

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF CRANSTON,
RHODE ISLAND



AS OF AND FOR THE
FISCAL YEAR ENDED

JUNE 30, 2014

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

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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 30, 2014

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, 2014. 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.

Marcum LLC, 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, 2014, 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, 2014, 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 business 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 in its urban business corridors. Through a variety of forward thinking legislative initiatives, the city offers investment incentives to increase the financial viability of the City's new and existing development areas.

The City has a commitment to the economic development of 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 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

The 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 the interchange of Interstate 295 and Route 14. This area continues to develop as one of the most important parts of the City's industrial tax base. National recognized companies like Penske, Cadence Science (which recently completed 43,000 SF expansion with a cost of \$3.8 million and is estimated to add over 100 new jobs), Honeywell, Con-Way Trucking, Electro Standards, MPC Corp, Design Fabricators, Jewelry Concepts, GoGo Cast, TASCA Automotive Parts Warehouse 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 premiere 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 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 Pottery Barn, J Crew, LA Fitness, Banana Republic, William Sonoma, Ann Taylor Co, Chico's, Jos A Banks, Talbots, Edible Arrangements, The Corner Bakery, The Container Store, Starbucks, GAP, Anthropologie, B. Good, Destination Maternity, Pinkberry, Ten Thousand Villages, Soma-Intimates, The Loft, Mel and Me, Bank 5, Alexander's Shoe Boutique, Clarkes Shoes, L'Occitane, Bistro 22, Sephora, White House/Black Market, Providence Diamond Company, Applebee's completed an expansion and renovation and Whole Foods Market. In addition Garden City will be building three new buildings consisting of 37K SF of total at the site of Ameriprise. A new building will be added to fill in the area between J. Jill and Mel and Me.

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 former historic structures, all over one hundred years old, to develop a European Village atmosphere that encompasses 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 Markel Insurance Company, Residential Mortgage Services, Champlain Foundation, Bonfish Grille, Staples, Massage Envy, Bling Eyewear,

Qdoba Mexican Grill, Shaw's Supermarket, Recreational Equipment Inc. (REI), Ted's Montana Grille, Omaha Steaks and Johnny Rockets.

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 SF of retail shopping area including such well-known retailers as Lowes, 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 nation 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 Super Store, Dollar Tree Store and AJinsen Asian Cuisine. The office park will offer corporate office clients and 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, 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 Garden City and Chapel View 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 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 the model for Ford dealerships across the United States. Tasca has recently purchased a new building in the Howard Industrial Park to hold their corporate offices and body repair.

Taco Manufacturing Expansion - As a leading developer, innovator and manufacturer of HVAC equipment and systems for 90 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 the size of its facility from 40,000 square feet to over 200,000, creating an Innovation & Development Center. This new Innovation & Development Center will utilize, display and provide a hands-on learning environment for the best equipment and systems that the HVAC industry offers for comfort, efficiency and sustainability. HVAC products and systems will be visible throughout the entire facility forming "Living Laboratories" that allow for close-up viewing hands-on learning and teaching. This expansion is a further example of the revitalization of the Cranston Street area.

American Iron & Metal Works completed a 9,440 SF expansion at 25 Kenney Drive.

Cumberland Farms on the corners of Reservoir and Park Avenues completed a redevelopment of the site with their new concept building of retail and gas pumps.

Restaurant Depot completed a 23,000 SF expansion of their site on Niantic Avenue.

Yushin America is in the process of expanding their facilities by 24,000 SF in Howard Industrial Park.

Car Max will be redeveloping the former Building 19 site.

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, 2013; 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.

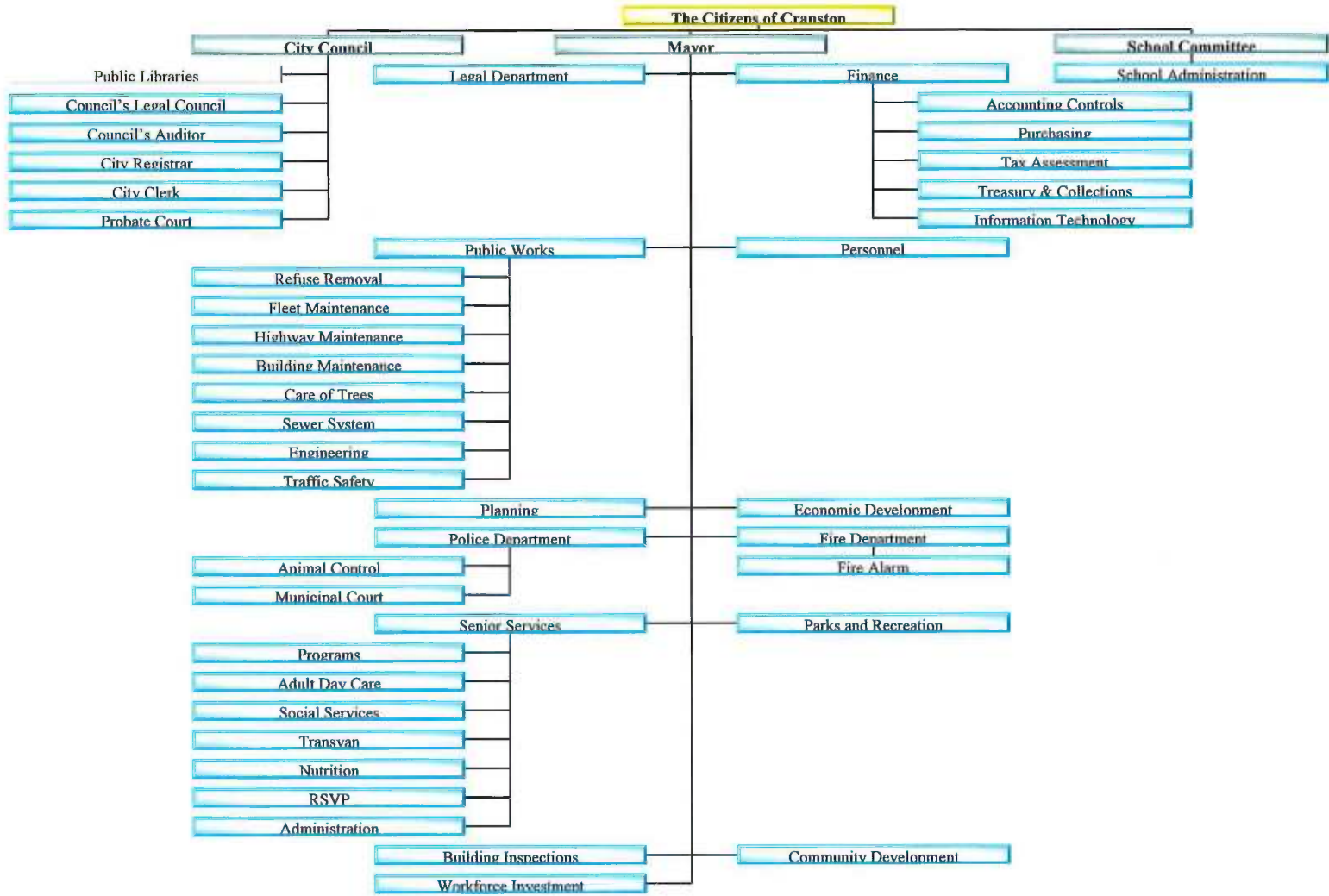
I would like to take this opportunity to thank the members of the Finance Department in the Division of Accounting Control, Treasury and Tax Collection, Contract and Purchase, Assessment and Management Information Systems for their diligence and cooperation on a daily basis in carrying out the duties 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,



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, 2014

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

John Lanni - Council President
Michael Farina - Council Vice President
Sarah Kales Lee
Donald Botts
Michael W. Favicchio
Paul H. Archetto
Richard D. Santamaria, Jr.
Steven A. Stycos
Mario Aceto



Government Finance Officers Association

**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, 2013

Executive Director/CEO

**Financial
Section**

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to 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, 2014, 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.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, capital assets used in the operations of governmental funds schedules and budgetary comparison information on pages 12 through 27, pages 120 through 121, 95 through 108 and page 115, 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.

Other Information

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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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* in considering City of Cranston, Rhode Island's internal control over financial reporting and compliance.

Marcum LLP

Providence, Rhode Island
December 30, 2014

Allan W. Fung
MAYOR



Robert F. Strom
FINANCE DIRECTOR

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

***MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014***

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, 2014.

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

Financial Highlights

- The assets and deferred outflows of resources of the City of Cranston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2014 by \$34.1 million (*net position*).
- The net position of the City increased by \$22.3 million (or 189.0%). The governmental net position increased by \$19.9 million (or 54.7%) and the business-type net position increased by \$2.5 million (or 5.2%).
- The governmental activities revenue increased \$13.9 million (or 5.1%) and the net results from activities increased from prior year by \$11.9 million. In 2014, the results of activities produced an increase in net position of \$19.9 million and in 2013 the results of activities produced an increase in net position of \$8.0 million.
- The business-type activities revenue increased by \$0.9 million (or 3.5%), and the net results from activities increased by \$0.4 million (or 20.0%) from the prior year. In 2014, the results of activities produced an increase in business-type net position of \$2.4 million, while in 2013 the results of activities also produced an increase of \$2.0 million in business-type net position.
- The General Fund (the primary operating fund) reflected on a current financial resource basis reports an increase in fund balance of \$0.6 million (or 2.5%), compared to \$0.6 million in the prior year.
- The City's total debt increased by \$20.2 million. The increase is due primarily to the issuance of \$28.2 million of new debt less repayment of current year obligations.

Overview of the Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position (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 Position 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 position and changes to net position. You can think of the City's net position as 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 position is 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 51 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 seven other funds considered part of the General Fund for reporting purposes and the School Department, both of which are considered to be major funds. Data from the other 43 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other 43 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 new science labs 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 non-major programs. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Cranston and School Department 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 Position

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|------------------------------------|--------------------------------|------------------|---------------------------------|----------------|----------------|----------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 67.9 | \$ 238.0 | \$ 31.6 | \$ 15.3 | \$ 278.4 | \$ 253.3 |
| Capital assets..... | 132.3 | 128.2 | 61.3 | 61.3 | 193.6 | 189.5 |
| Deferred Outflow of Resources..... | 180.8 | | 0.2 | | 2.1 | .. |
| Total Assets..... | 381.0 | 366.2 | 93.1 | 76.6 | 474.1 | 442.8 |
| Liabilities: | | | | | | |
| Long-term liabilities | | | | | | |
| Outstanding | 189.8 | 189.1 | 23.3 | 22.4 | 213.1 | 211.5 |
| Other liabilities | 22.5 | 213.5 | 3.3 | 6.0 | 25.8 | 219.5 |
| Deferred Inflows of Resources.... | 185.2 | | 15.9 | | 201.1 | ... |
| Total Liabilities..... | 397.5 | 402.6 | 42.5 | 28.4 | 440.0 | 431.0 |
| Net Position: | | | | | | |
| Net investment in capital assets | 53.5 | 49.7 | 38.1 | 55.4 | 91.6 | 105.1 |
| Unrestricted..... | (70.0) | (86.1) | 12.5 | (7.2) | (57.5) | (93.3) |
| Total Net Position..... | \$ (16.5) | \$ (36.4) | \$ 50.6 | \$ 48.2 | \$ 34.1 | \$ 11.8 |

The composition of net position and the changes in net position over a period of time serves as a useful indicator of the City's financial position. The City's total assets at June 30, 2014, exceed liabilities by \$34.1 million and were comprised of \$(16.5) million from governmental activities and \$50.6 million from business-type activities. For the fiscal year ending June 30, 2014 \$(57.5) million of the total \$34.1 in net position is unrestricted.

Net investment in capital assets comprises \$91.6 and \$105.1 million of net assets at June 30, 2014 and 2013, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Net Position (Continued)

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, 2014 totaled \$0.

Normal Impacts

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

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

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 net investment in capital assets.

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

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

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

Governmental Activities-Condensed Statements of Net Position

The category of "Current and Other Assets" was \$246.8 million at June 30, 2014. This category included "Receivables-Property Taxes" of \$186.5 million, an increase of \$5.9 million or 3.3% from June 30, 2013. A strong tax collection trend accounted for the majority of the increase to "Cash". The "Cash" balance as of June 30, 2014 was \$39.5 million and "Receivables-Intergovernmental" of \$8.0 million.

"Deferred Outflow of Resources" was comprised of \$180.8 million from the deferred charge on refunding and the property taxes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities-Condensed Statements of Net Assets (Continued)

The long-term liabilities outstanding at fiscal year-end were \$189.8 million, of which \$81.8 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).

“Deferred Inflow of Resources” of \$185.2 million was comprised of property tax collected in advance.

Total net position at June 30, 2014 was \$(16.5) million and was comprised of unrestricted of \$(70.0) and “Net Investment in Capital Assets” of \$53.5 million.

Business-Type Activities-Condensed Statements of Net Assets

For business-type activities, such as the Sewer Enterprise Fund, “Current and Other Assets” of \$31.6 million consisted primarily of \$10.9 million in cash which was available to support the current operations of the Enterprise Funds, “Receivables-Intergovernmental” of \$2.4 million.

Long-term liabilities of \$23.2 million were comprised primarily of “Long-term liabilities in more than one year” which represents 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 \$3.3 million consisted primarily of \$2.3 million of accounts payable, and \$0.9 million for the current portion of long-term bonds payable and accrued interest payable of \$0.1 million.

“Deferred Inflows of Resources” of \$15.9 million represents the deferred sewer lease arrangement.

The total net position for the Business-type Activities as of June 30, 2014 was \$50.6 million. Net investment in capital assets was the major component of net position for business-type activities and amounted to \$38.1 million at June 30, 2014. As stated above, in the government-wide analysis of the Statement of Net Position, the total of \$12.6 million comprises “Unrestricted”.

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, 2014 and 2013.

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

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|--------------|---------------------------------|-------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| <u>Revenues:</u> | | | | | | |
| <u>Program revenues:</u> | | | | | | |
| Charges for services | \$ 16.9 | \$ 15.6 | \$23.9 | \$23.1 | \$40.8 | \$ 38.7 |
| Operating grants and contributions | 76.7 | 75.0 | 2.4 | 2.3 | 79.1 | 77.3 |
| Capital grants and contributions..... | 0.2 | 0.1 | | | 0.2 | 0.1 |
| <u>General Revenues:</u> | | | | | | |
| Property taxes..... | 189.4 | 177.7 | | | 189.4 | 177.7 |
| Gain on sale of property..... | | 1.0 | | | | 1.0 |
| Grants and contributions not Restricted to specific programs | | | | | | |
| Investment income | 0.2 | 0.6 | 0.4 | 0.4 | 0.6 | 1.0 |
| Transfers | (1.7) | | | | (1.7) | |
| Other | 4.9 | 2.7 | | | 4.9 | 2.7 |
| <u>Total revenues</u> | 286.6 | 272.7 | 26.7 | 25.8 | 313.3 | 298.5 |

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-------------------------------------|--------------------------------|-----------------|---------------------------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Program Expenses: | | | | | | |
| General government | \$ 13.4 | \$ 13.3 | | | \$ 13.4 | \$ 13.3 |
| Public safety | 76.0 | 80.9 | | | 76.0 | 80.9 |
| Public works | 15.7 | 15.0 | | | 15.7 | 15.0 |
| Education | 148.5 | 143.1 | \$5.6 | \$5.5 | 154.1 | 148.6 |
| Parks and recreation | 2.5 | 2.2 | | | 2.5 | 2.2 |
| Libraries | 3.1 | 3.1 | | | 3.1 | 3.1 |
| Senior services | 3.1 | 2.9 | | | 3.1 | 2.9 |
| Other | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Community development | 0.7 | 1.3 | | | 0.7 | 1.3 |
| Sewer | | | 18.6 | 18.2 | 18.6 | 18.2 |
| Interest and other costs | 3.7 | 2.9 | | | 3.7 | 2.9 |
| Total expenses | 266.7 | 264.7 | 24.3 | 23.8 | 291.0 | 288.5 |
| Change in net position | 19.9 | 8.0 | 2.4 | 2.0 | 22.3 | 10.0 |
| Net assets – July 1 | (36.4) | (44.4) | 48.2 | 46.2 | 11.8 | 1.8 |
| Net assets – June 30 | \$(16.5) | \$(36.4) | \$ 50.6 | \$ 48.2 | \$ 34.1 | \$ 11.8 |

The Condensed Statement of Net Activities presents revenues, expenses and changes in net position 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, 2014 and 2013 were \$192.8 and \$182.0 million, respectively. Included in these totals were \$189.4 and \$177.7 million in property taxes for the years ended June 30, 2014 and 2013.

“Program expenses” are presented in the Condensed Statement of Activities by function and total \$266.7 and \$264.7 million (including interest on long-term debt) for the fiscal years June 30, 2014 and 2013, respectively.

“Changes in net position” increased \$11.9 million to \$19.9 million from \$8.0 million for the years ended June 30, 2014 and 2013, respectively. The change resulted primarily from an increase in property taxes and other income.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 2014 and 2013, the City generated \$23.9 and \$23.1 million, respectively, in charges for services for all of its business-type activities.

The total amount of expenses for business-type activities were \$24.3 and \$23.8 million, for the fiscal years ended June 30, 2014 and 2013, respectively.

The “Change in Net Position” increased \$0.4 million to \$2.4 million from \$2.0 million for the fiscal years ended June 30, 2014 and 2013, respectively. This activity increased the “Business-Type Net Assets” for the fiscal year ended June 30, 2014 to \$50.6 million as compared to \$48.2 million for the fiscal year ended June 30, 2013.

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 \$39.0 million. Fund balance was comprised of \$6.3 million non-spendable fund balances, \$13.1 million restricted fund balances and \$2.2 million committed fund balances and \$17.4 million of unassigned 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 \$248.0 million include primarily \$39.0 million in “Cash”, \$184.6 million in “Taxes Receivable”, \$8.0 million in “Intergovernmental Receivables”, \$3.1 million of “Loans”, “Other Receivables” of \$1.4 million, “Due from Other Funds” of \$8.5 million, “Due from Other Governments” of \$1.5 million, \$1.3 million in “Advance to School Department” and the remaining \$0.6 million of other current assets. Liabilities of \$209.0 million consisted of \$7.5 million of “Accounts Payable”, \$4.9 million in “Due to Other Funds”, \$191.5 million in “Unearned Revenue”, \$0.7 million of “Claims Payable”, \$1.3 million of “Advances from City”, \$2.6 million of “Accrued Payroll” and \$0.5 million of other miscellaneous liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Balance Sheet

As of June 30
(In Millions)

| | General Fund | | School Department | | Total Major Funds | |
|---------------------------------|---------------|---------------|-------------------|----------------|-------------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Assets: | | | | | | |
| Current and other assets | \$220.4 | \$218.5 | \$7.6 | \$8.0 | \$228.0 | \$226.5 |
| Total assets | <u>220.4</u> | <u>218.5</u> | <u>7.6</u> | <u>8.0</u> | <u>228.0</u> | <u>226.5</u> |
| Liabilities: | | | | | | |
| Other liabilities..... | 195.6 | 194.4 | 6.1 | 10.3 | 201.7 | 204.7 |
| Total liabilities | <u>195.6</u> | <u>194.4</u> | <u>6.1</u> | <u>10.3</u> | <u>201.7</u> | <u>204.7</u> |
| Fund Balance: | | | | | | |
| Non-spendable | 1.7 | 5.4 | 4.5 | 6.1 | 6.2 | 11.5 |
| Restricted | 0.3 | 0.4 | | | 0.3 | 0.4 |
| Committed..... | 1.9 | 1.6 | 0.3 | 0.1 | 2.2 | 1.7 |
| Assigned..... | | | | | | |
| Unassigned..... | <u>20.9</u> | <u>16.7</u> | <u>(3.3)</u> | <u>(8.5)</u> | <u>17.6</u> | <u>8.2</u> |
| Total fund balance | <u>\$24.8</u> | <u>\$24.1</u> | <u>\$1.5</u> | <u>\$(2.3)</u> | <u>\$26.3</u> | <u>\$21.8</u> |

General Fund - Condensed Balance Sheet

The General Fund's total assets of \$220.4 million consists primarily of \$24.5 million in "Cash", \$184.7 million of "Taxes Receivable" \$7.5 million of "Intergovernmental Receivables", "Advances" of \$1.3 million, amounts "Due from Other Funds" of \$2.0 million, "Prepays" of \$0.1 million and "Advanced Deposits-hospitalization" of \$0.3million.

Total liabilities for the General Fund were \$195.6 million. "Accounts payable" amounted to \$4.2 million; \$187.6 million represented "Unearned Revenue", \$0.1 million in "Due to Other Funds", \$0.7 million in "Claims Payable" and \$3.0 million of accrued liabilities.

As of June 30, 2014 the City's fund balance was \$24.8 million of which \$1.7 million was "Non-spendable", \$0.3 million was "Restricted", \$1.9 million was "Committed" and \$20.9 million was "Unassigned".

School Department - Condensed Balance Sheet

The School Department's total assets were \$7.6 million. The majority of that consisted primarily of \$0.1 million of "Prepays" and \$6.3 of "Due from Other Funds" and "Other" assets of \$1.2 million.

Liabilities for the School Department totaled \$6.1 million. The majority of that consisted of \$1.3 million of "Advances from City", "Accounts Payable" of \$2.2 million and \$2.6 million "Due to Other Funds". For the fiscal year ending June 30, 2014, the School Department had a fund balance of \$1.5 million. This was comprised of \$4.5 million "Non-spendable", \$0.3 million "Committed" and \$(3.3) 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, 2014 and 2013. 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, 2014, and 2013, the City collected \$180.4, and \$179.6 million of property taxes, respectively. Total revenues for all major governmental funds for the years ended June 30, 2014 and 2013, were \$266.7, and \$256.7 million, respectively. For the major governmental funds, the total expenditures for the years ending June 30, 2014, and 2013, were \$260.5, and \$252.5 million, respectively. For the year ended June 30, 2014, General Fund revenues exceeded expenditures by \$94.2 million before other financing sources (uses) as compared to \$92.2 million for the period ending June 30, 2013.

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

| | Year Ended June 30 (In Millions) | | | | Total Major Governmental | |
|---|-------------------------------------|--------------|-------------------|--------------|-----------------------------|--------------|
| | General Fund | | School Department | | | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| General Revenues: | | | | | | |
| Property taxes..... | \$180.4 | \$179.6 | | | \$180.4 | \$179.6 |
| Intergovernmental | 18.5 | 15.0 | \$43.0 | \$40.6 | 61.5 | 55.6 |
| Charges for services | 11.9 | 11.9 | 2.6 | 1.7 | 14.5 | 13.6 |
| State fiscal stabilization funds..... | | | | | | |
| State on behalf pension contributions | | | 6.1 | 5.7 | 6.1 | 5.7 |
| Investment income | 0.1 | 0.1 | | | 0.1 | 0.1 |
| Other | 3.1 | 1.2 | 1.0 | 0.9 | 4.1 | 2.1 |
| Total revenues | 214.0 | 207.8 | 52.7 | 48.9 | 266.7 | 256.7 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government..... | 9.2 | 8.9 | | | 9.2 | 8.9 |
| Public safety | 76.1 | 75.0 | | | 76.1 | 75.0 |
| Public works..... | 15.5 | 14.8 | | | 15.5 | 14.8 |
| Education | | | 140.7 | 136.9 | 140.7 | 136.9 |
| Parks and recreation | 2.3 | 2.2 | | | 2.3 | 2.2 |
| Public libraries | 3.3 | 3.0 | | | 3.3 | 3.0 |
| Senior services | 3.0 | 2.8 | | | 3.0 | 2.8 |
| Other | 0.1 | 0.1 | | | 0.1 | 0.1 |
| Debt Service: | | | | | | |
| Principal | 6.8 | 5.5 | | | 6.8 | 5.5 |
| Interest and other costs..... | 3.5 | 3.3 | | | 3.5 | 3.3 |
| Total expenditures | 119.8 | 115.6 | 140.7 | 136.9 | 260.5 | 252.5 |

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> | |
|--|---------------------|----------------|--------------------------|-----------------|---------------------------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses)..... | 94.2 | 92.2 | (88.0) | (88.0) | 6.2 | 4.2 |
| Other Financing Sources (Uses): | | | | | | |
| Issuance of Debt..... | | | | | | |
| Carulo action-settlement | | | | | | |
| Transfers in | | | 91.8 | 91.6 | 91.8 | 91.6 |
| Transfers out | (93.6) | (91.6) | | | (93.6) | (91.6) |
| Net other financing sources (uses) | (93.6) | (91.6) | 91.8 | 91.6 | (1.8) | 0.0 |
| Net change in fund balances | 0.6 | 0.6 | 3.8 | 3.6 | 4.4 | 4.2 |
| Fund balance July 1 | 24.2 | 23.6 | (2.3) | (5.9) | 21.9 | 17.7 |
| Fund balance June 30 | \$ 24.8 | \$ 24.2 | \$ 1.5 | \$ (2.3) | \$ 26.3 | \$ 21.9 |

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

The City's General Fund had revenues of \$214.0 million for the fiscal year ended June 30, 2014. This was comprised of \$180.4 million in "General Property Taxes", \$18.5 million of "Intergovernmental" revenues, \$11.9 million in "Charges for Services", \$0.1 million in "Investment Income", and \$3.1 million in "Other" revenue.

Expenditures for the General Fund for fiscal year ended June 30, 2014 were \$119.8 million. These expenditures consisted of \$9.2 million in "General Government" expenditures, \$76.1 million of "Public Safety" expenditures, \$15.5 million of "Public Works" expenditures, \$2.3 million of "Parks and Recreation" expenditures, \$3.3 million of "Public Libraries" expenditures, \$3.0 million of "Senior Services" expenditures, \$0.1 million of "Other" expenditures, \$6.8 million of "Debt Service Principal" expenditures, and \$3.5 million of "Interest and Other Costs".

In addition to general operating expenses, the General Fund also had "Net Other Financing Uses" of \$(93.5) million. This was composed of a \$(93.6) million of "Transfers Out", of which \$91.4 million was transferred to the "School Department" and \$2.2 million was transferred to other funds.

The net change in fund balances was \$0.6 million for the fiscal year ended June 30, 2014. This was primarily due to a net increase in intergovernmental revenues.

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, 2014 of \$52.7 million. This was derived from \$43.0 million of "Intergovernmental" revenues, \$2.6 million of "Charges for Services", \$6.1 million of "State on Behalf Pension Contribution" and \$1.0 million of "Other Income".

