding Policy (Continued)

RETIREMENT AGE Teachers are assumed to retire at the later of age 61 or completion of the service requirements. Article 7 establishes a minimum retirement age of 62 for all future hires, but this age must not be less than under prior law.

POST-RETIREMENT BENEFIT INCREASE Post-retirement benefit increase are assumed to be 2% per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in five-year intervals while the COLA is suspended. As of June 30, 2011, it is assumed that the COLAs will be suspended for 16 years due to the current funding level of the plans. The actual COLA will be determined based on the plan's five-year average investment rate of return minus 5.5% and will range from zero to 4.0%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2012, actuarial required contributions were 22.32% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 9.09% of non-federally reimbursable payrolls totaling \$67,433,495 for the year ended June 30, 2012, which has been included as revenues and expenditures in the School Department's unrestricted fund. The School Department contributed the remaining 13.23% of the required 22.32%.

The School Department does not have any investments on related party investments with the State Plan. The School Department's (employer) contribution represented 9.1% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2011 (latest available information).

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School District has determined that there is and has been no net pension obligation or assets related to the Plan.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

3. Employees' Retirement System of the State of Rhode Island ("ERS") (Continued)

c. Contributions

The School Department's required contributions and actual contributions made for the years ended June 30, 2012, 2011, and 2010 were as follows:

FISCAL YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
6/30/2010	\$ 8,525,001	\$ 8,525,001	100%
6/30/2011	8,287,772	8,287,772	100%
6/30/2012	9,705,386	9,705,386	100%

4. National (Industrial) Pension Plan

a. Plan Description

Upon the date of hire, most of the City's public works' employees and all School Department bus drivers are eligible to participate in the National (Industrial) Pension Fund, a cost-sharing multiple-employer defined benefit plan. The plan also provides the following types of pensions which pay benefits to a retired participant during their lifetime and thereafter pay benefits to the participant's surviving spouse or other beneficiary: husband-and-wife pension, survivor's option pension, and 120 certain payments option pension. The Plan also provides for a widow/widower's pension. Employees who retire at or after age 62 with at least 5 years of pension credit and have earned at least one of the years of pension credit during the period that their employer is contributing to the pension fund are eligible for benefits through the regular pension that is payable monthly for life. The retirement benefit is determined by the highest contribution rate at which the employee earned pension credit and the years of pension credits they have earned (up to a maximum of 30 years of pension credits). The Plan also provides death and disability benefits. Benefits are established by the Board of Trustees of the Pension Fund. Financial statements for the Plan can be obtained by contacting the Laborers' National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, DC, 20106.

b. Funding Policy

Covered employees are not required to contribute to the Plan. For Fiscal Year ended June 30, 2012, the City was required to contribute \$1.15 per hour, and the School Department was required to contribute \$.54 per hour for each hour worked by the employees to the Plan.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

4. National (Industrial) Pension Plan (Continued)

c. Contributions

Contributions for the past three years were as follows:

FISCAL YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
<u>City</u>			
6/30/2010	\$ 147,053	\$ 147,053	100%
6/30/2011	160,165	160,165	100%
6/30/2012	156,610	156,610	100%
<u>School Department</u>			
6/30/2010	\$ 74,187	\$ 74,187	100%
6/30/2011	84,447	84,447	100%
6/30/2012	74,040	74,040	100%

5. New England Teamsters & Trucking Industry Pension Plan

a. Plan Description

Upon the date of hire, most workers within City Hall and other clerical staff throughout the City are eligible to participate in the New England Teamsters & Trucking Industry Pension Plan, a cost-sharing multiple-employer defined benefit plan. Benefits under the plan are provided through a trust fund. A copy of the annual report can be obtained by contacting the trustees at: New England Teamsters & Trucking Industry Pension Fund, 1 Wall Street, Burlington, MA 01803.

b. Funding Policy

Covered employees are currently not required to contribute to the Plan. For the Fiscal Year ended June 30, 2012, the City was required to contribute \$0.88 per hour for each hour worked by the employees to the Plan.

c. Contributions

FISCAL YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
6/30/2010	\$ 172,057	172,057	100%
6/30/2011	250,255	250,255	100%
6/30/2012	222,937	222,937	100%

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits (OPEB) – Public Safety Employees

I. Plan Description

The City maintains and administers a single-employer OPEB benefit plan that covers all public safety employees. The plan provides health benefits and life insurance benefits to eligible retired police and fire employees and their beneficiaries. The plans provisions may be amended by the City and the Trustees of the plan. The trust is accounted for as an OPEB trust fund in the City's financial statements. As of June 30, 2012, there are no separate financial statements available for the Public Safety Employees OPEB plan.

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. 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.

b. 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.

c. Classes of Employees Covered

As of July 1, 2012 (date of the last actuarial valuation) membership data was as follows:

Active employees	313
Inactive Employees:	
Retirees	213
Spouses	166
Retiree (Life only)	<u>216</u>
Total plan members	<u>908</u>

3. Funding Policy

The City established an Irrevocable Trust Agreement (OPEB Trust) effective July 1, 2006, and has started to pre-fund OPEB liabilities. The City pays certain medical premiums for a retiree and certain dependents until they reach the age of 65 years unless they are not covered by Medicare benefits, in that case, coverage continues for life. If a firefighter dies before reaching normal retirement age, the City pays for the benefit of the firefighter's family, if any, the full cost of family medical coverage (as in effect at the time of the firefighter's death) until the firefighter's normal retirement date. In addition, the City pays the premium for life insurance for its retirees having a coverage amount of \$17,000.

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IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits (OPEB) – Public Safety Employees (Continued)

4. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 4,405,694
Interest on net OPEB obligation	140,374
Adjustment to annual required contribution	<u>(114,922)</u>
Annual OPEB cost (expense)	4,431,146
Contributions made	<u>4,420,103</u>
Increase in net OPEB obligation	11,043
Net OPEB obligation - July 1, 2011	<u>1,754,680</u>
Net OPEB obligation - June 30, 2012	<u>\$ 1,765,723</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset/(Obligation)</u>
6/30/2010	\$ 4,287,927	85%	\$ (1,138,662)
6/30/2011	4,116,018	85%	(1,754,680)
6/30/2012	4,431,146	99%	(1,765,723)

5. Funded Status and Funding Progress

The required supplementary information, which follows the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB – Public Safety Employees with a valuation date of July 1, 2012, which is the most recent report available.

Actuarial accrued liability (AAL)	\$ 63,353,593
Actuarial value of plan assets	<u>255,153</u>
Unfunded actuarial accrued liability (UAAL)	(\$ 63,098,440)
Funded ratio (actuarial value of plan assets/AAL)	0.4 %
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits (OPEB) – Public Safety Employees (Continued)

5. Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

6. Actuarial Methods and Assumptions

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

The projected unit credit cost method was used in the July 1, 2011 actuarial valuation. Actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses). This is a change from last year which used an 8% rate. The new rate is consistent with MERS assumption. Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. The City does use other assets to pay the liabilities on a pay-as-you-go basis at the present time. The actuarial assumptions for medical and re-insurance inflation are growth of 8.5% for 2013 and declining by 0.5% per year until 4.5% is reached. The 4.5% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period with 24 years remaining. Amortization amounts are assumed to increase with overall salary increases of 3.75%. The rate of overall salary increase has been reduced from 4.0% used in the previous valuation to be consistent with the assumption selected for MERS. The actuarial assumption for CPI is 3% per year.

F. Other Post-Employment Benefits (OPEB) – Board of Education Employees

1. Plan Description

The City maintains and administers a single-employer OPEB benefit plan that covers all School Department employees. The plan provides health benefits and dental insurance benefits to eligible retired employees and their beneficiaries. The plans provisions may be amended by the Cranston School Committee and the Trustees of the plan. The OPEB activity is accounted for in the School Unrestricted Fund in the City's financial statements. As of June 30, 2012, there are no separate, audited GAAP-basis financial statements available for the Board of Education Employees OPEB plan.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – Board of Education Employees (Continued)

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The OPEB activity is accounted for 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. Administrative costs are generally financed through the School Unrestricted Fund.

b. 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.

c. Classes of Employees Covered

As of July 1, 2011 (date of the last actuarial valuation) membership data was as follows:

Active employees	992
Inactive Employees:	
Retirees	314
Total plan members	<u>1,306</u>

3. Funding Policy

The School Department has not yet established a Trust to pre-fund OPEB liabilities. The amounts due for these benefits are funded on a pay-as-you-go basis. The School Department pays 100% of the cost of individual health care insurance and dental insurance benefits for all retired eligible employees retiring before September 1, 2005 until the employee reaches the age of 65. Cost shares have been negotiated for teachers (5% of plan cost) for the retirement period September 1, 2005 and August 31, 2009. Teachers retiring between September 1, 2009 and August 31, 2011 are responsible for a 15% cost share of their benefits. Teachers retiring on or after September 1, 2011 are responsible for a 17% cost share of their benefits.

Administrators retiring prior to July, 2005 have no cost share. Administrators retiring between July 1, 2005 and June 30, 2008 are responsible for a 10% cost share of their benefits. Administrators retiring between July 1, 2008 and June 30, 2010 are responsible for a 20% cost share of their benefits. Administrators retiring on and after July 1, 2010 are responsible for a 20%, 22%, or 25% cost share of their benefits, moving toward a 25% cost share within the next two years. No benefits are paid for employees retiring prior to 1988.

The School Department funds post retirement benefits on a pay-as-you-go basis. Expenditures for the benefits described above for the year ended June 30, 2012 were \$1,377,509.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – Board of Education Employees (Continued)

4. Annual OPEB Cost and Net OPEB Obligation

The Board of Education's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer and employees who elect dependent coverage (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

	<u>Total</u>	<u>School</u>	<u>Charter</u>
Annual required contribution	\$ 2,858,098	\$ 2,796,822	\$ 61,276
Interest on net OPEB obligation	138,602	135,630	2,972
Adjustment to annual required contribution	<u>(229,098)</u>	<u>(224,186)</u>	<u>(4,912)</u>
Annual OPEB cost (expense)	2,767,602	2,708,266	59,336
Contributions made	<u>1,377,509</u>	<u>1,347,976</u>	<u>29,533</u>
Increase in net OPEB obligation	1,390,093	1,360,290	29,803
Net OPEB obligation - July 1, 2011	<u>3,960,047</u>	<u>3,899,345</u>	<u>60,702</u>
Net OPEB obligation - June 30, 2012	<u>\$ 5,350,140</u>	<u>\$ 5,259,635</u>	<u>\$ 90,505</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset/(Obligation)</u>
6/30/2010	\$ 3,134,654	64%	\$ (2,774,886)
6/30/2011	2,856,156	59%	(3,960,047)
6/30/2012	2,767,602	50%	(5,350,140)

5. Funded Status and Funding Progress

The required supplementary information, which follows the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB – Board of Education Employees with a valuation date of July 1, 2011, which is the most recent report available.

Actuarial accrued liability (AAL)	\$ 26,287,884
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	26,287,884
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	73,686,949
UAAL as a percentage of covered payroll	35.68%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

(CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – Board of Education Employees (Continued)

6. Actuarial Methods and Assumptions

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

The projected unit credit cost method was used in the June 30, 2011 actuarial valuation. Actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses). Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. The City does use other assets to pay the liabilities on a pay-as-you-go basis at the present time. The actuarial assumptions for medical and re-insurance inflation are growth of 9.0% for 2012 and declining by 1% per year until 4.5% is reached. The 4.5% growth is used on a go-forward basis. The UAAL will be amortized over a closed twenty seven year period. The actuarial assumption for dental inflation is 5% per year and the assumption used for CPI is 3% per year.

