

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE

CITY OF CRANSTON,
RHODE ISLAND



AS OF AND FOR THE
FISCAL YEAR ENDED
JUNE 30, 2016

PREPARED BY:

DEPARTMENT OF FINANCE

ROBERT F. STROM, DIRECTOR OF FINANCE

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

CITY OF CRANSTON,

RHODE ISLAND

**AS OF AND FOR THE
FISCAL YEAR ENDED**

JUNE 30, 2016

**PREPARED BY:
DEPARTMENT OF FINANCE**

ROBERT F. STROM, FINANCE DIRECTOR

CITY OF CRANSTON, RHODE ISLAND

CONTENTS

INTRODUCTORY SECTION

	<u>PAGE</u>
TRANSMITTAL LETTER.....	1-6
ORGANIZATIONAL CHART.....	7
PRINCIPAL OFFICIALS.....	8
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE YEAR ENDED JUNE 30, 2015.....	9

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS.....	10-12
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	13-28

BASIC FINANCIAL STATEMENTS

EXHIBITS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

A STATEMENT OF NET POSITION.....	29-30
B STATEMENT OF ACTIVITIES.....	31

FUND FINANCIAL STATEMENTS:

C BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES.....	32-33
D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	34
E RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES.....	35-36
F STATEMENT OF NET POSITION - PROPRIETARY FUNDS.....	37

CITY OF CRANSTON, RHODE ISLAND

CONTENTS (CONTINUED)

EXHIBITS **PAGE**

FUND FINANCIAL STATEMENTS: (CONTINUED)

G	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS.....	38
H	STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	39
I	STATEMENT OF FIDUCIARY NET POSITION.....	40
J	STATEMENT OF CHANGES IN FIDUCIARY NET POSITION.....	41

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

K	NOTES TO BASIC FINANCIAL STATEMENTS	42-114
---	---	--------

REQUIRED SUPPLEMENTARY INFORMATION:

	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS - GENERAL FUND.....	115
	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - BUDGETARY BASIS - SCHOOL UNRESTRICTED.....	116
	SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS PLAN	117-118
	SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST EMPLOYMENT BENEFITS PLAN	119
	SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - ALL RETIREMENT SYSTEMS.....	120-125
	SCHEDULE OF CITY CONTRIBUTIONS - ALL RETIREMENT SYSTEMS	126-131
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	132-134

SCHEDULES

SUPPLEMENTAL SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS:

1	COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS.....	135-137
2	COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS.....	138-140
3	NONMAJOR BUDGETARY FUNDS - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS - BUDGET AND ACTUAL	141

CITY OF CRANSTON, RHODE ISLAND

CONTENTS (CONTINUED)

	<u>PAGE</u>
<u>FIDUCIARY FUNDS:</u>	
4 AGENCY FUNDS - COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES	142
<u>PROPRIETARY FUNDS:</u>	
5 INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET POSITION.....	143
6 INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION	144
7 INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF CASH FLOWS.....	145
8 ENTERPRISE FUNDS (NONMAJOR) - COMBINING STATEMENT OF NET POSITION	146
9 ENTERPRISE FUNDS (NONMAJOR) - COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION	147
10 ENTERPRISE FUNDS (NONMAJOR) - COMBINING STATEMENT OF CASH FLOWS	148
<u>CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS:</u>	
11 SCHEDULE BY FUNCTION AND ACTIVITY	149
12 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY	150
<u>ANNUAL SUPPLEMENTARY TRANSPARENCY INFORMATION:</u>	
13 ANNUAL SUPPLEMENTARY TRANSPARENCY REPORT	151-155
14 NOTES TO ANNUAL SUPPLEMENTARY TRANSPARENCY REPORT.....	156

CITY OF CRANSTON, RHODE ISLAND

CONTENTS (CONTINUED)

STATISTICAL SECTION

<u>TABLE</u>		<u>PAGE</u>
1	NET POSITION BY COMPONENT.....	157
2	CHANGES IN NET POSITION	158-160
3	FUND BALANCES, GOVERNMENTAL FUNDS.....	161
4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS	162
5	ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	163
6	PRINCIPAL PROPERTY TAXPAYERS.....	164
7	TAX RATES, LEVIES AND CASH COLLECTIONS.....	165
8	RATIO OF OUTSTANDING DEBT BY TYPE.....	166
9	RATIOS OF GENERAL DEBT OUTSTANDING.....	167
10	COMPUTATION OF LEGAL DEBT MARGIN	168
11	LEGAL DEBT MARGIN INFORMATION	169
12	DEMOGRAPHIC AND ECONOMIC STATISTICS	170
13	PRINCIPAL EMPLOYERS	171
14	FULL-TIME EQUIVALENT EMPLOYERS BY FUNCTION/PROGRAM	172
15	OPERATING INDICATORS BY FUNCTION/PROGRAM	173
16	CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM	174

**Introductory
Section**

Allan W. Fung
MAYOR



Robert F. Strom
FINANCE DIRECTOR

Department of Finance

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

December 30, 2016

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, 2016. 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 LLP, 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, 2016, 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 unmodified opinion that the City of Cranston's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires 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. In 2015 the City has passed two new industrial tax incentives for industrial properties. A business expanding or buying a new building spending \$12,000,000.00 to \$20,000,000.00 will be eligible for a phase in 15 year tax incentive on their improvements. In addition, a business expanding or buying a new building spending over \$20,000,000.00 will be eligible for a phase in 20 year tax incentive on their improvements.

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), Dean Warehouse Third Party Logistics Company, 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 LL Bean, Fat Face, Pottery Barn, Crate & Barrel, J Crew, LA Fitness, New Balance, Banana Republic, William Sonoma, Ann Taylor Co, Chico's, Jos A Banks, Talbots, The Container Store, GAP, Anthropologie, Destination Maternity, Soma-Intimates, The Loft, Mel and Me, Clarkes Shoes, L'Occitane, Sephora and White House/Black Market. The Center also has regional and local retailers and restaurants such as Providence Diamond Company, Applebee's, Barrington Books, Edible Arrangements, Ethan Allan Design Center, The Corner Bakery, Bistro 22, Starbucks, B. Goode, Pinkberry, and Whole Foods Market. In addition, Garden City has announced construction of two new buildings under Phase 4 development consisting of 37,000 square feet of total space at the site of Ameriprise in 2017.

Chapel View Shopping Center

Located directly across from Garden City, a 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 of 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, Staples, Panera Bread, Massage Envy, Bling Eyewear, Qdoba Mexican Grill, Shaw's Supermarket, Recreational Equipment Inc. (REI), T.J. Max, Koch Eye Associates, Omaha Steaks and Johnny Rockets.

Recent Development Initiatives

Cranston Parkade – The redevelopment of the 77-acre former Narragansett Brewery property has over 400,000 Square Feet of retail shopping area including such well-known retailers and restaurants as Lowes, Kmart, TJ Max, Super Stop & Shop, Texas Roadhouse, Wendy's and several smaller stores. In 2015, Alliance Security moved their corporate headquarters and over 600 employees into a newly renovated 60,000 square foot facility that was the former home of Sanford Brown. A state of the art Police Headquarters and Municipal Court for the City of Cranston opened its doors in June of 2007. 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 Planet Fitness. 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 have been completed, bringing together all of the latest components of mixed use development.

Tasca Ford Lincoln Mercury – Nationwide the largest Ford Dealership, has 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, Volvo and Mazda Dealership and Service Center that is a model for Ford dealerships across the United States. Tasca is currently in the process of expanding its retail show room space by 3,000 square feet to showcase their Lincoln brand. They have recently purchased a new building in the Howard Industrial Park to hold their corporate offices and body repair operations.

Taco Manufacturing Expansion - As a leading developer, innovator and manufacturer of HVAC equipment and systems for 90 years. 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.

Yushin America which was founded in 1988 and is headquartered in Cranston is known worldwide for their expertise in robotics for the plastics industry. Yushin completed a 24,000 square foot expansion in the Howard Industrial Plaza.

DiFruscia Industries purchased the section of the Cranston Print Works that formerly held Speidel Manufacturing bringing 50 new jobs into the city. DiFruscia serves over 350 customers throughout the United States, providing environmentally sound and cost-effective coating solutions to a wide variety of industries including: Marine, Electronics, Electrical Enclosure, Computer Hardware, Semi-conductor Equipment, Electrical Components, Furniture, Industrial Equipment, Recreational, and Consumer Markets.

There has been a host of other new business development and re-development in the City in 2015. RI Credit Union redeveloped the former Bickford's site on Reservoir Avenue opening a new headquarters and branch. The Accounting firm of Blum Shapiro, relocation of Regional Headquarters adding 100 jobs, CarMax has redeveloped the former Building 19 property, opening its first retail site in Rhode Island. Hope Nursing has purchased the Knights of Columbus Building on Park Ave for Adult Day Care and offices. RI Bar Foundation has purchased the building at 41 Sharpe Drive for their headquarters and continuing education classes. Freeway Laundromat opened on Narragansett Blvd. Panera Bread has moved from New London Avenue to Sockanosset Crossroads. The new site allows them a drive thru, easier access and additional parking.

Revolving Loan Fund

The Revolving Loan Fund is a fixed asset loan program that was established with Federal and matching City Funds approximately 25 years ago. The City's RLF program offers low interest loans to new as well as expanding businesses located in the City of Cranston.

In addition, the RFL fund provides gap financing for companies seeking to purchase equipment, finance renovations, job training and working capital.

The fund has distributed over \$4 million to companies that have located or expanded. The loans have leveraged over \$26 million in additional investments.

- Over 18,000 jobs have been created or retained as a result of the program.
- The loan portfolio has an average loan amount of \$110,000.
- Seventy percent of the loans have been made to companies with 25 or fewer employees.
- There are 13 current loans in the portfolio.

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, 2015; 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.

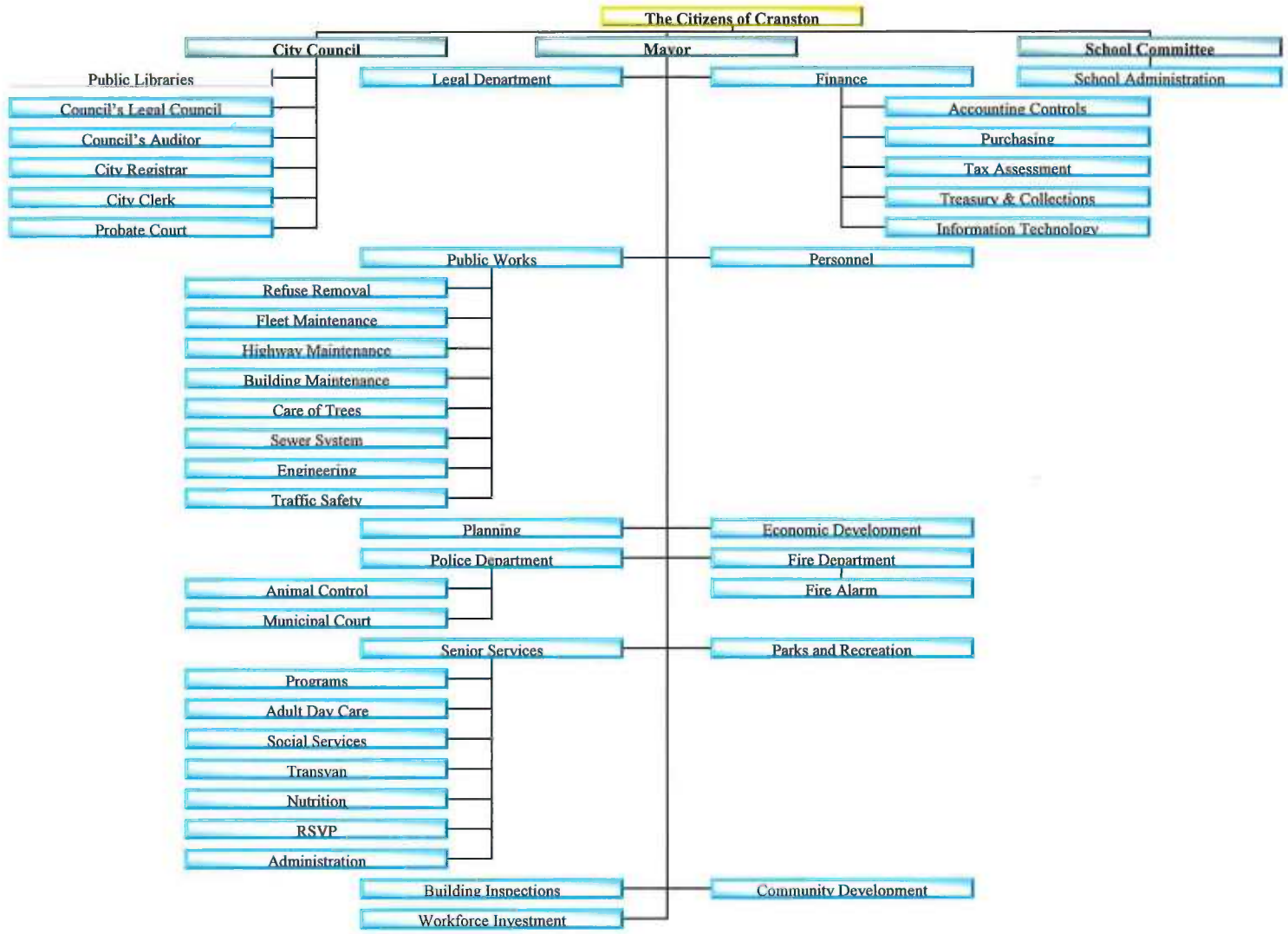
I would like to take this opportunity to thank the members of the Finance Department in the Division of Accounting Control, Treasury and Tax Collection, Contract and Purchase, Assessment and Management Information Systems for their diligence and cooperation on a daily basis in carrying out the duties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

Robert F. Strom,
Finance Director



- 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, 2016

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
Richard D. Santamaria, Jr. - Council Vice President
Christopher G. Paplauskas
Donald Botts
Michael W. Favicchio
Paul H. Archetto
Steven A. Stycos
Mario Aceto
Michael Farina



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, 2015

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 (the "City"), as of and for the year ended June 30, 2016, 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, 2016, 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, budgetary comparison information, schedule of funding progress - other post-employment benefits plan, schedule of employer contributions-other post-employment benefits plan, schedules of changes in net pension liability-all retirement plans and schedules of employer contributions-all retirement plans on pages 13 through 28 and pages 115 through 134, 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 combining and individual nonmajor fund financial statements, nonmajor budgetary funds schedule of revenues and expenditures, capital asset schedules by function and activity and changes by function and activity, Annual Supplementary Transparency Report and accompanying notes, 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, nonmajor budgetary funds schedule of revenues and expenditures, capital asset schedules by function and activity and changes by function and activity and the Annual Supplementary Transparency Report and accompanying notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and nonmajor budgetary funds schedule of revenues and expenditures, capital asset schedules by function and activity and changes by function and activity 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, 2016, 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, 2016

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, 2016

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, 2016.