Expenditures for the School Department totaled \$140.7 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 (Continued)

In addition to general operating revenues, the School Department received \$91.8 million of “Other Financing Sources”. This amount was comprised of “Transfers In” from the “General Fund” of \$91.4 million for operations and \$0.4 million from other funds.

The net change in fund balance was \$3.8 million for the fiscal year ended June 30, 2014. 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 and saving achieved from the employee’s benefit programs.

Proprietary Funds

The Proprietary Funds consist of the Sewer Fund, the Public Facilities Management Foundation, the Non-Major Programs and the Internal Service Funds. The major source of revenues consists of “Charges for Usage and Service” of \$43.2 million. Total operating revenues were \$49.0 million. Total operating expenses for the year ending June 30, 2014, for the Proprietary Funds were \$45.9 million. The “Health Care Management” of the school department of \$21.0 million and the “Contract Payments” of \$15.4 million for sewer privatization comprise the majority of the expenses. Net “Non-Operating Revenues” for the year ending June 30, 2014 were \$0.1 million. The Proprietary Funds ended fiscal year 2013 with \$3.2 million more in revenues than expenses. Total Net Position was \$52.3 million at June 30, 2014, of that “Net Investment in Capital Assets” was \$38.1 million and \$14.2 million was “Unrestricted”. Total Net Position as of June 30, 2014 increased \$3.2 million from \$49.1 million \$52.3 million or 6.5%.

Analysis of Significant Budget Variations in the General Fund

For the year ended June 30, 2014, the General Fund Revenues were under budget projections by \$0.4 million or 0.2%. General Fund expenditures were under budget by \$1.0 million or 0.4%. This resulted in a \$0.6 million surplus for the General Fund for the year ending June 30, 2014.

Significant revenue variances include:

- Property taxes – Favorable variance of \$0.7 million due to an aggressive collection policy.
- Charges for Services – Favorable variance of \$0.2 million due primarily to the pick-up in the economy and leading to an increase in real estate transactions.
- Intergovernmental – Unfavorable variance of \$0.5 million from decrease in distressed community state aid.
- Other- Unfavorable variance of \$0.8 million from the Medicaid portion of Cranston resident’s rescue runs.

Significant expenditure variances include:

- The following departments had unfavorable variances due to the factors listed below:
 1. Police-\$0.2 million-purchase of new vehicles
 2. Transfers to Other Funds-\$0.4 million-primarily a transfer to the school department-settlement agreement
- The following department surpluses contributed to the overall favorable variances:
 1. City Planning-\$0.2million- grant expenditures
 2. Inspections-\$0.1 million-reduced staffing
 3. Rescue Fund-\$0.8 million – budgeting of anticipated charges
 4. Public Works-\$0.1million-vacancies in Highway and Building Maintenance Departments

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, 2014 and 2013 amounted to \$193.7 and \$189.5 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 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.

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, 2014, 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, 2014, 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 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.

**Capital Assets at Year End
 (In Millions)**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-----------------------------------|--------------------------------|-----------------|---------------------------------|----------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 14.3 | \$ 13.5 | \$ 0.3 | \$ 0.3 | \$ 14.6 | \$ 13.8 |
| Construction in progress | 1.8 | 1.2 | 5.1 | 3.0 | 6.9 | 4.2 |
| Land improvements | 22.0 | 20.3 | 0.3 | 0.3 | 22.3 | 20.6 |
| Buildings | 94.6 | 90.9 | | | 94.6 | 90.9 |
| Motor vehicles | 17.0 | 16.6 | | | 17.0 | 16.6 |
| Equipment | 13.0 | 11.8 | 0.6 | 0.6 | 13.6 | 12.4 |
| Infrastructure | 83.9 | 83.9 | | | 83.9 | 83.9 |
| Leasehold improvements | | | 0.2 | 0.2 | 0.2 | 0.2 |
| Sewer lines | | | 49.6 | 49.5 | 49.6 | 49.5 |
| Treatment and pumping plant | | | 81.0 | 81.0 | 81.0 | 81.0 |
| Total assets | 246.6 | 238.2 | 137.1 | 134.9 | 383.7 | 373.1 |
| Less: accumulated depreciation | (114.2) | (110.0) | (75.8) | (73.6) | (190.0) | (183.6) |
| Net capital assets | \$ 132.4 | \$ 128.2 | \$ 61.3 | \$ 61.3 | \$ 193.7 | \$ 189.5 |

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Capital Assets (Continued)

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 were \$383.7 million less accumulated depreciation of \$190.0 million for a net investment in capital assets of \$193.7 million.

Governmental Activities:

Major capital asset additions during the fiscal year ended June 30, 2014 included the following:

- \$0.7 million in fire station upgrades.
- \$0.7 million in playground upgrades.
- \$2.2 million for road repayment and storm drain repairs.
- \$.02 million for library renovations.

Business-Type Activities:

Major capital asset additions during the fiscal year ended June 30, 2014 included the following:

- \$2.1 million of construction in progress for improvements at the treatment plant.
- \$0.1 million in infrastructure renovations

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, 2014, the governmental activities had total long-term obligations of \$198.7 million. Of that, \$78.1 million related to bonded debt guaranteed by the City's assets. The City currently has \$0.7 million in leases payable. The business-type activities had total long-term obligations of \$24.2 million. Of that, \$23.4 million related to State Revolving Loans (SRF) from Rhode Island Clean Water Finance Agency and \$0.7 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 \$0.7 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, 2014, the net pension obligation liability for unpaid pension contributions decreased by \$2.2 million from \$98.9 million at June 30, 2013 to \$96.7 million at June 30, 2014. The net other post-employment benefit obligation (OPEB) liability remained constant at \$8.0 million for the period ending June 30, 2014 and June 30, 2013, respectively.

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

Debt Outstanding

For the year ending June 30, 2014, the City had \$81.8 million in debt (bonds, notes, etc.) outstanding as compared to \$78.6 million at June 30, 2013, a net increase of \$3.2 million or 4.1% (considering debt retirement and new issues). The key factors for this increase was the issuance of \$10.2 million in new general obligations bonds offset by principal repayments of \$6.5 million.

For the year ending June 30, 2014, the Business-Type Activities had \$24.1 million in debt (bonds, notes, etc.) outstanding as compared to \$7.1 million at June 30, 2013, a net increase of \$17.0 million or 239.4% (considering debt retirement and new issues). The key factors for this increase was the issuance of \$18.0 million in revenue bonds offset by principal repayments of \$0.6 million.

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

| | Outstanding Debt, at June 30 | |
|-------------------------------------|-------------------------------------|----------------|
| | (In Millions) | |
| | <u>2014</u> | <u>2013</u> |
| Governmental: | | |
| General obligation bonds | \$ 81.1 | \$77.5 |
| Capital lease | 0.7 | 1.1 |
| Subtotal | <u>81.8</u> | <u>78.6</u> |
| Business-type: | | |
| Sewer revolving loans | 23.4 | 6.0 |
| Certificates of participation | 0.7 | 1.1 |
| Subtotal | <u>24.1</u> | <u>7.1</u> |
| Total | <u>\$ 105.9</u> | <u>\$ 85.7</u> |

Principal payments of \$6.5 million and \$0.9 million were made in the governmental and business-type activities, respectively, during fiscal year 2014.

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 \$202.5 million based on taxable property as of December 31, 2012, of approximately \$6.8 billion. On June 30, 2014, the City had \$78.1 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 2015 operating budget was passed by a majority vote of the City Council. Property tax collections were assumed to be collected at 98.5% 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:

| | <u>Annualized</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> | <u>2012</u> | <u>2013</u> |
| City of Cranston | 5.3% | 5.1% | 5.0% | 5.3% | 7.7% | 11.0% | 11.9% | 11.1% | 10.5% | 9.5% |
| State of Rhode Island | 5.2 | 5.1 | 5.1 | 5.2 | 7.7 | 10.9 | 11.7 | 11.2 | 10.4 | 9.5 |
| United States | 5.5 | 5.1 | 4.6 | 4.6 | 5.8 | 9.3 | 9.6 | 8.9 | 8.1 | 7.4 |

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

**Basic
Financial
Statements**

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET POSITION
JUNE 30, 2014

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|--|----------------------------|-----------------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents..... | \$ 39,515,240 | \$ 10,928,767 | \$ 50,444,007 |
| Investments..... | 11,866 | | 11,866 |
| Receivables: | | | |
| Property taxes..... | 7,647,619 | | 7,647,619 |
| Sewer assessments and user fees, net..... | | 1,121,657 | 1,121,657 |
| Intergovernmental..... | 7,988,067 | 2,355,915 | 10,343,982 |
| Loans..... | 3,123,481 | | 3,123,481 |
| Other..... | 1,423,548 | 371,227 | 1,794,775 |
| Prepays..... | 237,262 | 24,304 | 261,566 |
| Advance deposits - hospitalization..... | 6,509,442 | | 6,509,442 |
| Inventory..... | | 30,547 | 30,547 |
| Due from other governments..... | 1,475,628 | | 1,475,628 |
| Internal balances..... | (829,942) | 829,942 | - |
| Total current assets..... | 67,102,211 | 15,662,359 | 82,764,570 |
| Noncurrent assets: | | | |
| Receivables (net): | | | |
| Property taxes..... | | | - |
| Other..... | | 365,000 | 365,000 |
| Advance deposits - hospitalization..... | 801,500 | | 801,500 |
| Other assets..... | | 500 | 500 |
| Cash held in escrow..... | | 15,630,982 | 15,630,982 |
| Total receivables and other assets..... | 801,500 | 15,996,482 | 16,797,982 |
| Capital assets (net of accumulated depreciation): | | | |
| Land..... | 14,301,342 | 342,712 | 14,644,054 |
| Construction in progress..... | 1,771,330 | 5,073,531 | 6,844,861 |
| Land improvements..... | 11,006,254 | 18,499 | 11,024,753 |
| Buildings and leasehold improvements..... | 52,831,376 | 59,058 | 52,890,434 |
| Sewer service to customers..... | | 22,943 | 22,943 |
| Treatment and pumping plant..... | | 37,322,990 | 37,322,990 |
| Vehicles..... | 2,146,344 | 2,513 | 2,148,857 |
| Machinery, equipment and furniture..... | 2,301,890 | 102,538 | 2,404,428 |
| Infrastructure..... | 48,009,362 | 18,337,456 | 66,346,818 |
| Total net capital assets (net of accumulated depreciation)..... | 132,367,898 | 61,282,240 | 193,650,138 |
| Total noncurrent assets..... | 133,169,398 | 77,278,722 | 210,448,120 |
| TOTAL ASSETS..... | 200,271,609 | 92,941,081 | 293,212,690 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Property taxes..... | 178,886,593 | - | 178,886,593 |
| Deferred charge on refunding..... | 1,868,449 | - | 1,868,449 |
| Loan origination fees..... | - | 178,961 | 178,961 |
| | 180,755,042 | 178,961 | 180,934,003 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES..... | 381,026,651 | 93,120,042 | 474,146,693 |

(Continued)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET POSITION
JUNE 30, 2014

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|----------------------------|-----------------------------|-----------------------|
| <u>LIABILITIES</u> | | | |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable..... | \$ 7,512,006 | \$ 2,261,380 | \$ 9,773,386 |
| Accrued liabilities..... | 398,966 | | 398,966 |
| Accrued payroll..... | 2,587,751 | 291 | 2,588,042 |
| Compensated absences..... | 1,197,279 | 37,380 | 1,234,659 |
| Accrued interest payable..... | 908,358 | 90,364 | 998,722 |
| Retainage payable..... | 58,239 | | 58,239 |
| Claims payable..... | 2,120,620 | | 2,120,620 |
| Long-term liabilities due within one year..... | 7,760,579 | 923,824 | 8,684,403 |
| Total current liabilities..... | 22,543,798 | 3,313,239 | 25,857,037 |
| Noncurrent liabilities: | | | |
| Net OPEB obligation..... | 8,065,792 | 61,886 | 8,127,678 |
| Long-term liabilities due in more than one year..... | 181,776,332 | 23,187,097 | 204,963,429 |
| Total noncurrent liabilities..... | 189,842,124 | 23,248,983 | 213,091,107 |
| TOTAL LIABILITIES..... | 212,385,922 | 26,562,222 | 238,948,144 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred sewer lease arrangement..... | - | 15,931,043 | 15,931,043 |
| Property tax levied in advance of June 30, 2014..... | 185,178,476 | - | 185,178,476 |
| | 185,178,476 | 15,931,043 | 201,109,519 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets..... | 53,587,898 | 38,070,280 | 91,658,178 |
| Unrestricted..... | (70,125,645) | 12,556,497 | (57,569,148) |
| TOTAL NET POSITION..... | (16,537,747) | 50,626,777 | 34,089,030 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION..... | \$ 381,026,651 | \$ 93,120,042 | \$ 474,146,693 |

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | NET REVENUES (EXPENSES) AND CHANGES IN NET POSITION | | |
|--|-----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| GOVERNMENTAL ACTIVITIES: | | | | | | | |
| General government..... | \$ 13,331,926 | \$ 5,823,451 | \$ 13,871,200 | | \$ 6,362,725 | \$ | \$ 6,362,725 |
| Public safety..... | 76,071,254 | 5,597,507 | 3,379,393 | \$ 218,721 | (66,875,633) | | (66,875,633) |
| Public works..... | 15,709,766 | 747,410 | 67,500 | | (14,894,856) | | (14,894,856) |
| Education..... | 148,510,719 | 2,583,038 | 57,012,669 | | (88,915,012) | | (88,915,012) |
| Parks and recreation..... | 2,502,784 | 345,788 | - | | (2,156,996) | | (2,156,996) |
| Public libraries..... | 3,130,504 | 87,400 | 840,161 | | (2,202,943) | | (2,202,943) |
| Senior services..... | 3,091,950 | 1,668,453 | | | (1,423,497) | | (1,423,497) |
| Community development..... | 716,188 | | 1,535,495 | | 819,307 | | 819,307 |
| Interest expense..... | 3,659,457 | | | | (3,659,457) | | (3,659,457) |
| TOTAL GOVERNMENTAL ACTIVITIES..... | 266,724,548 | 16,853,047 | 76,706,418 | 218,721 | (172,946,362) | - | (172,946,362) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | |
| Sewer fund..... | 18,636,282 | 20,565,668 | | | | 1,929,386 | 1,929,386 |
| Public facilities management foundation..... | 92,137 | 26,775 | | | | (65,362) | (65,362) |
| Non-major funds..... | 5,581,170 | 3,302,480 | 2,441,887 | | | 163,197 | 163,197 |
| TOTAL BUSINESS-TYPE ACTIVITIES..... | 24,309,589 | 23,894,923 | 2,441,887 | - | - | 2,027,221 | 2,027,221 |
| TOTALS..... | \$ 291,034,137 | \$ 40,747,970 | \$ 79,148,305 | \$ 218,721 | (172,946,362) | 2,027,221 | (170,919,141) |
| GENERAL REVENUES: | | | | | | | |
| Property taxes..... | | | | | 189,420,459 | - | 189,420,459 |
| Other income..... | | | | | 4,889,709 | 26,035 | 4,915,744 |
| Investment income..... | | | | | 252,218 | 368,591 | 620,809 |
| Transfers in (out) to fiduciary funds..... | | | | | (1,737,409) | 25,218 | (1,712,191) |
| TOTAL GENERAL REVENUES..... | | | | | 192,824,977 | 419,844 | 193,244,821 |
| CHANGE IN NET POSITION..... | | | | | 19,878,615 | 2,447,065 | 22,325,680 |
| NET POSITION - JULY 1, 2013..... | | | | | (36,416,362) | 48,179,712 | 11,763,350 |
| NET POSITION - JUNE 30, 2014..... | | | | | \$ (16,537,747) | \$ 50,626,777 | \$ 34,089,030 |

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

CITY OF CRANSTON, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

| | GENERAL FUND | SCHOOL DEPARTMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | |
| Cash | \$ 24,495,074 | \$ 1,759 | \$ 14,543,777 | \$ 39,040,610 |
| Investments | | | 11,866 | 11,866 |
| Receivables: | | | | |
| Taxes, net | 184,649,484 | | | 184,649,484 |
| Intergovernmental | 7,519,295 | | 468,772 | 7,988,067 |
| Loans | | | 3,123,481 | 3,123,481 |
| Other | 3,819 | 1,237,126 | 173,322 | 1,414,267 |
| Prepays | 121,860 | 115,402 | | 237,262 |
| Other assets | | - | | - |
| Advance deposits - hospitalization | 324,800 | | | 324,800 |
| Due from other governments | | | 1,475,628 | 1,475,628 |
| Advances to School Department | 1,260,000 | | | 1,260,000 |
| Due from other funds | 2,047,119 | 6,294,974 | 133,100 | 8,475,193 |
| TOTAL ASSETS | \$ 220,421,451 | \$ 7,649,261 | \$ 19,929,946 | \$ 248,000,658 |
| LIABILITIES AND FUND BALANCES: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 4,160,893 | \$ 2,236,661 | \$ 1,103,933 | \$ 7,501,487 |
| Accrued payroll | 2,585,086 | | 2,406 | 2,587,492 |
| Accrued liabilities | 392,248 | | | 392,248 |
| Retainage payable | | | 58,239 | 58,239 |
| Due to other funds | 141,802 | 2,615,586 | 2,126,865 | 4,884,253 |
| Unearned revenue | 187,625,160 | | 3,913,423 | 191,538,583 |
| Claims payable | 734,824 | | | 734,824 |
| Other liabilities | - | | 6,718 | 6,718 |
| Advances from City | | 1,260,000 | | 1,260,000 |
| TOTAL LIABILITIES | 195,640,013 | 6,112,247 | 7,211,584 | 208,963,844 |
| FUND BALANCES: | | | | |
| Nonspendable | 1,706,660 | 4,543,783 | - | 6,250,443 |
| Restricted | 256,362 | | 12,885,640 | 13,142,002 |
| Committed | 1,884,028 | 320,650 | - | 2,204,678 |
| Assigned | - | | 11,656 | 11,656 |
| Unassigned | 20,934,388 | (3,327,419) | (178,934) | 17,428,035 |
| TOTAL FUND BALANCES | 24,781,438 | 1,537,014 | 12,718,362 | 39,036,814 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 220,421,451 | \$ 7,649,261 | \$ 19,929,946 | \$ 248,000,658 |

(Continued)

CITY OF CRANSTON, RHODE ISLAND

RECONCILIATION OF FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (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)..... | \$ | 39,036,814 |
| CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS: | | |
| Beginning capital assets and current additions..... | | 137,130,140 |
| Depreciation expense..... | | (4,727,065) |
| Disposal of capital assets..... | | (35,177) |
| 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)..... | | 1,884,728 |
| Deferred revenue adjustment..... | | 6,360,106 |
| Deferred charge on refunding..... | | 1,868,449 |
| 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 position..... | | 1,652,598 |
| 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..... | | (81,108,679) |
| Leases payable..... | | (720,000) |
| Compensated absences..... | | (11,972,789) |
| Deferred salary..... | | (152,485) |
| Net pension obligation..... | | (96,680,237) |
| Net OPEB obligation..... | | (8,065,792) |
| Claims and judgements..... | | (100,000) |
| Accrued interest payable..... | | (908,358) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES..... | \$ | <u>(16,537,747)</u> |

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | GENERAL FUND | SCHOOL DEPARTMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | |
| General property taxes..... | \$ 180,400,427 | | | \$ 180,400,427 |
| Intergovernmental..... | 18,540,384 | \$ 43,025,736 | \$ 10,136,238 | 71,702,358 |
| Charges for services..... | 11,908,474 | 2,583,038 | 1,200,887 | 15,692,399 |
| Investment income..... | 75,694 | | 175,147 | 250,841 |
| State on-behalf pension contributions..... | | 6,125,457 | | 6,125,457 |
| Other..... | 3,047,219 | 989,499 | 762,092 | 4,798,810 |
| TOTAL REVENUES | 213,972,198 | 52,723,730 | 12,274,364 | 278,970,292 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 9,188,832 | | 1,038,918 | 10,227,750 |
| Public safety..... | 76,092,058 | | 1,303,408 | 77,395,466 |
| Public works..... | 15,525,053 | | | 15,525,053 |
| Education..... | | 140,723,249 | 8,155,887 | 148,879,136 |
| Parks and recreation..... | 2,328,595 | | 35,362 | 2,363,957 |
| Public libraries..... | 3,310,857 | | 128,545 | 3,439,402 |
| Senior services..... | 2,981,184 | | 102,855 | 3,084,039 |
| Community development..... | | | 1,659,368 | 1,659,368 |
| Other..... | 128,974 | | | 128,974 |
| Debt Service: | | | | |
| Principal..... | 6,815,000 | | | 6,815,000 |
| Interest and other costs..... | 3,432,186 | | 203,173 | 3,635,359 |
| Capital Outlay: | | | | |
| Capital expenditures..... | | | 6,069,584 | 6,069,584 |
| TOTAL EXPENDITURES | 119,802,739 | 140,723,249 | 18,697,100 | 279,223,088 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 94,169,459 | (87,999,519) | (6,422,736) | (252,796) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Issuance of debt..... | | | 10,210,000 | 10,210,000 |
| Bond premium..... | | | 111,906 | 111,906 |
| Repayment of debt to escrow agent..... | | | - | - |
| Transfers in..... | 250,000 | 91,805,646 | - | 92,055,646 |
| Transfers out..... | (93,793,055) | - | - | (93,793,055) |
| NET OTHER FINANCING SOURCES (USES) | (93,543,055) | 91,805,646 | 10,321,906 | 8,584,497 |
| NET CHANGE IN FUND BALANCES | 626,404 | 3,806,127 | 3,899,170 | 8,331,701 |
| FUND BALANCES - JULY 1, 2013 | 24,155,034 | (2,269,113) | 8,819,192 | 30,705,113 |
| FUND BALANCES - JUNE 30, 2014 | \$ 24,781,438 | \$ 1,537,014 | \$ 12,718,362 | \$ 39,036,814 |

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

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, 2014

| | |
|---|--------------------|
| 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)..... | \$ 8,331,701 |
| <p>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:</p> | |
| Capital outlay..... | 8,906,912 |
| Depreciation expense..... | <u>(4,727,065)</u> |
| Total..... | 4,179,847 |
| <p>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 <i>loss</i> 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.....</p> | |
| | <u>(35,177)</u> |
| <p>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:</p> | |
| Decrease in deferred revenue-tax receivable..... | 7,802,501 |
| Increase in property tax interest and lien revenue..... | <u>314,855</u> |
| Total..... | 8,117,356 |
| <p>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:</p> | |
| Debt issued or incurred: | |
| Bonds and capital lease..... | (10,210,000) |
| Principal repayments: | |
| General obligation bonds..... | 6,470,000 |
| Certificates of participation..... | |
| Capital lease..... | <u>345,000</u> |
| Total..... | <u>(3,395,000)</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, 2014

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..... | (81,337) |
| Net pension obligation..... | 2,205,816 |
| Net OPEB obligation..... | (84,804) |
| Amortization of deferred charge on refunding..... | (265,908) |
| Amortization of bond premium..... | 129,520 |
| Accrued interest payable..... | <u>384</u> |
| Total | <u>1,903,671</u> |
| The net revenue of the activities of the Internal Service Fund is reported with governmental activities..... | <u>776,217</u> |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B) | <u>\$ 19,878,615</u> |

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | |
|--|--|---|----------------------|----------------------------|---------------------|
| | MAJOR FUNDS | | | INTERNAL SERVICE FUND | |
| | SEWER | PUBLIC FACILITIES MANAGEMENT FOUNDATION | NONMAJOR PROGRAMS | | TOTALS |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents..... | \$ 10,717,554 | | \$ 211,213 | \$ 10,928,767 | \$ 474,630 |
| Prepaid expenses..... | | | 24,304 | 24,304 | - |
| Inventory..... | | | 30,547 | 30,547 | |
| Receivables: | | | | | |
| Sewer assessments and user fees, net..... | 1,121,657 | | | 1,121,657 | |
| Other..... | - | | 16,227 | 16,227 | 9,281 |
| Due from other funds..... | 54,017 | | 945,319 | 999,336 | 7,499 |
| Capital lease..... | | \$ 355,000 | | 355,000 | |
| Intergovernmental..... | 2,201,229 | | 154,686 | 2,355,915 | |
| Claims deposits..... | | | | - | 6,184,642 |
| Loan origination fees..... | 63,904 | | | 63,904 | |
| Total Current Assets | 14,158,361 | 355,000 | 1,382,296 | 15,895,657 | 6,676,052 |
| Noncurrent Assets: | | | | | |
| Capital lease receivable..... | | 365,000 | | 365,000 | |
| Advance deposits - medical..... | | | | - | 801,500 |
| Loan origination fees, net of current portion..... | 115,057 | - | | 115,057 | |
| Other assets..... | | 500 | | 500 | |
| Cash held in escrow..... | 15,630,982 | | | 15,630,982 | |
| Subtotal Noncurrent Assets | 15,746,039 | 365,500 | - | 16,111,539 | 801,500 |
| Capital Assets: | | | | | |
| Capital assets, net of accumulated depreciation..... | 61,122,421 | 59,057 | 100,762 | 61,282,240 | |
| Total Noncurrent Assets | 76,868,460 | 424,557 | 100,762 | 77,393,779 | 801,500 |
| TOTAL ASSETS | 91,026,821 | 779,557 | 1,483,058 | 93,289,436 | 7,477,552 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable..... | 1,975,367 | | 286,013 | 2,261,380 | 10,518 |
| Accrued payroll..... | 291 | | | 291 | 258 |
| Compensated absences..... | | | 37,380 | 37,380 | |
| Accrued interest..... | 86,764 | 3,600 | | 90,364 | |
| Due to other funds..... | - | | 169,394 | 169,394 | 4,428,381 |
| Claims payable..... | | | | - | 1,385,797 |
| Unearned revenue..... | - | | | - | |
| Long-term liabilities due within one year..... | 568,824 | 355,000 | | 923,824 | |
| Total Current Liabilities | 2,631,246 | 358,600 | 492,787 | 3,482,633 | 5,824,954 |
| Noncurrent Liabilities: | | | | | |
| Net OPEB obligation..... | | | 61,886 | 61,886 | |
| Long-term liabilities due in more than one year..... | 22,818,364 | 368,733 | | 23,187,097 | |
| Total Noncurrent Liabilities | 22,818,364 | 368,733 | 61,886 | 23,248,983 | - |
| TOTAL LIABILITIES | 25,449,610 | 727,333 | 554,673 | 26,731,616 | 5,824,954 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred sewer lease arrangement..... | 15,931,043 | | | 15,931,043 | |
| NET POSITION | | | | | |
| Net Investment in capital assets..... | 37,914,194 | 55,324 | 100,762 | 38,070,280 | |
| Unrestricted Amounts (deficit)..... | 11,731,974 | (3,100) | 827,623 | 12,556,497 | 1,652,598 |
| TOTAL NET POSITION | \$ 49,646,168 | \$ 52,224 | \$ 928,385 | \$ 50,626,777 | \$ 1,652,598 |