Medical costs are adjusted to reflect expected cost increases related to age. The increase in the net costs assumed to be:

<u>Age</u>	<u>Annual Increase Retiree</u>
39 and below	0.0%
40-49	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%

G. City of Cranston Defined Contribution Plan

1. Plan Description

The Plan name is " City of Cranston Defined Contribution Plan ", ID # is 05-6000110, Determination Letter Form 5300 is filed with IRS, and ING Specimen Adoption Agreement for 401A Defined Contribution Plan. Defined Contribution Plan for the Teamsters Bargaining Union where the employee and the employer contribute 3% of earnings all stated in Form 5300 and the ING Plan Document. Plan based on approved enabling legislation presented in January 2010 and approved in that session. Total employer contributions made to the plan as of June 30, 2012 were \$3,304. Total employee contributions made to the plan as of June 30, 2012 were \$3,304.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

H. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the City's teachers to the Employees' Retirement System of the State of Rhode Island was \$6,144,339.

I. Subsequent Events

The City entered into a purchase and sales agreement with Crown Holdings II LLC on November 20, 2012, for the sale of the property at 275 Atwood Avenue. This Company was the only bidder with the amount of \$1,000,000. The amount has been accepted by the City of Cranston and Cranston City Council.

The City has entered into a memorandum of agreement to reduce the cumulative deficit owed to it by the School Department in the amount of \$939,544. The reduction shall be effectuated by applying one-third of the \$939,544 to the 2012-2013 payment toward the deficit, by applying one-third to the 2013-2014 payment toward the deficit and by applying one-third to the 2014-2015 payment toward the deficit.

J. Restatements

Government-Wide Financial Statements:

The beginning net assets for the governmental activities were restated as follows:

	<u>GOVERNMENTAL ACTIVITIES</u>
Net assets, June 30, 2011, as previously reported.....	\$ (42,781,579)
Adjustment to correct accounts payable.....	<u>(266,518)</u>
Net assets, July 1, 2011, as restated.....	<u>\$ (43,048,097)</u>

Governmental Fund Financial Statements:

The beginning fund balance for the school department general fund was restated as follows:

	<u>SCHOOL DEPARTMENT</u>
Fund balance (deficit), June 30, 2011, as previously reported	\$ (7,033,927)
Adjustment to correct accounts payable	<u>(266,518)</u>
Fund balance (deficit), July 1, 2011, as restated	<u>\$ (7,300,445)</u>

(CONCLUDED)

**Required
Supplementary
Information**

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
General property taxes.....	\$ 183,399,104	\$ 183,399,104	\$ 184,783,590	\$ 1,384,486
Intergovernmental.....	9,824,389	11,142,389	8,568,598	(2,573,791)
Charges for Services:				
Licenses and permits.....	2,883,577	2,883,577	2,591,896	(291,681)
Fines and forfeitures.....	1,575,000	1,575,000	1,501,862	(73,138)
Departmental.....	9,282,421	9,282,421	8,227,208	(1,055,213)
Investment income.....	100,000	100,000	40,642	(59,358)
Education.....	38,077,407	38,191,980	38,191,980	-
Other.....	115,850	115,850	389,709	273,859
TOTAL REVENUES.....	245,257,748	246,690,321	244,295,485	(2,394,836)
EXPENDITURES:				
Current:				
Executive.....	464,149	467,149	466,732	417
City Council.....	241,834	241,834	194,951	46,883
Law.....	509,445	584,445	618,672	(34,227)
Personnel.....	102,973	102,973	103,194	(221)
City Clerk.....	896,450	896,450	853,825	42,625
Probate Court.....	19,339	19,439	19,433	6
Municipal Court.....	262,876	262,876	250,266	12,610
Board of Canvassers.....	260,230	260,230	233,108	27,122
City Planning.....	784,870	784,870	1,221,221	(436,351)
Economic Development.....	153,711	153,711	153,258	453
Inspections.....	881,760	881,760	878,272	3,488
Finance.....	4,346,991	4,456,991	4,421,624	35,367
Fire.....	29,542,058	29,542,058	29,150,331	391,727
Rescue Fund.....	3,290,000	3,290,000	1,497,404	1,792,596
Police.....	22,378,391	21,951,291	21,757,292	193,999
Long-Term Debt.....	19,300,000	19,300,000	19,300,000	-
Public works.....	14,063,614	15,585,614	15,660,531	(74,917)
Parks and recreation.....	2,054,066	2,054,066	1,881,377	172,689
Public libraries.....	2,890,199	2,890,199	2,890,199	-
Senior services.....	2,747,106	2,782,106	2,784,829	(2,723)
Municipal Debt.....	10,925,817	10,925,817	10,203,557	722,260
Education.....	128,960,059	129,074,632	129,074,632	-
Community Grants.....	121,000	121,000	109,750	11,250
Boards and Commissions.....	10,040	10,040	9,191	849
Harbor Master.....	5,770	5,770	5,697	73
TOTAL EXPENDITURES.....	245,212,748	246,645,321	243,739,346	2,905,975
EXCESS (DEFICIENCY) OF BUDGETED REVENUES OVER EXPENDITURES	45,000	45,000	556,139	511,139
NET CHANGE IN FUND BALANCE.....	\$ 45,000	\$ 45,000	556,139	\$ 511,139
FUND BALANCE - JULY 1, 2011.....			19,961,118	
FUND BALANCE - JUNE 30, 2012.....			\$ 20,517,257	

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND - SCHOOL UNRESTRICTED
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
State aid.....	\$ 33,960,568	\$ 34,041,838	\$ 34,064,447	\$ 22,609
Federal through State.....	1,800,000	1,800,000	1,790,697	(9,303)
Tuition.....	1,700,000	1,700,000	1,499,384	(200,616)
State Fiscal Stabilization Funds.....			2,396	2,396
Miscellaneous.....	627,533	627,533	680,106	52,573
TOTAL REVENUES.....	38,088,101	38,169,371	38,037,030	(132,341)
EXPENDITURES:				
Salaries.....	81,860,023	81,853,755	82,251,751	(397,996)
Employee benefits.....	30,820,068	28,830,731	27,527,843	1,302,888
Purchased services.....	11,998,765	11,998,765	12,401,106	(402,341)
Supplies and materials.....	4,108,129	4,108,129	4,243,554	(135,425)
Capital outlay.....	648,414	648,414	717,242	(68,828)
Other.....	84,028	38,338	440,001	(401,663)
TOTAL EXPENDITURES.....	129,519,427	127,478,132	127,581,497	(103,365)
DEFICIENCY OF REVENUES OVER EXPENDITURES.....	(91,431,326)	(89,308,761)	(89,544,467)	(235,706)
OTHER FINANCING SOURCES:				
Transfers in City of Cranston.....	93,005,217	90,882,652	90,882,652	-
School district's deficit reduction.....	(1,573,891)	(1,573,891)	-	1,573,891
	91,431,326	89,308,761	90,882,652	1,573,891
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	1,338,185	\$ 1,338,185
FUND BALANCE - JULY 1, 2011 (AS RESTATED).....			(7,300,445)	
FUND BALANCE - JUNE 30, 2012.....			<u>\$ (5,962,260)</u>	

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

POLICE AND FIRE PLAN

ACTUARIAL VALUATION DATE JULY 1	A ACTUARIAL VALUE OF ASSETS	B ACTUARILY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	(A-B/C) OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
2002	\$ 19,237,000	\$ 256,292,000	\$ (237,055,000)	7.5%	\$ 10,654,000	(2,225.09%)
2003	17,980,000	218,407,000	(200,447,000)	8.2%	9,596,000	(2,088.9%)
2004	27,622,000	242,850,000	(215,228,000)	11.4%	9,446,000	(2,278.5%)
2005	31,641,000	252,222,000	(220,581,000)	12.5%	7,879,000	(2,799.6%)
2006	39,666,000	257,475,000	(217,809,000)	15.4%	7,013,000	(3,106.6%)
2007	51,372,000	259,643,000	(208,271,000)	19.8%	6,678,000	(3,118.8%)
2008	50,961,000	278,857,000	(227,896,000)	18.3%	6,093,000	(3,740.3%)
2009	43,404,000	287,655,000	(244,251,000)	15.1%	5,416,000	(4,509.8%)
2010	45,900,000	290,733,000	(244,833,000)	15.8%	4,797,000	(5,103.9%)
2011	55,357,000	311,401,000	(256,044,000)	17.8%	4,538,000	(5,617.5%)
2012	53,405,000	343,683,000	(290,278,000)	15.5%	4,108,000	(7,066.7%)

PUBLIC SAFETY OPER TRUST PLAN

ACTUARIAL VALUATION DATE JULY 1	A ACTUARIAL VALUE OF ASSETS	B ACTUARILY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	(B-A/C) OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
2007	\$ 127,670	\$ 47,222,807	\$ 47,095,137	0.2%	N/A	N/A
2008	\$ 805,545	\$ 52,191,492	\$ 51,685,947	1.0%	N/A	N/A
2009	\$ 397,327	\$ 50,533,441	\$ 50,136,114	0.8%	\$ 4,638,936	(1,080.8%)
2010	\$ 450,533	\$ 50,765,110	\$ 50,314,577	0.9%	\$ 4,099,288	(1,227.4%)
2011	\$ 114,890	\$ 52,934,184	\$ 52,819,294	0.2%	N/A	N/A
2012	\$ 255,153	\$ 63,353,993	\$ 63,098,840	0.4%	N/A	N/A

(Continued)

CITY OF CRANSTON, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 CRANSTON RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS

DEPARTMENT OF EDUCATION OPEB PLAN

ACTUARIAL VALUATION DATE JULY1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARIALY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
2007	\$ -	\$ 25,950,366	\$ (25,950,366)	0.0%	\$ 68,573,674	-37.84%
2008	-	35,821,039	(35,821,039)	0.0%	69,144,049	-51.81%
2009	-	31,160,310	(31,160,310)	0.0%	70,733,606	-44.05%
2010	-	26,766,553	(26,766,553)	0.0%	72,135,074	-37.11%
2011	-	26,287,884	(26,287,884)	0.0%	73,686,949	-35.68%

*** MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**

ACTUARIAL VALUATION DATE JULY1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARIALY ACCRUED LIABILITY (AAL) ENTRY AGE NORMAL	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
2002	\$ 115,259,090	\$ 91,029,401	\$ 24,229,689	126.6%	\$ 23,440,036	101.37%
2003	110,439,637	92,892,158	17,547,479	118.9%	21,675,306	80.96%
2004	106,967,754	97,050,042	9,917,712	110.2%	23,035,308	43.05%
2005	105,082,284	102,678,224	2,404,060	102.3%	23,531,717	10.22%
2006	108,693,423	107,772,769	920,654	100.9%	24,701,259	3.73%
2007	119,233,735	114,975,371	4,258,364	103.7%	26,200,633	16.25%
2008	129,012,096	120,962,612	8,049,484	106.7%	26,974,527	29.84%
2009	128,570,070	126,143,717	2,426,353	101.9%	25,915,483	9.36%
2010	1 124,946,313	144,968,132	(20,021,819)	86.2%	25,061,688	-79.89%
2011	123,152,349	129,416,637	(6,264,288)	95.2%	24,755,508	-25.30%

* The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2011 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2012 report.