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

Financial Highlights

- The liabilities and deferred inflows of resources of the City of Cranston exceeded its assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2016 by \$231.8 million (*net position*).
- The net position of the City increased by \$3.5 million (or 1.5%). The governmental net position increased by \$0.2 million (or 0.1%) as restated and the business-type net position increased by \$3.3 million (or 6.4%).
- The governmental activities revenue increased \$9.8 million (or 3.1%) as restated and the net results from activities as restated decreased from prior year by \$13.8 million. In 2016, the results of activities produced an increase in net position of \$0.2 million and in 2015 the results of activities produced an increase in net position of \$14.0 million as restated.
- The business-type activities revenue increased by \$0.7 million (or 2.5%), and the net results from activities increased by \$0.6 million (or 2.2%) from the prior year. In 2016, the results of activities produced an increase in business-type net position of \$3.3 million, while in 2015 the results of activities also produced an increase of \$2.7 million in business-type net position.
- The General Fund (the primary operating fund) reflected on a current financial resource basis reports a decrease in fund balance of \$2.3 million (or 10.0%), compared to \$1.7 million decrease in the prior year.
- The City's total debt increased by \$5.8 million. The increase is due primarily to the issuance of new general obligation debt of \$15.1 million offset by current year principal repayments.

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 50 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 eight 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 41 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other 41 governmental funds, which are consolidated into 15 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>2016</u>	<u>(As restated)</u> <u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>(As restated)</u> <u>2015</u>
Assets:						
Current and other assets.....	\$ 267.5	\$ 272.0	\$ 23.1	\$ 27.2	\$ 290.6	\$ 299.2
Capital assets	110.5	99.4	70.2	67.5	180.7	166.9
Total Assets	378.0	371.4	93.3	94.7	471.3	466.1
Deferred Outflow of Resources...	58.8	38.1	0.3	0.1	59.1	38.2
Total Assets & Deferred Outflows of Resources	436.8	409.5	93.6	94.8	530.4	504.3
Liabilities:						
Long-term liabilities						
Outstanding	479.1	454.1	22.2	23.2	501.3	477.3
Other liabilities	27.5	28.7	5.7	5.6	33.2	34.3
Total Liabilities	506.6	482.8	27.9	28.8	534.5	511.6
Deferred Inflows of Resources...	217.1	213.8	10.6	14.2	227.7	228.0
Total Liabilities & Deferred Inflows of Resources	723.7	696.6	38.5	43.0	762.2	739.6
Net Position:						
Net investment in capital assets.	32.3	28.0	69.2	66.2	101.5	94.2
Restricted-Debt Service.....	-	-	2.1	8.6	2.1	8.6
Unrestricted	(319.2)	(315.1)	(16.2)	(23.0)	(335.4)	(338.1)
Total Net Position	\$ (286.9)	\$ (287.1)	\$ 55.1	\$ 51.8	\$ (231.8)	\$ (235.3)

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 liabilities at June 30, 2016, exceed assets by \$231.8 million and were comprised of \$(286.9) million from governmental activities and \$55.1 million from business-type activities. For the fiscal year ending June 30, 2016 \$(335.4) million of the total \$(231.8) million in net position is unrestricted.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Net Assets (Continued)

Net investment in capital assets comprises \$101.5 and \$94.2 million of net assets at June 30, 2016 and 2015, respectively. This category reflects the total invested in capital assets (vehicles, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The second category of net assets, restricted net assets, represents net assets that are subject to external restriction on how they may be used. Restricted net assets as of June 30, 2016 totaled \$2.1 million for debt service.

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 \$267.5 million at June 30, 2016. This category consisted primarily of "Receivables-Property Taxes" of \$192.1 million, "Net pension asset" of \$17.2 million. The "Cash" balance as of June 30, 2016 was \$36.2 million attributable to a strong tax collection trend. "Receivables-Intergovernmental" was \$13.8 million, "Advanced deposits-hospitalization" was \$3.3 million and other receivables accounted for \$4.9 million.

"Deferred Outflow of Resources" was \$58.6 million at June 30, 2016 and was comprised of \$57.3 million in "Pension liability" and \$1.3 million from the deferred charge on refunding and pension liability.

The long-term liabilities outstanding at fiscal year-end were \$479.1 million, composed primarily of \$78.0 million in general obligation bonds and leases payable (used to fund various capital projects such as school construction and playground construction and improvements), \$380.1 million in outstanding pension obligations, \$11.3 million in compensated absences, \$9.6 million in post-retirement benefit obligations and claims and judgements of \$0.1 million.

"Deferred Inflow of Resources" of \$217.1 million was comprised of \$181.1 million in property tax levied in advance and \$36.0 million in pension liabilities.

Total net position at June 30, 2016 was \$(287.0) million and was comprised of unrestricted of \$(319.3) and "Net Investment in Capital Assets" of \$32.3 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities-Condensed Statements of Net Assets (Continued)

For business-type activities, such as the Sewer Enterprise Fund, “Current and Other Assets” of \$23.1 million consisted primarily of \$14.8 million in cash which was available to support the current operations of the Enterprise Funds, “Cash held in escrow” of \$2.2 million, restricted cash of \$1.2 million, receivables of \$3.7 million and other assets of \$1.2 million.

Long-term liabilities of \$22.2 million were comprised primarily of \$20.5 million of “Long-term liabilities due 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 Infrastructure Bank, \$1.6 million of “Net pension liability” and “Net OPEB obligations” of \$0.1 million.

Other liabilities of \$5.7 million consisted primarily of \$1.8 million of “Accounts payable”, and \$1.1 million for the “Current portion of long-term bonds payable”, “Retainage payable” of \$0.6 million, “Accrued interest payable” of \$0.2 million and “Unearned revenue” of \$2.0 million.

“Deferred Inflows of Resources” of \$10.6 million represents \$10.4 million for the “Deferred sewer lease arrangement” and \$0.2 million of “Net pension liability”.

The total net position for the Business-type Activities as of June 30, 2016 was \$55.1 million. Net investment in capital assets was the major component of net position for business-type activities and amounted to \$69.2 million at June 30, 2016. As stated above, in the government-wide analysis of the Statement of Net Position \$2.1 million was restricted for debt service and \$(16.2) million was designated “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, 2016 and 2015.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	(As restated) 2015	2016	2015	(As restated) 2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 40.2	\$ 38.9	\$25.8	\$25.5	\$66.0	\$ 64.4
Operating grants and contributions.....	82.0	79.8	2.5	2.4	84.5	82.2
Capital grants and contributions	0.1	0.2			0.1	0.2
General Revenues:						
Property taxes	186.0	184.1			186.0	184.1
Gain on sale of property						
State special funding for pensions	10.2	5.2			10.2	5.2
Investment income.....	0.5	0.5	0.5	0.3	1.0	0.8
Transfers.....	-	-			-	-
Other.....	2.5	3.0	0.1		2.6	3.0
Total revenues	321.5	311.7	28.9	28.2	350.4	339.9

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015 (As restated)	2016	2015	2016 (As restated)	2015
Program Expenses:						
General government	\$ 13.5	\$ 15.8			\$ 13.5	\$ 15.8
Public safety	77.1	76.4			77.1	76.4
Public works	15.9	15.5			15.9	15.5
Education.....	200.5	175.8	\$5.8	\$5.7	206.3	181.5
Parks and recreation	3.6	3.1			3.6	3.1
Libraries.....	3.3	3.3			3.3	3.3
Senior services.....	2.9	3.2			2.9	3.2
Community development	1.7	1.4			1.7	1.4
Sewer			19.8	19.8	19.8	19.8
Interest and other costs	2.8	3.2			2.8	3.2
Total expenses.....	321.3	297.7	25.6	25.5	346.9	323.2
Change in net position.....	0.2	14.0	3.3	2.7	3.5	16.7
Net assets – July 1.....	(287.1)	(301.1)	51.8	49.1	(235.3)	(252.0)
Prior Period Adjustment.....	-	-	-	-	-	-
Net assets – June 30.....	\$(286.9)	\$(287.1)	\$ 55.1	\$ 51.8	\$(231.8)	\$(235.3)

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, 2016 and 2015 were \$199.2 million and \$192.8 million, as restated, respectively. Included in these totals were \$186.0 and \$184.1 million in property taxes, as restated, for the years ended June 30, 2016 and 2015.

“Program expenses” are presented in the Condensed Statement of Activities by function and total \$321.3 and \$297.7 million (including interest on long-term debt) for the fiscal years June 30, 2016 and 2015, respectively.

“Changes in net position” decreased \$13.8 million to \$0.2 million from \$14.0 million, as restated, for the years ended June 30, 2016 and 2015, respectively. The change resulted primarily from an increase in education expense offset by the state special funding for pensions and other revenues.

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 2016 and 2015, the City generated \$25.8 and \$25.5 million, respectively, in charges for services for all of its business-type activities.

The total amount of expenses for business-type activities were \$25.6 and \$25.5 million, for the fiscal years ended June 30, 2016 and 2015, respectively.

The “Change in Net Position” increased \$0.6 million to \$3.3 million from \$2.7 million for the fiscal years ended June 30, 2016 and 2015, respectively. This activity increased the “Business-Type Net Assets” for the fiscal year ended June 30, 2016 to \$55.1 million as compared to \$51.8 million as restated for the fiscal year ended June 30, 2015.

Financial Analysis of City’s Funds

Governmental Funds

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

Combined fund balances for all the Governmental Funds was \$26.8 million. Fund balance was comprised of \$0.3 million “Non-spendable” fund balances, \$4.4 million “Restricted” fund balances and \$1.9 million “Committed” fund balances and \$20.2 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 \$234.9 million include primarily \$26.0 million in “Cash”, \$189.9 million in “Taxes Receivable”, \$7.3 million in “Intergovernmental Receivables”, “Other Receivables” of \$1.8 million, “Prepaid” of \$0.2 million, “Advance deposits-hospitalization” of \$0.2 million, “Due from Other Funds” of \$9.5 million.

Liabilities of \$208.1 million consisted of \$6.7 million of “Accounts Payable”, \$4.2 million in “Due to Other Funds”, \$193.8 million in “Unavailable Revenue”, \$0.4 million of “Claims Payable”, \$2.9 million of “Accrued Payroll” and \$0.1 million of other miscellaneous liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED
 JUNE 30, 2016

Condensed Balance Sheet

As of June 30
 (In Millions)

	General Fund		School Department		Total Major Funds	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets.....	\$223.9	\$222.0	\$11.0	\$7.7	\$234.9	\$229.7
Total assets	223.9	222.0	11.0	7.7	234.9	229.7
Liabilities:						
Other liabilities	203.2	198.9	4.9	2.6	208.1	201.5
Total liabilities	203.2	198.9	4.9	2.6	208.1	201.5
Fund Balance:						
Non-spendable.....	0.2	0.2	0.1	3.9	0.3	4.1
Restricted.....	0.3	0.3	4.1	0.6	4.4	0.9
Committed.....		2.1	1.9	0.6	1.9	2.7
Assigned.....						
Unassigned	20.2	20.5		-	20.2	20.5
Total fund balance	\$20.7	\$23.1	\$6.1	\$5.1	\$26.8	\$28.2

General Fund - Condensed Balance Sheet

The General Fund’s total assets of \$223.9 million consists primarily of \$26.0 million in “Cash”, \$189.9 million of “Taxes Receivable” \$7.3 million of “Intergovernmental Receivables”, “Due from Other Funds” of \$0.5 million, and “Advanced Deposits-hospitalization” of \$0.2million.

Total liabilities for the General Fund were \$203.2 million. “Accounts payable” amounted to \$2.5 million, \$193.7 million represented “Unearned Revenue”, \$3.5 million in “Due to Other Funds”, \$0.5 million in “Claims Payable” and \$3.0 million of accrued liabilities.

As of June 30, 2016 the City’s fund balance was \$20.7 million of which \$0.2 million was “Non-spendable”, \$0.3 million was “Restricted”, and \$20.2 million was “Unassigned”.

School Department - Condensed Balance Sheet

The School Department’s total assets were \$11.0 million. The majority of that consisted primarily of \$9.0 of “Due from Other Funds”, “Prepaid” of \$0.2 million and “Other” assets of \$1.8 million.

Liabilities for the School Department totaled \$4.9 million. The majority of that consisted of \$4.2 million of “Accounts Payable” and \$0.7 million “Due to Other Funds”.

For the fiscal year ending June 30, 2016, the School Department had a fund balance of \$6.1 million. This was comprised of \$0.2 million “Non-spendable”, \$4.1 million “Restricted and \$1.9 million of “Committed” 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, 2016 and 2015. 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, 2016, and 2015, the City collected \$184.8, and \$181.5 million of property taxes, respectively. Total revenues for all major governmental funds for the years ended June 30, 2016 and 2015, were \$273.7, and \$268.7 million, respectively. For the major governmental funds, the total expenditures for the years ending June 30, 2016, and 2015, were \$275.0, and \$266.8 million, respectively. For the year ended June 30, 2016, General Fund revenues exceeded expenditures by \$89.8 million before other financing sources (uses) as compared to \$91.3 million for the period ending June 30, 2015.