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

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES |
|---|---|-----------|----------------------|---------------|----------------------------|
| | PUBLIC FACILITIES MANAGEMENT FOUNDATION | | | TOTALS | INTERNAL SERVICE FUND |
| | SEWER | | NONMAJOR PROGRAMS | | |
| OPERATING REVENUES: | | | | | |
| Charges for usage and service..... | \$ 19,789,888 | \$ 26,775 | \$ 807,584 | \$ 20,624,247 | \$ 22,546,974 |
| Intergovernmental..... | | | 2,441,887 | 2,441,887 | |
| Tuition..... | | | 2,494,896 | 2,494,896 | |
| Miscellaneous..... | 775,780 | | 26,035 | 801,815 | 90,899 |
| TOTAL OPERATING REVENUES..... | 20,565,668 | 26,775 | 5,770,402 | 26,362,845 | 22,637,873 |
| OPERATING EXPENSES: | | | | | |
| Operations..... | 708,037 | 21,271 | 3,783,739 | 4,513,047 | 544,075 |
| Personnel..... | 94,682 | | 1,775,455 | 1,870,137 | 92,150 |
| Claims..... | | | | - | 210,975 |
| Contract payments..... | 15,355,078 | | | 15,355,078 | |
| Capital expenditures | - | | | - | |
| Health care management..... | | | | | 21,015,833 |
| Depreciation..... | 2,258,347 | 18,756 | 21,976 | 2,299,079 | |
| TOTAL OPERATING EXPENSES..... | 18,416,144 | 40,027 | 5,581,170 | 24,037,341 | 21,863,033 |
| OPERATING INCOME (LOSS)..... | 2,149,524 | (13,252) | 189,232 | 2,325,504 | 774,840 |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Interest expense..... | (156,234) | (21,317) | | (177,551) | |
| Investment income..... | 368,559 | | 32 | 368,591 | 1,377 |
| Amortization..... | (63,904) | (30,793) | | (94,697) | |
| TOTAL NONOPERATING REVENUES (EXPENSES): | 148,421 | (52,110) | 32 | 96,343 | 1,377 |
| Transfer in..... | | 25,218 | | 25,218 | |
| NET NONOPERATING REVENUES (EXPENSES)..... | 148,421 | (26,892) | 32 | 121,561 | 1,377 |
| CHANGE IN NET POSITION..... | 2,297,945 | (40,144) | 189,264 | 2,447,065 | 776,217 |
| NET POSITION - JULY 1, 2013..... | 47,348,223 | 92,368 | 739,121 | 48,179,712 | 876,381 |
| NET POSITION - JUNE 30, 2014..... | \$ 49,646,168 | \$ 52,224 | \$ 928,385 | \$ 50,626,777 | \$ 1,652,598 |

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, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES |
|---|--|---|----------------------|------------------------|----------------------------|
| | SEWER | PUBLIC FACILITIES MANAGEMENT FOUNDATION | NONMAJOR PROGRAMS | TOTALS | INTERNAL SERVICE FUND |
| | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash received from customers..... | \$ 4,792,207 | \$ 26,775 | \$ 3,334,649 | \$ 8,153,631 | \$ 640,899 |
| Cash received from other sources..... | | | 2,453,428 | 2,453,428 | |
| Cash received from providing services..... | | | | | 22,054,417 |
| Cash paid to suppliers..... | (15,355,078) | | (738,795) | (16,093,873) | |
| Cash paid to employees..... | (94,391) | | (1,769,536) | (1,863,927) | (91,892) |
| Cash paid for claims..... | | | | - | (20,583,092) |
| Cash paid for other operating expenses..... | (1,523,540) | (21,271) | (3,026,509) | (4,571,320) | (535,359) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | (12,180,802) | 5,504 | 253,237 | (11,922,061) | 1,484,973 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Non-operating grants received..... | (500,000) | - | - | (500,000) | - |
| Transfers - change in interfund balances..... | - | - | (196,189) | (196,189) | - |
| Receipts from (payments on) in interfund loans..... | 509,091 | - | (24,604) | 484,487 | (1,577,843) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES..... | 9,091 | - | (220,793) | (211,702) | (1,577,843) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition of capital assets..... | (2,233,665) | (3,947) | (13,845) | (2,251,457) | |
| Collection of capital lease payment..... | | 345,000 | | 345,000 | |
| Transfer in..... | | 25,218 | | 25,218 | |
| Bond proceeds..... | 17,767,150 | | | 17,767,150 | |
| Principal paid on bonds..... | (565,327) | (345,000) | | (910,327) | |
| Interest paid on bonds..... | (100,028) | (26,775) | | (126,803) | |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES..... | 14,868,130 | (5,504) | (13,845) | 14,848,781 | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Income from investments..... | 368,559 | | 32 | 368,591 | 1,377 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES..... | 368,559 | - | 32 | 368,591 | 1,377 |
| NET INCREASE (DECREASE) IN CASH..... | 3,064,978 | - | 18,631 | 3,083,609 | (91,493) |
| CASH - JULY 1, 2013 (INCLUDING RESTRICTED CASH)..... | 7,652,576 | - | 192,582 | 7,845,158 | 566,123 |
| CASH - JUNE 30, 2014 (INCLUDING RESTRICTED CASH)..... | \$ 10,717,554 | \$ - | \$ 211,213 | \$ 10,928,767 | \$ 474,630 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | | |
| Operating income (loss)..... | \$ 2,149,524 | \$ (13,252) | \$ 189,232 | \$ 2,325,504 | \$ 774,840 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | | |
| Depreciation..... | 2,258,347 | 18,756 | 21,976 | 2,299,079 | |
| Amortization..... | - | | | - | |
| (Increase) decrease in accounts receivable..... | (133,974) | | 6,134 | (127,840) | 57,443 |
| Increase in claims deposit..... | | | | - | (1,097,540) |
| Increase in inventory..... | | | 10,064 | 10,064 | |
| (Increase) decrease in intergovernmental receivables..... | (13,391,835) | | 11,541 | (13,380,294) | |
| Increase (decrease) in accounts payable..... | (815,503) | | 7,533 | (807,970) | 8,716 |
| Increase (decrease) in accrued payroll..... | 291 | | | 291 | 258 |
| Increase in compensated absences..... | | | 758 | 758 | |
| Increase (decrease) in prepaid assessments..... | (327,652) | | 80 | (327,572) | 1,853,726 |
| Decrease in OPEB..... | | | 5,919 | 5,919 | |
| Decrease in claims payable..... | | | | - | (112,470) |
| Decrease in unearned revenue..... | (1,920,000) | | | (1,920,000) | |
| Decrease in advanced deposits..... | | | | - | |
| Decrease in compensated absences..... | | | | - | |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | \$ (12,180,802) | \$ 5,504 | \$ 253,237 | \$ (11,922,061) | \$ 1,484,973 |

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

**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 POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

| | PENSION TRUST FUND | OPEB TRUST FUND | PRIVATE PURPOSE TRUST FUND | AGENCY FUNDS |
|---|--------------------------|-----------------------|----------------------------------|-----------------|
| ASSETS: | | | | |
| Cash and cash equivalents..... | \$ 6,907,201 | \$ 523,302 | \$ 113,254 | \$ 847,462 |
| Investments: | | | | |
| Guaranteed Investment Contracts..... | - | | | |
| Real Estate Investment Trust..... | 3,624,470 | | | |
| Equity Mutual Funds..... | 35,939,760 | | | |
| Fixed Income Mutual Funds..... | 16,837,794 | | | |
| Annuity Funds..... | 3,333,073 | | | |
| Total Investments..... | 59,735,097 | - | | - |
| Accounts receivable..... | - | 2,394,994 | | |
| TOTAL ASSETS..... | 66,642,298 | 2,918,296 | 113,254 | 847,462 |
| LIABILITIES: | | | | |
| Accounts payable..... | 3,711 | - | | |
| Deposits held in custody for others..... | | | | 847,462 |
| TOTAL LIABILITIES..... | 3,711 | - | - | 847,462 |
| NET POSITION HELD IN TRUST FOR PENSION AND OPEB BENEFITS AND OTHER PURPOSES..... | \$ 66,638,587 | \$ 2,918,296 | \$ 113,254 | \$ - |

CITY OF CRANSTON, RHODE ISLANDSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | PENSION TRUST FUND | OPEB TRUST FUND | PRIVATE PURPOSE TRUST FUND |
|--|--------------------------|-----------------------|----------------------------------|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer contributions..... | \$ 21,994,344 | \$ 5,415,673 | |
| Plan member contributions..... | 368,574 | 276,018 | \$ 5,107 |
| Other..... | 439,544 | - | |
| Total contributions..... | 22,802,462 | 5,691,691 | 5,107 |
| Investment income: | | | |
| Interest and dividends..... | 941,366 | 1,345 | 106 |
| Net appreciation in the fair value of investments..... | 8,712,907 | | |
| Total investment income..... | 9,654,273 | 1,345 | 106 |
| TOTAL ADDITIONS..... | 32,456,735 | 5,693,036 | 5,213 |
| DEDUCTIONS: | | | |
| Benefits..... | 23,747,994 | 3,847,240 | - |
| Other..... | | | 7,460 |
| Administrative expenses..... | 629,880 | 17,425 | |
| TOTAL DEDUCTIONS..... | 24,377,874 | 3,864,665 | 7,460 |
| CHANGE IN NET POSITION..... | 8,078,861 | 1,828,371 | (2,247) |
| NET POSITION - JULY 1, 2013..... | 58,559,726 | 1,089,925 | 115,501 |
| NET POSITION- JUNE 30, 2014..... | \$ 66,638,587 | \$ 2,918,296 | \$ 113,254 |

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

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

HISTORY AND ORGANIZATION

The City of Cranston, Rhode Island (the City) was incorporated in 1910 and covers an area of nearly 30 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.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B. Recently Issued Accounting Standards**

During the fiscal year ended June 30, 2014 the City implemented the following new accounting pronouncements:

- 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 – 2012 – an amendment of GASB Statements No. 10 and No. 63, effective for the fiscal year ending June 30, 2014. Adoption of this Statement did not have a significant impact on the City’s fiscal 2014 statements.
- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014. Adoption of this Statement did not have a significant impact on the City’s fiscal 2014 statements.

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

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

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

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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 position and the statement of activities) 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.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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 fund consists of state aid, City appropriation and Medicaid revenues.

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 and report the proceeds of revenue sources (other than major capital projects) that are restricted or committed 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 as a custodian on behalf of students and amounts held for performance bonds.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**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)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)****1. Deposits and Investments (Continued)**

The City's pension funds are invested in accordance with the Plan's 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 10 to 100% of outstanding receivable balances at June 30, 2014, and are calculated based 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 unearned 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 4.0% over those of the preceding year. Overdue taxes are assessed penalties and will be collected through the sale of tax titles if required.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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 \$5,000 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)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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 position. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2014 the City of Cranston, Rhode Island had three items that qualified as deferred outflows of resources; property taxes levied in June 2014 for the next fiscal year, deferred charge on refunding and loan origination fees reported in the government-wide statement of net position. The property taxes levied in June 2014 totaling \$178,886,596. The deferred charge on the refunding totaling \$1,868,449 is the unamortized balance of the difference between the carrying value of the refunded debt and the new debt. The loan origination fees totaling \$178,961 is the unamortized loan origination fees balance on the outstanding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2014 the City of Cranston, Rhode Island had two items that qualify as deferred inflows of resources in the governmental funds balance sheet. The unearned tax revenue represents property taxes receivables which are assessed on December 31, 2012 and prior and are not collected within 60 days of June 30, 2014. Net unearned tax revenue included in the fund financial statements were \$185,178,476 at June 30, 2014. The other deferred inflow consists of a deferred sewer lease arrangement and the amount deferred as of June 30, 2014 was \$15,931,043. These amounts are deferred and will be recognized inflows of resources in the years in which the amounts become available.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)****9. Fund Balance and Net Position**Net Position

Net position is classified in the following categories in the government-wide and proprietary fund financial statements:

- (a) Net investment in capital assets – consists of all 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 position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws, or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- (c) Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

In the governmental fund financial statements, the City reported the following governmental fund balances:

- (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.
- (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 which can commit fund balance through the adoption of resolutions. Similar action must be taken to remove or revise commitments.
- (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, and any residual deficit balance of any other governmental funds.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)****9. Fund Balance and Net Position (Continued)**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. The fund was established by a City ordinance. 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. As of June 30, 2014, the remaining fund balance included in this fund was \$289,259 and is reported in the totals of the City’s general fund on the governmental funds balance sheet.
- (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. The fund was established by a City ordinance. Any additions are required to be approved by City ordinance. 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. As of June 30, 2014, the remaining fund balance included in this fund was \$1,594,769 and is reported in the totals of the City’s General Fund on the governmental funds balance sheet.

10. 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. Actual results could differ from those estimates.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 (within a department) at any time during the fiscal year. Intradepartmental transfers (between different departments) 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, 2014, intradepartmental transfers and supplemental appropriations netted an increase to the original adopted budget by \$2,183,845.

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 ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)****B. Capital Projects Authorizations**

The following is a summary of projects recorded in the Capital Projects Fund at June 30, 2014:

| PROJECT NAME | PROJECT AUTHORIZATION | CURRENT YEAR EXPENDITURES | CUMULATIVE EXPENDITURES | BALANCE JUNE 30, 2014 |
|----------------------------------|-----------------------|---------------------------|-------------------------|-----------------------|
| GOVERNMENTAL FUNDS: | | | | |
| School bond fund | \$ 20,263,772 | \$ 236,392 | \$ 16,200,820 | \$ 4,062,952 |
| Police and fire bond fund | \$ 10,782,166 | \$ 799,188 | \$ 8,565,778 | \$ 2,216,388 |
| Public building bond fund | \$ 1,500,000 | \$ 52,189 | \$ 1,426,015 | \$ 73,985 |
| Recreation bond fund | \$ 3,328,932 | \$ 676,981 | \$ 2,932,677 | \$ 396,255 |
| Highway bond fund | \$ 9,104,674 | \$ 1,479,723 | \$ 7,346,925 | \$ 1,757,749 |
| Storm drains bond fund | \$ 1,096,893 | \$ 125,924 | \$ 922,817 | \$ 174,076 |
| Library bond fund | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ - |
| Neighborhood infrastructure fund | \$ 1,531,223 | \$ (18,598) | \$ 1,423,125 | \$ 108,098 |
| Open space bond fund | \$ 1,996,090 | \$ - | \$ 1,996,090 | \$ - |
| ENTERPRISE FUNDS: | | | | |
| Sewer system project | \$ 22,000,000 | \$ 4,857,584 | \$ 6,869,018 | \$ 15,130,982 |

C. Deficit Fund Balance

During the year ended June 30, 2014, the City had a deficit fund balance in the following funds:

Non-Major Governmental Funds

| | |
|-----------------------------------|------------|
| Community Development Block Grant | \$ 23,274 |
| WIA Job Development Fund | \$ 120,745 |
| Special Fire Duty | \$ 34,917 |

The non – major fund deficits will be eliminated through future intergovernmental grant receipts, repayment of program loans or inter-fund contributions.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, the City's bank balance of \$59,968,084 was insured and collateralized as follows:

| | |
|--|----------------------|
| Insured | \$ 7,780,089 |
| Uninsured | 16,422,831 |
| Collateralized: | |
| Collateral held by pledging banks' trust department, not in the City's name | 35,765,164 |
| Total amount subject to custodial risk | <u>\$ 59,968,084</u> |

The City's carrying value of cash and cash equivalents at June 30, 2014 was \$58,835,226, and is presented within the following in the financial statements:

| | |
|-----------------------------|---------------------|
| Governmental Activities | \$39,040,610 |
| Business-Type Activities | 10,928,767 |
| Pension Trust Funds | 6,907,201 |
| OPEB Trust Funds | 523,302 |
| Internal Service Funds | 474,630 |
| Private Purpose Trust Funds | 113,254 |
| Agency Funds | 847,462 |
| Total | <u>\$58,835,226</u> |

2. Certain investments are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$250,000 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 ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****A. Cash and Investments (Continued)**

At June 30, 2014, 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 (Pension Trust Fund) | \$ 35,939,760 | \$ 35,939,760 | \$ - | \$ - |
| Fixed Income Mutual Funds (Pension Trust Fund)..... | 16,837,794 | 16,837,794 | | |
| Annuities (Pension Trust Fund) | 3,333,073 | 3,333,073 | | |
| Real Estate Investment Trusts (Pension Trust Fund)..... | 3,624,470 | 3,624,470 | | |
| Certificates of Deposit (General Fund).. | 11,866 | | 11,866 | |
| TOTAL..... | \$ 59,746,963 | \$ 59,735,097 | \$ 11,866 | \$ - |

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 94% of the City's investments are in mutual funds and annuities. The remaining 6% 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, 2014.

At June 30, 2014 the City's investments totaled \$59,746,963 (including those held in Fiduciary Funds) and those investment options representing 5% or more of the total investment balance are as follows:

| <u>Investment</u> | <u>Percentage</u> | <u>Fair Value</u> |
|---|-------------------|-------------------|
| Russell US Small Cap Equity CL A | 5.46% | \$ 3,261,114 |
| Skybridge Multi-Advisor Hedge Fund Port LLC Ser G | 6.07% | \$ 3,624,470 |
| Jackson National Life Insurance Company - Elice Access with Liquidity | 5.58% | \$ 3,333,073 |

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 ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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:

| | PROPERTY TAXES | | |
|-----------------------------------|-----------------------|---------------------|-----------------------|
| | TAXES | INTEREST & LIENS | TOTAL |
| Current Portion..... | \$ 187,537,061 | \$ 3,789,807 | \$ 191,326,868 |
| Less Allowance for Uncollectibles | (2,887,577) | (1,905,079) | (4,792,656) |
| Total Receivable | <u>\$ 184,649,484</u> | <u>\$ 1,884,728</u> | <u>\$ 186,534,212</u> |

These receivables are reported on the Statement of Net Position as follows:

| | |
|-------------------------------|-----------------------|
| Receivables –Property Taxes | \$ 7,647,619 |
| Deferred Outflow of Resources | <u>178,886,593</u> |
| Total | <u>\$ 186,534,212</u> |

| | ECONOMIC DEVELOPMENT | | | CDBG LOANS | UDAG LOANS | TOTAL |
|------------------------|-------------------------|--------------------|-----------------|---------------|---------------------|-------|
| | LOANS | | | | | |
| Gross Receivable | <u>\$917,216</u> | <u>\$2,176,265</u> | <u>\$30,000</u> | | <u>\$ 3,123,481</u> | |

| | SEWER USE CHARGES | | |
|-----------------------------------|-------------------|---------------------|---------------------|
| | USE CHARGES | INTEREST & LIENS | TOTAL |
| Current Portion..... | \$ 1,285,136 | \$ 276,162 | \$ 1,561,298 |
| Less Allowance for Uncollectibles | (373,544) | (66,097) | (439,641) |
| Total Receivable | <u>\$ 911,592</u> | <u>\$ 210,065</u> | <u>\$ 1,121,657</u> |

Governmental funds report *unearned 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 *unearned revenue* reported in the governmental funds were as follows:

UNEARNED REVENUE:

| | |
|---|------------------|
| Property taxes receivable (general fund)..... | \$183,801,517 |
| Advance tax collections..... | 3,671,290 |
| Unearned developer security deposits..... | 152,353 |
| Grant draw-downs prior to meeting all eligibility requirements..... | <u>3,913,423</u> |

TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS..... \$191,538,583

SEWER PROPRIETARY FUND:

| | |
|--|----------------------|
| Deferred sewer lease arrangement | <u>\$ 15,931,043</u> |
|--|----------------------|

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014III. DETAILED NOTES (CONTINUED)C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | BALANCE JULY 1, 2013 | INCREASES | DECREASES | BALANCE 6/30/2014 |
|---|-------------------------|--------------|----------------|----------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land..... | \$ 13,509,344 | \$ 791,998 | | \$ 14,301,342 |
| Construction in progress..... | 1,214,619 | 2,994,710 | \$ (2,437,999) | 1,771,330 |
| Infrastructure (modified approach)..... | 34,800,186 | | | 34,800,186 |
| Total capital assets, not being depreciated..... | 49,524,149 | 3,786,708 | (2,437,999) | 50,872,858 |
| Capital Assets, being depreciated: | | | | |
| Land improvements..... | 20,281,861 | 1,734,353 | | 22,016,214 |
| Buildings..... | 90,934,395 | 3,631,739 | - | 94,566,134 |
| Machinery and equipment..... | 5,046,107 | 975,776 | - | 6,021,883 |
| Office furniture and equipment..... | 6,729,602 | 285,181 | (5,468) | 7,009,315 |
| Vehicles..... | 16,570,392 | 931,154 | (475,759) | 17,025,787 |
| Infrastructure..... | 49,119,444 | - | | 49,119,444 |
| Total capital assets, being depreciated..... | 188,681,801 | 7,558,203 | (481,227) | 195,758,777 |
| Total capital assets..... | 238,205,950 | 11,344,911 | (2,919,226) | 246,631,635 |
| Less accumulated depreciation for: | | | | |
| Land improvements..... | 10,111,735 | 898,225 | - | 11,009,960 |
| Buildings..... | 40,252,677 | 1,482,081 | - | 41,734,758 |
| Machinery and equipment..... | 3,936,799 | 439,678 | - | 4,376,477 |
| Office furniture and equipment..... | 6,173,653 | 184,646 | (5,468) | 6,352,831 |
| Vehicles..... | 14,605,889 | 714,136 | (440,582) | 14,879,443 |
| Infrastructure..... | 34,901,969 | 1,008,299 | - | 35,910,268 |
| Total accumulated depreciation..... | 109,982,722 | 4,727,065 | (446,050) | 114,263,737 |
| Total Capital Assets, being depreciated, net..... | 78,699,079 | 2,831,138 | (35,177) | 81,495,040 |
| Governmental Activities Capital Assets, net..... | \$ 128,223,228 | \$ 6,617,846 | \$ (2,473,176) | \$ 132,367,898 |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****C. Capital Assets (Continued)**

| | BALANCE JULY 1, 2013 | INCREASES | DECREASES | BALANCE JUNE 30, 2014 |
|---|-------------------------|-------------|-----------|--------------------------|
| Business-Type Activities: | | | | |
| <u>Capital Assets, not being depreciated:</u> | | | | |
| Land..... | \$ 342,712 | \$ - | \$ - | \$ 342,712 |
| Construction in progress..... | 2,966,147 | 2,107,384 | - | 5,073,531 |
| Total capital assets, not being depreciated..... | 3,308,859 | 2,107,384 | - | 5,416,243 |
| <u>Capital Assets, being depreciated/amortized:</u> | | | | |
| Land improvements..... | 266,795 | - | - | 266,795 |
| Leasehold improvements..... | 183,615 | 3,947 | - | 187,562 |
| Machinery and Equipment..... | 493,751 | 13,844 | (3,914) | 503,681 |
| Office furniture and equipment..... | 1,124 | - | - | 1,124 |
| Vehicles..... | 20,089 | - | - | 20,089 |
| Service to customers..... | 98,337 | - | - | 98,337 |
| Pumping plant and equipment..... | 3,721,905 | - | - | 3,721,905 |
| GIS project..... | 1,103,833 | - | - | 1,103,833 |
| Treatment plant and equipment..... | 76,197,446 | - | - | 76,197,446 |
| Infrastructure..... | 49,488,107 | 126,282 | - | 49,614,389 |
| Total capital assets, being depreciated/amortized..... | 131,575,002 | 144,073 | (3,914) | 131,715,161 |
| Total capital assets..... | 134,883,861 | 2,251,457 | (3,914) | 137,131,404 |
| <u>Less accumulated depreciation/amortization for:</u> | | | | |
| Land improvements..... | 240,602 | 7,694 | - | 248,296 |
| Leasehold improvements..... | 109,748 | 18,756 | - | 128,504 |
| Machinery and Equipment..... | 382,190 | 23,088 | (3,914) | 401,364 |
| Office furniture and equipment..... | 840 | 63 | - | 903 |
| Vehicles..... | 15,902 | 1,674 | - | 17,576 |
| Service to customers..... | 73,427 | 1,967 | - | 75,394 |
| Pumping plant and equipment..... | 1,961,722 | 70,348 | - | 2,032,070 |
| GIS project..... | 1,103,833 | - | - | 1,103,833 |
| Treatment plant and equipment..... | 39,043,095 | 1,521,196 | - | 40,564,291 |
| Infrastructure..... | 30,622,640 | 654,293 | - | 31,276,933 |
| Total accumulated depreciation/amortization..... | 73,553,999 | 2,299,079 | (3,914) | 75,849,164 |
| Total Capital Assets, being depreciated/amortized, net..... | 58,021,003 | (2,155,006) | - | 55,865,997 |
| Business-Type Activities Capital Assets, net..... | \$ 61,329,862 | \$ (47,622) | \$ - | \$ 61,282,240 |

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

Governmental Activities:

| | |
|---|---------------------|
| General government..... | \$ 3,520,518 |
| Public safety..... | 789,691 |
| Public works..... | 199,932 |
| Education..... | 104,805 |
| Parks and recreation..... | 93,244 |
| Public libraries..... | 12,010 |
| Senior services..... | 6,865 |
| Total Depreciation Expense – Governmental Activities..... | <u>\$ 4,727,065</u> |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****C. Capital Assets (Continued)**

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

Business-Type Activities:

| | |
|---|---------------------|
| Sewer..... | \$ 2,258,346 |
| Public facilities management foundation..... | 18,756 |
| School lunch..... | <u>21,977</u> |
| Total Depreciation Expense – Business-Type Activities | <u>\$ 2,299,079</u> |

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for certain infrastructure reporting for its subsurface roads. Subsurface roads are defined as the land and improvements that lay under the City roads. The City depreciates the road surface in accordance with GAAP. Under GASB Statement No. 34, these subsurface roads are considered to be 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 (which include the subsurface roads) 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 \$153,445 on street maintenance for the fiscal year ended June 30, 2014. 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 (including the subsurface roads) at the minimum PCI rating 70 through the year 2014 is a minimum of \$2,000,000.