1 Subsequent to the year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

(Continued)

CITY OF CRANSTON, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 CRANSTON RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS

* MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - POLICE						
ACTUARIAL VALUATION DATE (JULY)	A ACTUARIAL VALUE OF ASSETS	B ACTUARIALY ACCRUED LIABILITY (AAL) ENTRY AGE NORMAL	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
2002	\$ 4,341,311	\$ 5,155,337	\$ (812,026)	84.2%	\$ 2,942,792	-28%
2003	5,250,034	6,047,991	(2,787,957)	65.4%	3,695,706	-75%
2004	5,440,242	9,491,992	(3,051,750)	67.8%	4,127,084	-71%
2005	7,618,309	10,721,320	(3,103,011)	71.1%	4,336,935	-72%
2006	9,366,178	11,172,239	(1,806,061)	83.8%	4,962,030	-36%
2007	12,036,839	14,016,539	(1,979,680)	85.0%	5,919,948	-33%
2008	14,761,420	18,518,471	(3,757,051)	79.7%	6,130,362	-61%
2009	16,664,831	20,823,809	(4,158,978)	80.0%	6,578,878	-61%
2010	18,762,475	28,694,475	(9,932,000)	65.4%	6,555,486	-152%
2011	21,353,093	21,231,248	121,845	100.6%	6,354,144	2%

* MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - FIRE						
ACTUARIAL VALUATION DATE (JULY)	A ACTUARIAL VALUE OF ASSETS	B ACTUARIALY ACCRUED LIABILITY (AAL) ENTRY AGE NORMAL	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
2002	\$ 7,870,598	\$ 10,697,631	\$ (2,827,033)	73.0%	\$ 5,051,808	-56%
2003	9,511,014	13,143,435	(3,632,421)	72.4%	5,722,530	-63%
2004	11,399,490	17,852,641	(6,253,151)	65.0%	6,481,038	-96%
2005	13,698,011	17,789,858	(4,091,847)	77.0%	5,608,096	-73%
2006	16,395,438	19,313,922	(2,918,484)	84.9%	6,408,970	-46%
2007	20,613,833	22,445,308	(1,831,475)	91.8%	7,177,365	-26%
2008	24,866,263	29,342,709	(4,476,446)	84.7%	7,440,104	-60%
2009	27,822,453	33,859,726	(6,037,273)	82.2%	8,404,470	-72%
2010	30,899,504	46,094,038	(15,794,534)	66.2%	8,560,483	-185%
2011	34,840,407	33,547,401	1,293,006	103.9%	8,608,962	15%

* The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2011 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2012 report.

1 Subsequent to the year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION (ARC)	ACTUAL CONTRIBUTION	% OF ARC CONTRIBUTED
2012	2,548,187	1,377,509	54%
2011	2,937,968	1,670,995	57%
2010	1,119,950	2,002,019	179%
2009	1,504,175	1,368,090	91%
2008	2,548,187	1,222,221	48%

DEPARTMENT OF EDUCATION OPER PLAN

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION (ARC)	ACTUAL CONTRIBUTION	% OF ARC CONTRIBUTED
2012	3,515,765	1,692,176	48%
2011	4,089,059	3,500,000	86%
2010	4,092,301	3,649,942	89%
2009	4,047,835	3,273,843	81%
2008	3,606,418	3,700,648	103%
2007	3,515,765	1,692,176	48%

PUBLIC SAFETY OPER TRUST PLAN

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION (ARC)	ACTUAL CONTRIBUTION	% OF ARC CONTRIBUTED
2012	21,723,021	20,369,456	94%
2011	23,947,728	19,947,728	83%
2010	22,209,224	19,396,892	87%
2009	20,662,219	19,087,000	92%
2008	20,785,343	19,800,000	95%
2007	21,723,021	21,723,021	100%

POLICE AND FIRE PLAN

CRANSTON RETIREMENT SYSTEM SCHEDULE OF EMPLOYER CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRANSTON, RHODE ISLAND

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE ON CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; sewer collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems through its Graphical Interphase System (GIS).

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarized the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In 2003, the City commissioned a physical condition assessment of the streets which was completed and dated August, 2003. The *streets*, primarily concrete and asphalt pavement were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City owned streets are classified based on land use, access and traffic utilization into the following four classification streets - arterial/major, secondary, collector and local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A pavement condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Good	70-84
Fair	55-69
Poor	40-54
Substandard	0-39

(CONTINUED)

**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE ON CAPITAL ASSETS
(CONTINUED)**

The City Policy is to achieve a minimum rating of 70 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers *traveling* at the posted speeds. As of June 30, 2012, the City's street system was rated at a PCI index of 72 on the average with the detail condition as follows:

<u>Condition</u>	<u>% of Streets</u>
Excellent to Good	68%
Fair	20%
Poor to Substandard	12%

As of June 30, 2012, the City had some of its streets rated below the established 70 rating. The City will require several years to rehabilitate these segments of the streets.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; (4) water damage from natural precipitation and other urban *runoff*; and (5) deterioration from the use of chemicals to melt snow and ice. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$154,569 on street maintenance for the fiscal year ended June 30, 2012. These expenditures delayed deterioration, however the overall condition of the streets *was* not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating 70 through the year 2012 is a minimum of \$1,000,000.

The City also has an on-going street rehabilitation program, funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2012, 32 percent of the City's streets were rated below the acceptable standard of 70. Total deficiencies identified in the PMS amounted to approximately \$24,000,000 for all streets, with \$18,000,000 in deficiencies on street segments rated below the PCI of 70.

As of June 30, 2012, the City had 318 miles of street with a carrying amount of approximately \$112,600,000 and an estimated replacement cost of approximately \$135,000,000.

(CONCLUDED)

Budgets and Budgetary Accounting

It is the responsibility of the Mayor, with the cooperation of the Director of Finance, to submit a proposed budget for the following fiscal year to the City Council not later than the first day of April of each year. The City Council acts on the budget not later than the 15th day of May. Public hearings are conducted on the recommended budget and the final recommended budget is legally enacted through an ordinance at the Financial City Council Meeting. Budget appropriations lapse at the end of the fiscal year, with the exception of capital project funds.

The level of budgetary control for the General Fund (that is, the level at which expenditures cannot legally exceed appropriations) is fixed by resolution as part of the annual budget adoption process at the Financial City Council Meeting. Although the resolution prohibits spending in excess of the authorized budget, it does allow management the right to create interdepartmental transfers at any time during the fiscal year. Intradepartmental transfers and supplemental appropriations are restricted to the fourth quarter and must be approved by the City Council in the form of an ordinance. Intradepartmental transfers reallocate surplus funds from one department to another. Supplemental appropriations increase both revenue appropriation and expenditure appropriation by an equal amount. For the fiscal year ended June 30, 2012, intradepartmental transfers and supplemental appropriations netted an increase to the original adopted budget of \$1,432,573.

The budget for the Schools Unrestricted Fund is prepared annually and approved by the School Committee. The amount of the annual transfer from the General Fund is ultimately determined through the adoption of the General Fund budget. This appropriation does not lapse at year end. The City also adopts budgets for two of the non-major special revenue funds.

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in the City's budgetary reports as expenditures in the current year. The budgetary reports are located in the Required Supplementary Information (RSI) immediately following these notes. Generally, aside from the Capital Projects Fund, all unencumbered appropriations lapse at year end. Appropriations for capital projects are reissued in the amount available at the end of the fiscal year.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 JUNE 30, 2012

Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (RSI), is as follows:

	GENERAL FUND			SCHOOL DEPARTMENT FUND		
	REVENUES	EXPENDITURES	FUND BALANCE	REVENUES	EXPENDITURES	FUND BALANCE
BALANCE, BUDGETARY BASIS						
JUNE 30, 2012.....	\$ 244,295,485	\$ 243,739,346	\$ 20,517,257	\$ 38,037,030	\$ 127,581,497	\$ (5,962,260)
Revenues/Expenditures accounted for on the budgetary basis associated with Education funds	(38,191,980)	(129,074,632)				
Encumbrances outstanding at June 30, 2011 liquidated during the year June 30, 2012					92,911	(92,911)
Encumbrances outstanding at June 30, 2012 Charged to budgetary expenditures					(119,410)	119,410
Transfers to/from other funds			8,500			
Amounts transferred for Public Facilities Management Foundation		(23,817)				
GASB54 opening balance adjustments			1,684,330			
GASB54 current year activity	1,363,528	340,516	1,023,012			
Revenue/Expenditure pass-thru	223,103	223,183	(80)	866,994	859,941	7,053
State Teachers' Retirement on-behalf payment				6,144,339	6,144,339	
BALANCE, GAAP BASIS, JUNE 30, 2012 EXHIBIT D	\$ 207,690,136	\$ 115,204,596	\$ 23,233,019	\$ 45,048,363	\$ 134,559,278	\$ (5,928,708)

(CONCLUDED)

**Supplemental
Schedules**

**Nonmajor
Governmental
Funds**

Special Revenue Funds

Special Revenue Funds are used to account for revenues from specific taxes and other earmarked revenue sources which by law are designated to finance particular functions or activities of government and which, therefore, cannot be diverted to other uses.

Education - This fund accounts for education programs financed with grants from private parties and the federal and state government, which are restricted as governed by the grant agreements.

Community Services – These funds account for various grants and donations that are used throughout the City for the general betterment of the City. Include in this category are the following funds:

- **Flood Mitigation**- This fund was established to help mitigate flooding in low lying areas throughout the City.
- **UDAG** – This fund accounts for the repayment of principal and interest payments from commercial loans funded by a grant from the Department of Housing and Urban Development.
- **Economic Development Revolving Loan** - This fund accounts for the repayment of principal and interest payments from commercial loans funded by a grant from the Department of Housing and Urban Development.
- **Public Libraries**-This fund is used to account for gifts, bequests and grants received by the library for the betterment of the public library system.

Public Services - These funds accounts for public safety activities financed by grants, donations and charges received from private parties and federal and state agencies. This category includes the following funds:

Emergency Management
Harbor Master
Fire Grants/Donations
Fire Revolving Loan Fund
Special Duty Fire
Animal Shelter
Police Grants/Donations
Police Federal Forfeiture-Justice
Police Evidence
Police State Seizure
Police Federal Forfeiture-Treasury
Training Academy
Special Duty Police

Special Revenue Funds (Continued)

Senior Services - The following funds were established to account for the receipt and disbursement of funds for specific activities sponsored by the Senior Citizens Center:

- RSVP
- Multipurpose Center
- Adult Day Care
- Senior Service Special Project
- Cranston Senior Games

Governmental Special Revenue - This fund accounts for special grants and non-capital projects and includes the following funds:

- Connetta Park
- Parks and Recreation
- Inaugural Committee
- Capital Facilities Development Impact Fees
- Cemetery Trust
- Historical Records.

Community Development Block Grant - This fund accounts for Federal Community Development Block Grants.

WIA Job Development - This fund is a joint venture with the City of Providence to help unemployed and underemployed individuals.

Capital Project Funds

The Capital Project Funds account for all resources used for the acquisition and/or construction of capital facilities by the City, except for those financed by the Enterprise Funds.