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

	Year Ended June 30 (In Millions)				Total Major Governmental	
	General Fund		School Department			
	2016	2015	2016	2015	2016	2015
Revenues:						
General Revenues:						
Property taxes	\$184.8	\$181.5			\$184.8	\$181.5
Intergovernmental.....	13.5	15.9	\$51.5	\$48.1	65.0	64.0
Charges for services	13.7	12.9	1.0	1.1	14.7	14.0
State fiscal stabilization funds						
State on behalf pension contributions.....			6.9	6.7	6.9	6.7
Investment income.....	0.1	0.1			0.1	0.1
Other	1.4	1.5	0.8	0.9	2.2	2.4
Total revenues	213.5	211.9	60.2	56.8	273.7	268.7
Expenditures:						
Current:						
General government	9.2	9.0			9.2	9.0
Public safety	79.4	76.4			79.4	76.4
Public works	15.5	15.3			15.5	15.3
Education.....			151.3	146.2	151.3	146.2
Parks and recreation	3.4	3.0			3.4	3.0
Public libraries.....	3.2	3.0			3.2	3.0
Senior services.....	2.8	3.0			2.8	3.0
Other	0.2	0.2			0.2	0.2
Debt Service:						
Principal.....	7.0	7.4			7.0	7.4
Interest and other costs	3.0	3.3			3.0	3.3
Total expenditures	123.7	120.6	151.3	146.2	275.0	266.8

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>	
	2016	2015	2016	2015	2016	2015
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	89.8	91.3	(91.1)	(89.4)	(1.3)	1.9
<i>Other Financing Sources (Uses):</i>						
Issuance of Debt						
Transfers in.....		0.7	92.1	93.0	92.1	93.7
Transfers out.....	(92.1)	(93.7)			(92.1)	(93.7)
<i>Net other financing sources (uses).....</i>	(92.1)	(93.0)	92.1	93.0	-	-
Net change in fund balances.....	(2.3)	(1.7)	1.0	3.6	(1.3)	1.9
<i>Fund balance July 1</i>	23.1	24.8	5.1	1.5	28.2	26.3
<i>Fund balance June 30.....</i>	\$ 20.8	\$ 23.1	\$ 6.1	\$ 5.1	\$ 26.9	\$ 28.2

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

The City's General Fund had revenues of \$213.5 million for the fiscal year ended June 30, 2016. This was comprised of \$184.8 million in "General Property Taxes", \$13.5 million of "Intergovernmental" revenues, \$13.7 million in "Charges for Services", \$0.1 million in "Investment Income", and \$1.4 million in "Other" revenue.

Expenditures for the General Fund for fiscal year ended June 30, 2016 were \$123.7 million. These expenditures consisted of \$9.2 million in "General Government" expenditures, \$79.4 million of "Public Safety" expenditures, \$15.5 million of "Public Works" expenditures, \$3.4 million of "Parks and Recreation" expenditures, \$3.2 million of "Public Libraries" expenditures, \$2.8 million of "Senior Services" expenditures, \$0.2 million of "Other" expenditures, \$7.0 million of "Debt Service Principal" expenditures, and \$3.0 million of "Interest and Other Costs".

In addition to general operating expenses, the General Fund also had "Net Other Financing Uses" of \$ 92.1 million. This was composed of a \$(92.1) million of "Transfers Out" to the "School Department" for operations.

The net change in fund balances was \$(2.3) million for the fiscal year ended June 30, 2016. This was primarily due to the settlement of a multi-year police contract along with the cost associated with cleaning up from a microburst storm that occurred in the summer of 2015.

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, 2016 of \$60.2 million. This was derived from \$51.5 million of "Intergovernmental" revenues, \$1.0 million of "Charges for Services", \$6.9 million of "State on Behalf Pension Contribution" and \$0.8 million of "Other Income".

Expenditures for the School Department totaled \$151.3 million. This entire amount represents expenditures related to "Education".

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

In addition to general operating revenues, the School Department received \$92.1 million of “Other Financing Sources”. This amount was comprised of “Transfers In” from the “General Fund” of \$92.1 million for operations.

The net change in fund balance was \$1.0 million for the fiscal year ended June 30, 2016. This was due primarily to salary and benefit savings associated with teacher retirements.

Proprietary Funds

The Proprietary Funds consist of the Sewer Fund, the Non-Major Programs and the Internal Service Funds. The major source of revenues consists of “Charges for Usage and Service” of \$46.0 million. Total operating revenues were \$49.7 million. Total operating expenses for the year ending June 30, 2016, for the Proprietary Funds were \$49.8 million. The “Health Care Management” of the school department of \$23.9 million, the “Contract Payments” of \$15.8 million for sewer privatization, “Operation” expense of \$5.6 million. “Personnel” cost of \$1.9 million, “Claims” of \$0.3 million and \$2.3 million of “Depreciation” comprise the majority of the expenses. Net Non-Operating Income for the year ending June 30, 2016 was \$2.4 million. The Proprietary Funds ended fiscal year 2016 with \$2.3 million more in revenues than expenses. Total Net Position was \$54.2 million at June 30, 2016, of that “Net Investment in Capital Assets” was \$69.2 million, Restricted for Debt Service of \$2.1 million and \$(17.1) million was “Unrestricted”. Total Net Position as of June 30, 2016 increased \$2.3 million from \$51.9 million to \$54.2 million or 4.5%.

Analysis of Significant Budget Variations in the General Fund

For the year ended June 30, 2016, the General Fund Revenues were under budget projections by \$1.9 million or 0.7%. General Fund expenditures were under budget by \$1.7 million or 0.6%. This resulted in a \$0.2 million deficit for the General Fund for the year ending June 30, 2016.

Significant revenue variances include:

- Departmental Revenues – Favorable variance of \$1.0 million due to the gradual upgrade in the economy.
- Intergovernmental – Unfavorable variance of \$2.5 million from decrease in the amount budgeted by various departments for grants versus the amount actually received by departments for grants.

Most of the departments within the City had minimal surpluses/deficits with regard to their expense budgets. The combined results of these variances were sufficient to offset the shortfalls in revenue with the exception of the costs associated with the clean-up from the microburst storm that occurred in the summer of 2015 leaving the City with a minimal operating deficit of \$0.2 million.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The City of Cranston's investment in capital assets for its governmental and business-type activities as of June 30, 2016 and 2015 amounted to \$180.8 and \$166.9 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles, machinery and equipment and office furniture and equipment, and infrastructure.

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

Capital Assets at Year End
(In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land.....	\$ 14.9	\$ 14.4	\$ 0.3	\$ 0.3	\$ 15.2	\$ 14.7
Construction in progress.....	5.3	3.7	14.9	10.2	20.2	13.9
Land improvements.....	26.6	23.5	0.3	0.3	26.9	23.8
Buildings.....	102.0	95.4			102.0	95.4
Motor vehicles.....	20.6	18.1			20.6	18.1
Equipment.....	13.8	13.1	0.6	0.6	14.4	13.7
Infrastructure.....	84.0	83.9			84.0	83.9
Leasehold improvements.....			0.2	0.2	0.2	0.2
Sewer lines.....			50.6	50.3	50.6	50.3
Treatment and pumping plant.....			83.9	83.8	83.9	83.8
Total assets	267.2	252.1	150.8	145.7	418.0	397.8
Less: accumulated depreciation	(156.7)	(152.7)	(80.5)	(78.2)	(237.2)	(230.9)
Net capital assets	\$ 110.5	\$ 99.4	\$ 70.3	\$ 67.5	\$ 180.8	\$ 166.9

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, 2016 were \$418.0 million less accumulated depreciation of \$237.2 million for a net investment in capital assets of \$180.8 million.

Governmental Activities:

Major capital asset additions during the fiscal year ended June 30, 2016 included the following:

- \$1.0 million in firefighting equipment
- \$0.2 million in fire station upgrades
- \$0.8 million in playground upgrades
- \$3.3 million for road repayment and storm drain repairs
- \$4.0 million for school renovations
- \$0.3 million for library upgrades
- \$0.4 million for open space acquisitions

Business-Type Activities:

Major capital asset additions during the fiscal year ended June 30, 2016 included the following:

- \$5.1 million of construction in progress for improvements at the treatment plant
- \$0.3 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, 2016, the governmental activities had total long-term obligations of \$484.0 million. Of that, \$380.1 million was pension related debt, \$9.6 million was for post-retirement health benefits and \$78.3 million related to bonded debt guaranteed by the City's assets. Based on an actuarial valuations completed as of July 1, 2016 for governmental activities, the net pension obligation liability for unpaid pension contributions increased by \$12.6 million from \$367.5 million at June 30, 2015 to \$380.1 million at June 30, 2016. The net other post-employment benefit obligation (OPEB) liability for governmental activities increased \$1.3 million from \$8.3 million at June 30, 2015 to \$9.6 million at June 30, 2016. Additional information can be found in Note III.F.1.

The business-type activities had total long-term obligations of \$21.7 million. Of that, \$21.5 million related to State Revolving Loans (SRF) from Rhode Island Infrastructure Bank (these funds are available for projects related to clean water), \$1.6 million in net pension obligations, \$0.1 million in net post-retirement health benefit obligations. Based on an actuarial valuations completed as of July 1, 2016 for business-type activities, the net pension obligation liability for unpaid pension contributions increased by \$0.1 million from \$1.5 million at June 30, 2015 as restated to \$1.6 million at June 30, 2016. The net other post-employment benefit obligation (OPEB) liability for business-type activities remained unchanged at less than \$0.1 million. Additional information can be found in Note III.F.1.

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Debt Outstanding

For the year ending June 30, 2016, the City had \$81.7 million in debt (bonds, notes, etc.) outstanding as compared to \$74.2 million at June 30, 2015, a net increase of \$7.5 million or 10.1% (considering debt issuances and retirements). The key factors for this increase was due to the issuance and refunding of \$39.6 million of general obligation bonds offset by the redemptions and principal payments of \$31.7 million.

For the year ending June 30, 2016, the Business-Type Activities had \$21.7 million in debt (bonds, notes, etc.) outstanding as compared to \$23.2 million at June 30, 2015, a net decrease of \$1.5 million or 6.5% (considering debt retirements). The key factor for this decrease was principal repayments of \$1.6 million.

**Outstanding Debt, at June 30
(In Millions)**

	<u>2016</u>	<u>2015</u>
Governmental:		
General obligation bonds.....	\$ 81.7	\$73.8
Capital lease	<u>0.0</u>	<u>0.4</u>
Subtotal	<u>81.7</u>	<u>74.2</u>
Business-type:		
Sewer revolving loans	21.5	22.8
Certificates of participation	<u>0.0</u>	<u>0.4</u>
Subtotal	<u>21.5</u>	<u>23.2</u>
Total	<u>\$ 103.2</u>	<u>\$ 97.4</u>

Principal payments of \$29.8 million and \$1.6 million were made in the governmental and business-type activities, respectively, during fiscal year 2016.

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 \$211.6 million based on taxable property as of December 31, 2014, of approximately \$7.1 billion. On June 30, 2016, the City had \$78.3 million of debt outstanding that is outside the 3% debt limit.

The City's bond ratings are as follows:

- Standard & Poor's : "AA-"
- Fitch Ratings: "AA-"
- Moody's Investors Service : "A1"

Economic Factors and Next Year's Budget and Rates

- As noted previously, the Fiscal Year 2017 operating budget was passed by a majority vote of the City Council. Property tax collections were assumed to be collected at 98.8% of the current levy.
- The City budgeted approximately \$21.4 million for Police and Fire Pension Fund contributions.

Unemployment Statistics

The table below presents the most recent labor market information summary for not seasonally adjusted unemployment rates for the fiscal years ended June 30th:

	Annualized									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of Cranston	4.4%	8.5%	8.8%	10.3%	10.2%	10.0%	8.9%	8.2%	6.6%	5.5%
State of Rhode Island.....	4.8	6.2	9.8	11.2	11.1	11.0	9.6	8.7	6.6	5.5
United States.....	4.5	4.9	7.6	9.8	9.3	5.0	7.8	6.8	5.7	5.0

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, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 36,204,895	\$ 14,807,360	\$ 51,012,255
Receivables:			
Property taxes.....	192,116,370		192,116,370
Sewer assessments and user fees, net.....		1,492,839	1,492,839
Intergovernmental.....	13,796,358	2,006,601	15,802,959
Loans.....	3,168,993		3,168,993
Other.....	2,094,321	126,958	2,221,279
Prepays.....	-	24,304	24,304
Advance deposits - hospitalization.....	1,571,078		1,571,078
Inventory.....		64,910	64,910
Other assets.....	156,602		156,602
Internal balances.....	(496,570)	496,570	-
Total current assets.....	248,612,047	19,019,542	267,631,589
Noncurrent assets:			
Advance deposits - hospitalization.....	1,687,082		1,687,082
Net pension asset.....	17,227,979	216,915	17,444,894
Restricted cash - debt service reserve.....		1,195,219	1,195,219
Held in escrow.....		2,129,729	2,129,729
Other assets.....		480,400	480,400
Total receivables and other assets.....	18,915,061	4,022,263	22,937,324
Capital assets:			
Nondepreciable:			
Land.....	14,920,308	342,712	15,263,020
Construction in progress.....	5,326,760	14,946,271	20,273,031
Depreciable (net of accumulated depreciation):			
Land improvements.....	13,576,219	3,111	13,579,330
Buildings and leasehold improvements.....	57,232,536	15,334	57,247,870
Sewer service to customers.....		19,029	19,029
Treatment and pumping plant.....		36,832,734	36,832,734
Vehicles.....	5,791,201	10,499	5,801,700
Machinery, equipment and furniture.....	1,982,212	108,351	2,090,563
Infrastructure.....	11,682,814	17,968,721	29,651,535
Total net capital assets.....	110,512,050	70,246,762	180,758,812
Total noncurrent assets.....	129,427,111	74,269,025	203,696,136
TOTAL ASSETS.....	378,039,158	93,288,567	471,327,725
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding.....	1,336,633	-	1,336,633
Pension funding.....	57,448,461	214,557	57,663,018
	58,785,094	214,557	58,999,651
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	436,824,252	93,503,124	530,327,376