Construction Commitments

The City has active construction projects as of June 30, 2014. At year end, the City's commitments with contractors are as follows:

| <u>Project</u> | <u>Commitment</u> |
|-------------------------------|----------------------|
| Governmental-Type Activities: | |
| Public Works | \$ 658,904 |
| Business-Type Activities: | |
| Sewer..... | <u>15,935,788</u> |
| Total..... | <u>\$ 16,594,692</u> |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****D. Interfund Accounts****1. Interfund Payables and Receivables**

A summary of interfund balances as of June 30, 2014 is as follows:

| | CORRESPONDING FUND | DUE FROM | DUE TO |
|-------------------------------------|-----------------------|------------------|------------------|
| MAJOR FUNDS: | | | |
| GENERAL FUND: | | | |
| School Unrestricted Fund | | \$ 1,617,453 | \$ |
| Emergency Management Fund | | 230 | |
| Community Development Fund | | 22,407 | |
| Special Duty Fire Fund | | 37,402 | |
| Flood Mitigation | | 173 | |
| Highway Bond Fund | | | 66,179 |
| Public Libraries | | | 11,792 |
| Special Duty Police Fund | | 213,941 | |
| WIA Job Development Fund | | 155,513 | |
| Police Federal Forfeiture | | | 1,530 |
| Historical Records | | | 785 |
| Internal Service Fund | | | 7,499 |
| Sewer Fund | | | 54,017 |
| TOTAL GENERAL FUND | | <u>2,047,119</u> | <u>141,802</u> |
| SCHOOL DEPARTMENT | | | |
| UNRESTRICTED: | | | |
| General Fund | | | 1,617,453 |
| School Lunch Fund | | 169,394 | |
| School Restricted Fund | | 1,697,199 | 52,814 |
| Health Insurance Fund | | 4,428,381 | |
| Charter School Fund | | | <u>945,319</u> |
| TOTAL SCHOOL SPECIAL REVENUE | | | |
| UNRESTRICTED | | <u>6,294,974</u> | <u>2,615,586</u> |
| PROPRIETARY FUNDS: | | | |
| Sewer Fund | General Fund | 54,017 | - |
| Internal Service Fund | General Fund | <u>7,499</u> | - |
| TOTAL ENTERPRISE FUNDS | | <u>61,516</u> | - |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****D. Interfund Accounts (Continued)****1. Interfund Payables and Receivables (Continued)**

| | CORRESPONDING FUND | DUE FROM | DUE TO |
|--|--------------------------|---------------------|---------------------|
| <u>NONMAJOR FUNDS:</u> | | | |
| Restricted School Funds | School Unrestricted Fund | \$ 52,814 | \$ 1,697,199 |
| Emergency Management Fund | General Fund | | 230 |
| Community Development Block Grant Fund | General Fund | | 22,407 |
| Flood Mitigation | General Fund | | 173 |
| Library Reserve..... | General Fund | | |
| Highway Bond Fund..... | General Fund | 66,179 | |
| Historical Records | General Fund | 785 | |
| Fire Grants and Donations | General Fund | | |
| Police Federal Forfeiture | General Fund | 1,530 | |
| Public Libraries | General Fund | 11,792 | |
| Special Duty Fire Fund..... | General Fund | | 37,402 |
| Special Duty Police Fund | General Fund | | 213,941 |
| WIA Job Development Fund..... | General Fund | | <u>155,513</u> |
| TOTAL NONMAJOR FUNDS | | <u>133,100</u> | <u>2,126,865</u> |
| <u>SCHOOL PROPRIETARY FUNDS:</u> | | | |
| Charter School Fund | School Unrestricted Fund | 945,319 | |
| Health Insurance Fund..... | School Unrestricted Fund | | 4,428,381 |
| School Lunch Fund..... | School Unrestricted Fund | | <u>169,394</u> |
| TOTAL SCHOOL ENTERPRISE FUNDS | | <u>945,319</u> | <u>4,597,775</u> |
| GRAND TOTAL..... | | <u>\$ 9,482,028</u> | <u>\$ 9,482,028</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 ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****D. Interfund Accounts (Continued)****2. Interfund Transfers**

A summary of interfund transfers as of June 30, 2014 is as follows:

| | <u>CORRESPONDING FUND</u> | <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> |
|---|-------------------------------|-------------------------|--------------------------|
| GENERAL FUND: | | | |
| School Unrestricted Fund | N/A | \$ | \$ 91,805,646 |
| Budget Stabilization Fund | N/A | 250,000 | 250,000 |
| Budget Stabilization Fund | N/A | | 1,712,191 |
| Public Facilities Management | N/A | | <u>25,218</u> |
| TOTAL GENERAL FUND..... | | <u>250,000</u> | <u>93,793,055</u> |
| SCHOOL UNRESTRICTED: | | | |
| General Fund..... | N/A | <u>91,805,646</u> | <u>0</u> |
| FIDUCIARY FUNDS: | | | |
| OPEB Trust Fund..... | General Fund | <u>1,712,191</u> | <u>0</u> |
| PROPRIETARY FUNDS: | | | |
| Public Facilities Management Foundation..... | General Fund | <u>25,218</u> | <u>0</u> |
| GRAND TOTAL | | <u>\$ 93,793,055</u> | <u>\$93,793,055</u> |

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
JUNE 30, 2014III. 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 were no bond anticipation notes issued during the fiscal year ending June 30, 2014.

F. Changes in Long-Term Obligations1. Summary of Changes

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

| Description | Date of Issue | Amount Issued | Interest Rate | Maturity Date | Balance Outstanding 6/30/2013 | Additions | Retirements | Balance Outstanding 6/30/2014 | Current Portion |
|--|---------------|---------------|---------------|---------------|-------------------------------|---------------|---------------|-------------------------------|-----------------|
| <i>Governmental Activities:</i> | | | | | | | | | |
| General obligation debt: | | | | | | | | | |
| 155 Public improvements | 02/18/04 | \$ 27,050,000 | 2.00-5.00% | 2/15/2024 | \$ 1,355,000 | | \$ 1,355,000 | | |
| 156 Advance refunding | 05/13/05 | \$ 22,280,000 | 3.00-5.00% | 7/15/2019 | 15,355,000 | | 2,080,000 | \$ 13,275,000 | \$ 2,180,000 |
| 157 Public improvements | 06/14/06 | \$ 23,900,000 | 4.00-5.00% | 4/1/2026 | 17,555,000 | | 1,025,000 | 16,530,000 | 1,065,000 |
| 158 Public improvements | 06/18/08 | \$ 13,075,000 | 4.00-5.00% | 7/1/2028 | 11,355,000 | | 485,000 | 10,870,000 | 510,000 |
| 159 School Borrowing-159 | 8/7/2008 | \$ 7,000,000 | 3.75-6.00% | 4/1/2029 | 6,055,000 | | 260,000 | 5,795,000 | 270,000 |
| 160 Public improvements | 7/8/2010 | \$ 3,000,000 | 2.00-4.3% | 7/1/2030 | 2,700,000 | | 150,000 | 2,550,000 | 150,000 |
| 161 School Borrowing-161 | 1/15/2011 | \$ 700,000 | 2.00-4.3% | 5/15/2031 | 560,000 | | 70,000 | 490,000 | 70,000 |
| 162A Public improvements | 3/29/2012 | \$ 3,430,000 | 2.00-4.37% | 2/1/1933 | 3,430,000 | | 175,000 | 3,255,000 | 175,000 |
| 162B Public improvements - refunding | 4/10/2012 | \$ 15,955,000 | 2.00-5.00% | 7/1/2023 | 15,955,000 | | 870,000 | 15,085,000 | 2,250,000 |
| 163 Public improvements | 7/30/2013 | \$ 10,210,000 | 3.00-4.75% | 8/1/2033 | | \$ 10,210,000 | = | 10,210,000 | 330,000 |
| Total general obligation bonds | | | | | 74,320,000 | 10,210,000 | 6,470,000 | 78,060,000 | 7,000,000 |
| Bond premiums | | | | | 3,178,199 | 160,811 | 290,331 | 3,048,679 | 290,331 |
| TOTAL BONDS AND RELATED LIABILITIES | | | | | 77,498,199 | 10,370,811 | 6,760,331 | 81,108,679 | 7,290,331 |
| Leases payable: | | | | | | | | | |
| PFMF LEASE | 12/14/10 | 1,725,000 | 2 - 3% | 11/1/2015 | 1,065,000 | | 345,000 | 720,000 | 355,000 |
| Total leases payable | | | | | 1,065,000 | - | 345,000 | 720,000 | 355,000 |
| TOTAL BONDS, NOTES AND RELATED LIABILITIES | | | | | 78,563,199 | 10,370,811 | 7,105,331 | 81,828,679 | 7,645,331 |
| COMPENSATED ABSENCES | | | | | 11,877,830 | 6,614,635 | 6,519,676 | 11,972,789 | 1,197,278 |
| DEFERRED SALARY | | | | | 166,107 | | 13,622 | 152,485 | 15,249 |
| NET PENSION OBLIGATION | | | | | 98,886,053 | | 2,205,816 | 96,680,237 | N/A |
| NET OPEB OBLIGATION - SCHOOL DEPARTMENT | | | | | 5,247,762 | 303,135 | | 5,550,897 | N/A |
| NET OPEB OBLIGATION - CITY | | | | | 2,733,226 | | 218,331 | 2,514,895 | N/A |
| CLAIMS AND JUDGEMENTS | | | | | 100,000 | | | 100,000 | 100,000 |
| Total General Long-Term Obligations | | | | | \$ 197,574,177 | \$ 17,288,581 | \$ 16,062,776 | \$ 198,799,982 | \$ 8,957,858 |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****F. Changes in Long-Term Obligations (Continued)****1. Summary of Changes (Continued)**

| Description | Date of Issue | Amount Issued | Interest Rate | Maturity Date | Balance Outstanding 6/30/2013 | Additions | Retirements | Balance Outstanding 6/30/2014 | Current Portion |
|---|---------------|---------------|---------------|---------------|-------------------------------|---------------|-------------|-------------------------------|-----------------|
| Enterprise funds: | | | | | | | | | |
| SEWER | | | | | | | | | |
| RI Clean Water | 9/1/1993 | \$ 3,242,000 | 3.00% | 9/1/2015 | \$ 486,300 | | \$ 162,100 | \$ 324,200 | \$ 162,100 |
| RI Clean Water | 8/25/1999 | \$ 700,000 | 3.00% | 9/1/2015 | 164,215 | | 53,227 | 110,988 | 54,724 |
| RI Clean Water | 11/13/2003 | \$ 2,000,000 | 3.00% | 9/1/2027 | 1,200,000 | | 100,000 | 1,100,000 | 100,000 |
| RI Clean Water | 9/1/2005 | \$ 900,000 | 3.00% | 9/1/2025 | 780,000 | | 60,000 | 720,000 | 60,000 |
| RI Clean Water | 9/1/2007 | \$ 3,000,000 | 1.43% | 9/1/2028 | 2,400,000 | | 150,000 | 2,250,000 | 150,000 |
| RI Clean Water | 2/20/2014 | \$ 18,000,000 | 0.35% - 3.14% | 9/1/1934 | - | \$ 18,000,000 | | 18,000,000 | 1,000 |
| RI Clean Water | 9/1/2010 | \$ 1,000,000 | 0.52% - 3.19% | 9/1/2030 | 922,000 | | 40,000 | 882,000 | 41,000 |
| TOTAL SEWER | | | | | 5,952,515 | 18,000,000 | 565,327 | 23,387,188 | 568,824 |
| PUBLIC FACILITIES MANAGEMENT FOUNDATION: | | | | | | | | | |
| CERTIFICATES OF PARTICIPATION premium | 12/14/2010 | \$ 1,725,000 | 2 - 3% | 11/1/2015 | 1,065,000 | | 345,000 | 720,000 | 355,000 |
| | | | | | 7,466 | | 3,733 | 3,733 | |
| TOTAL BONDS AND RELATED LIABILITIES | | | | | 7,024,981 | 18,000,000 | 914,060 | 24,110,921 | 923,824 |
| NET OPEB OBLIGATION | | | | | 55,967 | 5,919 | | 61,886 | |
| COMPENSATED ABSENCES | | | | | 36,622 | 758 | | 37,380 | 37,380 |
| Total Enterprise funds | | | | | \$ 7,117,570 | \$ 18,006,677 | \$ 914,060 | \$ 24,210,187 | \$ 961,204 |

Compensated absences

The obligation represents the employee (vested and nonvested) compensated absences expected to be paid in the future, aggregating approximately \$11,973,000 as of June 30, 2014. This amount is recorded in the government wide statements, and paid out of the General Fund.

Net pension obligation

GASB Statement No. 27, "Accounting for Pensions by State and Local Governments" requires the City to accrue a net pension asset or obligation. The net obligation amount was approximately \$96,680,000. These amounts are recorded in the government wide statements, and paid out of the General Fund.

Other Post Employment Obligation

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" requires the City to accrue a net OPEB obligation. The amount at June 30, 2014 was approximately \$8,066,000. This amount is recorded in the government wide statements, and paid out of the General Fund.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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.

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 |
| 2015 | \$ 7,000,000 | \$ 3,331,410 | \$ 355,000 | \$ 16,275 | \$ 355,000 | \$ 16,275 | \$ 568,824 | \$ 359,909 |
| 2016 | 6,655,000 | 3,072,260 | 365,000 | 5,475 | 365,000 | 5,475 | 1,273,264 | 581,480 |
| 2017 | 6,740,000 | 2,793,810 | | | | | 1,061,733 | 568,346 |
| 2018 | 6,930,000 | 2,479,835 | | | | | 1,069,533 | 554,868 |
| 2019 | 7,160,000 | 2,149,410 | | | | | 1,079,300 | 538,889 |
| 2020-2024 | 25,465,000 | 7,022,931 | | | | | 5,639,167 | 2,360,433 |
| 2025-2029 | 14,530,000 | 2,465,207 | | | | | 5,676,833 | 1,605,681 |
| 2030-2035 | 3,580,000 | 389,148 | | | | | 7,018,533 | 706,442 |
| TOTALS | \$78,060,000 | \$23,704,011 | \$ 720,000 | \$ 21,750 | \$ 720,000 | \$ 21,750 | \$23,387,187 | \$ 7,276,048 |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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.

Year Ended June 30

| | |
|---------------|----------------------|
| 2015 | \$ 1,358,085 |
| 2016 | 1,065,000 |
| 2017 | 1,065,000 |
| 2018 | 1,065,000 |
| 2019 | 1,065,000 |
| 2020-2024 | 5,325,000 |
| 2025-2031 | 5,325,000 |
| Totals | \$ 16,268,085 |

Lease expenditures approximated \$1,360,101 for fiscal year ended June 30, 2014.

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 \$209.5 million based on taxable property as of December 31, 2012, of approximately \$7 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, 2014, the City had \$78,060,000 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.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

III. DETAILED NOTES (CONTINUED)**F. Changes in Long-Term Obligations (Continued)****4. In-Substance Defeasance – Prior Years**

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2014, the in-substance defeased bonds, which remain outstanding was \$14,530,000.

5. Authorized/Unissued Bonds

The amount of authorized, unissued bonds is as follows:

| | |
|------------------|----------------------|
| General purposes | \$ 40,240,022 |
| Schools | <u>7,511,228</u> |
| TOTAL | <u>\$ 47,751,250</u> |

6. Unearned Salary

Unearned 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 unearned, 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, 2014, there were 129 teachers eligible for the benefit, with an outstanding balance of \$152,485.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

III. DETAILED NOTES (CONTINUED)**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 City'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, 2014 Restricted Fund Balance consisted of the following:

| | |
|---|----------------------|
| To Fund Future Library Expenses | \$ 91,731 |
| To Fund Future Fire Expenses | 164,631 |
| To Fund Future Education Expenses | 49,744 |
| To Fund School Capital Projects | 4,743,739 |
| To Fund Police and Fire Capital Projects | 2,168,621 |
| To Fund Public Building Capital Projects | 73,985 |
| To Fund Parks and Recreation Capital Projects | 327,754 |
| To Fund Highway Capital Projects | 1,358,435 |
| To Fund Storm Drain Projects | 147,042 |
| To Fund Neighborhood Infrastructure Capital Projects | 108,097 |
| To Fund Future Community Development Expenditures | 1,667,044 |
| To Fund Future Public Service Expenditures | 289,569 |
| To Fund Future Senior Services Expenditures | 243,440 |
| To Fund Future Parks and Recreation Expenditures | 1,737 |
| To Fund Future Capital Facilities Impact Expenditures | 965,430 |
| To Fund Future Cemetery Trust Expenditures | 7,278 |
| To Fund Future Historical Record Expenditures | 733,725 |
| Total Restricted Fund Balance | <u>\$ 13,142,002</u> |

At June 30, 2014 Committed Fund Balance consisted of the following:

| | |
|-----------------------------------|---------------------|
| Capital and One-Time Expenditures | \$ 289,259 |
| Excess Healthcare Funds | 1,594,769 |
| School Department Encumbrances | 320,650 |
| Total Committed Fund Balance | <u>\$ 2,204,678</u> |

At June 30, 2014 Assigned Fund Balance consisted of the following:

| | |
|-----------------------------|------------------|
| To Fund Education Expenses | \$ 11,656 |
| Total Assigned Fund Balance | <u>\$ 11,656</u> |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**III. DETAILED NOTES (CONTINUED)****G. Fund Balance (Continued)**

At June 30, 2014 Nonspendable Fund Balance consisted of the following:

General Fund:

| | |
|----------------------------------|--------------|
| Deficit Reduction Plan | \$ 1,260,000 |
| Advance Deposits-Hospitalization | 324,800 |

School Department:

| | |
|---|---------------------|
| City and School Department Prepaids | 237,262 |
| Long-Term Receivable From Health Insurance Fund | 4,428,381 |
| Total Nonspendable Fund Balance | <u>\$ 6,250,443</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 \$2,877,453 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 the next fiscal year of \$1,260,000 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 has been paid subsequent to year end and has been reported as unassigned fund balance.

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 \$29 million for fiscal year 2014 under this plan.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2014 are as follows:

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| July 1 | \$ 2,197,603 | \$ 1,720,459 |
| Add: incurred claims | 28,958,191 | 29,127,254 |
| Less: payments of claims attributable to events of both the current and prior fiscal years: | | |
| Health and life | 29,018,167 | 28,648,383 |
| Other claims | 17,007 | 1,727 |
| June 30 | <u>\$ 2,120,620</u> | <u>\$ 2,197,603</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 liability at June 30, 2014 has been recorded on the statement of net position under the claims payable line, within the government-wide statements (\$734,824) and proprietary statements (\$1,385,797).

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)**A. Risk Management (Continued)**

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.

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, unearned 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, 2014, the balance of unearned revenue related to this was \$15,360,000 which is comprised of a short-term portion of \$1,920,000 and a long-term portion of \$13,440,000.

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 2014, 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, 2014.

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 City is committed to pay Northeast Facility Management, Inc. \$50,000 and the outstanding payable balance based on the termination of the contract.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2014, 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, 2014, the plans' membership consists of:

| | <u>Fire</u> | <u>Police</u> | <u>Total</u> |
|---|-------------|---------------|--------------|
| Retirees, disability retirees and beneficiaries receiving benefits..... | 218 | 208 | 426 |
| Active plan members vested..... | 27 | 6 | 33 |
| Active plan members non vested..... | — | — | — |
| TOTALS..... | <u>245</u> | <u>214</u> | <u>459</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 ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2014 (the date of the most recent actuarial valuation) was as follows:

| | |
|---|-------------------|
| Actuarial accrued liability (AAL) | \$316,428,178 |
| Actuarial value of plan assets | <u>66,642,298</u> |
| Unfunded actuarial accrued liability (UAAL) | (249,785,880) |
| Funded ratio (actuarial value of plan assets/AAL) | 21.1 % |
| Covered payroll (active plan members) | 2,905,865 |
| UAAL as a percentage of covered payroll | 8,595.9% |

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

| <u>FISCAL YEAR ENDED</u> | <u>ANNUAL REQUIRED CONTRIBUTION</u> | <u>ACTUAL CONTRIBUTION</u> | <u>PERCENTAGE CONTRIBUTION</u> |
|----------------------------------|---|--------------------------------|------------------------------------|
| 6/30/2012 | \$ 24,154,120 | \$20,369,456 | 84% |
| 6/30/2013 | \$25,705,110 | \$21,994,344 | 86% |
| 6/30/2014 | \$21,006,057 | \$22,376,109 | 107% |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2014 |
| ACTUARIAL COST METHOD | ATTAINED AGE NORMAL WITH THE UAAL FUNDED ON A LEVEL DOLLAR BASIS OVER A CLOSED PERIOD. FOR COURT APPROVED PLAN PROVISIONS THE CLOSED PERIOD IS THROUGH FYE 2042. FOR THE OPT OUT PLAN THE CLOSED PERIOD IS THROUGH FYE 2037. |
| ASSET VALUATION METHOD | FAIR VALUE |
| ACTUARIAL ASSUMPTIONS: | |
| Investment Rate of Return | 7.5% |
| PROJECTED SALARY INCREASES: | |
| Merit | 3% |
| Cost-of-living adjustment | 0% |
| Inflation | 3% |
| AMORTIZATION METHOD | LEVEL DOLLAR OVER A CLOSED PERIOD |
| REMAINING AMORTIZATION PERIOD | 25 YEARS |
| ADMINISTRATIVE EXPENSES..... | PAID BY THE CITY |

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

The changes in the net pension obligation of PFERS as of June 30, 2014, were as follows:

| | |
|--|----------------------|
| Annual required contribution..... | \$ 21,006,057 |
| Interest on net pension obligation..... | 7,910,884 |
| Adjustments to ARC | (8,746,648) |
| Annual pension cost..... | 20,170,293 |
| Contribution made | (22,376,109) |
| Change in net pension obligation..... | (2,205,816) |
| Net pension obligation - July 1, 2013 | <u>98,886,053</u> |
| Net pension obligation - June 30, 2014 | <u>\$ 96,680,237</u> |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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 |
|-------------------------|------------------------------------|-------------------------------------|------------------------------|
| 6/30/2012 | \$ 23,146,036 | 88% | \$96,373,915 |
| 6/30/2013 | \$ 24,506,482 | 90% | \$98,886,053 |
| 6/30/2014 | \$ 20,170,293 | 111% | \$96,680,237 |

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

All full-time City, Police and Fire employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 (and Chapter 45-21.2 if police and fire) of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

General Employee units

Retirement eligibility and plan benefits – Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Police and Fire units

Retirement eligibility and plan benefits – Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****D. Employee Retirement Systems (Continued)****2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS") (Continued)****a. Plan Description (Continued)*****For MERS units electing the Cost of Living Adjustment option***

Cost of Living Adjustments – Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

For all MERS units

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

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.

b. Funding Policy

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52.

General Employee units

Active non police and fire members must contribute 2% with COLA of his/her compensation.

The City of Cranston is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for fiscal year 2014 for general employees was 9.66%.

Police and Fire units

Active police and fire members must contribute 8% with COLA of his/her compensation.

The City of Cranston is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for fiscal year 2014 for police personnel was 8.89% and 8.63% for fire personnel.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****D. Employee Retirement Systems (Continued)****2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS") (Continued)****b. Funding Policy (Continued)**

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 8% and fire personnel are required to contribute 8.5% of their salary with the excess contribution (.5%) offsetting the City's required contribution.

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations are summarized in the following table.

| Summary of Actuarial Assumptions Used in the MERS June 30, 2011 and June 30, 2013 Valuations | |
|--|---|
| Actuarial Cost Method | Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used. |
| Amortization Method | Level Percent of Payroll – Closed |
| Equivalent Single Remaining Amortization Period | 24 years as of June 30, 2011 22 years as of June 30, 2013 |
| Asset Valuation Method | 5 Year Smoothed Market |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.50% |
| Projected Salary Increases | <i>General Employees</i> 4.00% to 8.00% <i>Police & Fire Employees</i> 4.25% to 14.25% |
| Inflation | 2.75% |
| Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012. | |

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CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****D. Employee Retirement Systems (Continued)****2. Municipal Employees' Retirement System of the State of Rhode Island ("MERS")(Continued)****c. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2013 (the date of the most recent actuarial valuation) was as follows:

| | <u>General Employees</u> |
|---|--------------------------|
| Actuarial accrued liability (AAL) | \$132,243,062 |
| Actuarial value of plan assets | <u>125,732,304</u> |
| Unfunded actuarial accrued liability (UAAL) | (6,510,758) |
| Funded ratio (actuarial value of plan assets/AAL) | 95.1 % |
| Covered payroll (active plan members) | 23,746,790 |
| UAAL as a percentage of covered payroll | 27.4% |
| | <u>Police</u> |
| Actuarial accrued liability (AAL) | \$ 27,801,451 |
| Actuarial value of plan assets | <u>26,672,971</u> |
| Unfunded actuarial accrued liability (UAAL) | (1,128,480) |
| Funded ratio (actuarial value of plan assets/AAL) | 95.9% |
| Covered payroll (active plan members) | 8,953,196 |
| UAAL as a percentage of covered payroll | 12.6% |
| | <u>Fire</u> |
| Actuarial accrued liability (AAL) | \$ 40,849,169 |
| Actuarial value of plan assets | <u>43,781,859</u> |
| Unfunded actuarial accrued liability (UAAL) | 2,932,690 |
| Funded ratio (actuarial value of plan assets/AAL) | 107.2% |
| Covered payroll (active plan members) | 10,976,612 |
| UAAL as a percentage of covered payroll | 26.7 % |

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)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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 9.66%.

| <u>FISCAL YEAR ENDED</u> | <u>ANNUAL REQUIRED CONTRIBUTION</u> | <u>ACTUAL CONTRIBUTION</u> | <u>PERCENTAGE CONTRIBUTION</u> |
|----------------------------------|---|--------------------------------|------------------------------------|
| <u>General Employees</u> | | | |
| 6/30/2012 | \$ 664,740 | \$ 664,740 | 100% |
| 6/30/2013 | \$1,087,652 | \$1,087,652 | 100% |
| 6/30/2014 | \$1,122,635 | \$1,122,635 | 100% |
| <u>Police</u> | | | |
| 6/30/2012 | \$1,460,815 | \$ 1,460,815 | 100% |
| 6/30/2013 | \$603,393 | \$603,393 | 100% |
| 6/30/2014 | \$662,148 | \$662,148 | 100% |
| <u>Fire</u> | | | |
| 6/30/2012 | \$1,492,911 | \$ 1,492,911 | 100% |
| 6/30/2013 | \$1,080,660 | \$1,080,660 | 100% |
| 6/30/2014 | \$970,323 | \$970,323 | 100% |

e. General Employee (Non-Certified) Defined Contribution Pension Plan

As noted in earlier sections of this Note, in November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act), as described in S1111A and H6319A. The Act made broad changes to MERS effective July 1, 2012. One of these changes was the adoption of a defined contribution plan for the general employees including the non-certified employees of the City and School Department. For the fiscal year ended June 30, 2013, employees were required to contribute 5% of their qualified wages while the City and School Department were required to contribute 1% of those wages. The employees, City and School Department were required to contribute an additional 2% for those employees who do not contribute to social security.