School Bond Fund - This fund accounts for the construction and improvements to school buildings, and for the acquisition of equipment for the Cranston School District.

Police and Fire Bond Fund - This fund accounts for the construction and improvements to police and fire stations and for the acquisition of police and fire equipment.

Public Building Bond Fund - This fund accounts for the construction and improvements of City buildings and the acquisition of equipment for City Hall.

Recreation Bond Fund - This fund accounts for the construction and improvements of the City's recreation facilities and for the acquisition of open space.

Highway Bond Fund - This fund accounts for construction and improvements to roads and highways within the City.

Storm Drains Bond Fund - This fund accounts for the installation and repair of storm drains within the City.

Neighborhood Infrastructure Bond Fund - This fund accounts for neighborhood improvement projects.

Open Space Bond Fund - This fund accounts for the acquisition of open space.

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds				
	Education	Community Services	Public Service	Senior Services	Governmental Special Revenue Funds
ASSETS:					
Cash and cash equivalents	\$ 511,575	\$ 1,484,733	\$ 842,869	\$ 232,615	\$ 1,774,197
Investments	-			11,721	
Receivables:					
Intergovernmental	1,338,090			-	
Loans	-	1,041,415			13,836
Other	8,449		27,376		
Prepays	-				
Due from:					
Other funds	7,639	-	150,169		-
TOTAL ASSETS	\$ 1,865,753	\$ 2,526,148	\$ 1,020,414	\$ 244,336	\$ 1,788,033
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 689,936	\$ 10,771	\$ 25,527	\$ 6,502	\$ 17,426
Accrued payroll	-		2,077		
Retainage payable	-				
Due to other funds	662,235	8,500	178,056	-	715
Unearned revenues	513,582	1,039,502	-		13,836
Other liabilities	-				29,490
TOTAL LIABILITIES	1,865,753	1,058,773	205,660	6,502	61,467
FUND BALANCES:					
Nonsendable	-				
Restricted	-	1,467,375	894,842	237,834	1,733,208
Committed					
Assigned	-				-
Unassigned	-		(80,088)		(6,642)
TOTAL FUND BALANCES	-	1,467,375	814,754	237,834	1,726,566
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,865,753	\$ 2,526,148	\$ 1,020,414	\$ 244,336	\$ 1,788,033

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds		Capital Project Funds		
	Community Development Block Grant	WIA Job Development	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
ASSETS:					
Cash and cash equivalents		\$ 38,216	\$ 13,355	\$ 1,811,170	\$ 135,435
Investments					
Receivables:					
Intergovernmental			169,629		-
Loans	\$ 1,893,806				
Other					
Prepays					
Due from:					
Other funds					
TOTAL ASSETS	\$ 1,893,806	\$ 38,216	\$ 182,984	\$ 1,811,170	\$ 135,435
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 6,973	\$ 9,325	\$ -	\$ -	\$ 5,413
Accrued payroll	4,942	7,399			
Retainage payable			-	-	-
Due to other funds	43,420	73,523	-		
Unearned revenues	1,893,806				
Other liabilities					
TOTAL LIABILITIES	1,949,141	90,247	-	-	5,413
FUND BALANCES:					
Nonspendable					
Restricted			182,984	1,811,170	130,022
Committed					
Assigned					
Unassigned	(55,335)	(52,031)			
TOTAL FUND BALANCES	(55,335)	(52,031)	182,984	1,811,170	130,022
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,893,806	\$ 38,216	\$ 182,984	\$ 1,811,170	\$ 135,435

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Project Funds					Total Nonmajor Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Neighborhood Infrastructure Bond Fund	Open Space Bond Fund	
ASSETS:						
Cash and cash equivalents	\$ 167,677	\$ 2,286,812	\$ 294,434	\$ 84,439	\$ -	\$ 9,677,527
Investments						11,721
Receivables:						-
Intergovernmental		70,862				1,578,581
Loans						2,949,057
Other						35,825
Prepays						-
Due from:						-
Other funds				903		158,711
TOTAL ASSETS	\$ 167,677	\$ 2,357,674	\$ 294,434	\$ 85,342	\$ -	\$ 14,411,422
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 23,125	\$ 5,010		\$ -	\$ -	\$ 800,008
Accrued payroll						14,418
Retainage payable	-	10,472				10,472
Due to other funds						966,449
Unearned revenues						3,460,726
Other liabilities						29,490
TOTAL LIABILITIES	23,125	15,482	-	-	-	5,281,563
FUND BALANCES:						
Nonsendable						-
Restricted	144,552	2,342,192	294,434	85,342	-	9,323,955
Committed						-
Assigned						-
Unassigned						(194,096)
TOTAL FUND BALANCES	144,552	2,342,192	294,434	85,342	-	9,129,859
TOTAL LIABILITIES AND FUND BALANCES	\$ 167,677	\$ 2,357,674	\$ 294,434	\$ 85,342	\$ -	\$ 14,411,422

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds				
	Education	Community Services	Public Service	Senior Services	Governmental Special Revenue Funds
REVENUES:					
Intergovernmental	\$ 9,585,565		\$ 330,885		
Charges for services			878,977	\$ 68,012	\$ 143,617
Investment income		\$ 160,100	1,956	737	5,500
Other		68,818	36,314		30,351
TOTAL REVENUES	9,585,565	228,918	1,248,132	68,749	179,468
EXPENDITURES:					
Current:					
General government		7,096			137,238
Public safety			1,270,266		
Education	9,585,565				
Parks and recreation					314,213
Public libraries		56,414			
Senior services				126,533	
Community development					
Debt service:					
Interest and other costs					
Capital:					
Capital expenditures					
TOTAL EXPENDITURES	9,585,565	63,510	1,270,266	126,533	451,451
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	165,408	(22,134)	(57,784)	(271,983)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation bond	-		-	-	
Bond premium	-		-	-	
Extinguishment of long-term debt through advanced refunding	-		-	-	
Transfers in					
Transfers out		(8,500)			
NET OTHER FINANCING SOURCES (USES)	-	(8,500)	-	-	-
NET CHANGE IN FUND BALANCES	-	156,908	(22,134)	(57,784)	(271,983)
FUND BALANCES - JULY 1, 2011	-	1,310,467	836,888	295,618	1,998,549
FUND BALANCES - JUNE 30, 2012	\$ -	\$ 1,467,375	\$ 814,754	\$ 237,834	\$ 1,726,566

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds		Capital Project Funds		
	Community Development Block Grant	WIA Job Development	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
REVENUES:					
Intergovernmental	\$ 1,243,334	\$ 402,534			
Charges for services					
Investment income	196,922	53		\$ 168	
Other					
TOTAL REVENUES	1,440,256	402,587	-	168	-
EXPENDITURES:					
Current:					
General government		420,089			
Public safety					
Education					
Parks and recreation					
Public libraries					
Senior services					
Community development	1,467,564				
Debt service:					
Interest and other costs			220,099	\$ 54	43
Capital:					
Capital expenditures			157,253	\$ 250,085	\$ 125,664
TOTAL EXPENDITURES	1,467,564	420,089	377,352	250,139	125,707
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(27,308)	(17,502)	(377,352)	(249,971)	(125,707)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation bond			15,955,000	1,490,000	
Bond premium			1,053,753	5,724	
Extinguishment of long-term debt through advanced refunding			(16,788,678)		
Transfers in					
Transfers out					
NET OTHER FINANCING SOURCES (USES)	-	-	220,075	1,495,724	-
NET CHANGE IN FUND BALANCES	(27,308)	(17,502)	(157,277)	1,245,753	(125,707)
FUND BALANCES - JULY 1, 2011	(28,027)	(34,529)	340,261	565,417	255,729
FUND BALANCES - JUNE 30, 2012	\$ (55,335)	\$ (52,031)	\$ 182,984	\$ 1,811,170	\$ 130,022

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Capital Project Funds				Total Non-Major Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Neighborhood Infrastructure Bond Fund	
REVENUES:					
Intergovernmental		\$ 70,862		\$ 903	\$ 11,634,083
Charges for services					1,090,606
Investment income	\$ 12		\$ 60		365,508
Other					135,483
TOTAL REVENUES	12	70,862	60	903	13,225,680
EXPENDITURES:					
Current:					
General government					564,423
Public safety					1,270,266
Education					9,585,565
Parks and recreation					314,213
Public libraries					56,414
Senior services					126,533
Community development					1,467,564
Debt service:					
Interest and other costs	30	460		5	220,691
Capital:					
Capital expenditures	\$ 72,769	1,653,592	6,871	2,023	2,268,257
TOTAL EXPENDITURES	72,799	1,654,052	6,871	2,028	15,873,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(72,787)	(1,583,190)	(6,811)	(1,125)	(2,648,246)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation bond	110,000	1,530,000	300,000		19,385,000
Bond premium	423	5,877	1,152		1,066,929
Extinguishment of long-term debt through advanced refunding					(16,788,678)
Transfers in					-
Transfers out					(8,500)
NET OTHER FINANCING SOURCES (USES)	110,423	1,535,877	301,152	-	3,654,751
NET CHANGE IN FUND BALANCES	37,636	(47,313)	294,341	(1,125)	1,006,505
FUND BALANCES - JULY 1, 2011	106,916	2,389,505	93	86,467	8,123,354
FUND BALANCES - JUNE 30, 2012	\$ 144,552	\$ 2,342,192	\$ 294,434	\$ 85,342	\$ 9,129,859

CITY OF CRANSTON, RHODE ISLAND

NONMAJOR BUDGETARY FUNDS
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET BASIS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

COMMUNITY DEVELOPMENT BLOCK GRANT

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Program Income	\$ 200,000	\$ 200,000	\$ 196,922	\$ (3,078)
Federal Grants	1,000,000	1,225,000	1,243,334	18,334
Total Revenues	1,200,000	1,425,000	1,440,256	15,256
EXPENDITURES:				
Current:				
Program Activities	1,200,000	1,425,000	1,467,564	(42,564)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ (27,308)	\$ (27,308)

WORKFORCE INVESTMENT ACT

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Program Income	\$ 417,302	\$ 417,302	\$ 402,534	\$ (14,768)
Investment Income	-	-	53	53
Total Revenues	417,302	417,302	402,587	(14,715)
EXPENDITURES:				
Current:				
Program Activities	417,302	417,302	420,089	2,787
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ (17,502)	\$ (17,502)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	BALANCE JULY 1, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012
<u>Unclaimed Estates in Probate Court</u>				
ASSET				
Cash	\$ 76,909	\$ 46	\$ -	\$ 76,955
LIABILITY				
Deposits Held in Custody for Others	\$ 76,909	\$ 46	\$ -	\$ 76,955
<u>Performance Bonds</u>				
ASSET				
Cash	\$ 474,189	\$ 94,216	\$ 96,000	\$ 472,405
LIABILITY				
Deposits Held in Custody for Others	\$ 474,189	\$ 94,216	\$ 96,000	\$ 472,405
<u>Student Activity Funds</u>				
ASSET				
Cash	\$ 559,349	\$ 1,518,131	\$ 1,544,101	\$ 533,379
LIABILITY				
Deposits Held in Custody for Others	\$ 559,349	\$ 1,518,131	\$ 1,544,101	\$ 533,379
<u>TOTALS</u>				
ASSET				
Cash	\$ 1,110,447	\$ 1,612,393	\$ 1,640,101	\$ 1,082,739
LIABILITY				
Deposits Held in Custody for Others	\$ 1,110,447	\$ 1,612,393	\$ 1,640,101	\$ 1,082,739