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

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	8,464,759	1,849,306	10,314,065
Accrued liabilities.....	56,655		56,655
Accrued payroll.....	2,940,766	1,297	2,942,063
Compensated absences.....		15,000	15,000
Accrued interest payable.....	1,083,972	189,621	1,273,593
Retainage payable.....	121,422	647,008	768,430
Unearned revenue.....	9,060,886	1,941,557	11,002,443
Claims payable.....	736,450		736,450
Long-term liabilities due within one year.....	8,850,205	1,061,732	9,911,937
Total current liabilities.....	31,315,115	5,705,521	37,020,636
Noncurrent liabilities:			
Unearned revenue.....		25,397	25,397
Net pension liability.....		1,611,696	1,611,696
Net OPEB obligation.....		93,500	93,500
Long-term liabilities due in more than one year.....	475,226,240	20,463,267	495,689,507
Total noncurrent liabilities.....	475,226,240	22,193,860	497,420,100
TOTAL LIABILITIES.....	506,541,355	27,899,381	534,440,736
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred sewer lease arrangement.....		10,384,265	10,384,265
Property tax levied in advance of June 30, 2015.....	181,042,635		181,042,635
Pension funding.....	36,186,904	75,738	36,262,642
	217,229,539	10,460,003	227,689,542
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES.....	723,770,894	38,359,384	762,130,278
<u>NET POSITION</u>			
Net investment in capital assets.....	32,242,050	69,185,030	101,427,080
Restricted for:			
Debt Service.....		2,129,729	2,129,729
Unrestricted.....	(319,188,692)	(16,171,019)	(335,359,711)
TOTAL NET POSITION.....	(286,946,642)	55,143,740	(231,802,902)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION.....	\$ 436,824,252	\$ 93,503,124	\$ 530,327,376

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

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET REVENUES (EXPENSES) AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General government.....	\$ 13,529,838	\$ 6,900,084	\$ 11,997,765		\$ 5,368,011	\$	\$ 5,368,011
Public safety.....	77,077,346	6,432,342	528,800	\$ 112,842	(70,003,362)		(70,003,362)
Public works.....	15,878,037	941,631	72,073		(14,864,333)		(14,864,333)
Education.....	200,479,946	23,803,519	67,489,278		(109,187,149)		(109,187,149)
Parks and recreation.....	3,595,810	396,967	-		(3,198,843)		(3,198,843)
Public libraries.....	3,295,271	99,100	550,778		(2,645,393)		(2,645,393)
Senior services.....	2,904,766	1,612,507			(1,292,259)		(1,292,259)
Community development.....	1,724,439		1,344,592		(379,847)		(379,847)
Interest expense.....	2,778,437				(2,778,437)		(2,778,437)
TOTAL GOVERNMENTAL ACTIVITIES.....	321,263,890	40,186,150	81,983,286	112,842	(198,981,612)	-	(198,981,612)
BUSINESS-TYPE ACTIVITIES:							
Sewer fund.....	19,788,661	22,192,444				2,403,783	2,403,783
Non-major funds.....	5,835,392	3,608,947		2,483,891		257,446	257,446
TOTAL BUSINESS-TYPE ACTIVITIES.....	25,624,053	25,801,391		2,483,891	-	2,661,229	2,661,229
TOTALS.....	\$ 346,887,943	\$ 65,987,541	\$ 81,983,286	\$ 2,596,733	(198,981,612)	2,661,229	(196,320,383)
GENERAL REVENUES:							
Property taxes.....					186,026,404	-	186,026,404
State special funding for pension.....					10,167,762	133,040	10,300,802
Other income.....					2,538,972		2,538,972
Investment income.....					491,493	488,905	980,398
Transfers in (out).....					(17,889)	17,889	-
TOTAL GENERAL REVENUES.....					199,206,742	639,834	199,846,576
CHANGE IN NET POSITION.....					225,130	3,301,063	3,526,193
NET POSITION - JULY 1, 2015 (AS RESTATED).....					(287,171,772)	51,842,677	(235,329,095)
NET POSITION - JUNE 30, 2016.....					\$ (286,946,642)	\$ 55,143,740	\$ (231,802,902)

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

CITY OF CRANSTON, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash	\$ 26,037,481	\$ 854	\$ 10,088,283	\$ 36,126,618
Receivables:				
Property taxes, net.....	189,906,697			189,906,697
Intergovernmental.....	7,269,172		6,527,186	13,796,358
Loans.....			3,168,993	3,168,993
Other.....	1,546	1,837,653	248,870	2,088,069
Prepays.....		147,689	8,913	156,602
Advance deposits - hospitalization.....	207,000			207,000
Due from City of Cranston.....		3,475,974	-	3,475,974
Due from other funds.....	476,549	5,537,118	97,806	6,111,473
TOTAL ASSETS.....	\$ 223,898,445	\$ 10,999,288	\$ 20,140,051	\$ 255,037,784
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable.....	\$ 2,500,884	\$ 4,177,313	\$ 1,780,605	\$ 8,458,802
Accrued payroll.....	2,929,864	-	9,846	2,939,710
Accrued liabilities.....	53,297		3,358	56,655
Retainage payable.....			121,422	121,422
Due to other funds.....	3,499,273	712,889	2,070,255	6,282,417
Unearned revenue.....	4,892,570		4,168,316	9,060,886
Claims payable.....	413,665			413,665
TOTAL LIABILITIES.....	14,289,553	4,890,202	8,153,802	27,333,557
DEFERRED INFLOWS:				
Unavailable revenue.....	188,862,914			188,862,914
TOTAL LIABILITIES AND DEFERRED INFLOWS.....	203,152,467	4,890,202	8,153,802	216,196,471
FUND BALANCES:				
Nonspendable.....	207,000	147,689	-	354,689
Restricted.....	275,374	4,066,877	12,152,507	16,494,758
Committed.....	42,892	1,894,520	5,571	1,942,983
Assigned.....	-		-	-
Unassigned.....	20,220,712	-	(171,829)	20,048,883
TOTAL FUND BALANCES.....	20,745,978	6,109,086	11,986,249	38,841,313
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 223,898,445	\$ 10,999,288	\$ 20,140,051	\$ 255,037,784

CITY OF CRANSTON, RHODE ISLAND

RECONCILIATION OF FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES (CONTINUED)
JUNE 30, 2016

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).....	\$	38,841,313
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Total capital assets.....		267,231,135
Accumulated depreciation.....		(156,719,085)
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:		
Net pension asset.....		17,227,979
Property tax, interest and lien accrual, (net).....		2,209,673
Unearned tax revenues (net of an allowance for uncollectible) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.....		7,820,279
Deferred charge on refunding.....		1,336,633
Deferred outflows of net pension liability.....		57,448,461
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.....		(908,506)
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.....		(81,721,770)
Compensated absences.....		(12,524,689)
Deferred salary.....		(123,621)
Net pension liability.....		(380,003,165)
Net OPEB obligation.....		(9,603,201)
Claims and judgements.....		(100,000)
Deferred inflows of net pension liability.....		(36,186,904)
Claims payable.....		(87,202)
Accrued interest payable.....		(1,083,972)
NET POSITION OF GOVERNMENTAL ACTIVITIES.....	\$	<u>(286,946,642)</u>

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
General property taxes.....	\$ 184,814,710			\$ 184,814,710
Intergovernmental.....	13,525,262	\$ 51,540,802	\$ 11,175,241	76,241,305
Charges for services.....	13,649,647	969,752	1,877,384	16,496,783
Investment income.....	120,578		370,877	491,455
State on-behalf pension contributions.....		6,859,907		6,859,907
Other.....	1,408,351	824,941	214,788	2,448,080
TOTAL REVENUES	213,518,548	60,195,402	13,638,290	287,352,240
EXPENDITURES:				
Current:				
General government.....	9,191,832		740,756	9,932,588
Public safety.....	79,353,384		1,545,848	80,899,232
Public works.....	15,555,096			15,555,096
Education.....		151,334,752	9,163,282	160,498,034
Parks and recreation.....	3,484,198		2,606	3,486,804
Public libraries.....	3,171,735		102,263	3,273,998
Senior services.....	2,786,823		121,222	2,908,045
Community development.....			1,724,439	1,724,439
Other.....	184,049			184,049
Debt Service:				
Principal.....	7,020,000			7,020,000
Interest and other costs.....	2,951,895		493,478	3,445,373
Capital Outlay:				
Capital expenditures.....			12,091,531	12,091,531
TOTAL EXPENDITURES	123,699,012	151,334,752	25,985,425	301,019,189
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	89,819,536	(91,139,350)	(12,347,135)	(13,666,949)
OTHER FINANCING SOURCES (USES):				
Issuance of debt.....			37,035,000	37,035,000
Bond premium.....			2,573,150	2,573,150
Repayment of debt to escrow agent.....			(23,862,607)	(23,862,607)
Transfers in.....		91,682,652		91,682,652
Transfers out for middle school sports.....	(426,723)	426,723		
Transfers out.....	(91,700,541)			(91,700,541)
NET OTHER FINANCING SOURCES (USES).....	(92,127,264)	92,109,375	15,745,543	15,727,654
NET CHANGE IN FUND BALANCES.....	(2,307,728)	970,025	3,398,408	2,060,705
FUND BALANCES - JULY 1, 2015.....	23,053,706	5,139,061	8,587,841	36,780,608
FUND BALANCES - JUNE 30, 2016.....	\$ 20,745,978	\$ 6,109,086	\$ 11,986,249	\$ 38,841,313

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, 2016**

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)..... \$ 2,060,705

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

Capital outlay.....	16,574,630
Depreciation expense.....	<u>(5,490,803)</u>
Total.....	<u>11,083,827</u>

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:

Change in unearned tax revenues that are recorded in the funds, but are not deferred under the measurement focus employed.....	(210,661)
Increase in property tax interest and lien revenue.....	<u>417,271</u>
Total.....	<u>206,610</u>

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

Debt issued or incurred:	
Bonds and capital lease.....	(37,035,000)
Principal repayments:	
Payment to escrow agent.....	23,170,000
General obligation bonds.....	6,655,000
Capital lease.....	<u>365,000</u>
Total.....	<u>(6,845,000)</u>

CITY OF CRANSTON, RHODE ISLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

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.....	(3,178)
Net pension asset.....	(9,625,606)
Net pension liability.....	(12,533,791)
Net OPEB obligation.....	(1,267,272)
Changes in deferred inflows.....	(1,582,312)
Changes in deferred outflows.....	20,942,618
Amortization of deferred charge on refunding.....	(265,908)
Bond premium incurred.....	(2,573,151)
Bond premium amortized.....	1,879,729
Accrued interest payable.....	(254,278)
Total	(5,283,149)
The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	(997,863)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	\$ 225,130

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	MAJOR FUND			INTERNAL SERVICE FUND
	SEWER	NONMAJOR PROGRAMS	TOTALS	
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 14,073,001	\$ 734,359	\$ 14,807,360	\$ 78,277
Prepaid expenses.....		24,304	24,304	-
Inventory.....		64,910	64,910	-
Receivables:				
Sewer assessments and user fees, net.....	1,492,839		1,492,839	
Other.....	-	126,958	126,958	6,252
Due from other funds.....	(125,805)	622,375	496,570	-
Capital lease.....				
Intergovernmental.....	1,820,393	186,208	2,006,601	
Claims deposits.....			-	1,364,078
Total Current Assets.....	17,260,428	1,759,114	19,019,542	1,448,607
Noncurrent Assets:				
Capital lease receivable.....			-	
Advance deposits - medical.....			-	1,687,082
Loan origination fees, net of current portion.....			-	
Restricted cash - debt service reserve.....	1,195,219		1,195,219	
Held in escrow.....	2,129,729		2,129,729	
Net pension asset.....		216,915	216,915	
Other assets.....	479,900	500	480,400	
Subtotal Noncurrent Assets.....	3,804,848	217,415	4,022,263	1,687,082
Capital Assets:				
Capital assets, net of accumulated depreciation.....	70,123,793	122,969	70,246,762	-
Total Noncurrent Assets.....	73,928,641	340,384	74,269,025	1,687,082
TOTAL ASSETS.....	91,189,069	2,099,498	93,288,567	3,135,689
DEFERRED OUTFLOW OF RESOURCES				
Pension liability.....		214,557	214,557	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES.....	91,189,069	2,314,055	93,503,124	3,135,689
LIABILITIES				
Current Liabilities:				
Accounts payable.....	1,507,328	341,978	1,849,306	5,957
Accrued payroll.....	1,297		1,297	1,056
Compensated absences.....			-	
Retainage payable.....	647,008	-	647,008	
Compensated absences.....		15,000	15,000	
Accrued interest.....	189,621		189,621	
Due to other funds.....	-		-	3,801,600
Claims payable.....			-	235,582
Unearned revenue.....	1,920,000	21,557	1,941,557	
Long-term liabilities due within one year.....	1,061,732		1,061,732	
Total Current Liabilities.....	5,326,986	378,535	5,705,521	4,044,195
Noncurrent Liabilities:				
Compensated absences, net of current portion.....		25,397	25,397	
Net OPEB obligation.....		93,500	93,500	
Net pension liability.....		1,611,696	1,611,696	
Long-term liabilities due in more than one year.....	20,463,267		20,463,267	
Total Noncurrent Liabilities.....	20,463,267	1,730,593	22,193,860	
TOTAL LIABILITIES.....	25,790,253	2,109,128	27,899,381	4,044,195
DEFERRED INFLOWS OF RESOURCES				
Pension liability.....		75,738	75,738	
Deferred sewer lease arrangement.....	10,384,265		10,384,265	
Total Deferred Inflows of Resources.....	10,384,265	75,738	10,460,003	
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES.....	36,174,518	2,184,866	38,359,384	4,044,195
NET POSITION				
Net Investment in capital assets.....	69,062,061	122,969	69,185,030	
Restricted:				
Debt service.....	2,129,729	-	2,129,729	
Unrestricted (deficit).....	(16,177,239)	6,220	(16,171,019)	(908,506)
TOTAL NET POSITION.....	55,014,551	129,189	55,143,740	(908,506)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION.....	\$ 91,189,069	\$ 2,314,055	\$ 93,503,124	\$ 3,135,689