During the fiscal year ended June 30, 2014 the City and School Department's contribution to the defined contribution plan for non-certified personnel totaled approximately \$816,051. Employee contributions to this defined contribution plan totaled approximately \$1,759,090 for the fiscal year ended June 30, 2014.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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. Three of the most significant changes resulting from the Act were a change in the structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan ; re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30 2010; and teacher personnel not covered by Social Security will participate in additional defined contribution allocations equal to 2% member plus 2% employer.

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.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2013 which can be found at www.ersri.org.

b. Funding Policy

Rhode Island General Laws set the contribution rates for participating State employees at 3.75% 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 3.75% 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, 2014, 2013, and 2012 are listed under contributions below and were equal to the required contributions for each year.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2013. 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 12.26%, 11.41%, and 13.23% for all full-time employees for fiscal years 2014, 2013 and 2012, 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, 2013 |
| ACTUARIAL COST METHOD | ENTRY AGE NORMAL |
| AMORTIZATION METHOD | LEVEL PERCENT OF PAYROLL – CLOSED |
| EQUIVALENT SINGLE REMAINING AMORTIZATION PERIOD..... | 22 YEARS |
| ASSET VALUATION METHOD..... | 5 YEAR SMOOTHED MARKET |
| ACTUARIAL ASSUMPTIONS: | |
| Investment Rate of Return | 7.50% |
| Inflation | 2.75% |
| Cost of Living Adjustments | 2.00% |
| PROJECTED SALARY INCREASES: | |
| Teachers..... | 4.00 – 7.00% |
| MORTALITY | RP-200 Combined Mortality Tables |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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. The first such COLA will be applicable in Calendar Year 2018. As of June 30, 2012, it is assumed that the COLAs will be suspended for 15 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 2014, actuarial required contributions were 20.68% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 8.42% of non-federally reimbursable payrolls totaling \$69,736,454 for the year ended June 30, 2014, which has been included as revenues and expenditures in the School Department's unrestricted fund. The School Department contributed the remaining 12.26% of the required 20.68%.

The School Department does not have any investments on related party investments with the State Plan. The School Department's (employer) contribution represented 6% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2013 (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)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**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, 2014, 2013, and 2012 were as follows:

| <u>FISCAL YEAR ENDED</u> | <u>ANNUAL REQUIRED CONTRIBUTION</u> | <u>ACTUAL CONTRIBUTION</u> | <u>PERCENTAGE CONTRIBUTION</u> |
|----------------------------------|---|--------------------------------|------------------------------------|
| 6/30/2012 | \$ 9,705,386 | \$ 9,705,386 | 100% |
| 6/30/2013 | \$ 6,198,285 | \$ 6,198,285 | 100% |
| 6/30/2014 | \$ 6,905,208 | \$ 6,905,208 | 100% |

d. Teachers Defined Contribution Pension Plan

As noted above, in November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act), as described in S1111A and H6319A. The Act made broad changes to ERSRI effective July 1, 2012. One of these changes was the adoption of a defined contribution plan for all certified employees of the School Department. For the fiscal year ended June 30, 2014, employees were required to contribute 5% of their qualified wages while the School Department was required to contribute 1% of those wages. Both the employees and the School Department were required to contribute an additional 2% for those employees who do not contribute to social security. However, the School Department received a reimbursement as an on-behalf contribution from the State of Rhode Island totaling .4% of the qualified wages.

During the fiscal year ended June 30, 2014 the School Department's gross contribution to the defined contribution plan for certified personnel totaled approximately \$2,168,301. However, the State of Rhode Island's reimbursement (on-behalf contribution) to the School Department totaled approximately \$253,123 resulting in a net expenditure to the Department of approximately \$1,915,178 for the fiscal year ended June 30, 2014. Employee contributions to the plan totaled approximately \$5,059,388 for the fiscal year ended June 30, 2014.

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.

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CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****D. Employee Retirement Systems (Continued)****4. National (Industrial) Pension Plan (Continued)****b. Funding Policy**

Covered employees are not required to contribute to the Plan. For Fiscal Year ended June 30, 2014 the City was required to contribute \$1.40 per hour, and the School Department was required to contribute \$.73 per hour for each hour worked by the employees to the Plan.

c. Contributions

Contributions for the past three years were as follows:

| FISCAL YEAR ENDED | ANNUAL REQUIRED CONTRIBUTION | ACTUAL CONTRIBUTION | PERCENTAGE CONTRIBUTION |
|------------------------------|------------------------------------|------------------------|----------------------------|
| <u>City</u> | | | |
| 6/30/2012 | \$ 156,610 | \$ 156,610 | 100% |
| 6/30/2013 | \$ 192,459 | \$ 192,459 | 100% |
| 6/30/2014 | \$ 209,545 | \$ 209,545 | 100% |
| <u>School Department</u> | | | |
| 6/30/2012 | \$ 74,040 | \$ 74,040 | 100% |
| 6/30/2013 | \$ 79,179 | \$ 79,179 | 100% |
| 6/30/2014 | \$ 93,145 | \$ 93,145 | 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, 2014, the City was required to contribute \$1.07 per hour for each hour worked by the employees to the Plan.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****D. Employee Retirement Systems (Continued)****5. New England Teamsters & Trucking Industry Pension Plan (Continued)****c. Contributions**

| FISCAL YEAR ENDED | ANNUAL REQUIRED CONTRIBUTION | ACTUAL CONTRIBUTION | PERCENTAGE CONTRIBUTION |
|-------------------------|------------------------------------|------------------------|----------------------------|
| 6/30/2012 | \$ 222,937 | \$ 222,937 | 100% |
| 6/30/2013 | \$ 227,855 | \$ 227,855 | 100% |
| 6/30/2014 | \$ 273,003 | \$ 273,003 | 100% |

E. Other Post-Employment Benefits (OPEB) – Public Safety Employees**1. 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, 2014, 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, 2014 (date of the last actuarial valuation) membership data was as follows:

| | |
|---------------------|------------|
| Active employees | 333 |
| Inactive Employees: | |
| Retirees | 185 |
| Spouses | 143 |
| Retiree (Life only) | 164 |
| Total plan members | <u>825</u> |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****E. Other Post-Employment Benefits (OPEB) – Public Safety Employees (Continued)****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, Police retirees are entitled to a City paid life insurance benefit of \$17,000 if they retired after July 1, 1982. Firemen retiring after July 1, 1981 are eligible for the \$17,000 benefit. Fire retirees retired between July 1, 2002 and June 30, 2007 are entitled to a City paid life insurance benefit of \$20,000 and if a firemen retirees after July 1, 2007, a \$25,000 life insurance benefit is payable. In addition to the above, firefighters who retire with an occupational injury or illness receive a City paid life insurance benefit of \$50,000 if death occurs within 3 years of his/her retirement date.

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 | \$ 5,116,119 |
| Interest on net OPEB obligation | 209,189 |
| Adjustment to annual required contribution | <u>(187,415)</u> |
| Annual OPEB cost (expense) | 5,137,893 |
| Contributions made | <u>5,412,191</u> |
| Decrease in net OPEB obligation | (274,298) |
| Net OPEB obligation - July 1, 2013 | <u>2,789,193</u> |
| Net OPEB obligation - June 30, 2014 | <u>\$ 2,514,895</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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> |
|--------------------------|-------------------------|---|------------------------------------|
| 6/30/2012 | \$ 4,431,146 | 99% | \$ (1,765,723) |
| 6/30/2013 | \$ 5,429,164 | 81% | \$ (2,789,193) |
| 6/30/2014 | \$ 5,137,893 | 106% | \$ (2,514,895) |

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, 2014, which is the most recent report available.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****E. Other Post-Employment Benefits (OPEB) – Public Safety Employees (Continued)****5. Funded Status and Funding Progress (Continued)**

| | |
|---|------------------|
| Actuarial accrued liability (AAL) | \$ 56,842,245 |
| Actuarial value of plan assets | <u>2,918,296</u> |
| Unfunded actuarial accrued liability (UAAL) | (\$ 53,923,949) |
| Funded ratio (actuarial value of plan assets/AAL) | 5.13 % |
| Covered payroll (active plan members) | \$ 21,982,918 |
| UAAL as a percentage of covered payroll | (0,245.3%) |

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, 2014 actuarial valuation. Actuarial assumptions included a 7.5% investment rate of return (net of investment 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 7.5% for 2015 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 22 years remaining. Amortization amounts are assumed to increase with overall salary increases of 3.75%. The actuarial assumption for CPI is 3% per year.

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CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****F. Other Post-Employment Benefits (OPEB) – School Department 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, 2014, there are no separate, audited GAAP-basis financial statements available for the Board of Education Employees OPEB plan.

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, 2014 (date of the last actuarial valuation) membership data was as follows:

| | |
|---------------------|--------------|
| Active employees | 1,011 |
| Inactive Employees: | |
| Retirees | <u>167</u> |
| Total plan members | <u>1,178</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 20% 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 between July 1, 2010 and June 30, 2011 are responsible for a 22% cost share of benefits. Administrators retiring on or after July 1, 2010 are responsible for a 25% cost share of their benefits. No benefits are paid for employees retiring prior to 1988.

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CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****F. Other Post-Employment Benefits (OPEB) – School Department (Continued)****3. Funding Policy (Continued)**

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, 2014 were \$855,388.

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 | \$ 1,293,254 | \$ 1,268,004 | \$ 25,250 |
| Interest on net OPEB obligation | 183,672 | 180,086 | 3,586 |
| Adjustment to annual required contribution | <u>(318,403)</u> | <u>(312,186)</u> | <u>(6,217)</u> |
| Annual OPEB cost (expense) | 1,158,523 | 1,135,904 | 22,619 |
| Contributions made | <u>855,388</u> | <u>838,687</u> | <u>16,701</u> |
| Increase in net OPEB obligation | 303,135 | 297,217 | 5,918 |
| Net OPEB obligation - July 1, 2013 | <u>5,247,762</u> | <u>5,191,795</u> | <u>55,967</u> |
| Net OPEB obligation - June 30, 2014 | <u>\$ 5,550,897</u> | <u>\$ 5,489,012</u> | <u>\$ 61,885</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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> |
|----------------------------------|-----------------------------|---|--|
| 6/30/2012 | \$ 2,767,602 | 50% | \$ (5,350,140) |
| 6/30/2013 | \$ 1,141,295 | 109% | \$ (5,247,762) |
| 6/30/2014 | \$ 1,158,523 | 74% | \$ (5,550,897) |

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, 2014, which is the most recent report available.

| | |
|---|---------------|
| Actuarial accrued liability (AAL) | \$ 11,653,717 |
| Actuarial value of plan assets | <u>-</u> |
| Unfunded actuarial accrued liability (UAAL) | 11,653,717 |
| Funded ratio (actuarial value of plan assets/AAL) | 0 % |
| Covered payroll (active plan members) | 85,987,558 |
| UAAL as a percentage of covered payroll | 13.55% |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****F. Other Post-Employment Benefits (OPEB) – School Department (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 June 30, 2013 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 7.5% for 2015 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 twenty six 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% |

In addition to the assumptions above, there were significant changes in withdrawal rates and retirement rates based on the 2010 ERS/MERS Experience Studies that were completed by the State. This information was used in the assumptions to prepare this valuation.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****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 during June 30, 2014 were \$19,321. Total employee contributions made to the plan during June 30, 2014 were \$19,321.

H. School Department Defined Contribution Plan**1. Plan Description**

The Plan name is "Cranston Public Schools 401(a) Retirement Plan". ID # is 801343, effective July 1, 2012. Defined Contribution Plan for the Local Rhode Island 153 Bargaining Union where the employee and employer contribute 3% of earnings all stated in the Security Benefit Plan Document. Total employer contributions made to the plan during the fiscal year ending June 30, 2014 was \$4,936. Total employee contributions made to the plan during the fiscal year ending June 30, 2014 was \$4,936.

I. 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 \$6,125,457.

J. GASB 67 Information**1. Summary of Significant Accounting Policies**

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

2. Plan Description**Plan Administration**

The City of Cranston (City) administers the City of Cranston Fire Department and Police Department Pension Plans (Plan), a defined benefit pension plan that provides pensions for all full-time firefighters and policemen of the City. Employees hired after July 1, 1995 become members of the State plan and do not participate in this plan.

Plan Membership

As of June 30, 2013, the plans' membership consists of:

| | <u>Fire</u> | <u>Police</u> | <u>Total</u> |
|--|-------------|---------------|--------------|
| Inactive plan members or beneficiaries | | | |
| currently receiving | 222 | 205 | 427 |
| Active plan members | 29 | 13 | 42 |
| Inactive plan members entitled to but not yet receiving..... | - | - | - |
| TOTALS..... | <u>251</u> | <u>218</u> | <u>469</u> |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**IV. OTHER INFORMATION (CONTINUED)****J. GASB 67 Information (Continued)****2. Plan Description (Continued)****Plan Membership (Continued)**

Liabilities measured at the census date were projected to June 30, 2014 assuming no gains or losses.

Benefits Provided

See other information footnote for the Police and Fire Employees' Pension Plan of the City of Cranston ("PFERS") on pages 71-72.

Contributions

The City establishes contributions based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2014, the City contributed \$22,376,109 to the Plan, including \$381,765 from the state.

3. Investments**Rate of Return**

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

4. Net Pension Liability**Components of Net Pension Liability**

| | |
|---|---------------------|
| Total pension liability | \$324,937,270 |
| Plan fiduciary net position | <u>(66,642,298)</u> |
| Net pension liability | \$258,294,972 |
| Plan fiduciary net position as a percentage of the total pension liability | 20.51% |

5. Actuarial Assumptions

The June 30, 2014 total pension liability was determined by rolling forward the June 30, 2013 valuation results, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00% |
| Salary increases | 3.00% |
| Investment rate of return | 7.50%, comprised on average inflation rate of 3.00% and a real rate of return of 4.50% |

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**IV. OTHER INFORMATION (CONTINUED)****J. GASB 67 Information (Continued)****5. Actuarial Assumptions (Continued)**

Census data was collected as of July 1, 2013. Liabilities measured as of the census date were projected to June 30, 2014 assuming no demographic gains or losses.

Mortality rates for health lives were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment and improvements projected to 2023 with Scale AA. The same tables were used for disabled lives but set forward three years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return and by adding expected inflation. Best estimates of rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table (note that the rates shown below include the inflation component):

| <u>Asset Class</u> | <u>Long-Term Expected Rate of Return</u> | <u>Targeted Allocation</u> |
|-----------------------------|--|----------------------------|
| Domestic equity (large cap) | 8.79% | 35.00% |
| Domestic equity (mid cap) | 10.85% | 5.00% |
| Domestic equity (small cap) | 10.93% | 5.00% |
| International equity | 9.09% | 15.00% |
| Fixed income | 4.96% | 35.00% |
| Real estate | 5.92% | 5.00% |
| Cash | 0.90% | 0.00% |

Discount Rate

The assumed discount rate used to measure liabilities for valuation purposes is 7.50%. The projection of cash flows used to determine the discount rate for GASB 67 purposes assumed that future City contributions will follow the contribution pattern of the most recent five years (see table below), which results in an assumption that the City will contribute approximately 89.4% of the actuarially determined contributions. Based on these assumptions, the pension plan's fiduciary net position is projected to fall short of meeting all future benefit obligations to current plan members. From the point where assets are projected to be depleted, a municipal bond rate of 3.66%, based on the S&P Municipal Bond 20 Year High Grade Rate Index, was used in the development of the blended GASB discount rate. The resulting blended rate of 7.29% was used to measure the Plan's total pension liability.

| <u>Fiscal Year Ending June 30</u> | <u>Annual Required Contribution (ARC)</u> | <u>Actual Contribution</u> | <u>Percentage of ARC Contributed</u> |
|-----------------------------------|---|----------------------------|--------------------------------------|
| 2010 | \$22,209,224 | \$19,396,892 | 87.34% |
| 2011 | \$23,947,728 | \$19,947,728 | 83.30% |
| 2012 | \$24,154,120 | \$20,369,456 | 84.33% |
| 2013 | \$25,705,110 | \$21,994,344 | 85.56% |
| 2014 | \$21,006,057 | \$22,376,109 | 106.52% |

The ARC for the fiscal year ending June 30, 2014 was based on the results of the July 1, 2012 valuation, updated to reflect the benefit provisions of the Funding Improvement Plan. An ordinance of such provision changes was passed by the City Council and signed into law by the Mayor in April 2013.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**IV. OTHER INFORMATION (CONTINUED)****J. GASB 67 Information (Continued)****5. Actuarial Assumptions (Continued)****Sensitivity of the net pension liability to changes in the discount rate**

The following represents the net pension liability, calculated using the discount rate of 7.29%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.29%) or 1-percentage-point higher (8.29%) than the current rate:

| | <u>1% Decrease (6.29%)</u> | <u>Current Discount Rate (7.29%)</u> | <u>1% Increase (8.29%)</u> |
|-----------------------|----------------------------|--|----------------------------|
| Net Pension Liability | \$294,238,023 | \$258,294,972 | \$228,247,849 |

K. Subsequent Events

Management has evaluated subsequent events through December 30, 2014, the date the financial statements were available for issuance. No events requiring recognition or disclosure in the financial statements were identified.

(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, 2014

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE |
|---|--------------------|--------------------|--------------------|-------------------|
| REVENUES: | | | | |
| General property taxes..... | \$ 179,688,196 | \$ 179,688,196 | \$ 180,400,427 | \$ 712,231 |
| Intergovernmental | 17,599,873 | 18,704,873 | 18,213,156 | (491,717) |
| Charges for Services: | | | | |
| Licenses and permits..... | 2,945,015 | 2,945,015 | 3,296,091 | 351,076 |
| Fines and forfeitures..... | 1,574,450 | 1,574,450 | 1,305,596 | (268,854) |
| Departmental..... | 6,925,700 | 7,175,700 | 7,306,787 | 131,087 |
| Investment income..... | 50,000 | 50,000 | 73,168 | 23,168 |
| Education..... | 46,086,482 | 46,230,327 | 46,230,327 | - |
| Other..... | 2,185,050 | 2,185,050 | 1,355,664 | (829,386) |
| TOTAL REVENUES..... | 257,054,766 | 258,553,611 | 258,181,216 | (372,395) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Executive..... | 547,190 | 547,190 | 518,843 | 28,347 |
| City Council..... | 281,794 | 261,794 | 214,706 | 47,088 |
| Law..... | 514,000 | 1,084,000 | 1,133,437 | (49,437) |
| Personnel..... | 109,494 | 109,494 | 66,189 | 43,305 |
| City Clerk..... | 833,623 | 933,623 | 909,287 | 24,336 |
| Probate Court..... | 19,339 | 19,339 | 18,911 | 428 |
| Municipal Court..... | 272,816 | 272,816 | 236,591 | 36,225 |
| Board of Canvassers..... | 194,793 | 194,793 | 185,858 | 8,935 |
| City Planning..... | 559,898 | 559,898 | 372,017 | 187,881 |
| Economic Development..... | 167,069 | 167,069 | 160,525 | 6,544 |
| Inspections..... | 985,847 | 985,847 | 884,438 | 101,409 |
| Finance..... | 4,481,815 | 4,531,815 | 4,488,030 | 43,785 |
| Fire..... | 29,058,091 | 29,208,091 | 29,197,521 | 10,570 |
| Rescue Fund..... | 2,169,000 | 2,169,000 | 1,328,583 | 840,417 |
| Police..... | 20,545,093 | 20,545,093 | 20,757,706 | (212,613) |
| Long-Term Debt..... | 24,598,166 | 24,598,166 | 24,598,166 | - |
| Public works..... | 14,887,938 | 15,647,938 | 15,525,053 | 122,885 |
| Parks and recreation..... | 2,197,737 | 2,327,737 | 2,328,595 | (858) |
| Public libraries..... | 3,029,001 | 3,029,001 | 3,029,001 | - |
| Senior services..... | 2,822,002 | 2,994,002 | 2,981,184 | 12,818 |
| Municipal Debt..... | 11,165,116 | 10,358,116 | 10,247,186 | 110,930 |
| Education..... | 137,469,134 | 137,612,979 | 137,612,979 | - |
| Community Grants..... | 121,000 | 121,000 | 106,000 | 15,000 |
| Boards and Commissions..... | 19,040 | 19,040 | 17,206 | 1,834 |
| Harbor Master..... | 5,770 | 5,770 | 5,768 | 2 |
| Transfers to Other Funds..... | - | 250,000 | 698,212 | (448,212) |
| TOTAL EXPENDITURES..... | 257,054,766 | 258,553,611 | 257,621,992 | 931,619 |
| EXCESS (DEFICIENCY) OF BUDGETED REVENUES OVER EXPENDITURES | - | - | 559,224 | 559,224 |
| NET CHANGE IN FUND BALANCE..... | \$ - | \$ - | 559,224 | \$ 559,224 |
| FUND BALANCE - JULY 1, 2013..... | | | 21,791,167 | |
| FUND BALANCE - JUNE 30, 2014..... | | | \$ 22,350,391 | |

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, 2014

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|---------------------|---------------------|---------------------|----------------------------------|
| REVENUES: | | | | |
| State aid..... | \$ 42,887,191 | \$ 43,025,736 | \$ 43,025,736 | \$ - |
| Federal through State..... | 1,200,000 | 1,200,000 | 1,445,986 | 245,986 |
| Tuition..... | 1,624,591 | 1,624,591 | 1,137,052 | (487,539) |
| Miscellaneous..... | 380,000 | 380,000 | 345,331 | (34,669) |
| TOTAL REVENUES..... | 46,091,782 | 46,230,327 | 45,954,105 | (276,222) |
| EXPENDITURES: | | | | |
| Salaries..... | 83,825,361 | 83,768,927 | 83,977,646 | (208,719) |
| Employee benefits..... | 33,593,712 | 32,932,123 | 30,092,595 | 2,839,528 |
| Purchased services..... | 14,510,614 | 14,132,432 | 14,756,495 | (624,063) |
| Supplies and materials..... | 4,752,645 | 4,773,572 | 4,626,958 | 146,614 |
| Capital outlay..... | 689,093 | 683,272 | 695,696 | (12,424) |
| Other..... | 42,793 | 61,943 | 60,950 | 993 |
| TOTAL EXPENDITURES..... | 137,414,218 | 136,352,269 | 134,210,340 | 2,141,929 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.... | (91,322,436) | (90,121,942) | (88,256,235) | 1,865,707 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in City of Cranston..... | 92,583,146 | 91,382,652 | 91,382,652 | - |
| Transfers in City of Cranston..... | | | 109,813 | 109,813 |
| Transfers to capital reserve..... | | | (500,000) | (500,000) |
| School district's deficit reduction..... | (1,260,710) | (1,260,710) | (1,260,710) | - |
| | 91,322,436 | 90,121,942 | 89,731,755 | (390,187) |
| NET CHANGE IN FUND BALANCE..... | \$ - | \$ - | 1,475,520 | \$ 1,475,520 |
| FUND BALANCE - JULY 1, 2013..... | | | (2,269,113) | |
| FUND BALANCE - JUNE 30, 2014..... | | | <u>\$ (793,593)</u> | |

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

| POLICE AND FIRE 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 |
| 2005 | \$ 31,641,000 | \$ 252,222,000 | \$ (220,581,000) | 12.5% | \$ 7,879,000 | (2,799.6%) |
| 2006 | \$ 39,606,000 | \$ 257,475,000 | \$ (217,869,000) | 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% | \$ 4,558,000 | (5,617.5%) |
| 2012 | \$ 53,405,000 | \$ 343,683,000 | \$ (290,278,000) | 15.5% | \$ 4,108,000 | (7,066.2%) |
| 2013 | \$ 58,585,000 | \$ 290,126,000 | \$ (231,541,000) | 20.2% | \$ 3,706,000 | (6,247.7%) |
| 2014 | \$ 66,642,298 | \$ 316,428,178 | \$ (249,785,880) | 21.1% | \$ 2,905,865 | (8,595.9%) |
| PUBLIC SAFETY OPEB TRUST 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 | [(B-A)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL |
| 2007 | \$ 127,670 | \$ 47,222,807 | \$ 47,095,137 | 0.3% | N/A | N/A |
| 2008 | \$ 505,545 | \$ 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% | \$ 4,099,268 | (1,227.4%) |
| 2011 | \$ 114,890 | \$ 52,934,184 | \$ 52,819,294 | 0.2% | \$ 19,993,085 | (0,264.2%) |
| 2012 | \$ 255,153 | \$ 63,353,593 | \$ 63,098,440 | 0.4% | \$ 20,471,562 | (0,308.2%) |
| 2013 | \$ 1,089,925 | \$ 60,059,536 | \$ 58,969,611 | 1.8% | \$ 21,576,605 | (0,273.3%) |
| 2014 | \$ 2,918,296 | \$ 56,842,245 | \$ 53,923,949 | 5.1% | \$ 21,982,918 | (0,245.3%) |

(Continued)

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDING JUNE 30, 2014

| 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% |
| 2013 | \$ - | \$ 13,581,115 | \$ (13,581,115) | 0.0% | \$ 88,453,767 | -15.35% |
| 2014 | \$ - | \$ 11,653,717 | \$ (11,653,717) | 0.0% | \$ 85,987,558 | -13.55% |

| 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 |
| 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 | \$ 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% |
| 2012 | \$ 123,713,685 | \$ 130,449,361 | \$ (6,735,676) | 94.8% | \$ 23,622,162 | -28.51% |
| 2013 | \$ 125,732,304 | \$ 132,243,062 | \$ (6,510,758) | 95.1% | \$ 23,746,790 | -27.42% |

(Continued)