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
 JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES		
	SCHOOL DEPARTMENT INTERNAL SERVICE FUND	CITY INTERNAL SERVICE FUND	TOTALS
ASSETS			
Current Assets:			
Cash and cash equivalents.....		\$ 662,264	\$ 662,264
Prepaid expenses.....	\$ 1,755,880		1,755,880
Receivables:			
Other.....	7,607		7,607
Due from other funds.....		144,300	144,300
Claims deposit.....	1,630,850		1,630,850
Total Current Assets	3,394,337	806,564	4,200,901
Noncurrent Assets:			
Advance deposits - medical.....	896,500		896,500
Total Noncurrent Assets.....	896,500	-	896,500
TOTAL ASSETS.....	4,290,837	806,564	5,097,401
LIABILITIES			
Current Liabilities:			
Accounts payable.....		6,097	6,097
Accrued payroll.....		2,344	2,344
Due to other funds.....	5,477,706	-	5,477,706
Claims payable.....	1,049,139	249,460	1,298,599
Total Current Liabilities.....	6,526,845	257,901	6,784,746
Total Noncurrent Liabilities.....	-	-	-
TOTAL LIABILITIES.....	6,526,845	257,901	6,784,746
NET ASSETS			
Invested in capital assets, net of related debt.....	-	-	-
Restricted:			
Commitments.....			
Debt service.....			
Unrestricted.....	(2,236,008)	548,663	(1,687,345)
TOTAL NET ASSETS.....	\$ (2,236,008)	\$ 548,663	\$ (1,687,345)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES		TOTALS
	SCHOOL DEPARTMENT INTERNAL SERVICE FUND	CITY INTERNAL SERVICE FUND	
OPERATING REVENUES:			
Charges for usage and service.....	\$ 21,023,804	\$ 650,000	\$ 21,673,804
Miscellaneous.....		79,995	79,995
TOTAL OPERATING REVENUES.....	21,023,804	729,995	21,753,799
OPERATING EXPENSES:			
Operations.....		541,631	541,631
Personnel.....		86,172	86,172
Claims.....		60,145	60,145
Health care management.....	21,017,073		21,017,073
TOTAL OPERATING EXPENSES.....	21,017,073	687,948	21,705,021
OPERATING INCOME.....	6,731	42,047	48,778
NONOPERATING REVENUES:			
Investment income.....		2,117	2,117
NONOPERATING REVENUES.....	-	2,117	2,117
CHANGE IN NET ASSETS.....	6,731	44,164	50,895
NET ASSETS - JULY 1, 2011 -	(2,242,739)	504,499	(1,738,240)
NET ASSETS - JUNE 30, 2012.....	\$ (2,236,008)	\$ 548,663	\$ (1,687,345)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GOVERNMENTAL		TOTALS
	SCHOOL DEPARTMENT INTERNAL SERVICE FUND	CITY INTERNAL SERVICE FUND	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers.....	\$ 21,030,527	\$ 729,995	\$ 21,760,522
Cash paid to suppliers.....		(86,003)	(86,003)
Cash paid to employees.....		(180,327)	(23,333,391)
Cash paid for claims.....	(23,153,064)	(537,338)	(537,338)
Cash paid for other operating expenses.....			
NET CASH USED IN OPERATING ACTIVITIES.....	(2,122,537)	(73,673)	(2,196,210)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Nonoperating grants received.....			-
Transfers in.....			-
Transfers out.....			-
Change in interfund loans.....	2,122,537	(56,354)	2,066,183
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	2,122,537	(56,354)	2,066,183
CASH FLOWS FROM INVESTING ACTIVITIES:			
Income from investments.....		2,117	2,117
NET DECREASE IN CASH.....	-	(127,910)	(127,910)
CASH - JULY 1, 2011 (INCLUDING RESTRICTED CASH).....	-	790,174	790,174
CASH - JUNE 30, 2012 (INCLUDING RESTRICTED CASH).....	\$ -	\$ 662,264	\$ 662,264
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating income.....	\$ 6,731	\$ 42,047	\$ 48,778
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation.....			
Amortization.....			
(Increase) decrease in accounts receivable.....	6,722		6,722
Increase in claims deposits.....	(1,630,850)		(1,630,850)
Increase (decrease) in accounts payable.....	(696,428)	4,292	(692,136)
Increase in accrued expenses.....		170	170
Decrease in prepaid expenses.....	17,032		17,032
(Increase) decrease in claims payable.....	258,756	(120,182)	138,574
Increase in advanced deposits.....	(84,500)		(84,500)
NET CASH USED IN OPERATING ACTIVITIES.....	\$ (2,122,537)	\$ (73,673)	\$ (2,196,210)

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**Capital Assets
Used in the Operation of Governmental
Funds**

CITY OF CRANSTON, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2012

	LAND	LAND IMPROVEMENTS	INFRASTRUCTURE	BUILDINGS	VEHICLES	OFFICE FURNITURE & EQUIP.	MACHINERY AND EQUIPMENT	TOTAL
General government.....	\$ 12,849,088	\$ 17,768,600	\$ 83,616,645	\$ 90,300,653	\$ 107,080	\$ 1,101,370		\$ 205,743,436
Public safety.....					8,994,660	880,377	\$ 2,924,860	12,799,897
Public works.....					4,452,004	38,220	676,225	5,166,449
Education.....				814,719	1,987,695	1,108,106		3,910,520
Parks and recreation.....					473,834		1,149,150	1,622,984
Public libraries.....					17,458	3,264,032	29,510	3,311,000
Senior services.....					370,238	51,596	42,638	464,472
TOTAL.....	\$ 12,849,088	\$ 17,768,600	\$ 83,616,645	\$ 91,115,372	\$ 16,402,969	\$ 6,443,701	\$ 4,822,383	\$ 233,018,758

CITY OF CRANSTON, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012**

	BALANCE JULY 1, 2011	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2012
General government.....	\$ 203,183,038	\$ 4,481,572	\$ 1,921,174	\$ 205,743,436
Public safety.....	12,446,162	602,456	248,721	12,799,897
Public works.....	4,582,708	820,758	237,017	5,166,449
Education.....	4,003,263	51,504	144,247	3,910,520
Parks and recreation.....	1,615,260	27,000	19,276	1,622,984
Public libraries.....	3,299,050	11,950		3,311,000
Senior services.....	461,172	15,800	12,500	464,472
TOTAL CAPITAL ASSETS	\$ 229,590,653	\$ 6,011,040	\$ 2,582,935	\$ 233,018,758

**Statistical
Section**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

FINANCIAL TRENDS (TABLES 1 - 4)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY (TABLES 5 - 7)

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY (TABLES 8 - 11)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION (TABLES 12 - 13)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION (TABLES 14 - 16)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CRANSTON, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007	2006	2005	2004	2003
Governmental activities:										
Invested in capital assets, net of related debt	\$ 41,265,304	\$ 38,755,896	\$ 36,911,322	\$ 30,061,368	\$ 27,722,028	\$ 28,499,098	\$ 12,863,084	\$ 36,731,439	\$ 36,571,258	\$ 65,847,258
Restricted	-	-	2,770,499	754,859	3,219,448	2,530,430	9,468,021	-	-	621,085
Unrestricted	(85,654,610)	(81,803,993)	(79,180,678)	(63,493,862)	(59,641,599)	(59,323,748)	(42,514,069)	(60,538,517)	(67,245,897)	(127,626,157)
Total Governmental activities	(44,389,306)	(43,048,097)	(39,498,857)	(32,677,635)	(28,700,123)	(28,294,220)	(20,182,964)	(23,807,078)	(30,674,639)	(61,157,814)
Business-type activities:										
Invested in capital assets, net of related debt	54,943,414	55,835,806	54,279,242	58,955,899	60,339,186	63,828,596	63,684,992	61,785,287	61,892,799	61,013,636
Restricted	-	-	501,295	501,302	507,594	954,040	504,624	500,267	500,267	820,751
Unrestricted	(8,741,886)	(11,349,807)	(12,293,232)	(18,495,702)	(20,023,658)	(25,204,693)	(24,602,130)	(27,861,982)	(30,724,644)	(29,490,872)
Total Business-type activities	46,201,528	44,485,999	42,487,305	40,961,499	40,823,122	39,577,943	39,587,486	34,423,572	31,668,422	32,343,515
Total City:										
Invested in capital assets, net of related debt	96,208,718	94,591,702	91,190,564	89,017,267	88,061,214	92,327,694	76,548,076	98,516,726	98,464,057	126,860,894
Restricted	-	-	3,271,794	1,256,161	3,727,042	3,484,470	9,972,645	500,267	500,267	1,441,836
Unrestricted	(94,396,496)	(93,153,800)	(91,473,910)	(81,989,564)	(79,665,257)	(84,528,441)	(67,116,199)	(88,400,499)	(97,970,541)	(157,117,029)
Total City	\$ 1,812,222	\$ 1,437,902	\$ 2,988,448	\$ 8,283,864	\$ 12,122,999	\$ 11,283,723	\$ 19,404,522	\$ 10,616,494	\$ 993,783	\$ (28,814,299)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007	2006	2005	2004	2003
EXPENSES:										
Governmental activities:										
General government	\$ 14,124,547	\$ 11,681,983	\$ 11,927,606	\$ 13,502,051	\$ 11,071,588	\$ 14,667,120	\$ 10,038,244	\$ 15,849,140	\$ 12,264,371	\$ 14,054,259
Public safety	76,501,580	74,176,278	75,005,742	69,891,470	64,867,512	69,816,686	66,103,904	61,212,863	58,737,753	48,600,836
Public works	15,167,301	14,162,027	14,132,084	14,286,657	13,603,612	13,111,503	12,353,799	12,500,813	11,556,583	8,428,595
Education	145,560,327	148,737,275	147,353,569	144,564,947	145,639,712	139,954,890	128,470,859	123,345,770	115,118,837	114,486,888
Parks and recreation	2,271,516	1,674,918	1,564,980	2,249,144	2,604,501	2,617,354	2,384,414	2,059,016	1,848,297	1,801,404
Public libraries	3,068,582	2,929,901	2,918,385	3,210,102	3,159,253	3,142,534	2,824,696	2,761,476	2,790,619	2,662,535
Senior services	2,894,707	2,747,580	2,822,873	2,948,510	3,122,575	2,913,263	2,611,039	2,564,049	2,564,641	2,959,335
Community development	1,467,564	1,560,098	1,981,805	1,095,367	866,181	1,901,604	1,962,445	1,606,187	1,273,293	1,293,739
Interest expense	5,143,233	5,003,790	4,985,466	4,962,888	4,318,495	3,873,139	6,672,049	3,203,381	2,254,851	5,169,683
Other	124,638	119,225	-	-	-	-	-	-	-	-
Total Governmental activities	266,323,995	262,793,075	262,692,510	256,711,136	249,253,429	251,998,093	233,421,449	225,102,695	208,409,245	199,457,274
Business-type activities:										
Sewer	19,102,192	17,604,843	17,312,453	17,381,311	16,174,140	16,233,984	16,221,383	15,052,454	15,612,521	13,553,258
Public Facilities Management Foundation	93,501	200,937	219,337	228,248	246,029	270,154	275,798	309,662	78,078	357,990
Charter School Fund	2,710,210	2,960,621	3,090,636	-	-	-	-	-	-	-
School lunch	3,073,738	2,565,806	2,721,200	2,900,867	3,023,413	2,957,021	2,688,143	2,586,402	2,488,766	2,547,767
Total Business-type activities	24,979,641	23,332,207	23,343,626	20,510,426	19,443,582	19,461,159	19,185,324	17,948,518	18,179,365	16,459,015
Total City expenses	291,303,636	286,125,282	286,036,136	277,221,562	268,697,011	271,459,252	252,606,773	243,051,213	226,588,610	215,916,289