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	MAJOR FUND			INTERNAL SERVICE FUND
	SEWER	NONMAJOR PROGRAMS	TOTALS	
OPERATING REVENUES:				
Charges for usage and service.....	\$ 21,400,864	\$ 913,020	\$ 22,313,884	\$ 23,689,367
Tuition.....		2,630,109	2,630,109	
On-behalf pension contribution.....		133,040	133,040	
Miscellaneous.....	791,580	65,818	857,398	90,892
TOTAL OPERATING REVENUES.....	22,192,444	3,741,987	25,934,431	23,780,259
OPERATING EXPENSES:				
Operations.....	1,012,129	3,989,691	5,001,820	532,325
Personnel.....	103,978	1,775,780	1,879,758	94,804
Claims.....			-	286,775
Contract payments.....	15,830,187		15,830,187	
Health care management.....		17,146	17,146	23,864,256
Depreciation.....	2,266,324	49,125	2,315,449	
TOTAL OPERATING EXPENSES.....	19,212,618	5,831,742	25,044,360	24,778,160
OPERATING INCOME.....	2,979,826	(2,089,755)	890,071	(997,901)
NONOPERATING REVENUES (EXPENSES):				
Interest expense.....	(576,043)	(3,650)	(579,693)	
Investment income.....	488,873	32	488,905	38
Grant income.....		2,483,891	2,483,891	
Amortization.....	-		-	
TOTAL NONOPERATING REVENUES (EXPENSES):	(87,170)	2,480,273	2,393,103	38
Transfer in.....		17,889	17,889	
NET NONOPERATING REVENUES (EXPENSES).....	(87,170)	2,498,162	2,410,992	38
CHANGE IN NET POSITION.....	2,892,656	408,407	3,301,063	(997,863)
NET POSITION - JULY 1, 2015.....	52,121,895	(279,218)	51,842,677	89,357
NET POSITION - JUNE 30, 2016.....	\$ 55,014,551	\$ 129,189	\$ 55,143,740	\$ (908,506)

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT H

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	ENTERPRISE FUNDS			GOVERNMENTAL
	MAJOR FUND		TOTALS	ACTIVITIES
	SEWER	NONMAJOR PROGRAMS		INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers.....	\$ 27,923,416	\$ 3,517,249	\$ 31,440,665	\$ 24,137,626
Cash received from other sources.....				
Cash received from providing services.....				-
Cash paid to suppliers.....	(15,830,187)	(826,120)	(16,656,307)	
Cash paid to employees.....	(103,303)	(1,694,914)	(1,798,217)	(94,276)
Cash paid for claims.....				(23,422,796)
Cash paid for other operating expenses.....	(2,261,850)	(3,205,403)	(5,467,253)	(531,500)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	9,728,076	(2,209,188)	7,518,888	89,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Non-operating grant.....	20,100	2,483,891	2,503,991	
Advances from interfund loans.....	133,076	114,593	247,669	(74,304)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	153,176	2,598,484	2,751,660	(74,304)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets.....	(5,054,954)	(38,180)	(5,093,134)	
Collection of capital lease payment.....		365,000	365,000	
Transfer in.....		17,889	17,889	
Principal paid on bonds.....	(1,293,364)	(365,000)	(1,658,364)	
Interest paid on bonds.....	(581,477)	(5,475)	(586,952)	
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES.....	(6,929,795)	(25,766)	(6,955,561)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Income from investments.....	488,873		488,873	38
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	488,873	-	488,873	38
NET INCREASE IN CASH.....	3,440,330	363,530	3,803,860	14,788
CASH - JULY 1, 2015 (INCLUDING RESTRICTED CASH).....	11,827,889	370,829	12,198,718	63,489
CASH - JUNE 30, 2016 (INCLUDING RESTRICTED CASH).....	\$ 15,268,220	\$ 734,359	\$ 16,002,579	\$ 78,277
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income.....	\$ 2,979,826	\$ (2,089,755)	\$ 890,071	\$ (997,901)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation.....	2,266,324	49,125	2,315,449	
Decrease in net pension asset.....		104,313	104,313	
Increase in deferred outflows related to pension plans.....		(227,448)	(227,448)	
Decrease in deferred inflows related to pension plans.....		(56,419)	(56,419)	
(Increase) decrease in accounts receivable.....	(88,120)	(90,204)	(178,324)	357,367
Increase in claims deposit.....				2,772,524
Increase in inventory.....		(29,644)	(29,644)	
(Increase) decrease in intergovernmental receivables.....	7,476,741	(32,170)	7,444,571	
Increase (decrease) in accounts payable.....	(1,249,721)	55,303	(1,194,418)	825
Increase (decrease) in accrued payroll.....	675		675	528
Increase in compensated absences.....		(3,623)	(3,623)	
Increase (decrease) in prepaid assessments.....	262,351		262,351	-
Decrease in OPEB.....		17,146	17,146	
Decrease in claims payable.....				(2,044,289)
Decrease in unearned revenue.....	(1,920,000)	15,567	(1,904,433)	
Increase in net pension liability.....		78,622	78,622	
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	\$ 9,728,076	\$ (2,209,187)	\$ 7,518,889	\$ 89,054

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, 2016

	PENSION TRUST FUND	CITY OPEB TRUST FUND	SCHOOL OPEB TRUST FUND	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS:					
Cash and cash equivalents.....	\$ 4,350,256	\$ 4,046,812	\$ -	\$ 112,248	\$ 1,011,419
Investments:					
Real Estate Investment Trust.....	500,104		41,430		
Common Stock.....	5,944,886				
Pooled Equity Index Funds.....			274,475		
Pooled Fixed Income Index Funds.....			201,972		
International Equity Mutual Funds.....	7,438,979				
U.S. Equity Mutual Funds.....	26,379,366				
Fixed Income Mutual Funds.....	18,103,784				
Total Investments.....	58,367,119	-	517,877		-
Accounts receivable.....	39,076	977,700			
TOTAL ASSETS.....	62,756,451	5,024,512	517,877	112,248	1,011,419
LIABILITIES:					
Accounts payable.....	40,196	-	500,000		
Deposits held in custody for others.....					1,011,419
TOTAL LIABILITIES.....	40,196	-	500,000	-	1,011,419
NET POSITION HELD IN TRUST FOR PENSION AND OPEB BENEFITS AND OTHER PURPOSES.....	\$ 62,716,255	\$ 5,024,512	\$ 17,877	\$ 112,248	\$ -

CITY OF CRANSTON, RHODE ISLANDSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	PENSION TRUST FUND	CITY OPEB TRUST FUND	SCHOOL OPEB TRUST FUND	PRIVATE PURPOSE TRUST FUND
ADDITIONS:				
Contributions:				
Employer contributions.....	\$ 21,316,456	\$ 4,748,610		
Plan member contributions.....	257,734	353,111		\$ 3,617
Other.....	52,275	1,324		
Total contributions.....	21,626,465	5,103,045		3,617
Investment income (loss):				
Interest and dividends.....	1,247,284	10,426	\$ 18,498	107
Net (depreciation) in the fair value of investments.....	(2,872,521)			
Total investment income (loss).....	(1,625,237)	10,426	18,498	107
TOTAL ADDITIONS.....	20,001,228	5,113,471	18,498	3,724
DEDUCTIONS:				
Benefits.....	24,105,635	4,104,793		7,872
Administrative expenses.....	598,631	19,862	621	
TOTAL DEDUCTIONS.....	24,704,266	4,124,655	621	7,872
CHANGE IN NET POSITION.....	(4,703,038)	988,816	17,877	(4,148)
NET POSITION - JULY 1, 2015.....	67,419,294	4,035,696	-	116,396
NET POSITION- JUNE 30, 2016.....	\$ 62,716,256	\$ 5,024,512	\$ 17,877	\$ 112,248

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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 a non-major program of the proprietary funds.

B. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2016 the City implemented the following new accounting pronouncements:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective fiscal year ending June 30, 2016. The impact of this statement has been presented in the notes to the financial statements.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68. And amendments for certain provisions of GASB Statements No. 67 and No. 68, effective for the Authority's fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.
- GASB Statement No. 78 – Pension provided through certain Multiple-Employer Defined Benefit Pension Plans for the fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants for the fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Recently Issued Accounting Standards (Continued)

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

- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal year ending June 30, 2018.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 80 – Blending requirements for certain component units for the fiscal year ending June 30, 2017.
- GASB Statement No. 81 – Irrevocable split-interest agreements for the fiscal year ending June 30, 2018.
- GASB Statement No. 82 – Pension issues for the fiscal year ending June 30, 2017.
- GASB Statement No. 83 – Certain Asset Retirement Obligations for the fiscal year ending June 30, 2019.

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

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 non-fiduciary activities of the City. *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.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when 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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, amounts held for unclaimed estates in probate court and amounts held for performance bonds.

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.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

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."

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, 2016, 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 deferred inflows, 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.

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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Restricted Assets

The restricted assets for the City are restricted for debt reserve requirements, building improvements and minor maintenance costs associated with the City of Cranston, Rhode Island.

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 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

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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

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 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, 2016 the City of Cranston, Rhode Island had two items that qualified as deferred outflows of resources; fiscal year 2016 employer contributions for six pension plans and deferred charge on refunding reported in the Government-wide statement of net position. The fiscal year 2016 employer contributions totaling \$57,663,018. The deferred charge on the refunding totaling \$1,336,633 is the unamortized balance of the difference between the carrying value of the refunded debt and the new debt.

In addition to liabilities, the statement of net position 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, 2016 the City of Cranston, Rhode Island had three items that qualify as deferred inflows of resources. The unearned tax revenue represents property taxes receivables which are assessed on December 31, 2014 and prior and are not collected within 60 days of June 30, 2016. Net unearned tax revenue included in the fund financial statements were \$181,042,635 at June 30, 2016. The other deferred inflow consists of a deferred sewer lease arrangement and the amount deferred as of June 30, 2016 was \$10,384,265. In addition, pension funding amounts totaling \$36,262,642 were reported as of June 30, 2016. These amounts are deferred and will be recognized inflows of resources in the years in which the amounts become available.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, contributions, 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.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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)

Fund Balance (Continued)

Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

- (d) 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.

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, 2016, the remaining fund balance included in this fund was \$39,268 and is reported in the totals of the City’s general fund on the governmental funds balance sheet within the committed fund balance.
- (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 considered to be approved by the original 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, 2016, the remaining fund balance included in this fund was \$3,624 and is reported in the totals of the City’s General Fund on the governmental funds balance sheet within the committed fund balance.

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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Capital Projects Authorizations

The following is a summary of projects recorded in the Capital Projects Fund at June 30, 2016:

PROJECT NAME	PROJECT AUTHORIZATION	CURRENT YEAR EXPENDITURES	CUMULATIVE EXPENDITURES	BALANCE JUNE 30, 2016
GOVERNMENTAL FUNDS:				
School bond fund	\$ 24,828,772	\$ 4,907,836	\$ 22,658,291	\$ 2,170,481
Police and fire bond fund	\$ 11,627,166	\$ 1,275,989	\$ 10,856,339	\$ 770,827
Public building bond fund	\$ 1,500,000	\$ 17,530	\$ 1,445,700	\$ 54,300
Recreation bond fund	\$ 4,718,932	\$ 782,426	\$ 4,134,391	\$ 584,541
Highway bond fund	\$ 12,979,674	\$ 3,345,022	\$ 12,282,970	\$ 696,704
Storm drains bond fund	\$ 1,881,893	\$ 173,871	\$ 297,141	\$ 1,584,752
Library bond fund	\$ 590,000	\$ 241,625	\$ 441,625	\$ 148,375
Neighborhood infrastructure fund	\$ 3,336,223	\$ 100,367	\$ 1,534,856	\$ 1,801,367
Open space bond fund	\$ 2,491,090	\$ 369,133	\$ 2,365,223	\$ 125,867
ENTERPRISE FUNDS:				
Sewer system project	\$ 22,000,000	\$ 6,448,800	\$ 20,350,171	\$ 1,649,829

B. Deficit Fund Balance

During the year ended June 30, 2016, the City had a deficit fund balance in the following funds:

Non-Major Governmental Funds

Community Development Block Grant	\$ 24,808
WIA Job Development Fund	\$ 147,021

Internal Service Funds

Claims Committee	\$ 205,369
School Department Health Insurance Fund	\$ 703,137

The non-major fund deficits will be eliminated through future intergovernmental grant receipts, repayment of program loans or inter-fund contributions. The internal service fund deficits will be eliminated through the monitoring of these fund activities and adjusting working rates for healthcare costs.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the City's bank balance of \$63,748,331 was insured and collateralized as follows:

Insured	\$ 8,293,745
Uninsured	36,897,910
Collateralized	
Collateral Held by Pledging Banks' Trust Department, Not in the City's Name	<u>18,556,676</u>
 Total Amount Subject to Custodial Risk	 <u>\$ 63,748,331</u>

The City's carrying value of cash and cash equivalents at June 30, 2016 was \$61,728,209, and is presented within the following in the financial statements:

Governmental Activities	\$ 36,126,618
Business Type Activities	16,002,579
Pension Trust Funds	4,350,256
OPEB Trust Funds	4,046,812
Internal Service Funds	78,277
Private Purpose Trust Funds	112,248
Agency Funds	<u>1,011,419</u>
 Total	 <u>\$ 61,728,209</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.

At June 30, 2016, the City's investments, all of which are in the City's Pension Trust Funds, (including restricted investments) consisted of the following:

Type of Investment	Fair Value	N/A	Maturity	
			Less Than 1	1 - 5 Years
U.S. Equity Mutual Funds	\$ 26,379,366	\$ 26,379,366	\$ -	\$ -
International Equity Mutual Funds	7,438,979	7,438,979		
Common Stock	2,617,499	2,617,499		
Hedge funds	3,327,387	3,327,387		
Pooled Equity Index Funds	274,475	274,475		
Pooled Fixed Income Index Funds	201,972		201,972	-
Fixed Income Mutual Funds	18,103,784		18,103,784	-
Real Estate Investment Trusts	<u>541,534</u>	<u>541,534</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 58,884,996</u>	 <u>\$ 40,579,240</u>	 <u>\$ 18,305,756</u>	 <u>\$ -</u>

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

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, 100% of the City's investments are in mutual funds. 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, 2016.