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDING JUNE 30, 2014

| MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - POLICE | | | | | | |
|--|--------------------------------|--|----------------------------------|---------------------------|----------------------|---|
| 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 |
| 2004 | \$ 6,440,242 | \$ 9,491,992 | \$ (3,051,750) | 67.8% | \$ 4,327,084 | -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 | \$ 12,036,859 | \$ 14,016,539 | \$ (1,979,680) | 85.9% | \$ 5,919,968 | -33% |
| 2008 | \$ 14,761,420 | \$ 18,518,471 | \$ (3,757,051) | 79.7% | \$ 6,130,562 | -61% |
| 2009 | \$ 16,664,831 | \$ 20,823,809 | \$ (4,158,978) | 80.0% | \$ 6,578,878 | -63% |
| 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% |
| 2012 | \$ 24,303,359 | \$ 26,092,141 | \$ (1,788,782) | 93.1% | \$ 8,491,607 | -21% |
| 2013 | \$ 26,672,971 | \$ 27,801,451 | \$ (1,128,480) | 95.9% | \$ 8,953,196 | -13% |

| MUNICIPAL EMPLOYEES RETIREMENT SYSTEM - FIRE | | | | | | |
|--|--------------------------------|--|----------------------------------|---------------------------|----------------------|---|
| 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 |
| 2004 | \$ 11,599,490 | \$ 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% | \$ 7,177,565 | -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 | \$ 46,694,038 | \$ (15,794,534) | 66.2% | \$ 8,560,485 | -185% |
| 2011 | \$ 34,840,407 | \$ 33,547,401 | \$ 1,293,006 | 103.9% | \$ 8,608,962 | 15% |
| 2012 | \$ 39,308,000 | \$ 39,418,778 | \$ (110,778) | 99.7% | \$ 10,551,891 | -1% |
| 2013 | \$ 43,781,859 | \$ 40,849,169 | \$ 2,932,690 | 107.2% | \$ 10,976,612 | 27% |

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014**POLICE AND FIRE PLAN**

| YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTION (ARC) | ACTUAL CONTRIBUTION | % OF ARC CONTRIBUTED |
|---------------------|------------------------------------|---------------------|----------------------|
| 2005 | \$ 22,147,958 | \$ 20,024,158 | 90% |
| 2006 | \$ 21,723,021 | \$ 21,339,876 | 98% |
| 2007 | \$ 21,723,021 | \$ 21,723,021 | 100% |
| 2008 | \$ 20,785,343 | \$ 19,889,000 | 96% |
| 2009 | \$ 20,062,219 | \$ 19,087,000 | 95% |
| 2010 | \$ 22,209,224 | \$ 19,396,892 | 87% |
| 2011 | \$ 23,947,728 | \$ 19,947,728 | 83% |
| 2012 | \$ 24,154,120 | \$ 20,369,456 | 84% |
| 2013 | \$ 25,705,110 | \$ 21,994,344 | 86% |
| 2014 | \$ 21,006,057 | \$ 22,376,109 | 107% |

PUBLIC SAFETY OPEB TRUST PLAN

| YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTION (ARC) | ACTUAL CONTRIBUTION | % OF ARC CONTRIBUTED |
|---------------------|------------------------------------|---------------------|----------------------|
| 2007 | \$ 3,515,765 | \$ 3,692,176 | 105% |
| 2008 | \$ 3,606,418 | \$ 3,700,648 | 103% |
| 2009 | \$ 4,047,835 | \$ 3,273,843 | 81% |
| 2010 | \$ 4,092,301 | \$ 3,649,942 | 89% |
| 2011 | \$ 4,089,059 | \$ 3,500,000 | 86% |
| 2012 | \$ 4,405,694 | \$ 4,420,103 | 100% |
| 2013 | \$ 5,412,191 | \$ 4,405,694 | 81% |
| 2014 | \$ 5,116,119 | \$ 5,412,191 | 106% |

DEPARTMENT OF EDUCATION OPEB PLAN

| YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTION (ARC) | ACTUAL CONTRIBUTION | % OF ARC CONTRIBUTED |
|---------------------|------------------------------------|---------------------|----------------------|
| 2008 | \$ 2,548,187 | \$ 2,122,221 | 83% |
| 2009 | \$ 3,504,375 | \$ 2,288,090 | 65% |
| 2010 | \$ 3,119,950 | \$ 2,002,019 | 64% |
| 2011 | \$ 2,837,968 | \$ 1,670,995 | 59% |
| 2012 | \$ 2,858,098 | \$ 1,377,509 | 48% |
| 2013 | \$ 1,270,797 | \$ 1,243,673 | 98% |
| 2014 | \$ 1,293,254 | \$ 855,388 | 66% |

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2014

POLICE AND FIRE PLAN**Total pension liability**

| | |
|--|----------------|
| Service cost | \$ 802,841 |
| Interest | 22,844,850 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions | - |
| Benefit payments | (23,747,994) |
| Net change in total pension liability | (100,303) |
| Total pension liability-beginning | 325,037,573 |
| Total pension liability-ending (a) | \$ 324,937,270 |

Plan fiduciary net position

| | |
|---|----------------|
| Contributions-employer | 21,994,344 |
| Contributions-employee | 368,575 |
| Net investment income | 9,690,430 |
| Benefit payments, including refunds of employee contributions | (23,747,994) |
| Administrative expense | (629,880) |
| Other * | 381,765 |
| Net change in plan fiduciary net position | 8,057,240 |
| Plan fiduciary net position - beginning | 58,585,058 |
| Plan fiduciary net position - ending (b) | 66,642,298 |
| Net pension liability (a)-(b) | \$ 258,294,972 |

Plan fiduciary net position as a percentage of the total pension liability 20.51%

| | |
|---|--------------|
| Covered-employee payroll | \$ 2,905,865 |
| Net pension liability as a percentage of covered-employee payroll | 8888.75% |

* State allocation

Notes to the Schedule:**Benefit changes**

None

Changes of assumptions

There were no changes in assumptions

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014

POLICE AND FIRE PLAN

| | |
|--|-----------------------|
| Actuarially determined contribution | \$ 21,006,057 |
| Contributions related to the actuarially determined contribution | (22,376,109) |
| Contribution deficiency (excess) | <u>\$ (1,370,052)</u> |

Notes to Schedule:**Valuation date**

Actuarially determined contribution rates are calculated as of July 1, in the following fiscal year in which contributions are reported. That is, the contribution calculated as of July 1, 2014 will be made during the fiscal year ending June 30, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal, level percent of payroll

Amortization method

Level dollar

Amortization period

For members in Court approved Plan:

Closed 28-year period beginning with the July 1, 2013 valuation.

For members that opted out of Court approved Plan:

Closed 23-year period beginning with the July 1, 2013 valuation.

Asset valuation method

Market value of assets

Cost-of-living increases after retirement

For members in Court approved Plan:

Every other year COLA freeze for a ten year period effective July 1, 2013. In years 11 and 12 a 1.50% COLA would apply and then a 3.00% COLA for each year thereafter, effective each July 1. Current and future widows will continue to received 3.00% annual COLAs.

For members that opted out of Court approved Plan:

COLAs are frozen for a ten year period effective July 1, 2013. Upon the expiration of the ten year period, the COLA is capped at 3.00%.

Salary increases

3.00%

Investment rate of return

7.50%, based on average inflation rate of 3.00% and a real rate of return of 4.50%.

Retirement age

Assumptions related to age, service, and department are used for participants not yet receiving payments.

Mortality

RP-2000 Combined with Blue Collar Adjustment and mortality improvements projected to the 2023 with Scale AA.

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2014

POLICE AND FIRE PLAN

| | |
|--|--------|
| Annual money-weighted rate of return, net of investment expenses | 15.78% |
|--|--------|

CITY OF CRANSTON, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

RSI-5

Notes to the Schedule of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

RSI-5

Modified Approach for City Subsurface Roads 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 taken the position to apply the modified approach to all subsurface roads and to depreciate all other types of infrastructure.

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

- The City manages the eligible subsurface roads 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 subsurface roads are being preserved approximately at or above the established and disclosed condition assessment level.

The roads, are supported by subsurface roads, and consist primarily of concrete and asphalt pavement. These roads 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)

CITY OF CRANSTON, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

RSI-5

Modified Approach for City Subsurface Roads Infrastructure On Capital Assets (Continued)

The City Policy is to achieve a minimum rating of 70 for all subsurface roads, 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, 2014, the City's street system (which includes subsurface roads) 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, 2014, the City had some of its streets (which includes subsurface roads) rated below the established 70 rating. The City will require several years to rehabilitate these segments of the streets.

The City's streets (which includes subsurface roads) 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 \$153,446 from the Highway department operating budget on street maintenance (which includes subsurface roads) for the fiscal year ended June 30, 2014. These expenditures delayed deterioration, however the overall condition of the streets (which includes subsurface roads) was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's streets (which includes subsurface roads) at the minimum PCI rating 70 through the year 2014 is a minimum of \$2,000,000.

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 (which includes subsurface roads). The City expended \$1,479,723 in FY14 for street paving projects. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2014, 32 percent of the City's streets (which includes subsurface roads) 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, 2014, the City had 324 miles of street with a carrying amount of approximately \$112,600,000 and an estimated replacement cost of approximately \$135,000,000.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

Modified Approach for City Subsurface Roads Infrastructure On Capital Assets (Continued)

The City has included the schedule of capital improvement relating to these subsurface roads from fiscal year 2010 through fiscal year 2014. This schedule includes the estimate for each of the past five years of the amount needed to maintain or preserve the assets of each network and the actual amounts expended on maintenance and preservation of these subsurface roads.

| Fiscal Yr. | Budget Amount ** | Capital Expenditure | Const/Recon Repairs | Total Expenditures |
|------------|---------------------|------------------------|------------------------|-----------------------|
| FY10 | \$ 4,700,000 | \$ 1,034,740 | \$ 122,403 | \$ 1,157,143 |
| FY11 | \$ 1,486,000 | \$ 2,227,719 | \$ 119,142 | \$ 2,346,861 |
| FY12 | \$ 2,010,000 | \$ 1,654,052 | \$ 154,659 | \$ 1,808,711 |
| FY13 | \$ 1,070,000 | \$ 2,777,856 | \$ 98,739 | \$ 2,876,595 |
| FY14 | \$ 3,625,000 | \$ 1,479,723 | \$ 153,446 | \$ 1,633,169 |

** - Amount from Capital Budget

In 2009, the Department of Public Works completed a Pavement Management study which inventoried the condition of all City streets. Each street was given a condition index rating between 0 and 100. As part of this study, a cost of \$58,000,000 was estimated to bring all streets (which includes subsurface roads) in the City up to an acceptable rating. In the last five years the City has spent approximately \$11,000,000 on road paving. Public Works continues to use this 2009 study in prioritizing streets for paving. With increased participation from water, gas, sewer, and electrical utility companies, the City will continue to pave streets at the rate of approximately \$2,000,000 per year. It is recommended the Pavement Management study be updated on a periodic basis, not to exceed ten years.

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 (within a department) at any time during the fiscal year. Intradepartmental transfers (between different departments) 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, 2014, intradepartmental transfers and supplemental appropriations netted an increase to the original adopted budget by \$2,183,845.

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

Budgets and Budgetary Accounting (Continued)

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.

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, 2014..... | \$ 258,181,216 | \$ 257,621,992 | \$ 22,350,391 | \$ 45,954,105 | \$ 134,210,340 | \$ (793,593) |
| Revenues/Expenditures accounted for on the budgetary basis associated with Education funds | (46,230,327) | (137,612,979) | | | | |
| Encumbrances outstanding at June 30, 2013 liquidated during the year June 30, 2014 | | | | | 76,681 | (76,681) |
| Encumbrances outstanding at June 30, 2014 Charged to budgetary expenditures | | | | | (320,650) | 320,650 |
| Transfers to the school department not included in the City's general fund budget | | (422,994) | | | | |
| Transfer out to Public Facilities Management Foundation not included in the City's general fund budget | | (25,218) | | | | |
| Transfer out to budget stabilization fund not included in the City's general fund budget | | (250,000) | | | | 500,000 |
| Opening balances for funds that do not meet the GASB 54 definition for a special revenue fund | | | 2,363,868 | | | |
| Deficit reduction payment | | | | | | 1,573,891 |
| Current year activity for funds that do not meet the GASB 54 definition for a special revenue fund | 2,021,309 | 491,938 | 67,179 | | | |
| Revenue/Expenditure pass-thru | | | - | 644,168 | 631,421 | 12,747 |
| State Teachers' Retirement on-behalf payment | | | | 6,125,457 | 6,125,457 | |
| BALANCE, GAAP BASIS, JUNE 30, 2014 EXHIBIT D | \$ 213,972,198 | \$ 119,802,739 | \$ 24,781,438 | \$ 52,723,730 | \$ 140,723,249 | \$ 1,537,014 |

(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. Included 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 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, 2014

| | Special Revenue Funds | | | | |
|--|-----------------------|-----------------------|-------------------|--------------------|--|
| | Education | Community Services | Public Service | Senior Services | Governmental Special Revenue Funds |
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 1,307,537 | \$ 1,359,195 | \$ 485,755 | \$ 235,515 | \$ 1,715,209 |
| Investments | - | | | 11,866 | |
| Receivables: | | | | | |
| Intergovernmental | - | | | - | |
| Loans | - | 947,216 | | | - |
| Other | 8,092 | | 165,230 | | |
| Due from: | | | | | |
| Other Governments | 1,169,013 | 306,615 | | | |
| Other funds | 52,814 | 11,792 | 1,530 | | 785 |
| | | | | | |
| TOTAL ASSETS | \$ 2,537,456 | \$ 2,624,818 | \$ 652,515 | \$ 247,381 | \$ 1,715,994 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 2,435 | \$ 10,385 | \$ 130,093 | \$ 3,941 | \$ 3,334 |
| Accrued payroll | - | | 2,406 | | |
| Retainage payable | - | | | | |
| Due to other funds | 1,697,199 | 173 | 251,573 | - | - |
| Unearned revenues | 776,422 | 947,216 | 13,520 | | - |
| Other liabilities | - | | 270 | | 4,490 |
| | | | | | |
| TOTAL LIABILITIES | 2,476,056 | 957,774 | 397,862 | 3,941 | 7,824 |
| FUND BALANCES: | | | | | |
| Restricted | 49,744 | 1,667,044 | 289,569 | 243,440 | 1,708,170 |
| Committed | - | | | | |
| Assigned | 11,656 | - | - | | |
| Unassigned | - | | (34,916) | | |
| | | | | | |
| TOTAL FUND BALANCES | 61,400 | 1,667,044 | 254,653 | 243,440 | 1,708,170 |
| | | | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,537,456 | \$ 2,624,818 | \$ 652,515 | \$ 247,381 | \$ 1,715,994 |

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

| | 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 | \$ - | \$ 35,860 | \$ 4,364,746 | \$ 2,479,247 | \$ 73,985 |
| Investments | | | | | |
| Receivables: | | | | | |
| Intergovernmental | | | 468,772 | | - |
| Loans | 2,176,265 | | | | |
| Other | | | | | |
| Due from: | | | | | |
| City of Cranston | | | | | |
| Other funds | | | | | |
| TOTAL ASSETS | \$ 2,176,265 | \$ 35,860 | \$ 4,833,518 | \$ 2,479,247 | \$ 73,985 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | | | \$ 89,779 | \$ 262,859 | |
| Accrued payroll | | | | | |
| Retainage payable | | | - | 47,767 | |
| Due to other funds | \$ 22,407 | \$ 155,513 | | | |
| Unearned revenues | 2,176,265 | | | | |
| Other liabilities | 867 | 1,091 | | | |
| TOTAL LIABILITIES | 2,199,539 | 156,604 | 89,779 | 310,626 | - |
| FUND BALANCES: | | | | | |
| Restricted | | | 4,743,739 | 2,168,621 | \$ 73,985 |
| Committed | | | | | |
| Assigned | | | | | |
| Unassigned | (23,274) | (120,744) | | | |
| TOTAL FUND BALANCES | (23,274) | (120,744) | 4,743,739 | 2,168,621 | 73,985 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,176,265 | \$ 35,860 | \$ 4,833,518 | \$ 2,479,247 | \$ 73,985 |

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

| | Capital Project Funds | | | | | Total Nonmajor Governmental Funds |
|--|-------------------------|----------------------|---------------------------|----------------------|---|---|
| | Recreation Bond Fund | Highway Bond Fund | Storm Drains Bond Fund | Library Bond Fund | Neighborhood Infrastructure Bond Fund | |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 402,082 | \$ 1,780,134 | \$ 196,415 | \$ - | \$ 108,097 | \$ 14,543,777 |
| Investments | | | | | | 11,866 |
| Receivables: | | | | | | |
| Intergovernmental | | - | | | | 468,772 |
| Loans | | | | | | 3,123,481 |
| Other | | | | | | 173,322 |
| Due from: | | | | | | |
| City of Cranston | | | | | | 1,475,628 |
| Other funds | | 66,179 | | | - | 133,100 |
| TOTAL ASSETS | \$ 402,082 | \$ 1,846,313 | \$ 196,415 | \$ - | \$ 108,097 | \$ 19,929,946 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ 74,328 | \$ 477,406 | \$ 49,373 | | | \$ 1,103,933 |
| Accrued payroll | | | | | | 2,406 |
| Retainage payable | | 10,472 | | | | 58,239 |
| Due to other funds | | | | | | 2,126,865 |
| Unearned revenues | | | | | | 3,913,423 |
| Other liabilities | | | | | | 6,718 |
| TOTAL LIABILITIES | 74,328 | 487,878 | 49,373 | - | - | 7,211,584 |
| FUND BALANCES: | | | | | | |
| Restricted | 327,754 | 1,358,435 | 147,042 | | \$ 108,097 | 12,885,640 |
| Committed | | | - | | | - |
| Assigned | | | | | | 11,656 |
| Unassigned | | | | | | (178,934) |
| TOTAL FUND BALANCES | 327,754 | 1,358,435 | 147,042 | - | 108,097 | 12,718,362 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 402,082 | \$ 1,846,313 | \$ 196,415 | \$ - | \$ 108,097 | \$ 19,929,946 |

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | Special Revenue Funds | | | | |
|---|-----------------------|-----------------------|-------------------|--------------------|--|
| | Education | Community Services | Public Service | Senior Services | Governmental Special Revenue Funds |
| REVENUES: | | | | | |
| Intergovernmental | \$ 7,861,476 | | \$ 218,721 | | |
| Charges for services | | | 982,654 | \$ 71,181 | \$ 147,052 |
| Investment income | | \$ 38,320 | 891 | 571 | 3,967 |
| Other | 106,845 | 481,243 | 27,217 | | |
| TOTAL REVENUES | 7,968,321 | 519,563 | 1,229,483 | 71,752 | 151,019 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | | 441,228 | | | 99,731 |
| Public safety | | | 1,302,581 | | |
| Education | 8,143,898 | | | | |
| Parks and recreation | | | | | |
| Public libraries | | 128,545 | | | |
| Senior services | | | | 102,855 | |
| Community development | | | | | |
| Debt service: | | | | | |
| Interest and other costs | | | | | |
| Capital: | | | | | |
| Capital expenditures | | | | | |
| TOTAL EXPENDITURES | 8,143,898 | 569,773 | 1,302,581 | 102,855 | 99,731 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (175,577) | (50,210) | (73,098) | (31,103) | 51,288 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of general obligation bond | - | | - | - | |
| Bond premium | - | | - | - | |
| NET OTHER FINANCING SOURCES (USES) | - | | - | - | - |
| NET CHANGE IN FUND BALANCES | (175,577) | (50,210) | (73,098) | (31,103) | 51,288 |
| FUND BALANCES - JULY 1, 2013 | 236,977 | 1,717,254 | 327,751 | 274,543 | 1,656,882 |
| FUND BALANCES - JUNE 30, 2014 | \$ 61,400 | \$ 1,667,044 | \$ 254,653 | \$ 243,440 | \$ 1,708,170 |

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | Special Revenue Funds | | | | |
|---|---|------------------------|---------------------|---------------------------------|---------------------------------|
| | Community Development Block Grant | WIA Job Development | School Bond Fund | Police and Fire Bond Fund | Public Building Bond Fund |
| REVENUES: | | | | | |
| Intergovernmental | \$ 1,535,495 | \$ 453,046 | | | |
| Charges for services | | | | | |
| Investment income | 131,367 | 28 | | | |
| Other | | | | | |
| TOTAL REVENUES | 1,666,862 | 453,074 | - | - | - |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | | 477,836 | | | \$ 2,180 |
| Public safety | | | | \$ 827 | |
| Education | | | \$ 11,989 | | |
| Parks and recreation | | | | | |
| Public libraries | | | | | |
| Senior services | | | | | |
| Community development | 1,659,368 | | | | |
| Debt service: | | | | | |
| Interest and other costs | | | 83,135 | 26,930 | 9 |
| Capital: | | | | | |
| Capital expenditures | | | 1,984,406 | 840,462 | 50,000 |
| TOTAL EXPENDITURES | 1,659,368 | 477,836 | 2,079,530 | 868,219 | 52,189 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 7,494 | (24,762) | (2,079,530) | (868,219) | (52,189) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of general obligation bond | | | 4,190,000 | 1,350,000 | |
| Bond premium | | | 65,994 | 21,263 | |
| NET OTHER FINANCING SOURCES (USES) | - | - | 4,255,994 | 1,371,263 | - |
| NET CHANGE IN FUND BALANCES | 7,494 | (24,762) | 2,176,464 | 503,044 | (52,189) |
| FUND BALANCES - JULY 1, 2013 | (30,768) | (95,982) | 2,567,275 | 1,665,577 | 126,174 |
| FUND BALANCES - JUNE 30, 2014 | \$ (23,274) | \$ (120,744) | \$ 4,743,739 | \$ 2,168,621 | \$ 73,985 |

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | Capital Project Funds | | | | | Total Non-Major Governmental Funds |
|--|-------------------------|----------------------|---------------------------|----------------------|---|--|
| | Recreation Bond Fund | Highway Bond Fund | Storm Drains Bond Fund | Library Bond Fund | Neighborhood Infrastructure Bond Fund | |
| REVENUES: | | | | | | |
| Intergovernmental | | \$ 48,905 | | | \$ 18,595 | \$ 10,136,238 |
| Charges for services | | | | | | 1,200,887 |
| Investment income | | | | | 3 | 175,147 |
| Other | | 146,787 | | | | 762,092 |
| TOTAL REVENUES | - | 195,692 | - | - | 18,598 | 12,274,364 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | 17,943 | | | | 1,038,918 |
| Public safety | | | | | | 1,303,408 |
| Education | | | | | | 8,155,887 |
| Parks and recreation | \$ 35,362 | | | | | 35,362 |
| Public libraries | | | | | | 128,545 |
| Senior services | | | | | | 102,855 |
| Community development | | | | | | 1,659,368 |
| Debt service: | | | | | | |
| Interest and other costs | 21,273 | 61,859 | \$ 5,984 | \$ 3,983 | - | 203,173 |
| Capital: | | | | | | |
| Capital expenditures | 705,621 | 2,138,229 | 151,699 | 199,167 | - | 6,069,584 |
| TOTAL EXPENDITURES | 762,256 | 2,218,031 | 157,683 | 203,150 | - | 18,697,100 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (762,256) | (2,022,339) | (157,683) | (203,150) | 18,598 | (6,422,736) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Issuance of general obligation bond | 1,065,000 | 3,105,000 | 300,000 | 200,000 | | 10,210,000 |
| Bond premium | 16,774 | | 4,725 | 3,150 | | 111,906 |
| NET OTHER FINANCING SOURCES (USES) | 1,081,774 | 3,105,000 | 304,725 | 203,150 | - | 10,321,906 |
| NET CHANGE IN FUND BALANCES | 319,518 | 1,082,661 | 147,042 | - | 18,598 | 3,899,170 |
| FUND BALANCES - JULY 1, 2013 | 8,236 | 275,774 | - | - | 89,499 | 8,819,192 |
| FUND BALANCES - JUNE 30, 2014 | \$ 327,754 | \$ 1,358,435 | \$ 147,042 | \$ - | \$ 108,097 | \$ 12,718,362 |

CITY OF CRANSTON, RHODE ISLAND

NONMAJOR BUDGETARY FUNDS
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET BASIS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

COMMUNITY DEVELOPMENT BLOCK GRANT

| | ORIGINALLY ADOPTED BUDGET | FINAL APPROVED BUDGET | ACTUAL (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET |
|--|---------------------------------|-----------------------------|--------------------------------|----------------------------------|
| REVENUES: | | | | |
| Program Income | \$ 160,000 | \$ 160,000 | \$ 131,367 | \$ (28,633) |
| Federal Grants | 888,866 | 1,528,866 | 1,535,495 | 6,629 |
| Total Revenues | 1,048,866 | 1,688,866 | 1,666,862 | (22,004) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Program Activities | 1,048,866 | 1,688,866 | 1,659,368 | 29,498 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ - | \$ - | \$ 7,494 | \$ 7,494 |

WORKFORCE INVESTMENT ACT

| | ORIGINALLY ADOPTED BUDGET | FINAL APPROVED BUDGET | ACTUAL (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET |
|--|---------------------------------|-----------------------------|--------------------------------|----------------------------------|
| REVENUES: | | | | |
| Program Income | \$ 432,889 | \$ 477,889 | \$ 453,046 | \$ (24,843) |
| Investment Income | - | - | 28 | 28 |
| Total Revenues | 432,889 | 477,889 | 453,074 | (24,815) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Program Activities | 432,889 | 477,889 | 477,836 | (53) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ - | \$ - | \$ (24,762) | \$ (24,762) |

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

| | BALANCE JULY 1, 2013 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2014 |
|---|-------------------------|--------------|--------------|--------------------------|
| <u>Unclaimed Estates in Probate Court</u> | | | | |
| ASSET | | | | |
| Cash | \$ 86,807 | \$ 10,009 | \$ - | \$ 96,816 |
| LIABILITY | | | | |
| Deposits Held in Custody for Others | \$ 86,807 | \$ 10,009 | \$ - | \$ 96,816 |
| <u>Performance Bonds</u> | | | | |
| ASSET | | | | |
| Cash | \$ 239,166 | \$ 6,509 | \$ 11,439 | \$ 234,236 |
| LIABILITY | | | | |
| Deposits Held in Custody for Others | \$ 239,166 | \$ 6,509 | \$ 11,439 | \$ 234,236 |
| <u>Student Activity Funds</u> | | | | |
| ASSET | | | | |
| Cash | \$ 476,858 | \$ 1,569,837 | \$ 1,530,285 | \$ 516,410 |
| LIABILITY | | | | |
| Deposits Held in Custody for Others | \$ 476,858 | \$ 1,569,837 | \$ 1,530,285 | \$ 516,410 |
| <u>TOTALS</u> | | | | |
| ASSET | | | | |
| Cash | \$ 802,831 | \$ 1,586,355 | \$ 1,541,724 | \$ 847,462 |
| LIABILITY | | | | |
| Deposits Held in Custody for Others | \$ 802,831 | \$ 1,586,355 | \$ 1,541,724 | \$ 847,462 |