(Continued)

TABLE 2
(2 of 3)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007	2006	2005	2004	2003
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government	\$ 5,786,052	\$ 5,968,476	\$ 5,726,884	\$ 5,396,283	\$ 5,474,802	\$ 8,725,161	\$ 9,339,781	\$ 10,094,738	\$ 14,279,624	\$ 7,167,456
Public safety	5,512,505	3,893,316	5,575,477	6,162,035	5,475,823	3,131,896	3,364,334	3,250,181	2,930,328	1,138,141
Public works	737,643	681,668	455,374	481,865	523,339	166,623	124,564	79,485	110,771	
Education	1,499,384	1,860,578	1,850,584	2,805,729	2,859,296	3,069,830	2,719,123		2,267,150	2,992,832
Parks and recreation	286,551	266,406	289,310	320,967	277,125	229,801	192,971	218,346	214,878	
Public libraries	87,400	87,400	89,000	100,000	68,500	85,000	82,500	179,232	124,987	
Senior services	1,651,421	1,806,092	1,691,795	1,670,440	1,580,788	1,442,583	1,392,072	1,264,135	1,461,805	
Other activities										3,622,184
Operating grants and contributions	61,072,753	59,840,449	63,617,708	56,934,360	55,043,215	55,006,239	51,704,145	53,592,333	49,494,352	46,172,804
Capital grants and contributions	330,885	638,392	585,627	182,166	103,305	694,453	114,596	342,051		
Total Governmental activities program revenues	76,964,594	75,042,777	79,881,759	74,053,845	71,406,193	72,551,586	69,034,086	69,020,501	70,883,895	61,093,417
Business-type activities:										
Charges for services:										
Sewer	19,359,122	18,876,713	18,640,991	17,208,694	17,517,895	17,259,536	18,411,799	16,133,909	16,456,479	17,478,196
Public Facilities Management Foundation	41,900	136,911	208,574	211,061	187,849	256,199	247,419	304,306	45,000	319,699
Charter School	3,355,110	2,989,071	2,968,139	436,625						
School lunch	926,029	953,102	1,123,852	1,222,604	1,329,552	1,586,519	1,417,343	1,490,280	1,483,555	1,571,470
Operating grants and contributions	2,675,893	1,787,715	1,538,371	1,300,849	1,436,380	1,170,646	1,101,082	1,036,970	939,419	911,614
Capital grants and contributions							2,030,980	836,249		
Total Business-type activities program revenues	26,358,054	24,743,512	24,479,927	20,379,833	20,471,676	20,272,900	23,208,623	19,801,714	18,924,453	20,280,979
Total City revenues	103,322,648	99,786,289	104,361,686	94,433,678	91,877,869	92,824,486	92,242,709	88,822,215	89,808,348	81,374,396
Net (expenses) revenues:										
Governmental activities	(189,359,401)	(187,750,298)	(182,810,751)	(182,657,291)	(177,847,236)	(179,446,507)	(164,387,363)	(156,082,194)	(137,525,350)	(138,363,857)
Business-type activities	1,378,413	1,411,305	1,136,301	(130,593)	1,028,094	811,741	4,023,299	1,853,196	745,088	3,821,964
Total City net expense	(187,980,988)	(186,338,993)	(181,674,450)	(182,787,884)	(176,819,142)	(178,634,766)	(160,364,064)	(154,228,998)	(136,780,262)	(134,541,893)

(Continued)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:										
Governmental activities:										
General Revenues:										
Property taxes and other	\$ 183,880,964	\$ 178,871,587	\$ 172,909,856	\$ 173,615,269	\$ 169,279,075	\$ 162,010,764	\$ 158,960,204	\$ 158,547,041	\$ 155,870,057	\$ 140,791,381
Grants and contributions not restricted to specific programs				2,086,520	4,599,682	5,473,326	5,599,200			
Gain on sale of assets		662,520	303,537							
State revenue sharing								3,199,670	3,293,868	2,898,349
Unrestricted investment earnings	586,730	577,703	706,945	1,065,331	2,449,896	3,851,161	2,323,533	1,203,044	477,653	346,950
Transfers	(23,817)	488,880								
Miscellaneous	3,574,315	3,600,368	2,069,191	1,912,658						
Transfers									1,450,000	(495,919)
Total Governmental activities	188,018,192	184,201,058	175,989,529	178,679,778	176,328,653	171,335,251	166,882,937	162,949,755	161,091,578	143,540,761
Business-type activities:										
Unrestricted investment earnings	313,299	342,267	389,505	268,956	217,085	188,091	131,240	253,271	29,819	49,403
Transfers	23,817	(488,880)							(1,450,000)	495,919
Total Business-type activities	337,116	(146,613)	389,505	268,956	217,085	188,091	131,240	253,271	(1,420,181)	545,322
Total City	188,355,308	184,054,445	176,379,034	178,948,734	176,545,738	171,523,342	167,014,177	163,203,026	159,671,397	144,086,083
CHANGE IN NET ASSETS:										
Governmental activities	(1,341,209)	(3,549,240)	(6,821,222)	(3,977,513)	(1,518,583)	(8,111,256)	2,495,574	6,867,561	23,566,228	5,176,904
Business-type activities	1,715,529	1,264,692	1,525,806	138,363	1,245,179	999,832	4,154,539	2,106,467	(675,093)	4,367,286
Total City change in net assets	\$ 374,320	\$ (2,284,548)	\$ (5,295,416)	\$ (3,839,150)	\$ (273,404)	\$ (7,111,424)	\$ 6,650,113	\$ 8,974,028	\$ 22,891,135	\$ 9,544,190

(Concluded)

CITY OF CRANSTON, RHODE ISLAND
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	FISCAL YEAR									
	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007	2006	2005	2004	2003
General Fund:										
Nonspendable	\$ 7,261,553	\$ 3,264,015								
Restricted	69,702	-								
Committed	2,356,649	6,390,443								
Assigned	-	1,300,761								
Unassigned	13,545,115	10,423,711								
Reserved			\$ 7,624,361	\$ 8,990,340	\$ 3,193,052	\$ 170,709	\$ -	\$ -	\$ -	\$ 211,806
Unreserved			13,315,506	14,581,605	19,849,704	18,493,224	19,932,283	19,599,361	16,098,058	5,465,068
Total General Fund	23,233,019	21,378,930	20,939,867	23,571,945	23,042,756	18,663,933	19,932,283	19,599,361	16,098,058	5,676,874
All Other Governmental Funds:										
Nonspendable	\$ 5,622,837	\$ 3,489,492								
Restricted	9,323,955	8,234,662								
Committed	119,410	92,887								
Assigned	-	-								
Unassigned	(11,865,051)	(10,727,614)								
Reserved			2,441,699	754,859	3,792,674	2,359,721	9,468,021	449,705	770,552	409,279
Unreserved, designated - school					450,000	450,000	900,000	667,588	942,942	(4,193,715)
Unreserved, reported in:										
Special revenue funds			(3,378,407)	(3,022,478)	797,940	8,405,339	15,449,182	12,269,184	8,155,009	4,423,779
Capital project funds			2,416,361	6,688,914	4,776,751	5,338,216	12,896,071	1,238,208	2,444,469	(21,667,080)
Total All Other Governmental Funds	3,201,151	1,089,427	1,479,653	4,421,295	9,817,365	16,553,276	38,713,274	14,624,685	12,312,972	(21,027,737)
GRAND TOTAL	\$ 26,434,170	\$ 22,468,357	\$ 22,419,520	\$ 27,993,240	\$ 32,860,121	\$ 35,217,209	\$ 58,645,557	\$ 34,224,046	\$ 28,411,030	\$ (15,350,863)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (1)
(UNAUDITED)

	FISCAL YEAR										
	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007	2006	2005	2004	2003	2002
Revenues:											
Property taxes	\$ 184,783,590	\$ 178,724,593	\$ 165,623,300	\$ 159,040,147	\$ 156,152,762	\$ 147,243,054	\$ 145,906,925	\$ 146,687,442	\$ 142,444,687	\$ 130,881,284	\$ 108,564,553
Intergovernmental revenue	56,219,867	54,891,645	67,192,078	62,680,327	73,022,744	75,289,523	69,768,119	61,446,056	59,413,263	55,200,184	52,692,416
Charges for services	14,910,956	13,913,936	15,183,424	16,336,920	15,731,489	14,030,153	14,460,130				
Licenses and permits								3,630,513	3,196,325	2,127,280	1,688,575
Fines and interest on late payments								1,680,163	1,727,841	1,168,927	1,244,372
Interest on investments	408,711	389,697	529,705	885,302	2,260,933	3,635,196	2,111,701	1,104,514	449,364	346,950	327,699
Departmental								2,194,673	2,191,986	3,111,410	
State fiscal stabilization funds	2,396	814,266	2,410,080	2,090,303							
State on-behalf pension contributions	6,144,339	5,716,721	5,056,767	6,661,428							
Other revenues	3,494,320	3,519,553	2,038,060	1,825,834	996,030	2,468,895	2,352,465	13,049,659	18,247,736	20,182,135	18,971,771
Total revenues	265,964,179	257,970,411	258,033,414	249,520,261	248,163,958	242,666,821	234,599,340	229,793,020	227,671,202	213,018,170	183,489,386
Expenditures:											
Current:											
General government	10,346,906	8,392,000	7,727,864	8,488,491	8,874,157	11,427,653	9,237,728	10,222,585	9,173,000	12,714,754	10,061,207
Public safety	72,975,293	69,125,309	70,172,182	68,605,728	69,339,328	67,854,283	61,030,024	59,779,344	57,502,834	48,209,827	43,597,698
Public works	15,636,714	14,445,497	13,625,913	13,963,806	13,320,943	12,544,966	12,486,760	12,242,411	11,130,019	8,243,944	8,400,200
Education	144,144,843	143,931,478	147,100,982	143,189,521	144,629,043	139,558,319	128,541,976	123,115,632	114,916,387	114,225,766	105,030,656
Parks and recreation	2,195,590	1,836,292	2,065,678	2,287,973	2,526,612	2,516,148	2,347,676	1,945,381	1,730,551	1,775,134	
Public libraries	3,142,384	3,072,541	2,981,728	3,190,251	3,163,096	3,039,202	2,822,353	2,690,940	2,659,809	2,658,217	
Senior services	2,911,362	2,754,871	2,780,245	2,946,217	3,086,360	2,852,395	2,576,829	2,486,770	2,503,444	2,883,992	
Community development	1,467,564	1,560,098	1,981,805	1,095,367	876,379	1,916,946	1,974,504	1,606,187	1,273,293	1,293,739	
Other	124,638	119,225	170,780	161,411	163,802	175,183	156,257	771,881	470,759	8,142,700	9,787,400
Capital outlay	2,268,257	5,063,077	4,853,492	7,942,434	8,955,447	15,970,638	3,229,249	1,977,655	4,452,313	10,414,157	7,065,558
Debt service:											
Principal	6,360,000	6,440,000	5,860,000	5,115,000	4,980,000	4,520,000	3,845,000	3,820,000	2,954,563	4,398,667	4,995,383
Interest	4,064,249	4,263,972	4,286,465	4,474,678	4,039,572	3,719,436	6,103,447	5,779,525	2,385,125	3,595,173	3,564,541
Total expenditures	265,637,800	261,004,360	263,607,134	261,460,877	263,954,739	266,095,169	234,351,803	226,438,311	211,152,097	218,556,070	192,502,643
Excess of revenues over expenditures	\$ 326,379	(3,033,949)	(5,573,720)	(11,940,616)	(15,790,781)	(23,428,348)	247,537	3,354,709	16,519,105	(5,537,900)	(9,013,257)
Other financing sources (uses):											
Issuance of debt	19,385,000	3,700,000	-	7,000,000	13,075,000		13,900,000	22,280,000	27,050,000		
Bond premium	1,066,929	91,420	-	73,734	358,693		273,974	1,933,307	877,652		
Proceeds from leasing										705,057	2,521,436
Transfers in	90,891,152	90,032,050	87,023,036	95,952,192	99,002,633	98,534,821	94,700,327	88,857,289	86,467,243	70,182,293	68,211,228
Repayment of debt to escrow agent	(16,788,678)							(21,755,000)			
Transfers out	(90,914,969)	(90,740,684)	(87,023,036)	(95,952,192)	(99,002,633)	(98,534,821)	(94,700,327)	(88,857,289)	(87,473,612)	(73,178,212)	(68,211,228)
Net other financing sources (uses)	3,639,434	3,082,786	-	7,073,734	13,433,693	-	24,173,974	2,458,307	26,921,283	(2,090,862)	2,521,436
Net change in fund balances	\$ 3,965,813	\$ 48,837	\$ (5,573,720)	\$ (4,866,882)	\$ (2,357,088)	\$ (23,428,348)	\$ 24,421,511	\$ 5,813,016	\$ 43,440,388	\$ (7,628,762)	\$ (6,491,821)
Debt service as a percentage of noncapital expenditures	4.0%	4.2%	3.9%	3.8%	3.5%	3.3%	4.3%	4.3%	2.6%	3.8%	4.6%