At June 30, 2016 the City's investments totaled \$58,884,996 (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	5.11%	\$ 3,177,999
Skybridge Mutli-Advisor Hedge Fund Port		

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.

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

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in valuation methodology used at 2016.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Fair Value</u>
June 30, 2016:			
U.S. Equity Mutual Funds	\$ 26,379,366	\$ -	\$ 26,379,366
International Equity Mutual Funds	7,438,979		7,438,979
Common Stock	2,617,499		2,617,499
Pooled Equity Index Funds		274,475	274,475
Pooled Fixed Income Index Funds		201,972	201,972
Fixed Income Mutual Funds	18,103,784	-	18,103,784
Real Estate Investment Trusts	541,534		541,534
Total assets in the fair value hierarchy	55,081,162	476,447	55,557,609
Investments measured at net asset value*			3,327,387
Investments at fair value	\$ 55,081,162	\$ 476,447	\$ 58,884,996

Investments Measured at Net Asset Value as of June 30, 2016

<u>Hedge fund</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Funding Commitments</u>
Fund of funds	\$ 3,327,387	Quarterly	65 Days	None

There were no transfers between any levels during the year ended June 30, 2016.

B. Receivables

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

	<u>Property Taxes</u>		
	<u>Taxes</u>	<u>Interest & Liens</u>	<u>Total</u>
Current Portion	\$ 192,624,266	\$ 4,175,073	\$ 196,799,339
Less Allowance for Uncollectibles	(2,717,569)	(1,965,400)	(4,682,969)
Total Receivable	\$ 189,906,697	\$ 2,209,673	\$ 192,116,370

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

	Economic Development Loans	CDBG Loans	Total
Loans Receivable	<u>\$ 847,358</u>	<u>\$ 2,321,635</u>	<u>\$ 3,168,993</u>
	<u>Sewer Use Charges</u>		
	<u>Use Charges</u>	<u>Interest & Liens</u>	<u>Total</u>
Current Portion	\$ 1,615,304	\$ 483,255	\$ 2,098,559
Less Allowance for Uncollectibles	<u>(431,042)</u>	<u>(174,678)</u>	<u>(605,720)</u>
Total Receivable	<u>\$ 1,184,262</u>	<u>\$ 308,577</u>	<u>\$ 1,492,839</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	
Unearned Developer Security Deposits	\$ 581,897
Tax collections in advance	4,310,673
Grant draw-downs prior to meeting all eligibility requirements	<u>4,168,316</u>
	<u>\$ 9,060,886</u>

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	BALANCE JULY 1, 2015	INCREASES	DECREASES	BALANCE JUNE 30, 2016
<u>Governmental Activities:</u>				
<u>Capital Assets, not being depreciated:</u>				
Land.....	\$ 14,357,842	\$ 562,466		\$ 14,920,308
Construction in progress.....	3,706,073	7,583,668	\$ (5,962,981)	5,326,760
Total capital assets, not being depreciated.....	18,063,915	8,146,134	(5,962,981)	20,247,068
 <u>Capital Assets, being depreciated:</u>				
Land improvements.....	23,475,268	3,122,223		26,597,491
Buildings.....	95,380,384	6,835,628	(225,000)	101,991,012
Machinery and equipment.....	6,052,830	515,343	-	6,568,173
Office furniture and equipment.....	7,086,839	196,734	(5,352)	7,278,221
Vehicles.....	18,097,201	3,895,669	(1,393,299)	20,599,571
Infrastructure.....	83,919,630	29,969		83,949,599
Total capital assets, being depreciated.....	234,012,152	14,595,566	(1,623,651)	246,984,067
Total capital assets.....	252,076,067	22,741,700	(7,586,632)	267,231,135
 <u>Less accumulated depreciation for:</u>				
Land improvements.....	11,995,820	1,025,452	-	13,021,272
Buildings.....	43,222,355	1,581,121	(45,000)	44,758,476
Machinery and equipment.....	4,771,427	351,322	-	5,122,749
Office furniture and equipment.....	6,535,515	211,270	(5,352)	6,741,433
Vehicles.....	14,905,078	1,272,502	(1,369,210)	14,808,370
Infrastructure.....	71,217,649	1,049,136		72,266,785
Total accumulated depreciation.....	152,647,844	5,490,803	(1,419,562)	156,719,085
Total Capital Assets, being depreciated, net.....	81,364,308	9,104,763	(204,089)	90,264,982
Governmental Activities Capital Assets, net.....	\$ 99,428,223	\$ 17,250,897	\$ (6,167,070)	\$ 110,512,050

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

	BALANCE JULY 1, 2015	INCREASES	DECREASES	BALANCE JUNE 30, 2016
<u>Business-Type Activities:</u>				
<u>Capital Assets, not being depreciated:</u>				
Land.....	\$ 342,712	\$ -	\$ -	\$ 342,712
Construction in progress.....	10,160,582	5,068,971	(283,282)	14,946,271
Total capital assets, not being depreciated.....	10,503,294	5,068,971	(283,282)	15,288,983
<u>Capital Assets, being depreciated/amortized:</u>				
Land improvements.....	266,795	-	-	266,795
Leasehold improvements.....	187,562	-	-	187,562
Machinery and Equipment.....	519,632	37,611	-	557,243
Office furniture and equipment.....	1,124	-	-	1,124
Vehicles.....	35,838	-	-	35,838
Service to customers.....	98,337	-	-	98,337
Pumping plant and equipment.....	3,721,906	-	-	3,721,906
GIS project.....	1,103,834	-	-	1,103,834
Treatment plant and equipment.....	78,955,615	-	-	78,955,615
Infrastructure.....	50,286,114	269,863	-	50,555,977
Total capital assets, being depreciated/amortized.....	135,176,757	307,474	-	135,484,231
Total capital assets.....	145,680,051	5,376,445	(283,282)	150,773,214
<u>Less accumulated depreciation/amortization for:</u>				
Land improvements.....	255,990	7,694	-	263,684
Leasehold improvements.....	147,260	24,968	-	172,228
Machinery and Equipment.....	424,296	24,690	-	448,986
Office furniture and equipment.....	966	63	-	1,029
Vehicles.....	19,253	6,087	-	25,340
Service to customers.....	77,359	1,949	-	79,308
Pumping plant and equipment.....	2,102,421	70,348	-	2,172,769
GIS project.....	1,103,833	-	-	1,103,833
Treatment plant and equipment.....	42,122,250	1,549,769	-	43,672,019
Infrastructure.....	31,957,375	629,881	-	32,587,256
Total accumulated depreciation/amortization.....	78,211,003	2,315,449	-	80,526,452
Total Capital Assets, being depreciated/amortized, net.....	56,965,754	(2,007,975)	-	54,957,779
Business-Type Activities Capital Assets, net.....	\$ 67,469,048	\$ 3,060,996	\$ (283,282)	\$ 70,246,762

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 3,765,105
Public Safety	1,004,762
Public Works	300,201
Education	269,165
Parks and Recreation	102,133
Public Libraries	18,019
Senior Services	31,418
	<hr/>

Total Depreciation Expense - Governmental Activities \$ 5,490,803

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

Business-Type Activities:

Sewer	\$ 2,266,324
Public Facilities Management Foundation	24,968
Charter School	1,367
School Lunch	22,790
	<hr/>

Total Depreciation Expense - Business-Type Activities \$ 2,315,449

Construction Commitments

The City has active construction projects as of June 30, 2016. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>
Governmental-Type Activities:	
School Bond Fund	\$ 2,289,761
Business-Type Activities:	
Sewer	<hr/>
	4,965,717
Total	<u><u>\$ 7,255,478</u></u>

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

1. Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2016 is as follows:

	Corresponding Fund	Due From	Due To
Major Funds			
General Fund:			
School Unrestricted Fund		\$ -	\$ 3,475,976
Emergency Management Fund		230	
Community Development Fund		21,502	
RSVP		75	
Economic Development Revolving Loan		8,500	
Police State Seizure			2,720
Special Police Duty		116,932	
Special Fire Duty		5,221	
Ice Rink		13,512	13,512
Public Libraries			2,637
WIA Job Development Fund		141,228	
Police Federal Seizure			1,045
Historical Records			890
Internal Service Fund		41,051	
Library Reserve Fund		2,493	2,493
Sewer Fund		125,805	
Total General Fund		<u>476,549</u>	<u>3,499,273</u>
School Department Unrestricted:			
General Fund - City		3,475,976	
Internal Service Fund		3,760,548	
Education SR Fund		1,776,568	90,514
Charter School Fund			<u>622,375</u>
Total School Special Revenue Unrestricted		<u>9,013,092</u>	<u>712,889</u>
Proprietary Funds:			
Sewer Fund	General Fund		125,805
Charter School Fund	School General Fund	622,375	
Total Enterprise Funds		<u>622,375</u>	<u>125,805</u>

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

1. Interfund Payables and Receivables (Continued)

	Corresponding Fund	Due From	Due To
Nonmajor Funds			
Emergency Management Fund	General Fund		230
Community Development Block Grant Fund	General Fund		21,502
RSVP	General Fund		75
Economic Development Revolving Loan	General Fund		8,500
Historical Records	General Fund	890	
Police State Seizure	General Fund	2,720	
Public Libraries	General Fund	2,637	
Special Duty Fire Fund	General Fund		5,221
Special Duty Police Fund	General Fund		116,932
Police Federal Forfeiture - Justice	General Fund	1,045	
Restricted School Funds	School General Fund	90,514	1,776,568
WIA Job Development Fund	General Fund		141,227
Total Nonmajor Funds		<u>97,806</u>	<u>2,070,255</u>
Internal Service Fund			
Self Insurance Fund	General Fund		41,051
Health Insurance Fund	School General Fund		3,760,549
Total Internal Service Funds		<u>-</u>	<u>3,801,600</u>
Total		<u>\$ 10,209,822</u>	<u>\$ 10,209,822</u>

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

2. Interfund Transfers

A summary of interfund transfers as of June 30, 2016 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
School Unrestricted Fund	\$ -	\$ 91,682,652
Budget Stabilization Fund	<u>426,723</u>	<u>426,723</u>
Total General Fund	<u>426,723</u>	<u>92,109,375</u>
School Unrestricted		
General Fund	<u>91,682,652</u>	<u>-</u>
	91,682,652	-
Grant Total	<u>\$ 92,109,375</u>	<u>\$ 92,109,375</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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

E. Short-Term Obligations – Bond Anticipation Notes

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

There were no bond anticipation notes issued during the fiscal year ending June 30, 2016.

F. Changes in Long-Term Obligations

1. Summary of Changes

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

Description	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance Outstanding 7/1/2015	Additions	Retirements	Balance Outstanding 6/30/2016	Current Portion
Governmental Activities:									
General obligation debt:									
156 Advance refunding	05/13/05	\$ 22,280,000	3.00-5.00%	7/15/2019	\$ 11,095,000		\$ 11,095,000	\$ -	\$ -
157 Public improvements	06/14/06	\$ 23,900,000	4.00-5.00%	4/1/2026	15,465,000		15,465,000	-	-
158 Public improvements	06/18/08	\$ 13,075,000	4.00-5.00%	7/1/2028	10,360,000		535,000	9,825,000	560,000
159 School Borrowing-159	8/7/2008	\$ 7,000,000	3.75-6.00%	4/1/2029	5,525,000		280,000	5,245,000	295,000
160 Public improvements	7/8/2010	\$ 3,000,000	2.00-4.3%	7/1/2030	2,400,000		150,000	2,250,000	150,000
161 School Borrowing-161	1/15/2011	\$ 700,000	2.00-4.3%	5/15/2031	420,000		70,000	350,000	70,000
162A Public improvements	3/29/2012	\$ 3,430,000	2.00-4.37%	2/1/1933	3,080,000		175,000	2,905,000	175,000
162B Public improvements - refunding	4/10/2012	\$ 15,955,000	2.00-5.00%	7/1/2023	12,835,000		1,535,000	11,300,000	1,420,000
163 Public improvements	7/30/2013	\$ 10,210,000	3.00-4.75%	8/1/2033	9,880,000		520,000	9,360,000	520,000
164B Public improvements - refunding	7/15/2015	\$ 21,985,000	3.00-5.00%	7/15/2025		\$ 21,985,000		21,985,000	3,435,000
164A Public improvements	7/15/2015	\$ 8,730,000	1.25-5.00%	7/15/2035		8,730,000		8,730,000	320,000
166 Public improvements	4/9/2016	\$ 1,755,000	.40-2.41%	9/1/2035		1,755,000		1,755,000	-
165 School improvements	05/15/16	\$ 4,565,000	2.00-5.00%	5/15/2036		4,565,000		4,565,000	165,000
Total general obligation bonds					71,060,000	37,035,000	29,825,000	78,270,000	7,110,000
Bond premiums					2,758,348	2,573,151	1,879,729	3,451,770	375,374
TOTAL BONDS AND RELATED LIABILITIES					73,818,348	39,608,151	31,704,729	81,721,770	7,485,374
Leases payable:									
PFMF LEASE	12/14/10	1,725,000	2 - 3%	11/1/2015	365,000		365,000	-	-
Total leases payable					365,000		365,000	-	-
TOTAL BONDS, NOTES AND RELATED LIABILITIES					74,183,348	39,608,151	32,069,729	81,721,770	7,485,374
COMPENSATED ABSENCES					12,510,192	6,154,796	6,140,299	12,524,689	1,252,469
DEFERRED SALARY					134,940		11,319	123,621	12,362
NET PENSION LIABILITY									
Municipal Employees' Retirement System - City of Cranston					722,951	5,853,721		6,576,672	N/A
Municipal Employees' Retirement System - Police					-	3,418,713		3,418,713	N/A
Employees' Retirement System					108,451,450	15,696,874		124,148,324	N/A
Police and Fire Employees' Retirement System					258,294,972		12,435,516	245,859,456	N/A
NET OPEB OBLIGATION - SCHOOL DEPARTMENT					6,173,889	949,255		7,123,144	N/A
NET OPEB OBLIGATION - CITY					2,162,040	318,017		2,480,057	N/A
CLAIMS AND JUDGEMENTS					100,000			100,000	100,000
Total General Long-Term Obligations					\$ 462,733,782	\$ 71,999,527	\$ 50,656,863	\$ 484,076,446	\$ 8,850,205