CITY OF CRANSTON, RHODE ISLAND
 COMBINING STATEMENT OF NET POSITION
 PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
 JUNE 30, 2014

| | GOVERNMENTAL ACTIVITIES | | |
|---------------------------------------|---|----------------------------------|---------------------|
| | SCHOOL DEPARTMENT INTERNAL SERVICE FUND | CITY INTERNAL SERVICE FUND | TOTALS |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents..... | | \$ 474,630 | \$ 474,630 |
| Receivables: | | | |
| Other..... | \$ 9,281 | | 9,281 |
| Due from other funds..... | | 7,499 | 7,499 |
| Claims deposit..... | 6,184,642 | | 6,184,642 |
| Total Current Assets | 6,193,923 | 482,129 | 6,676,052 |
| Noncurrent Assets: | | | |
| Advance deposits - medical..... | 801,500 | - | 801,500 |
| Total Noncurrent Assets..... | 801,500 | - | 801,500 |
| TOTAL ASSETS..... | 6,995,423 | 482,129 | 7,477,552 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable..... | | 10,518 | 10,518 |
| Accrued payroll..... | | 258 | 258 |
| Due to other funds..... | 4,428,381 | - | 4,428,381 |
| Claims payable..... | 1,147,682 | 238,115 | 1,385,797 |
| Total Current Liabilities..... | 5,576,063 | 248,891 | 5,824,954 |
| Total Noncurrent Liabilities..... | - | - | - |
| TOTAL LIABILITIES..... | 5,576,063 | 248,891 | 5,824,954 |
| NET POSITION | | | |
| Net investment in capital assets..... | - | - | |
| Unrestricted..... | 1,419,360 | 233,238 | 1,652,598 |
| TOTAL NET POSITION..... | \$ 1,419,360 | \$ 233,238 | \$ 1,652,598 |

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

| | GOVERNMENTAL ACTIVITIES | | TOTALS |
|-------------------------------------|---|----------------------------------|---------------|
| | SCHOOL DEPARTMENT INTERNAL SERVICE FUND | CITY INTERNAL SERVICE FUND | |
| OPERATING REVENUES: | | | |
| Charges for usage and service..... | \$ 21,996,974 | \$ 550,000 | \$ 22,546,974 |
| Miscellaneous..... | | 90,899 | 90,899 |
| TOTAL OPERATING REVENUES..... | 21,996,974 | 640,899 | 22,637,873 |
| OPERATING EXPENSES: | | | |
| Operations..... | | 544,075 | 544,075 |
| Personnel..... | | 92,150 | 92,150 |
| Claims..... | | 210,975 | 210,975 |
| Health care management..... | 21,015,833 | | 21,015,833 |
| TOTAL OPERATING EXPENSES..... | 21,015,833 | 847,200 | 21,863,033 |
| OPERATING INCOME (LOSS)..... | 981,141 | (206,301) | 774,840 |
| NONOPERATING REVENUES: | | | |
| Investment income..... | | 1,377 | 1,377 |
| NONOPERATING REVENUES..... | | 1,377 | 1,377 |
| CHANGE IN NET POSITION..... | 981,141 | (204,924) | 776,217 |
| NET POSITION - JULY 1, 2013 - | 438,219 | 438,162 | 876,381 |
| NET POSITION - JUNE 30, 2014..... | \$ 1,419,360 | \$ 233,238 | \$ 1,652,598 |

CITY OF CRANSTON, RHODE ISLAND

SCHEDULE 7

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | GOVERNMENTAL ACTIVITIES | | |
|---|---|----------------------------------|---------------------|
| | SCHOOL DEPARTMENT INTERNAL SERVICE FUND | CITY INTERNAL SERVICE FUND | TOTALS |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers..... | | \$ 640,899 | \$ 640,899 |
| Cash received from providing services..... | \$ 22,054,417 | | 22,054,417 |
| Cash paid to employees..... | | (91,892) | (91,892) |
| Cash paid for claims..... | (20,367,284) | (215,808) | (20,583,092) |
| Cash paid for other operating expenses..... | | (535,359) | (535,359) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | 1,687,133 | (202,160) | 1,484,973 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Change in interfund loans..... | (1,687,133) | 109,290 | (1,577,843) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES..... | (1,687,133) | 109,290 | (1,577,843) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Income from investments..... | | 1,377 | 1,377 |
| NET DECREASE IN CASH | - | (91,493) | (91,493) |
| CASH - JULY 1, 2013 (INCLUDING RESTRICTED CASH)..... | - | 566,123 | 566,123 |
| CASH - JUNE 30, 2014 (INCLUDING RESTRICTED CASH)..... | \$ - | \$ 474,630 | \$ 474,630 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 981,141 | \$ (206,301) | \$ 774,840 |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: | | | |
| Increase in accounts receivable..... | 57,443 | | 57,443 |
| Increase in claims deposits..... | (1,097,540) | | (1,097,540) |
| Decrease in accounts payable..... | | 8,716 | 8,716 |
| Decrease in accrued payroll..... | | 258 | 258 |
| Increase in prepaid expenses..... | 1,853,726 | | 1,853,726 |
| (Increase) decrease in claims payable..... | (107,637) | (4,833) | (112,470) |
| Decrease in advanced deposits..... | | | - |
| NET CASH USED IN OPERATING ACTIVITIES..... | \$ 1,687,133 | \$ (202,160) | \$ 1,484,973 |

**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, 2014

| | LAND | LAND IMPROVEMENTS | INFRASTRUCTURE | BUILDINGS | VEHICLES | OFFICE FURNITURE & EQUIP. | MACHINERY AND EQUIPMENT | TOTAL |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|-------------------------|-----------------------|
| General government..... | \$ 14,301,342 | \$ 22,016,214 | \$ 83,919,630 | \$ 93,751,414 | \$ 118,679 | \$ 1,307,437 | | \$ 215,414,716 |
| Public safety..... | | | | | 9,375,102 | 1,131,581 | \$ 3,867,709 | 14,374,392 |
| Public works..... | | | | | 4,393,317 | 35,085 | 862,831 | 5,291,233 |
| Education..... | | | | 814,720 | 1,995,035 | 1,177,289 | | 3,987,044 |
| Parks and recreation..... | | | | | 641,046 | - | 1,184,901 | 1,825,947 |
| Public libraries..... | | | | | 17,458 | 3,300,069 | 63,806 | 3,381,333 |
| Senior services..... | | | | | 485,150 | 57,854 | 42,636 | 585,640 |
| TOTAL..... | \$ 14,301,342 | \$ 22,016,214 | \$ 83,919,630 | \$ 94,566,134 | \$ 17,025,787 | \$ 7,009,315 | \$ 6,021,883 | \$ 244,860,305 |

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, 2014

| | BALANCE JULY 1, 2013 | ADDITIONS | RETIREMENTS | BALANCE JUNE 30, 2014 |
|----------------------------|----------------------------|---------------------|-------------------|-----------------------------|
| General government..... | \$ 209,220,760 | \$ 6,193,955 | \$ | \$ 215,414,715 |
| Public safety..... | 13,481,771 | 1,257,991 | 365,371 | 14,374,391 |
| Public works..... | 4,871,049 | 509,542 | 89,358 | 5,291,233 |
| Education..... | 3,944,886 | 68,656 | 26,498 | 3,987,044 |
| Parks and recreation..... | 1,685,050 | 140,897 | - | 1,825,947 |
| Public libraries..... | 3,323,343 | 57,989 | | 3,381,332 |
| Senior services..... | 464,472 | 121,171 | | 585,643 |
| TOTAL CAPITAL ASSETS | <u>\$ 236,991,331</u> | <u>\$ 8,350,201</u> | <u>\$ 481,227</u> | <u>\$ 244,860,305</u> |

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 | | | | | | | | | |
|---|----------------------|----------------------|---------------------|-----------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 | 2011 (As Restated) | 2010 | 2009 (As Restated) | 2008 | 2007 | 2006 | 2005 |
| Governmental activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 53,541,476 | \$ 49,660,029 | \$ 41,265,304 | \$ 38,755,896 | \$ 36,911,322 | \$ 30,061,368 | \$ 27,722,028 | \$ 28,499,098 | \$ 12,863,084 | \$ 36,731,439 |
| Restricted | - | - | - | - | 2,770,499 | 754,859 | 3,219,448 | 2,530,430 | 9,468,021 | - |
| Unrestricted | (70,017,338) | (86,076,389) | (85,654,610) | (81,803,993) | (79,180,678) | (63,493,862) | (59,641,599) | (59,323,748) | (42,514,069) | (60,538,517) |
| Total Governmental activities | (16,475,862) | (36,416,360) | (44,389,306) | (43,048,097) | (39,498,857) | (32,677,635) | (28,700,123) | (28,294,220) | (20,182,964) | (23,807,078) |
| Business-type activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | 38,070,280 | 55,410,689 | 54,943,414 | 55,835,806 | 54,279,242 | 58,955,899 | 60,339,186 | 63,828,596 | 63,684,992 | 61,785,287 |
| Restricted | - | - | - | - | 501,295 | 501,302 | 507,594 | 954,040 | 504,624 | 500,267 |
| Unrestricted | 12,556,497 | (7,230,976) | (9,165,835) | (11,349,807) | (12,293,232) | (18,495,702) | (20,023,658) | (25,204,693) | (24,602,130) | (27,861,982) |
| Total Business-type activities | 50,626,777 | 48,179,713 | 45,777,579 | 44,485,999 | 42,487,305 | 40,961,499 | 40,823,122 | 39,577,943 | 39,587,486 | 34,423,572 |
| Total City: | | | | | | | | | | |
| Invested in capital assets, net of related debt | 91,611,756 | 105,070,718 | 96,208,718 | 94,591,702 | 91,190,564 | 89,017,267 | 88,061,214 | 92,327,694 | 76,548,076 | 98,516,726 |
| Restricted | - | - | - | - | 3,271,794 | 1,256,161 | 3,727,042 | 3,484,470 | 9,972,645 | 500,267 |
| Unrestricted | (57,460,841) | (93,307,365) | (94,820,445) | (93,153,800) | (91,473,910) | (81,989,564) | (79,665,257) | (84,528,441) | (67,116,199) | (88,400,499) |
| Total City | \$ 34,150,915 | \$ 11,763,353 | \$ 1,388,273 | \$ 1,437,902 | \$ 2,988,448 | \$ 8,283,864 | \$ 12,122,999 | \$ 11,283,723 | \$ 19,404,522 | \$ 10,616,494 |

TABLE 2
(1 of 3)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

| | FISCAL YEAR | | | | | | | | | |
|---|--------------------|--------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2012 | 2011 (As Restated) | 2010 | 2009 (As Restated) | 2008 | 2007 | 2006 | 2005 |
| EXPENSES: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 13,331,733 | \$ 13,332,988 | \$ 14,124,547 | \$ 11,681,983 | \$ 11,927,606 | \$ 13,502,051 | \$ 11,071,588 | \$ 14,667,120 | \$ 10,038,244 | \$ 15,849,140 |
| Public safety | 76,009,561 | 80,850,179 | 76,501,580 | 74,176,278 | 75,005,742 | 69,891,470 | 64,867,512 | 69,816,686 | 66,103,904 | 61,212,863 |
| Public works | 15,709,767 | 15,002,479 | 15,167,301 | 14,162,027 | 14,132,084 | 14,286,657 | 13,603,612 | 13,111,503 | 12,353,799 | 12,500,813 |
| Education | 148,510,719 | 143,177,724 | 145,560,327 | 148,737,275 | 147,353,569 | 144,564,947 | 145,639,712 | 139,954,890 | 128,470,859 | 123,345,770 |
| Parks and recreation | 2,502,784 | 2,187,997 | 2,271,516 | 1,674,918 | 1,564,980 | 2,249,144 | 2,604,501 | 2,617,354 | 2,384,414 | 2,059,016 |
| Public libraries | 3,130,504 | 3,111,686 | 3,068,582 | 2,929,901 | 2,918,385 | 3,210,102 | 3,159,253 | 3,142,534 | 2,824,696 | 2,761,476 |
| Senior services | 3,091,950 | 2,902,182 | 2,894,707 | 2,747,580 | 2,822,873 | 2,948,510 | 3,122,575 | 2,913,263 | 2,611,039 | 2,564,049 |
| Community development | 716,188 | 1,240,559 | 1,467,564 | 1,560,098 | 1,981,805 | 1,095,367 | 866,181 | 1,901,604 | 1,962,445 | 1,606,187 |
| Interest expense | 3,659,457 | 2,887,674 | 5,143,233 | 5,003,790 | 4,985,466 | 4,962,888 | 4,318,495 | 3,873,139 | 6,672,049 | 3,203,381 |
| Other | - | - | 124,638 | 119,225 | - | - | - | - | - | - |
| Total Governmental activities | 266,662,663 | 264,693,468 | 266,323,995 | 262,793,075 | 262,692,510 | 256,711,136 | 249,253,429 | 251,998,093 | 233,421,449 | 225,102,695 |
| Business-type activities: | | | | | | | | | | |
| Sewer | 18,636,282 | 18,184,729 | 19,076,141 | 17,604,843 | 17,312,453 | 17,381,311 | 16,174,140 | 16,233,984 | 16,221,383 | 15,052,454 |
| Public Facilities Management Foundation | 92,137 | 77,010 | 93,501 | 200,937 | 219,337 | 228,248 | 246,029 | 270,154 | 275,798 | 309,662 |
| Charter School Fund | - | 2,648,536 | 2,710,210 | 2,960,621 | 3,090,636 | - | - | - | - | - |
| School lunch | 5,581,170 | 2,867,369 | 3,073,738 | 2,565,806 | 2,721,200 | 2,900,867 | 3,023,413 | 2,957,021 | 2,688,143 | 2,586,402 |
| Total Business-type activities | 24,309,589 | 23,777,644 | 24,953,590 | 23,332,207 | 23,343,626 | 20,510,426 | 19,443,582 | 19,461,159 | 19,185,324 | 17,948,518 |
| Total City expenses | 290,972,252 | 288,471,112 | 291,277,585 | 286,125,282 | 286,036,136 | 277,221,562 | 268,697,011 | 271,459,252 | 252,606,773 | 243,051,213 |

TABLE 2
(2 of 3)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

| | FISCAL YEAR | | | | | | | | | |
|--|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 | 2011 (As Restated) | 2010 | 2009 (As Restated) | 2008 | 2007 | 2006 | 2005 |
| PROGRAM REVENUES: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 5,823,451 | \$ 5,623,627 | \$ 5,786,052 | \$ 5,968,476 | \$ 5,726,884 | \$ 5,396,283 | \$ 5,474,802 | \$ 8,725,161 | \$ 9,339,781 | \$ 10,094,738 |
| Public safety | 5,597,507 | 5,256,803 | 5,512,505 | 3,893,316 | 5,575,477 | 6,162,035 | 5,475,823 | 3,131,896 | 3,364,334 | 3,250,181 |
| Public works | 747,410 | 925,173 | 737,643 | 681,668 | 455,374 | 481,865 | 523,339 | 166,623 | 124,564 | 79,485 |
| Education | 2,583,038 | 1,735,671 | 1,499,384 | 1,860,578 | 1,850,584 | 2,805,729 | 2,859,296 | 3,069,830 | 2,719,123 | |
| Parks and recreation | 345,788 | 301,996 | 286,551 | 266,406 | 289,310 | 320,967 | 277,125 | 229,801 | 192,971 | 218,346 |
| Public libraries | 87,400 | 87,400 | 87,400 | 87,400 | 89,000 | 100,000 | 68,500 | 85,000 | 82,500 | 179,232 |
| Senior services | 1,668,453 | 1,723,744 | 1,651,421 | 1,806,092 | 1,691,795 | 1,670,440 | 1,580,788 | 1,442,583 | 1,392,072 | 1,264,135 |
| Other activities | | | | | | | | | | |
| Operating grants and contributions | 76,706,418 | 74,953,160 | 61,072,753 | 59,840,449 | 63,617,708 | 56,934,360 | 55,043,215 | 55,006,239 | 51,704,145 | 53,592,333 |
| Capital grants and contributions | 218,721 | 96,781 | 330,885 | 638,392 | 585,627 | 182,166 | 103,305 | 694,453 | 114,596 | 342,051 |
| Total Governmental activities program revenues | 93,778,186 | 90,704,355 | 76,964,594 | 75,042,777 | 79,881,759 | 74,053,845 | 71,406,193 | 72,551,586 | 69,034,086 | 69,020,501 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sewer | 20,565,668 | 19,341,561 | 19,359,122 | 18,876,713 | 18,640,991 | 17,208,694 | 17,517,895 | 17,259,536 | 18,411,799 | 16,133,909 |
| Public Facilities Management Foundation | 26,775 | 35,300 | 41,900 | 136,911 | 208,574 | 211,061 | 187,849 | 256,199 | 247,419 | 304,306 |
| Non-major funds | 3,302,480 | 3,738,516 | 4,281,139 | 3,942,173 | 4,091,991 | 1,659,229 | 1,329,552 | 1,586,519 | 1,417,343 | 1,490,280 |
| Operating grants and contributions | 2,441,887 | 2,256,490 | 2,225,893 | 1,787,715 | 1,538,371 | 1,300,849 | 1,436,380 | 1,170,646 | 1,101,082 | 1,036,970 |
| Capital grants and contributions | | | | | | | | | 2,030,980 | 836,249 |
| Total Business-type activities program revenues | 26,336,810 | 25,371,867 | 25,908,054 | 24,743,512 | 24,479,927 | 20,379,833 | 20,471,676 | 20,272,900 | 23,208,623 | 19,801,714 |
| Total City revenues | 120,114,996 | 116,076,222 | 102,872,648 | 99,786,289 | 104,361,686 | 94,433,678 | 91,877,869 | 92,824,486 | 92,242,709 | 88,822,215 |
| Net (expenses) revenues: | | | | | | | | | | |
| Governmental activities | (172,884,477) | (173,989,113) | (189,359,401) | (187,750,298) | (182,810,751) | (182,657,291) | (177,847,236) | (179,446,507) | (164,387,363) | (156,082,194) |
| Business-type activities | 2,027,221 | 1,594,223 | 954,464 | 1,411,305 | 1,136,301 | (130,593) | 1,028,094 | 811,741 | 4,023,299 | 1,853,196 |
| Total City net expense | (170,857,256) | (172,394,890) | (188,404,937) | (186,338,993) | (181,674,450) | (182,787,884) | (176,819,142) | (178,634,766) | (160,364,064) | (154,228,998) |

TABLE 2
(3 of 3)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

| | FISCAL YEAR | | | | | | | | | |
|--|----------------|----------------|----------------|-----------------------|----------------|-----------------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2012 | 2011 (As Restated) | 2010 | 2009 (As Restated) | 2008 | 2007 | 2006 | 2005 |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Revenues: | | | | | | | | | | |
| Property taxes and other | \$ 189,420,459 | \$ 177,673,789 | \$ 183,880,964 | \$ 178,871,587 | \$ 172,909,856 | \$ 173,615,269 | \$ 169,279,075 | \$ 162,010,764 | \$ 158,960,204 | \$ 158,547,041 |
| Grants and contributions not restricted to specific programs | | | | | | 2,086,520 | 4,599,682 | 5,473,326 | 5,599,200 | |
| Gain/(Loss) on sale of assets | | 1,000,000 | | 662,520 | 303,537 | | | | | |
| State revenue sharing | | | | | | | | | | 3,199,670 |
| Unrestricted investment earnings | 252,218 | 626,522 | 586,730 | 577,703 | 706,945 | 1,065,331 | 2,449,896 | 3,851,161 | 2,323,533 | 1,203,044 |
| Transfers | (1,737,409) | (20,826) | (23,817) | 488,880 | | | | | | |
| Miscellaneous | 4,889,709 | 2,682,574 | 3,574,315 | 3,600,368 | 2,069,191 | 1,912,658 | | | | |
| Transfers | | | | | | | | | | |
| Total Governmental activities | 192,824,977 | 181,962,059 | 188,018,192 | 184,201,058 | 175,989,529 | 178,679,778 | 176,328,653 | 171,335,251 | 166,882,937 | 162,949,755 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 368,591 | 363,136 | 313,299 | 342,267 | 389,505 | 268,956 | 217,085 | 188,091 | 131,240 | 253,271 |
| Transfers | 25,218 | 20,826 | 23,817 | (488,880) | | | | | | |
| Miscellaneous | 26,035 | | | | | | | | | |
| Total Business-type activities | 419,844 | 383,962 | 337,116 | (146,613) | 389,505 | 268,956 | 217,085 | 188,091 | 131,240 | 253,271 |
| Total City | 193,244,821 | 182,346,021 | 188,355,308 | 184,054,445 | 176,379,034 | 178,948,734 | 176,545,738 | 171,523,342 | 167,014,177 | 163,203,026 |
| CHANGE IN NET ASSETS: | | | | | | | | | | |
| Governmental activities | 19,940,500 | 7,972,946 | (1,341,209) | (3,549,240) | (6,821,222) | (3,977,513) | (1,518,583) | (8,111,256) | 2,495,574 | 6,867,561 |
| Business-type activities | 2,447,065 | 1,978,185 | 1,291,580 | 1,264,692 | 1,525,806 | 138,363 | 1,245,179 | 999,832 | 4,154,539 | 2,106,467 |
| Total City change in net assets | \$ 22,387,565 | \$ 9,951,131 | \$ (49,629) | \$ (2,284,548) | \$ (5,295,416) | \$ (3,839,150) | \$ (273,404) | \$ (7,111,424) | \$ 6,650,113 | \$ 8,974,028 |

CITY OF CRANSTON, RHODE ISLAND

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)

| | FISCAL YEAR | | | | | | | | | |
|------------------------------------|---------------|---------------|-----------------------|-----------------------|---------------|-----------------------|---------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2012 (As Restated) | 2011 (As Restated) | 2010 | 2009 (As Restated) | 2008 | 2007 | 2006 | 2005 |
| General Fund: | | | | | | | | | | |
| Nonspendable | \$ 1,706,660 | \$ 5,366,568 | \$ 7,261,553 | \$ 3,264,015 | | | | | | |
| Restricted | 256,362 | 420,657 | 464,805 | - | | | | | | |
| Committed | 1,884,028 | 1,653,133 | 2,356,649 | 6,390,443 | | | | | | |
| Assigned | - | - | - | 1,300,761 | | | | | | |
| Unassigned | 20,934,388 | 16,714,677 | 13,545,115 | 10,423,711 | | | | | | |
| Reserved | | | | | \$ 7,624,361 | \$ 8,990,340 | \$ 3,193,052 | \$ 170,709 | | |
| Unreserved | | | | | 13,315,506 | 14,581,605 | 19,849,704 | 18,493,224 | \$ 19,932,283 | \$ 19,599,361 |
| Total General Fund | 24,781,438 | 24,155,035 | 23,628,122 | 21,378,930 | 20,939,867 | 23,571,945 | 23,042,756 | 18,663,933 | 19,932,283 | 19,599,361 |
| All Other Governmental Funds: | | | | | | | | | | |
| Nonspendable | 4,543,783 | 6,123,093 | 5,606,358 | 3,489,492 | | | | | | |
| Restricted | 12,885,640 | 8,908,234 | 8,945,331 | 8,234,662 | | | | | | |
| Committed | 320,650 | 97,321 | 119,410 | 92,887 | | | | | | |
| Assigned | 11,656 | - | - | - | | | | | | |
| Unassigned | (3,506,353) | (8,578,569) | (11,865,051) | (10,727,614) | | | | | | |
| Reserved | | | | | 2,441,699 | 754,859 | 3,792,674 | 2,359,721 | 9,468,021 | 449,705 |
| Unreserved, designated - school | | | | | | | 450,000 | 450,000 | 900,000 | 667,588 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | | | | | (3,378,407) | (3,022,478) | 797,940 | 8,405,339 | 15,449,182 | 12,269,184 |
| Capital project funds | | | | | 2,416,361 | 6,688,914 | 4,776,751 | 5,338,216 | 12,896,071 | 1,238,208 |
| Total All Other Governmental Funds | 14,255,376 | 6,550,079 | 2,806,048 | 1,089,427 | 1,479,653 | 4,421,295 | 9,817,365 | 16,553,276 | 38,713,274 | 14,624,685 |
| GRAND TOTAL | \$ 39,036,814 | \$ 30,705,114 | \$ 26,434,170 | \$ 22,468,357 | \$ 22,419,520 | \$ 27,993,240 | \$ 32,860,121 | \$ 35,217,209 | \$ 58,645,557 | \$ 34,224,046 |