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds and Capital Project Funds.

CITY OF CRANSTON, RHODE ISLAND

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (1)
(UNAUDITED)

YEAR ENDED JUNE 30,	REAL PROPERTY					PERSONAL PROPERTY					TOTAL		RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE (1)	DIRECT TAX RATE	COMMERCIAL ASSESSED VALUE (2)	DIRECT TAX RATE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE (1)	DIRECT TAX RATE TANGIBLE	DIRECT TAX RATE MOTOR VEHICLE	DIRECT TAX RATE INVENTORY	ESTIMATED ACTUAL VALUE	ASSESSED VALUE (1)	ESTIMATED ACTUAL VALUE	
2003	3,526,107,500	34	N/A	N/A	4,822,036,230	763,362,568	34	42	19	763,362,568	4,289,470,068	5,585,398,798	0.768
2004	4,120,580,900	22	929,951,300	330	5,357,818,034	787,898,647	34	42	16	787,898,647	5,838,430,847	6,145,716,681	0.950
2005	4,152,937,000	23	950,396,900	31	5,613,667,290	794,638,753	35	42	13	794,638,753	5,897,972,653	6,408,306,043	0.920
2006	4,196,433,200	23	959,929,900	31	5,929,817,565	835,667,975	35	42	10	835,667,975	5,992,031,075	6,765,485,540	0.886
2007	6,812,384,100	15	1,425,772,400	22	8,238,156,500	866,598,879	22	42	6	866,598,879	9,104,755,379	9,104,755,379	1.000
2008	6,853,894,200	15	1,460,469,600	23	8,314,363,800	848,079,164	23	42	3	848,079,164	9,162,442,964	9,162,442,964	1.000
2009	6,886,982,312	15	1,474,304,800	23	8,361,287,112	801,388,590	23	42	N/A	801,388,590	9,162,675,702	9,162,675,702	1.000
2010	5,670,869,300	19	1,352,953,200	29	7,023,822,500	754,417,429	29	42	N/A	754,417,429	7,778,239,929	7,778,239,929	1.000
2011	5,696,562,900	20	1,363,784,200	29	7,060,347,100	781,306,230	29	42	N/A	781,306,230	7,841,653,330	7,841,653,330	1.000
2012	5,712,462,800	20	1,361,533,300	30	7,073,996,100	778,330,466	30	42	N/A	778,330,466	7,852,326,566	7,852,326,566	1.000

(1) Gross amount is reflected without deduction for exemptions.

(2) In 2004, the tax assessment for real property was split for the first time.

TABLE 6

CITY OF CRANSTON, RHODE ISLAND

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

NAME	NATURE OF BUSINESS	GRAND LIST YEAR					
		2012			2003		
		ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (1)	ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (2)
Carpiionato Alfred	Real Estate Management	\$ 108,495,538	1	1.43%	\$ 60,207,574	1	1.80%
Gateway Woodside Inc.	Real Estate Management	76,084,821	2	1.00%	55,353,482	2	1.65%
Piceme Properties	Real Estate Management	66,720,398	3	0.88%	31,455,823	3	0.94%
National Grid (formerly Narragansett Electric/Prov. Gas)	Utility	60,744,072	4	0.80%	39,821,980	5 & 10	1.19%
Brewery Parkade	Real Estate Management	34,321,700	5	0.45%	20,447,800	7	0.61%
Cox Communications Inc.	Cable Communications	17,121,885	9	0.23%	24,976,700	4	0.74%
Independence Way	Real Estate Management	20,126,300	7	0.27%	18,143,400	8	0.54%
BFMIT II Cranston LLC	Real Estate Management	20,865,600	6	0.28%			
Lowe's	Retail Hardware	18,000,491	8	0.24%	21,204,772	6	
CRE IP LLC	Real Estate Management	16,158,000	10	0.21%			
Swarovski American	Manufacturing	10,671,809			17,498,750	9	0.52%
Providence Water	Utility	3,498,554					
Stop & Shop	Retail	12,229,205					
TOTAL		\$ 465,038,373		5.79%	\$ 289,110,290		7.99%

Source: Town Assessor Department.

(1) Based on a net taxable Grand List of \$7,571,491,712

(2) Based on a net taxable Grand List of \$3,179,154,030

TABLE 7

CITY OF CRANSTON, RHODE ISLAND
TAX RATES, LEVIES AND CASH COLLECTIONS
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	TOTAL ADJUSTED TAX LEVY	NET CURRENT LEVY TAX COLLECTIONS	PERCENTAGE OF CURRENT TAXES COLLECTED	NET DELINQUENT TAX COLLECTIONS SUBSEQUENT YEARS	TOTAL NET TAXES COLLECTED ALL YEARS	PERCENTAGE OF TOTAL TAX COLLECTED TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	PERCENTAGE OF DELINQUENT TAXES TO TOTAL TAX LEVY
2003	129,179,767	125,690,321	97.3%	1,316,563	127,006,884	98.3%	-	0.0%
2004	136,756,194	135,075,140	98.8%	1,084,799	136,159,939	99.6%	374,067	0.3%
2005	142,694,201	140,405,075	98.4%	1,371,704	141,776,779	99.4%	453,818	0.3%
2006	145,337,455	140,893,257	96.9%	1,471,343	142,364,600	98.0%	460,735	0.3%
2007	144,155,093	141,859,549	98.4%	1,377,497	143,237,046	99.4%	608,577	0.4%
2008	151,718,441	150,177,124	99.0%	1,100,529	151,277,653	99.7%	620,961	0.4%
2009	153,150,874	151,086,526	98.7%	1,309,833	152,396,359	99.5%	660,850	0.4%
2010	160,419,261	159,080,002	99.2%	1,109,114	160,189,116	99.9%	632,856	0.4%
2011	175,003,222	171,899,372	98.2%	1,259,435	173,158,807	98.9%	1,355,767	0.8%
2012	180,715,853	177,799,124	98.4%		177,799,124	98.4%	2,877,074	1.6%
							<u>8,044,705</u>	

Source: City's audit reports.

(1) This represents the City's mill rate per \$1,000 of taxable property.

CITY OF CRANSTON, RHODE ISLAND

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES				TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CLEAN WATER NOTES	TOTAL	TOTAL		
2003	42,025,156	7,065,400	49,090,556	335,437	4,640,000	2,729,916	7,705,353	56,795,909	N/A	701
2004	66,360,000	6,202,345	72,562,345		4,375,000	4,527,484	8,902,484	81,464,829	N/A	998
2005	63,340,000	5,322,425	68,662,425		4,100,000	7,723,917	11,823,917	80,486,342	N/A	982
2006	83,685,000	4,436,836	88,121,836		3,810,000	7,833,184	11,643,184	99,765,020	N/A	1,232
2007	79,465,000	3,842,828	83,307,828		3,510,000	7,031,252	10,541,252	93,849,080	N/A	1,160
2008	87,875,000	3,264,313	91,139,313		3,195,000	9,228,087	12,423,087	103,562,400	N/A	1,287
2009	90,095,000	2,907,923	93,002,923		2,860,000	8,423,654	11,283,654	104,286,577	N/A	1,280
2010	84,585,000	2,534,862	87,119,862		2,510,000	8,467,917	10,977,917	98,097,779	N/A	1,204
2011	82,630,000	1,725,000	84,355,000		1,725,000	7,510,841	9,235,841	93,590,841	N/A	1,164
2012	80,515,000	1,400,000	81,915,000		1,400,000	6,515,386	7,915,386	89,830,386	N/A	1,117

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF CRANSTON, RHODE ISLANDRATIOS OF GENERAL DEBT OUTSTANDING
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	GENERAL DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL		
2003	42,025,156	7,065,400	49,090,556	0.75%	606
2004	66,360,000	6,202,345	72,562,345	1.08%	889
2005	63,340,000	5,322,425	68,662,425	0.99%	837
2006	83,685,000	4,436,836	88,121,836	1.24%	1,088
2007	79,465,000	3,842,828	83,307,828	0.87%	1,030
2008	87,875,000	3,264,313	91,139,313	0.96%	1,133
2009	90,095,000	2,907,923	93,002,923	0.98%	1,141
2010	84,585,000	2,534,862	87,119,862	1.09%	1,069
2011	82,630,000	1,725,000	84,355,000	1.05%	1,049
2012	80,515,000	1,400,000	81,915,000	1.03%	1,019

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF CRANSTON, RHODE ISLANDCOMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2012
(UNAUDITED)

Assessed value	\$ 7,852,326,566
Less: exemptions	<u>(265,588,816)</u>
NET TOTAL TAXABLE ASSESSED VALUE	<u>\$ 7,586,737,750</u>
Debt limit - 3 percent of total assessed value	\$ 227,602,133
Amount of debt applicable to debt limit: Total bonded debt	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 227,602,133</u>

Note: The City has no debt issues outstanding under the Maximum Aggregate Indebtedness provision (3% Debt Limit) - Rhode Island General Law 45-12-2. All other City debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

The State Legislature may by special act permit the City to incur indebtedness in excess of the three percent (3%) limit in accordance with Rhode Island General Law 45-12-11. The City of Cranston has never requested authorization under the Authority for the issuance of Indebtedness Excess - Rhode Island General Law 45-12-11.