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

Business-Type Activities:
Enterprise funds:

<u>SEWER</u>											
RI Clean Water	9/1/1993	\$	3,242,000	3.00%	9/1/2015	\$	162,100	\$	162,100	\$	-
RI Clean Water	8/25/1999	\$	700,000	3.00%	9/1/2015		56,263		56,263		-
RI Clean Water	11/13/2003	\$	2,000,000	3.00%	9/1/2027		1,000,000		100,000		900,000
RI Clean Water	9/1/2005	\$	900,000	3.00%	9/1/2025		660,000		60,000		600,000
RI Clean Water	9/1/2007	\$	3,000,000	1.43%	9/1/2028		2,100,000		150,000		1,950,000
RI Clean Water	2/20/2014	\$	18,000,000	0.35% - 3.14%	9/1/1934		17,999,000		703,900		17,295,100
RI Clean Water	9/1/2010	\$	1,000,000	0.52% - 3.19%	9/1/2030		841,000		41,000		800,000
TOTAL SEWER							22,818,363		1,273,263		21,545,100
<u>PUBLIC FACILITIES MANAGEMENT FOUNDATION:</u>											
<u>CERTIFICATES OF PARTICIPATION</u>											
	12/14/2010	\$	1,725,000	2 - 3%	11/1/2015		365,000		365,000		-
TOTAL BONDS AND RELATED LIABILITIES							23,183,363		1,638,263		21,545,100
NET OPEB OBLIGATION							76,354		17,166		93,520
NET PENSION LIABILITY							1,533,074		78,622		-
COMPENSATED ABSENCES							44,020		3,623		40,397
Total Enterprise funds							\$ 24,836,811		\$ 95,788		\$ 1,641,886
									\$ 23,290,713		\$ 1,102,130

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 and Clean Water debt:

YEAR ENDING JUNE 30,	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>GENERAL OBLIGATION DEBT</u>		<u>CLEAN WATER BONDS</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$ 7,110,000	\$ 3,116,929	\$ 1,061,733	\$ 568,346
2018	7,344,000	2,862,400	1,069,533	554,868
2019	7,549,000	2,568,627	1,079,300	538,889
2020	6,350,000	2,269,952	1,091,967	520,051
2021	5,301,000	2,015,638	1,107,567	498,534
2022-2026	25,401,000	6,754,366	5,754,500	2,086,717
2027-2031	12,507,000	2,696,559	5,476,400	1,250,007
2032-2036	6,708,000	679,776	4,904,100	317,247
Totals	\$ 78,270,000	\$ 22,964,247	\$ 21,545,100	\$ 6,334,659

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

Subsequent Issuances

The City issued \$27,285,000 in Wastewater Treatment System Refunding Revenue Bonds with Rhode Island Infrastructure Bank subsequent to year end.

The City of Cranston entered into a Financing Agreement with The Rhode Island Infrastructure Bank-Efficient Building on July 8, 2016. The bond purchase agreement is for \$2,240,000.

On November 3, 2016 the City of Cranston entered into a seven year lease-purchase agreement with Bank of America Merrill Lynch in the amount of \$3,200,000 to purchase the City's street lights.

Compensated absences

The obligation represents the employee (vested and nonvested) compensated absences expected to be paid in the future, aggregating approximately \$12,525,000 as of June 30, 2016. This amount is 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, 2016 was approximately \$9,697,000. This amount is recorded in the government wide statements, and paid out of the General Fund.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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.

<u>Year Ended June 30</u>	
2017	\$ 1,070,766
2018	1,070,766
2019	1,070,766
2020	1,070,766
2021	1,065,000
2022-2025	5,325,000
2026-2032	4,171,250
Totals	\$ 14,844,314

Lease expenditures approximated \$1,095,069 for fiscal year ended June 30, 2016.

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 \$219.1 million based on taxable property as of December 31, 2014, of approximately \$7.3 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, 2016, the City had \$76,515,000 of debt outstanding, none of which is subject to the 3% debt limit.

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the in-substance defeased bonds, which remain outstanding was \$40,935,000.

5. Authorized/Unissued Bonds

The amount of authorized, unissued bonds is as follows:

General purposes	\$ 32,955,022
Schools	<u>17,946,228</u>
TOTAL	<u>\$ 50,901,250</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, 2016, there were 105 teachers eligible for the benefit, with an outstanding balance of \$123,621.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 Restricted Fund Balance consisted of the following:

To Fund Future Library Expenses	\$ 64,099
To Fund Education Expenses	306,328
To Fund Recreation Bond Expenditures	584,541
To Fund Future Fire Expenses	194,240
To Fund Library Expenses	148,375
To Fund School Capital Projects	2,049,058
To Fund Police and Fire Capital Projects	770,827
To Fund Public Building Capital Projects	54,300
To Fund Highway Capital Projects	696,704
To Fund Storm Drain Projects	1,584,752
To Fund Neighborhood Infrastructure Capital Projects	1,801,368
To Fund Open Space	125,867
To Fund Future Community Development Expenditures	1,541,353
To Fund Future Public Service Expenditures	684,230
To Fund Future Senior Services Expenditures	204,071
To Fund Future Ice Rink	17,035
To Fund Future Parks and Recreation Expenditures	1,744
Long-Term Receivable From Health Insurance Fund	3,760,549
To Fund Future Grant Expenditures	85,512
To Fund Future Capital Facilities Impact Expenditures	1,053,156
To Fund Future Cemetery Trust Expenditures	5,855
To Fund Future Historical Record Expenditures	760,794
Total Restricted Fund Balance	<u>\$ 16,494,758</u>

At June 30, 2016 Committed Fund Balance consisted of the following:

Capital and One-Time Expenditures	\$ 39,268
Self-Insurance Healthcare Reserve Fund	3,624
School Department Grants	5,571
Encumbrances for Education Supplies	1,894,520
Total Committed Fund Balance	<u>\$ 1,942,983</u>

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

III. DETAILED NOTES (CONTINUED)

G. Fund Balance (Continued)

At June 30, 2016 Nonspendable Fund Balance consisted of the following:

General Fund:	
Advance Deposits-Hospitalization	\$ 207,000
School Department:	
Prepaid balances	147,689
Total Nonspendable Fund Balance	<u>\$ 354,689</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.

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 \$33 million for fiscal year 2016 under this plan.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 BC/BS 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, 2016 are as follows:

	<u>2016</u>	<u>2015</u>
July 1	\$ 2,751,985	\$ 2,120,620
Add: incurred claims	33,200,111	31,333,578
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	35,049,305	30,606,858
Other claims	51,954	95,355
June 30	<u>\$ 850,837</u>	<u>\$ 2,751,985</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, 2016 has been recorded on the statement of net position under the claims payable line, within the Government-wide statements (\$850,837).

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, the balance of unearned revenue related to this was \$11,520,000 which is comprised of a short-term portion of \$1,920,000 and a long-term portion of \$9,600,000.

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 2016, the City paid service fees totaling \$16 million. The City also recognized 4% of the lease payment (\$1,920,000) as revenue for the year ended June 30, 2016.

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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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. Financial information can be obtained for those plans by contacting the State of Rhode Island.

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, 2016, 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 June 30, 2015, the plans' membership consists of:

	Fire	Police	Total
Retirees, disability retirees and beneficiaries receiving benefits	219	207	426
Active plan members vested	26	6	32
Totals	245	213	458

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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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 June 30, 2015 (the date of the most recent actuarial valuation) was as follows:

Actuarial accrued liability (AAL)	\$ (313,727,413)
Actuarial value of plan assets	<u>67,867,957</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (245,859,456)</u>
Funded ratio (actuarial value of plan assets/AAL)	-21.63%
Covered payroll (active plan members)	\$ 2,940,734
UAAL as a percentage of covered payroll	-8360.48%

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

e. Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
6/30/2013	\$ 25,705,110	\$ 21,994,344	85.56%
6/30/2014	\$ 21,006,057	\$ 22,376,109	106.52%
6/30/2015	\$ 22,353,591	\$ 22,376,110	100.10%

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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 Market Value of Assets

ACTUARIAL ASSUMPTIONS:

Investment Rate of Return 7.9%

PROJECTED SALARY INCREASES:

Merit 3%

Cost-of-living adjustment 0%

Inflation 3%

AMORTIZATION METHOD LEVEL DOLLAR
OVER A CLOSED PERIOD

REMAINING AMORTIZATION PERIOD 24 YEARS

ADMINISTRATIVE EXPENSES PAID BY THE CITY

g. GASB 68 Information

i. 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.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

g. GASB 68 Information (Continued)

ii. 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.

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, 2015, the City contributed \$22,376,110 to the Plan, including \$381,766 from the State.

iii. Investments

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

g. GASB 68 Information (Continued)

iv. Net Pension Liability

Components of Net Pension Liability

Total pension liability	\$ 313,727,413
Plan fiduciary net position	(67,867,957)
Net pension liability	<u>\$ 245,859,456</u>
Plan fiduciary net position as a percentage of the Total pension liability	21.63%

v. Actuarial Assumptions

The June 30, 2016 total pension liability was determined by rolling forward the June 30, 2015 valuation results, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00%
	comprised on average inflation rate of 3%
Investment rate of return	7.90% and a real rate of return of 4.9%

Census data was collected as of July 1, 2016. Liabilities measured as of the census date were projected to June 30, 2016 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 2025 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, 2015 are summarized in the following table (note that the rates shown below include the inflation component):

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

g. GASB 68 Information (Continued)

v. Actuarial Assumptions (Continued)

Asset Class	Long-Term Expected Rate of Return	Targeted Allocation
Domestic Equity (large cap)	9.59%	40.00%
Domestic Equity (mid cap)	11.50%	5.00%
Domestic Equity (small cap)	11.53%	5.00%
International Equity	8.51%	20.00%
Fixed income	3.93%	25.00%
Real estate	5.92%	5.00%
		<u>100.00%</u>

Discount Rate

The assumed discount rate used to measure liabilities for valuation purposes is 7.90%. 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 92% 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 3.73%, 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 7.74% was used to measure the Plan's total pension liability.

Fiscal Year Ending June 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed
2013	\$ 25,705,110	\$ 21,994,344	85.56%
2014	\$ 21,006,057	\$ 22,376,109	106.52%
2015	\$ 22,353,591	\$ 22,376,110	100.10%

The ARC for the fiscal year ending June 30, 2015 was based on the results of the July 1, 2013 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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

g. GASB 68 Information (Continued)

v. 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 7.74%, 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 (6.74%) or 1-percentage-point higher (8.74%) than the current rate:

	1% Decrease (6.74%)	Current Discount Rate (7.74%)	1% Increase (8.74%)
Net Pension Liability	\$ 279,652,694	\$ 245,859,456	\$ 217,533,785

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.

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

For the year ended June 30, 2016 the employer recognized pension expense of \$7,428,793. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subject to measurement date	\$ 21,316,456	
Changes in assumptions		\$ (8,277,796)
Differences between expected and actual liability experience		(2,386,467)
Differences between expected and actual earnings	1,121,739	
Total	\$ 22,438,195	\$ (10,664,263)

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2016	\$ 10,876,541
2017	224,348
2018	224,348
2019	224,348
2020	224,347
Total	\$ 11,773,932

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Plan Description

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

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

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.

Benefits Provided

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

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

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Benefits Provided (Continued)

The new retirement age will be 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, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

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

The plan also provides survivor's benefits; and certain lump sum death benefits. Plan members are vested after five years of service.

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

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

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

General Employee Units

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	From Employer Specific Valuation
Inactive, Nonretired Members	323
Retirees and Beneficiaries	569
Active Members	<u>688</u>
Total	<u><u>1,580</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

General Employee Units (Continued)

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. Public safety employees are required to contribute 10% of their salaries. The City of Cranston contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City of Cranston contributed \$2,479,865 in the year ended June 30, 2016 which was 10.26% of annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

General Employee Units (Continued)

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38%	7.92%
Private Equity	7%	9.99%
Equity Hedge Funds	8%	3.98%
Absolute Return Hedge	7%	3.98%
Real Return	11%	3.42%
Real Estate	8%	4.85%
Core Fixed	15%	2.18%
Infrastructure	3%	5.70%
Asset	3%	7.80%
	<u>100%</u>	

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

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

General Employee Units (Continued)

Changes in the Net Pension Liability (Asset)

	Total	Increase (Decrease)	Net Pension
	<u>Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Liability (Asset)</u>
Balances as of June 30, 2014	\$ 136,010,293	\$ 135,280,321	
Changes for the Year			
Service cost	2,346,927		
Interest on the total pension liability	9,977,843		
Changes in benefits	2,581,501		
Difference between expected and actual experience	(2,865,321)		
Changes in assumptions			
Employer contributions		2,479,865	
Employee contributions		488,592	
Net investment income		3,119,891	
Benefit payments, including employee refunds	(8,291,699)	(8,291,699)	
Administrative expense		(124,435)	
Other changes		176,372	
Net changes	<u>3,749,251</u>	<u>(2,151,414)</u>	
Balances as of June 30, 2015	<u>\$ 139,759,544</u>	<u>\$ 133,128,907</u>	<u>\$ 6,630,637</u>

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

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 21,472,426	\$ 6,630,637	\$ (5,517,693)

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

General Employee Units (Continued)

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

For the year ended June 30, 2016 the employer recognized pension expense of \$3,308,775. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 2,182,984	
Difference in Experience		\$ (2,136,528)
Differences in Assumptions	123,628	
Excess (Deficit) Investment Returns	<u>5,462,767</u>	<u>(5,401,560)</u>
Total	<u>\$ 7,769,379</u>	<u>\$ (7,538,088)</u>

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

<u>Year Ending June 30,</u>	<u>Net Deferred Outflows/(Inflows) of Resources</u>
2017	\$ 1,074,367
2018	(1,108,617)
2019	(1,100,150)
2020	1,365,691
2021	<u>-</u>
Total	<u>\$ 231,291</u>

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

General Employee (Non-Certified) Defined Contribution Pension Plan

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees with less than 20 years of service contribute 5% of their annual covered salary. Employers contribute 1.25% for employees with at least 10 years of service but less than 15 years of service as of June 30, 2012 of annual covered salary. Employers contribute 1.50% for employees with at least 15 years of service but less than 20 years of service as of June 30, 2012 of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The City of Cranston recognized pension expense of \$166,503 for the fiscal year ended June 30, 2016.