CITY OF CRANSTON, RHODE ISLAND

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

| | FISCAL YEAR | | | | | | | | | |
|--|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|----------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 (As Restated) | 2010 | 2009 (As Restated) | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | | | | | | | |
| Property taxes | \$ 180,400,427 | \$ 179,645,778 | \$ 184,783,590 | \$ 178,724,593 | \$ 165,623,300 | \$ 159,040,147 | \$ 156,152,762 | \$ 147,243,054 | \$ 145,906,925 | \$ 146,687,442 |
| Intergovernmental revenue | 71,702,358 | 70,263,785 | 56,219,867 | 54,891,645 | 67,192,078 | 62,680,327 | 73,022,744 | 75,289,523 | 69,768,119 | 61,446,056 |
| Charges for services | 15,692,399 | 15,014,414 | 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 |
| Fines and interest on late payments | | | | | | | | | | 1,680,163 |
| Interest on investments | 250,841 | 624,555 | 408,711 | 389,697 | 529,705 | 885,302 | 2,260,933 | 3,635,196 | 2,111,701 | 1,104,514 |
| Departmental | | | | | | | | | | 2,194,673 |
| State fiscal stabilization funds | - | - | 2,396 | 814,266 | 2,410,080 | 2,090,303 | | | | |
| State on-behalf pension contributions | 6,125,457 | 5,670,313 | 6,144,339 | 5,716,721 | 5,056,767 | 6,661,428 | | | | |
| Other revenues | 4,798,810 | 2,629,867 | 3,494,320 | 3,519,553 | 2,038,060 | 1,825,834 | 996,030 | 2,468,895 | 2,352,465 | 13,049,659 |
| Total revenues | 278,970,292 | 273,848,712 | 265,964,179 | 257,970,411 | 258,033,414 | 249,520,261 | 248,163,958 | 242,666,821 | 234,599,340 | 229,793,020 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 10,227,750 | 9,497,003 | 10,346,906 | 8,392,000 | 7,727,864 | 8,488,491 | 8,874,157 | 11,427,653 | 9,237,728 | 10,222,585 |
| Public safety | 77,395,466 | 76,404,816 | 72,975,293 | 69,125,309 | 70,172,182 | 68,605,728 | 69,339,328 | 67,854,283 | 61,030,024 | 59,779,344 |
| Public works | 15,525,053 | 14,824,224 | 15,636,714 | 14,445,497 | 13,625,913 | 13,963,806 | 13,320,943 | 12,544,966 | 12,486,760 | 12,242,411 |
| Education | 148,879,136 | 145,577,247 | 144,144,843 | 143,931,478 | 147,100,982 | 143,189,521 | 144,629,043 | 139,558,319 | 128,541,976 | 123,115,632 |
| Parks and recreation | 2,363,957 | 2,236,847 | 2,195,590 | 1,836,292 | 2,065,678 | 2,287,973 | 2,526,612 | 2,516,148 | 2,347,676 | 1,945,381 |
| Public libraries | 3,439,402 | 3,074,267 | 3,142,384 | 3,072,541 | 2,981,728 | 3,190,251 | 3,163,096 | 3,039,202 | 2,822,353 | 2,690,940 |
| Senior services | 3,084,039 | 2,872,279 | 2,911,362 | 2,754,871 | 2,780,245 | 2,946,217 | 3,086,360 | 2,852,395 | 2,576,829 | 2,486,770 |
| Community development | 1,659,368 | 1,908,299 | 1,467,564 | 1,560,098 | 1,981,805 | 1,095,367 | 876,379 | 1,916,946 | 1,974,504 | 1,606,187 |
| Other | 128,974 | 115,972 | 124,638 | 119,225 | 170,780 | 161,411 | 163,802 | 175,183 | 156,257 | 771,881 |
| Capital outlay | 6,069,584 | 4,196,151 | 2,268,257 | 5,063,077 | 4,853,492 | 7,942,434 | 8,955,447 | 15,970,638 | 3,229,249 | 1,977,655 |
| Debt service: | | | | | | | | | | |
| Principal | 6,815,000 | 5,530,000 | 6,360,000 | 6,440,000 | 5,860,000 | 5,115,000 | 4,980,000 | 4,520,000 | 3,845,000 | 3,820,000 |
| Interest | 3,635,359 | 3,319,837 | 4,064,249 | 4,263,972 | 4,286,465 | 4,474,678 | 4,039,572 | 3,719,436 | 6,103,447 | 5,779,525 |
| Total expenditures | 279,223,088 | 269,556,942 | 265,637,800 | 261,004,360 | 263,607,134 | 261,460,877 | 263,954,739 | 266,095,169 | 234,351,803 | 226,438,311 |
| Excess of revenues over expenditures | (252,796) | 4,291,770 | 326,379 | (3,033,949) | (5,573,720) | (11,940,616) | (15,790,781) | (23,428,348) | 247,537 | 3,354,709 |
| Other financing sources (uses): | | | | | | | | | | |
| Issuance of debt | 10,210,000 | - | 19,385,000 | 3,700,000 | - | 7,000,000 | 13,075,000 | | 23,900,000 | 22,280,000 |
| Bond premium | 111,906 | - | 1,066,929 | 91,420 | - | 73,734 | 358,693 | | 273,974 | 1,933,307 |
| Proceeds from leasing | | | | | | | | | | |
| Transfers in | 92,055,646 | 91,574,333 | 90,891,152 | 90,032,050 | 87,023,036 | 95,952,192 | 99,002,633 | 98,534,821 | 94,700,327 | 88,857,289 |
| Repayment of debt to escrow agent | - | - | (16,788,678) | | | | | | | (21,755,000) |
| Transfers out | (93,793,055) | (91,595,159) | (90,914,969) | (90,740,684) | (87,023,036) | (95,952,192) | (99,002,633) | (98,534,821) | (94,700,327) | (88,857,289) |
| Net other financing sources (uses) | 8,584,497 | (20,826) | 3,639,434 | 3,082,786 | - | 7,073,734 | 13,433,693 | - | 24,173,974 | 2,458,307 |
| Net change in fund balances | \$ 8,331,701 | \$ 4,270,944 | \$ 3,965,813 | \$ 48,837 | \$ (5,573,720) | \$ (4,866,882) | \$ (2,357,088) | \$ (23,428,348) | \$ 24,421,511 | \$ 5,813,016 |
| Debt service as a percentage of noncapital expenditures | 3.8% | 3.3% | 4.0% | 4.2% | 3.9% | 3.8% | 3.5% | 3.3% | 4.3% | 4.3% |

(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 | |
| 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 |
| 2013 | \$ 4,857,922,900 | \$ 23 | \$ 1,333,042,700 | \$ 34 | \$ 6,190,965,600 | \$ 788,030,196 | \$ 34 | \$ 42 | N/A | \$ 788,030,196 | \$ 6,978,995,796 | \$ 6,978,995,796 | 1.000 |
| 2014 | \$ 4,868,431,400 | \$ 23 | \$ 1,329,501,500 | \$ 34 | \$ 6,197,932,900 | \$ 786,121,128 | \$ 34 | \$ 42 | N/A | \$ 786,121,128 | \$ 6,984,054,028 | \$ 6,984,054,028 | 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 | | | | | |
|--|------------------------|-----------------------|------|---------------------------------------|-----------------------|-------|---------------------------------------|
| | | 2014 | | | 2005 | | |
| | | ASSESSED VALUE | RANK | PERCENTAGE NET TAXABLE GRAND LIST (1) | ASSESSED VALUE | RANK | PERCENTAGE NET TAXABLE GRAND LIST (2) |
| Carpiionato Alfred | Real Estate Management | \$ 112,964,333 | 1 | 1.62% | \$ 60,392,924 | 1 | 1.02% |
| Gateway Woodside Inc. | Real Estate Management | 75,039,791 | 2 | 1.07% | 55,391,602 | 2 | 0.94% |
| Piceme Properties | Real Estate Management | 57,090,481 | 4 | 0.82% | 31,378,784 | 3 | 0.53% |
| National Grid (formerly Narragansett Electric/Prov. Gas) | Utility | 58,821,627 | 3 | 0.84% | 42,946,330 | 6 & 9 | 0.73% |
| Brewery Parkade | Real Estate Management | 33,498,800 | 5 | 0.48% | 29,917,500 | 4 | 0.51% |
| Cox Communications Inc. | Cable Communications | 15,049,635 | 9 | 0.22% | 26,795,090 | 5 | 0.45% |
| Independence Way | Real Estate Management | 17,605,800 | 6 | 0.25% | 18,143,400 | 8 | 0.31% |
| FRDMC-Springfield Apartments | Real Estate Management | 17,524,800 | 7 | 0.25% | | | |
| Lowes | Retail Hardware | 17,301,407 | 8 | 0.25% | 20,677,685 | 7 | 0.35% |
| Providence Water | Utility | | | | 15,384,540 | 10 | 0.26% |
| Stop & Shop | Retail | <u>12,567,904</u> | 10 | | | | |
| TOTAL | | <u>\$ 417,464,578</u> | | <u>5.80%</u> | <u>\$ 301,027,855</u> | | <u>5.10%</u> |

Source: Town Assessor Department.

(1) Based on a net taxable Grand List of \$6,754,617,623

(2) Based on a net taxable Grand List of \$5,516,738,658

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 |
|--------------------|-------------------------|----------------------------------|---------------------------------------|---|-------------------------------------|---|------------------------------|--|
| 2005 | \$ 142,694,201 | \$ 140,405,075 | 98.4% | \$ 1,376,283 | \$ 141,781,358 | 99.4% | \$ - | 0.0% |
| 2006 | \$ 145,337,455 | \$ 140,893,257 | 96.9% | \$ 1,481,778 | \$ 142,375,035 | 98.0% | 453,208 | 0.3% |
| 2007 | \$ 144,155,093 | \$ 141,859,549 | 98.4% | \$ 1,397,598 | \$ 143,257,147 | 99.4% | 586,944 | 0.4% |
| 2008 | \$ 151,718,441 | \$ 150,177,124 | 99.0% | \$ 1,124,089 | \$ 151,301,213 | 99.7% | 597,688 | 0.4% |
| 2009 | \$ 153,150,874 | \$ 151,086,526 | 98.7% | \$ 1,346,524 | \$ 152,433,050 | 99.5% | 615,836 | 0.4% |
| 2010 | \$ 160,419,261 | \$ 159,080,002 | 99.2% | \$ 1,166,304 | \$ 160,246,306 | 99.9% | 563,960 | 0.4% |
| 2011 | \$ 175,003,222 | \$ 171,899,372 | 98.2% | \$ 1,504,753 | \$ 173,404,125 | 99.1% | 1,068,919 | 0.6% |
| 2012 | \$ 180,715,853 | \$ 177,799,124 | 98.4% | \$ 1,345,397 | \$ 179,144,521 | 99.1% | 1,011,166 | 0.6% |
| 2013 | \$ 181,367,888 | \$ 178,631,631 | 98.5% | \$ 854,859 | \$ 179,486,490 | 99.0% | 1,046,767 | 0.6% |
| 2014 | \$ 181,591,061 | \$ 179,327,785 | 98.8% | | \$ 179,327,785 | 98.8% | <u>2,705,980</u> | 1.5% |
| | | | | | | | <u>\$ 8,650,468</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 | | | | GRAND TOTAL | PERCENTAGE OF PERSONAL INCOME | DEBT PER CAPITA |
|--------------------|--------------------------|---------------|-------------------------------|--------------------|--------------------------|-------------------------------|-------------------|-----------------------|----------------|-------------------------------|-----------------|
| | GENERAL OBLIGATION BONDS | BOND PREMIUMS | CERTIFICATES OF PARTICIPATION | GOVERNMENTAL TOTAL | BOND PREMIUMS | CERTIFICATES OF PARTICIPATION | CLEAN WATER NOTES | BUSINESS - TYPE TOTAL | | | |
| 2005 | \$ 63,340,000 | \$ 2,733,055 | \$ 4,100,000 | \$ 70,173,055 | | \$ 4,100,000 | \$ 7,723,917 | \$ 11,823,917 | \$ 81,996,972 | N/A | \$ 1,015 |
| 2006 | \$ 83,685,000 | \$ 2,870,376 | \$ 3,810,000 | \$ 90,365,376 | | \$ 3,810,000 | \$ 7,833,184 | \$ 11,643,184 | \$ 102,008,560 | N/A | \$ 1,264 |
| 2007 | \$ 79,465,000 | \$ 2,720,025 | \$ 3,510,000 | \$ 85,695,025 | | \$ 3,510,000 | \$ 7,031,252 | \$ 10,541,252 | \$ 96,236,277 | N/A | \$ 1,199 |
| 2008 | \$ 87,875,000 | \$ 2,928,367 | \$ 3,195,000 | \$ 93,998,367 | | \$ 3,195,000 | \$ 9,228,087 | \$ 12,423,087 | \$ 106,421,454 | N/A | \$ 1,329 |
| 2009 | \$ 90,095,000 | \$ 2,833,815 | \$ 2,860,000 | \$ 95,788,815 | | \$ 2,860,000 | \$ 8,423,654 | \$ 11,283,654 | \$ 107,072,469 | N/A | \$ 1,336 |
| 2010 | \$ 84,585,000 | \$ 2,661,842 | \$ 2,510,000 | \$ 89,756,842 | | \$ 2,510,000 | \$ 8,467,917 | \$ 10,977,917 | \$ 100,734,759 | N/A | \$ 1,252 |
| 2011 | \$ 82,630,000 | \$ 2,568,449 | \$ 1,725,000 | \$ 86,923,449 | | \$ 1,725,000 | \$ 7,510,841 | \$ 9,235,841 | \$ 96,159,290 | N/A | \$ 1,195 |
| 2012 | \$ 80,515,000 | \$ 3,459,476 | \$ 1,400,000 | \$ 85,374,476 | \$ 11,199 | \$ 1,400,000 | \$ 6,515,386 | \$ 7,926,585 | \$ 93,301,061 | N/A | \$ 1,159 |
| 2013 | \$ 74,320,000 | \$ 3,178,199 | \$ 1,065,000 | \$ 78,563,199 | \$ 7,466 | \$ 1,065,000 | \$ 5,952,516 | \$ 7,024,982 | \$ 85,588,181 | N/A | \$ 1,062 |
| 2014 | \$ 78,060,000 | \$ 3,048,679 | \$ 720,000 | \$ 81,828,679 | \$ 3,733 | \$ 720,000 | \$ 23,387,188 | \$ 24,110,921 | \$ 105,939,600 | N/A | \$ 1,315 |

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

CITY OF CRANSTON, RHODE ISLAND
 RATIOS 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 | TOTAL | | |
| 2005 | \$ 63,340,000 | \$ 63,340,000 | 0.99% | \$ 784 |
| 2006 | \$ 83,685,000 | \$ 83,685,000 | 1.24% | \$ 1,037 |
| 2007 | \$ 79,465,000 | \$ 79,465,000 | 0.87% | \$ 990 |
| 2008 | \$ 87,875,000 | \$ 87,875,000 | 0.96% | \$ 1,097 |
| 2009 | \$ 90,095,000 | \$ 90,095,000 | 0.98% | \$ 1,124 |
| 2010 | \$ 84,585,000 | \$ 84,585,000 | 1.09% | \$ 1,052 |
| 2011 | \$ 82,630,000 | \$ 82,630,000 | 1.05% | \$ 1,027 |
| 2012 | \$ 80,515,000 | \$ 80,515,000 | 1.03% | \$ 1,000 |
| 2013 | \$ 74,320,000 | \$ 74,320,000 | 1.06% | \$ 922 |
| 2014 | \$ 78,060,000 | \$ 78,060,000 | 1.12% | \$ 969 |

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

CITY OF CRANSTON, RHODE ISLAND

COMPUTATION OF LEGAL DEBT MARGIN
 JUNE 30, 2014
 (UNAUDITED)

| | |
|--|-----------------------------|
| Assessed value | \$ 6,984,054,028 |
| Less: exemptions | <u>(235,411,640)</u> |
| NET TOTAL TAXABLE ASSESSED VALUE | <u>\$ 6,748,642,388</u> |
| Debt limit - 3 percent of total assessed value | \$ 202,459,272 |
| Amount of debt applicable to debt limit: | |
| Total bonded debt | <u>-</u> |
| LEGAL DEBT MARGIN | <u>\$ 202,459,272</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.

TABLE 11**CITY OF CRANSTON, RHODE ISLAND**LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

| <u>YEAR ENDED JUNE 30</u> | <u>DEBT LIMIT</u> | <u>NET DEBT APPLICABLE TO LIMIT</u> | <u>LEGAL DEBT MARGIN</u> |
|-----------------------------------|-----------------------|---|----------------------------------|
| 2004 | \$ 163,719,556 | - | \$ 163,719,556 |
| 2005 | \$ 165,502,160 | - | \$ 165,502,160 |
| 2006 | \$ 168,212,526 | - | \$ 168,212,526 |
| 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 |
| 2013 | \$ 202,307,525 | - | \$ 202,307,525 |
| 2014 | \$ 202,459,272 | - | \$ 202,459,272 |

CITY OF CRANSTON, RHODE ISLAND

DEMOGRAPHIC 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 |
|--------------------|-------------------|------------------------|--------------------------|-------------------|---------------------------------------|--------------------------|--------------------------------|
| 2005 | 80,773 | N/A | \$ 21,978 | 39 | N/A | 11,102 | 5.4% |
| 2006 | 80,704 | N/A | \$ 21,978 | 39 | N/A | 11,018 | 5.3% |
| 2007 | 80,284 | N/A | \$ 21,978 | 39 | N/A | 10,911 | 5.2% |
| 2008 | 80,105 | N/A | \$ 21,978 | 39 | N/A | 10,718 | 7.7% |
| 2009 | 80,126 | N/A | \$ 21,978 | 39 | N/A | 10,658 | 11.1% |
| 2010 | 80,430 | N/A | \$ 21,978 | 39 | N/A | 10,744 | 12.4% |
| 2011 | 80,458 | N/A | \$ 25,653 | 39 | N/A | 10,735 | 11.2% |
| 2012 | 80,529 | N/A | \$ 28,496 | 39 | N/A | 10,685 | 10.6% |
| 2013 | 80,573 | N/A | \$ 28,496 | 39 | N/A | 10,559 | 9.7% |
| 2014 | 80,566 | N/A | \$ 29,218 | 41 | N/A | - | 7.1% |

(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 (as of June 30th).

(4) N/A - Information not available

TABLE 13

CITY OF CRANSTON, RHODE ISLAND

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

| EMPLOYER | 2014 | | | 2005 | | |
|-------------------------------|---------------|------|---|---------------|------|---|
| | 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 | 9.89% |
| City of Cranston | 2,487 | 2 | 6.68% | 2,296 | 3 | 5.78% |
| Citizens Bank | 2,100 | 3 | 5.64% | 1,002 | 5 | |
| Tasca Motor Group | 320 | 8 | 0.86% | | | |
| Walmart | 302 | 10 | 0.81% | 250 | | |
| Taco, Inc. | 409 | 6 | 1.10% | 500 | 6 | 1.26% |
| CranstonARC | | | 0.00% | 323 | 10 | |
| Honeywell Safety Products | 400 | 7 | 1.07% | | | |
| Thielsch Engineering | 317 | 9 | 0.85% | 300 | | |
| Swarovski Consumer Goods Ltd. | | | 0.00% | 1,363 | 4 | 3.43% |
| The Stop & Shop Co., Inc. | 438 | 5 | 1.18% | 400 | 8 | |
| Ross-Simons of Warwick | | | | 607 | 7 | 1.53% |
| JanCo | | | | 5,000 | 1 | 12.59% |
| DB Kelly Associates | | | | 315 | | 0.79% |
| Access Point RI | 505 | 4 | | | | 0.00% |
| Blackstone Valley Security | | | | 375 | 9 | |
| TOTAL | 12,778 | | 32.96% | 16,658 | | 35.27% |

SOURCE: State Department of Labor
(1) Based on 6/30/14 total City employment of 37,249
(2) Based on 6/30/05 total City employment of 39,699

TABLE 14

CITY OF CRANSTON, RHODE ISLAND

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

| FUNCTION / PROGRAM | FISCAL YEAR ENDED JUNE 30 | | | | | | | | | |
|---|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| GENERAL GOVERNMENT: | | | | | | | | | | |
| Mayor..... | 6 | 5 | 5 | 5 | 5 | 7 | 7 | 7 | 7 | 7 |
| Department of Personnel..... | 1 | 0 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 |
| City Clerk..... | 6 | 6 | 6 | 6 | 8 | 8 | 9 | 9 | 9 | 9 |
| Municipal Court..... | 3 | 3 | 3 | 2 | 3 | 3 | 3 | 3 | 4 | 4 |
| Board of Canvassers..... | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| City Planning..... | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Economic Development..... | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Finance..... | 3 | 3 | 2 | 2 | 3 | 3 | 4 | 4 | 4 | 4 |
| Division of Accounting & Control..... | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 |
| Division of Assessment..... | 6 | 6 | 6 | 6 | 7 | 8 | 9 | 9 | 9 | 9 |
| Division of Contracts & Purchasing..... | 2 | 2 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 |
| Information Technology..... | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 8 | 8 | 7 |
| Division of Treasury & Collection..... | 7 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 |
| POLICE: | | | | | | | | | | |
| Officers..... | 152 | 150 | 143 | 140 | 153 | 153 | 153 | 153 | 151 | 150 |
| Civilians..... | 26 | 25 | 25 | 25 | 26 | 29 | 30 | 30 | 30 | 32 |
| Animal Control..... | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| FIRE: | | | | | | | | | | |
| Chief..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Uniformed..... | 197 | 178 | 178 | 181 | 200 | 200 | 200 | 200 | 200 | 201 |
| Civilians..... | 16 | 16 | 16 | 16 | 7 | 7 | 7 | 7 | 7 | 6 |
| INSPECTIONS..... | 12 | 11 | 12 | 12 | 14 | 16 | 16 | 13 | 13 | 12 |
| PUBLIC WORKS: | | | | | | | | | | |
| Administration..... | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 |
| Engineering..... | 4 | 4 | 4 | 4 | 4 | 0 | 8 | 8 | 8 | 8 |
| Highway..... | 39 | 39 | 38 | 38 | 41 | 44 | 41 | 41 | 41 | 39 |
| Building..... | 24 | 24 | 24 | 24 | 26 | 26 | 26 | 26 | 26 | 26 |
| Fleet Management..... | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Traffic Safety..... | 1 | 1 | 3 | 3 | 4 | 0 | 4 | 4 | 4 | 5 |
| PARKS AND RECREATION..... | 20 | 20 | 20 | 19 | 20 | 21 | 21 | 21 | 21 | 22 |
| PUBLIC LIBRARIES..... | 32 | 31 | 32 | 30 | 32 | 32 | 32 | 32 | 32 | 32 |
| SENIOR SERVICES..... | 22 | 23 | 23 | 23 | 30 | 32 | 32 | 32 | 32 | 32 |
| COMMUNITY DEVELOPMENT..... | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| OTHER..... | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 9 | 10 | 11 |
| EDUCATION..... | <u>1,437</u> | <u>1,431</u> | <u>1,461</u> | <u>1,528</u> | <u>1,523</u> | <u>1,570</u> | <u>1,486</u> | <u>1,546</u> | <u>1,635</u> | <u>1,626</u> |
| TOTAL..... | <u>2,065</u> | <u>2,033</u> | <u>2,060</u> | <u>2,123</u> | <u>2,173</u> | <u>2,226</u> | <u>2,155</u> | <u>2,215</u> | <u>2,304</u> | <u>2,296</u> |

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

| FUNCTION / PROGRAM | FISCAL YEAR ENDED JUNE 30 | | | | | | | | | |
|--|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| PUBLIC SAFETY: | | | | | | | | | | |
| Fire: | | | | | | | | | | |
| Total incidents..... | 12,614 | 6,859 | 14,717 | 14,407 | 15,111 | 14,065 | 13,991 | 13,980 | 11,872 | 12,144 |
| Rescue/medical calls..... | 8,438 | 5,116 | 11,327 | 10,067 | 9,976 | 8,965 | 9,568 | 10,148 | 10,706 | 10,973 |
| Rescue/non-medical calls..... | 4,176 | 1,743 | 3,390 | 4,340 | 5,135 | 5,100 | 4,423 | 3,832 | 1,166 | 1,171 |
| Fire hydrants..... | 1,923 | 1,922 | 1,922 | 1,922 | 1,922 | 1,922 | 1,903 | 1,903 | 1,914 | 2,156 |
| Police: | | | | | | | | | | |
| Number of calls..... | 58,341 | 47,831 | 64,450 | 62,228 | N/A | N/A | N/A | N/A | N/A | N/A |
| Total 911 calls received..... | 4,787 | 9,038 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Formal investigations..... | 7,890 | 13,022 | 32,130 | 32,929 | N/A | N/A | N/A | N/A | N/A | N/A |
| CITY CLERK: | | | | | | | | | | |
| Number of documents recorded..... | 15,036 | 16,381 | 14,529 | 14,793 | 15,683 | 15,726 | 17,083 | 22,411 | 25,687 | 27,241 |
| 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..... | 41 | 37 | 26 | 34 | 52 | 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..... | 41 | 37 | 26 | 34 | 52 | 30 | 36 | 48 | 73 | 150 |
| Commercial permits issued..... | 7 | 4 | 2 | 5 | 6 | 8 | 12 | 19 | 19 | 8 |
| Total permits..... | 48 | 41 | 28 | 39 | 58 | 38 | 48 | 67 | 92 | 158 |
| PUBLIC WORKS: | | | | | | | | | | |
| Highway department | | | | | | | | | | |
| Streets (miles)..... | | | | | | | | | | |
| Paved City roads..... | 318 | 318 | 318 | 318 | 318 | 317 | 315 | 315 | 315 | 313 |
| Paved State roads..... | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 64 | 64 | 64 |
| Private roads..... | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 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..... | 3,223 | 3,303 | 3,504 | 3,580 | 3,551 | 3,478 | 3,469 | 3,657 | 3,646 | 3,633 |
| Middle School Grades 7-8..... | 1,486 | 1,637 | 1,482 | 1,579 | 1,637 | 1,713 | 2,620 | 2,627 | 2,672 | 2,707 |
| Elementary Schools Grades K-6..... | 5,665 | 5,619 | 5,699 | 5,576 | 5,556 | 5,467 | 4,629 | 4,627 | 4,614 | 4,759 |
| Total..... | 10,374 | 10,559 | 10,685 | 10,735 | 10,744 | 10,658 | 10,718 | 10,911 | 10,932 | 11,099 |

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 | | | | | | | | | |
|--|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| PARKS AND RECREATION: | | | | | | | | | | |
| Acreage (includes all open space) | | | | | | | | | | |
| Parks and Public Squares..... | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 10 | 10 |
| Marinas..... | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Playgrounds..... | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Walking tracks..... | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 7 |
| Basketball courts..... | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Tennis courts..... | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Baseball fields..... | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Softball fields..... | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Other fields..... | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Ice Rink..... | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 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 | 149 | 149 | 139 |
| Fire hydrants..... | 1,923 | 1,922 | 1,922 | 1,922 | 1,921 | 1,922 | 1,903 | 1,903 | 1,914 | 2,156 |
| Police department: | | | | | | | | | | |
| Stations..... | 3 | 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)..... | 324 | 324 | 315 | 315 | 315 | 315 | 315 | 315 | 315 | 313 |
| Sidewalks (miles)..... | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 |
| 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 | 17 | 17 | 18 | 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..... | 23 | 27 | 30 | 41 | 53 | 15 | 19 | 27 | 39 | 27 |
| BUSINESS TYPE ACTIVITIES | | | | | | | | | | |
| SEWER FUND | | | | | | | | | | |
| Sewer mains (miles)..... | 263 | 263 | 250 | 250 | 250 | 245 | 240 | N/A | N/A | N/A |
| Treatment capacity (thousands of gallons)... | 20,00 | 20,200 | 20,200 | 20,200 | 20,200 | 20,200 | 20,200 | 20,200 | 20,200 | 20,200 |
| 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