CITY OF CRANSTON, RHODE ISLANDLEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

YEAR ENDED JUNE 30	DEBT LIMIT	NET DEBT APPLICABLE TO LIMIT	LEGAL DEBT MARGIN
2003	128,684,102	-	128,684,102
2004	175,152,925	-	175,152,925
2005	176,939,180	-	176,939,180
2006	179,760,932	-	179,760,932
2007	257,080,899	-	257,080,899
2008	258,894,710	-	258,894,710
2009	258,941,444	-	258,941,444
2010	219,211,804	-	219,211,804
2011	227,144,751	-	227,144,751
2012	227,602,133	-	227,602,133

CITY OF CRANSTON, RHODE ISLAND

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	(1) POPULATION	(4) PERSONAL INCOME	(1) PER CAPITA INCOME	(1) MEDIAN AGE	EDUCATION LEVEL IN YEARS OF SCHOOLING	(2) SCHOOL ENROLLMENT	(3) UNEMPLOYMENT PERCENTAGE
2003	81,005	N/A	21,978	39	N/A	11,269	6.0%
2004	81,617	N/A	21,978	39	N/A	11,218	5.9%
2005	81,990	N/A	21,978	39	N/A	11,102	5.4%
2006	80,983	N/A	21,978	39	N/A	11,018	5.3%
2007	80,904	N/A	21,978	39	N/A	10,911	5.2%
2008	80,463	N/A	21,978	39	N/A	10,718	7.7%
2009	81,479	N/A	21,978	39	N/A	10,658	11.1%
2010	81,479	N/A	21,978	39	N/A	10,744	12.4%
2011	80,387	N/A	25,653	39	N/A	10,735	11.1%
2012	80,392	N/A	28,496	39	N/A	10,685	10.9%

(1) Figures obtained from the Rhode Island Census Data Center derived from the 2000, 2006 estimated and 2010 census data.

(2) Cranston School Department

(3) Rhode Island Department of Labor and Training.

(4) N/A - Information not available

TABLE 13

CITY OF CRANSTON, RHODE ISLAND

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

EMPLOYER	2012			2003		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT (1)	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT (2)
State of Rhode Island	5,500	1	14.77%	3,927	2	9.85%
City of Cranston	2,513	2	6.75%	2,806	3	7.04%
Citizens Bank	1,880	3	5.05%	1,000	4	
US Security Associates	300	10	0.81%			
Walmart	320	8	0.86%			
Taco, Inc.	400	6	1.07%	530	6	1.33%
CranstonARC	410	5	1.10%	350	9	
Honeywell Safety Products	314	9	0.84%			
Thielsch Engineering	325	7	0.87%	263		
Swarovski Consumer Goods Ltd.			0.00%	1,000	5	2.51%
The Stop & Shop Co., Inc.	437	4	1.17%	400	8	
Ross-Simons of Warwick				465	7	1.17%
JanCo				4,627	1	11.60%
DB Kelly Associates				315	9	0.79%
Rise Performance Contracting				276	10	0.69%
TOTAL	<u>12,399</u>		<u>33.29%</u>	<u>15,959</u>		<u>34.98%</u>

SOURCE: State Department of Labor

(1) Based on 6/30/12 total City employment of 37,249

(2) Based on 6/30/03 total City employment of 39,882

CITY OF CRANSTON, RHODE ISLAND

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS
(UNAUDITED)

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL GOVERNMENT:										
Mayor.....	5	5	5	7	7	7	7	7	7	7
Department of Personnel.....	1	1	2	2	2	3	3	3	3	3
City Clerk.....	6	6	8	8	9	9	9	9	9	9
Municipal Court.....	3	2	3	3	3	3	4	4	4	4
Board of Canvassers.....	3	3	3	3	3	3	3	3	3	3
City Planning.....	4	4	5	5	5	5	5	5	5	5
Economic Development.....	2	2	2	2	2	2	2	2	2	2
Finance.....	2	2	3	3	4	4	4	4	4	3
Division of Accounting & Control.....	5	5	5	5	5	5	5	4	4	4
Division of Assessment.....	6	6	7	8	9	9	9	9	9	9
Division of Contracts & Purchasing.....	3	3	4	4	4	4	4	5	5	5
Information Technology.....	6	6	8	8	8	8	8	7	7	7
Division of Treasury & Collection.....	6	6	6	6	7	7	7	7	7	7
POLICE:										
Officers.....	143	140	153	153	153	153	151	150	149	149
Civilians.....	25	25	26	29	30	30	30	32	30	30
Animal Control.....	4	4	5	5	5	5	5	5	5	5
FIRE:										
Chief.....	1	1	1	1	1	1	1	1	1	1
Uniformed.....	178	181	200	200	200	200	200	201	201	201
Civilians.....	16	16	7	7	7	7	7	6	6	6
INSPECTIONS.....	12	12	14	16	16	13	13	12	12	12
PUBLIC WORKS:										
Administration.....	3	3	4	4	4	4	4	5	5	5
Engineering.....	4	4	4	0	8	8	8	8	8	8
Highway.....	38	38	41	44	41	41	41	39	39	39
Building.....	24	24	26	26	26	26	26	26	26	26
Fleet Management.....	10	10	10	10	10	10	10	10	10	10
Traffic Safety.....	3	3	4	0	4	4	4	5	5	5
PARKS AND RECREATION.....	20	19	20	21	21	21	21	22	22	22
PUBLIC LIBRARIES.....	32	30	32	32	32	32	32	32	32	32
SENIOR SERVICES.....	23	23	30	32	32	32	32	32	32	32
COMMUNITY DEVELOPMENT.....	3	3	4	4	4	4	4	4	4	4
OTHER.....	8	8	8	8	7	9	10	11	11	11
EDUCATION.....	1,461	1,528	1,523	1,570	1,486	1,546	1,635	1,626	1,669	1,681
TOTAL.....	2,060	2,123	2,173	2,226	2,155	2,215	2,304	2,296	2,336	2,347

123

SOURCE: City Budget

CITY OF CRANSTON, RHODE ISLAND
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS
(UNAUDITED)

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GOVERNMENTAL ACTIVITIES										
PUBLIC SAFETY:										
Fire:										
Total incidents	14,717	14,407	15,111	14,065	13,991	13,980	11,872	12,144	12,019	N/A
Rescue/medical calls	11,327	10,067	9,976	8,965	9,568	10,148	10,706	10,973	10,721	N/A
Rescue/non-medical calls	3,390	4,340	5,135	5,100	4,423	3,832	1,166	1,171	1,298	N/A
Fire hydrants	1,922	1,922	1,922	1,922	1,903	1,903	1,914	2,156	1,850	N/A
Police:										
Number of calls	64,450	62,228	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total 911 calls received	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Formal investigations	32,130	32,929	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOWN CLERK:										
Number of documents recorded	14,529	14,793	15,683	15,726	17,083	22,411	25,687	27,241	33,781	34,488
HEALTH AND WELFARE:										
Number of food service facilities inspections	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
New homes built	26	34	52	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LAND USE:										
Total subdivisions approved	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total commercial applications approved	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BUILDING:										
Residential permits issued	26	34	52	30	36	48	73	150	147	N/A
Commercial permits issued	2	5	6	8	12	19	19	8	10	N/A
Total permits	28	39	58	38	48	67	92	158	157	
PUBLIC WORKS:										
Highway department										
Streets (miles)										
Paved City roads	318	318	318	317	315	315	315	313	313	N/A
Paved State roads	69	69	69	69	69	64	64	64	64	N/A
Private roads	6	6	6	5	5	N/A	N/A	N/A	N/A	N/A
Roads under construction (maintained by City)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sidewalks (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EDUCATION:										
Enrollment:										
High School Grades 9-12	3,504	3,580	3,551	3,478	3,469	3,657	3,646	3,633	3,514	N/A
Middle School Grades 7-8	1,482	1,579	1,637	1,713	2,620	2,627	2,672	2,707	2,764	N/A
Elementary Schools Grades K-6	5,699	5,576	5,556	5,467	4,629	4,627	4,614	4,759	4,944	N/A

BUSINESS-TYPE ACTIVITIES

SOURCES: Various City Departments

(1) Information not available due to the construction and consolidation of schools and related grade levels.

N/A - Information not available

CITY OF CRANSTON, RHODE ISLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS
(UNAUDITED)

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GOVERNMENTAL ACTIVITIES										
PARKS AND RECREATION:										
Acreage (includes all open space)							10	10	10	10
Parks and Public Squares	11	11	11	11	11	11	3	3	3	3
Marinas	3	3	3	3	3	3	7	7	7	7
Playgrounds	35	35	35	35	35	35	24	24	24	24
Walking tracks	8	8	8	8	8	8	21	21	17	17
Basketball courts	21	21	21	21	21	21	27	27	27	27
Tennis courts	24	24	24	24	24	24	27	27	27	27
Baseball fields	27	27	27	27	27	27	11	11	11	11
Softball fields	11	11	11	11	11	11	22	22	22	22
Other fields	22	22	22	22	22	22	1	1	1	1
Ice Rink	2	2	2	2	2	2	1	1	1	1
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Stadium and Field House	1	1	1	1	1	1	1	1	1	1
PUBLIC SAFETY:										
Fire Stations	6	6	6	6	6	6	6	6	6	6
Fire alarm boxes	149	149	149	149	149	149	149	139	146	146
Fire hydrants	1,922	1,922	1,921	1,922	1,903	1,903	1,914	2,156	1,850	1,850
Police department:										
Stations	4	4	4	4	4	4	4	4	4	4
Animal Control Building	1	1	1	1	1	1	1	1	1	1
PUBLIC WORKS:										
Highway department:										
Streets (miles)	315	315	315	315	315	315	315	313	313	N/A
Sidewalks (miles)	64	64	64	64	64	64	64	64	64	N/A
PUBLIC LIBRARIES:										
Number of branches	6	6	6	6	6	6	6	6	6	6
EDUCATION:										
Number of High Schools	2	2	2	2	2	2	2	2	2	2
Number of Middle Schools	3	3	3	3	3	3	3	3	3	3
Number of Elementary Schools	17	17	17	17	17	17	18	19	19	19
Number of Charter Schools	1	1	1	1	1	1	1	1	1	1
Number of Adult Education Buildings	1	1	1	1	1	1	1	1	1	1
SENIOR SERVICES:										
Senior Citizens Center	1	1	1	1	1	1	1	1	1	1
COMMUNITY DEVELOPMENT:										
Number of loans issued	30	41	53	15	19	27	39	27	30	36
BUSINESS TYPE ACTIVITIES										
SEWER FUND										
Sewer mains (miles)	250	250	250	245	240	N/A	N/A	N/A	N/A	N/A
Treatment capacity (thousands of gallons)	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200	23,000	N/A
Sewerage Disposal Plant	1	1	1	1	1	1	1	1	1	1
Pumping Stations	22	22	22	22	22	22	22	22	22	22
SOURCES: Various Town Departments										
N/A = Information not available										