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

Police Units

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	From Employer <u>Specific Valuation</u>
Inactive, Nonretired Members	8
Retirees and Beneficiaries	13
Active Members	<u>138</u>
 Total	 <u><u>159</u></u>

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. Public safety employees are required to contribute 10% of their salaries. The City contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City contributed \$857,531 in the year ended June 30, 2016 which was 10.69% of annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Police Units (Continued)

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the
June 30, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)

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

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. **OTHER INFORMATION (CONTINUED)**

D. **Employee Retirement Systems (Continued)**

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

Police Units (Continued)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38%	7.92%
Private Equity	7%	9.99%
Equity Hedge funds	8%	3.98%
Absolute return hedge	7%	3.98%
Real Return	11%	3.42%
Infrastructure	3%	5.70%
Real Estate	8%	4.85%
Core Fixed	15%	2.18%
Asset	3%	7.80%
	<hr/> 100%	

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

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Police Units (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2014	\$ 29,987,413	\$ 30,930,926	
Changes for the Year			
Service cost	1,375,751		
Interest on the total pension liability	2,278,196		
Changes in benefits	2,566,626		
Difference between expected and actual experience	386,791		
Changes in assumptions			
Employer contributions		857,531	
Employee contributions		641,751	
Net investment income		763,454	
Benefit payments, including employee refunds	(598,672)	(598,672)	
Administrative expense		(30,599)	
Other changes		13,001	
Net changes	6,008,692	1,646,466	
Balances as of June 30, 2015	\$ 35,996,105	\$ 32,577,392	\$ 3,418,713

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

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 7,078,610	\$ 3,418,713	\$ 424,315

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Police Units (Continued)

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

For the year ended June 30, 2016 the employer recognized pension expense of \$3,109,207. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 1,114,188	
Difference in Experience	352,764	
Differences in Assumptions		\$ (530,065)
Excess (Deficit) Investment Returns	1,271,582	(1,280,753)
Total	<u>\$ 2,738,534</u>	<u>\$ (1,810,818)</u>

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

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2017	\$ 979,907
2018	(134,281)
2019	(134,280)
2020	292,635
2021	(25,259)
Thereafter	<u>(51,006)</u>
Total	<u>\$ 927,716</u>

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Police Units (Continued)

Defined Contribution Plan Description:

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 3% of their annual covered salary and employers contribute 3% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The City recognized pension expense of \$312,666 for the fiscal year ended June 30, 2016.

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

Fire Units

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	From Employer Specific Valuation
Inactive, Nonretired Members	2
Retirees and Beneficiaries	13
Active Members	<u>159</u>
Total	<u><u>174</u></u>

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. Public safety employees are required to contribute 10% of their salaries. The City contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City contributed \$1,226,727 in the year ended June 30, 2016 which was 10.44% of annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Fire Units (Continued)

**Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the
June 30, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)**

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

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Fire Units (Continued)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38%	7.92%
Private Equity	7%	9.99%
Equity Hedge Funds	8%	3.98%
Absolute Return Hedge	7%	3.98%
Real Return	11%	3.42%
Real Estate	8%	4.85%
Infrastructure	3%	5.70%
Core Fixed	15%	2.18%
Asset	3%	7.80%
	<u>100%</u>	

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

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2014	\$ 44,990,329	\$ 51,145,398	
Changes for the Year:			
Service cost	2,143,259		
Interest on the total pension liability	3,436,541		
Changes in benefits	1,629,797		
Difference between expected and actual experience	(249,261)		
Changes in assumptions			
Employer contributions		1,226,727	
Employee contributions		943,698	
Net investment income		1,266,662	
Benefit payments, including employee refunds	(482,813)	(482,813)	
Administrative expense		(50,769)	
Other changes		830	
Net changes	<u>6,477,523</u>	<u>2,904,335</u>	
Balances as of June 30, 2015	<u>\$ 52,199,926</u>	<u>\$ 54,532,546</u>	<u>\$ (2,332,620)</u>

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

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 2,611,555	\$ (2,581,881)	\$ (6,830,635)

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Fire Units (Continued)

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

For the year ended June 30, 2016 the employer recognized pension expense of \$2,153,402. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 999,841	
Difference in Experience		\$ (224,316)
Difference in Assumptions		(533,219)
Excess(deficit) Investment		(2,124,886)
Returns	2,104,525	
Total	<u>\$ 3,104,366</u>	<u>\$ (2,882,421)</u>

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

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2017	\$ 734,723
2018	(265,118)
2019	(265,116)
2020	443,179
2021	(82,953)
Thereafter	(342,770)
Total	<u>\$ 221,945</u>

Defined Contribution Plan Description:

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 3% of their annual covered salary and employers contribute 3% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Fire Units (Continued)

Defined Contribution Plan Description: (Continued)

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

The City recognized pension expense of \$332,789 for the fiscal year ended June 30, 2016.

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

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

Plan Description

Certain employees of the Cranston School District participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

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

Benefit provisions – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Plan Description (Continued)

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, Cranston School District teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The state and the Cranston School District are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Cranston School Department; the rates were 9.41% and 13.73% of annual covered payroll for the fiscal year ended June 30, 2016 for the state and Cranston School Department, respectively. The Cranston School District contributed \$8,971,511, \$10,096,904 and \$9,073,904 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the Cranston School District reported a liability of \$124,172,981 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Cranston School District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Cranston School District were as follows:

Cranston School District proportionate share of net pension liability:	\$ 124,172,981
State's proportionate share of the net pension liability associated with the Cranston District	<u>84,831,083</u>
Total net pension liability	<u>\$ 209,004,064</u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Cranston School District proportion of the net pension liability was based on a projection of the Cranston School District long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2015 the Cranston School District's proportion was 4.51045621%.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2016 the Cranston School District recognized gross pension expense of \$25,386,698 and revenue of \$10,300,802 for support provided by the State. At June 30, 2016 the Cranston School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources

Contributions subsequent to the measurement date:	\$	8,971,511
Net difference between projected and actual earnings on pension plan investments:		<u>6,996,541</u>
Total	\$	<u>15,968,052</u>

Deferred inflows of resources

Difference between expected and actual experience:	\$	(808,536)
Changes of assumptions		(3,338,193)
Changes in proportion and differences between employer contributions and proportionate share of contributions:		(187,459)
Net difference between projected and actual earnings on pension plan investments:		<u>(7,090,216)</u>
Total	\$	<u>(11,424,404)</u>

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Funding Policy

\$8,971,511 reported as deferred outflows of resources related to pensions resulting from the Cranston School District contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ 7,652,702
2018	(1,318,809)
2019	(1,318,809)
2020	1,044,596
2021	(704,539)
Thereafter	(811,493)
Total	<u>\$ 4,543,648</u>

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality – male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Funding Policy (Continued)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38%	7.92%
Private Equity	7%	9.99%
Equity Hedge Funds	8%	3.98%
Absolute Return Hedge	7%	3.98%
Real Return	11%	3.42%
Real Estate	8%	4.85%
Infrastructure	3%	5.70%
Core Fixed	15%	2.18%
Asset	3%	7.80%
	<u>100%</u>	

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

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. **OTHER INFORMATION (CONTINUED)**

D. **Employee Retirement Systems (Continued)**

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

Funding Policy (Continued)

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

1.00% Decrease (6.5%)	Current Discout Rate (7.5%)	1% Increase (8.5%)
\$ 155,711,920	\$ 124,172,981	\$ 98,353,895

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

Defined Contribution Plan Description:

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

Defined Contribution Plan Description: (Continued)

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

The City of Cranston recognized pension expense of \$2,037,220 for the fiscal year ended June 30, 2016.

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

4. Teacher's Survivors Benefits of the State of Rhode Island ("TSB")

Plan Description - Certain employees of the Cranston School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

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

Eligibility and plan benefits - The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

4. Teacher’s Survivors Benefits of the State of Rhode Island (“TSB”) (Continued)

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

<u>Highest Annual Salary:</u>	<u>Basic Monthly Spouse’s Benefit:</u>
\$17,000 or less	\$ 750
\$17,001 to \$25,000	\$ 875
\$25,001 to \$33,000	\$ 1,000
\$33,001 to \$40,000	\$ 1,125
\$40,001 and over	\$ 1,250

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

<u>Parent and 1 Child</u>	<u>Parent and 2 or more Children</u>	<u>One Child Alone</u>	<u>Two Children Alone</u>	<u>Three or more Children Alone</u>	<u>Dependent Parent</u>
150%	175%	75%	150%	175%	100%

Contributions - The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member’s annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Cranston School District contributed \$100,039, \$97,925 and \$98,293 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

4. Teacher's Survivors Benefits of the State of Rhode Island ("TSB")

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016 the Cranston School District reported an asset of \$14,863,013 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Cranston School District proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015 the Cranston School District proportion was 15.92085818%.

For the year ended June 30, 2016 the Cranston School District recognized pension expense of \$919,760 – an increase in the net pension asset. At June 30, 2016 the Cranston School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources

Contributions subsequent to the measurement date:	\$	100,039
Difference between expected and actual experience:		3,436,317
Net difference between projected and actual earnings on pension plan investments:		1,888,578
Changes in proportion and differences between employer contributions and proportionate share of contributions:		219,558
Total	\$	<u>5,644,492</u>

Deferred inflows of resources

Net difference between projected and actual earnings on pension plan investments:	\$	(1,942,748)
Total	\$	<u>(1,942,748)</u>

Funding Policy

\$100,039 reported as deferred outflows of resources related to pensions resulting from the Cranston School District contributions in fiscal year 2015 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2017	\$	369,825
2018		269,786
2019		269,786
2020		917,369
2021		445,224
Thereafter		1,429,754
Total	\$	<u>3,701,744</u>

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

4. Teacher’s Survivors Benefits of the State of Rhode Island (“TSB”)

Funding Policy (Continued)

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000.

Cost of living adjustment – eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	38%	7.92%
Private Equity	7%	9.99%
Equity Hedge funds	8%	3.98%
Absolute return hedge	7%	3.98%
Real Return	11%	3.42%
Real Estate	8%	4.85%
Infrastructure	3%	5.70%
Core Fixed	15%	2.18%
Asset	<u>3%</u>	7.80%
	100%	

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

4. Teacher’s Survivors Benefits of the State of Rhode Island (“TSB”)

Funding Policy (Continued)

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

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

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

<u>1.00% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$ (11,542,267)	\$ (14,863,013)	\$ (17,580,584)

Pension plan fiduciary net position - detailed information about the pension plan’s fiduciary net position is available in the separately issued ERSRI financial report.

5. National (Industrial) Pension Plan

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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

5. National (Industrial) Pension Plan (Continued)

Funding Policy

Covered employees are not required to contribute to the Plan. For Fiscal Year ended June 30, 2016 the City was required to contribute \$1.70 per hour, and the School Department was required to contribute \$.90 per hour for each hour worked by the employees to the Plan.

Contributions

Contributions for the past three years were as follows:

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
<u>City</u>			
6/30/2014	\$ 209,545	\$ 209,545	100%
6/30/2015	\$ 238,153	\$ 238,153	100%
6/30/2016	\$ 259,382	\$ 259,382	100%
<u>School Department</u>			
6/30/2014	\$ 93,145	\$ 93,145	100%
6/30/2015	\$ 115,668	\$ 115,668	100%
6/30/2016	\$ 124,272	\$ 124,272	100%

6. New England Teamsters & Trucking Industry Pension Plan

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.

Funding Policy

Covered employees are currently not required to contribute to the Plan. For the Fiscal Year ended June 30, 2016, the City was required to contribute \$1.25 per hour for each hour worked by the employees to the Plan.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

6. New England Teamsters & Trucking Industry Pension Plan (Continued)

Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
6/30/2014	\$ 273,003	\$ 273,003	100%
6/30/2015	\$ 276,354	\$ 276,354	100%
6/30/2016	\$ 296,407	\$ 296,407	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, 2015, there are no separate financial statements available for the Public Safety Employees OPEB plan.

2. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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

2. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Classes of Employees Covered

As of July 1, 2016 (date of the last actuarial valuation) membership data was as follows:

Active employees	334
Inactive employees	
Retirees	178
Spouses	139
Retiree (Life only)	<u>166</u>
Total plan members	<u>817</u>

3. Funding Policy

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

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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

4. Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual required contribution	\$ 5,055,716
Interest on net OPEB obligation	170,801
Adjustment to annual required contribution	<u>(159,890)</u>
Annual OPEB cost (expense)	5,066,627
Contributions made	<u>4,748,610</u>
Decrease in net OPEB obligation	318,017
Net OPEB obligation - July 1, 2015	<u>2,162,040</u>
Net OPEB obligation - June 30, 2016	<u>\$ 2,480,057</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset/(Obligation)
6/30/2014	\$ 5,137,893	106%	\$ (2,514,895)
6/30/2015	\$ 4,763,264	107%	\$ (2,162,040)
6/30/2016	\$ 5,066,627	94%	\$ (2,480,057)

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, 2016, which is the most recent report available.

Actuarial accrued liability (AAL)	\$ (60,315,913)
Actuarial value of plan assets	<u>4,546,812</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (55,769,101)</u>
Funded ratio (actuarial value of plan assets/AAL)	-7.54%
Covered payroll (active plan members)	\$ 22,996,148
UAAL as a percentage of covered payroll	242.51%

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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

5. Funded Status and Funding Progress (Continued)

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

6. Actuarial Methods and Assumptions

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

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

The projected unit credit cost method was used in the July 1, 2016 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 7.25% for 2016 and declining by 0.25% per year until 5.0% is reached. The 5.0% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period with 21 years remaining. Amortization amounts are assumed to increase with overall salary increases of 3.75%. The actuarial assumption for CPI is 3% per year.

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, 2015, there are no separate, audited GAAP-basis financial statements available for the Board of Education Employees OPEB plan.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – School Department Employees

2. Summary of Significant Accounting Policies and Plan Asset Matters

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.

Valuation of Investment

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.

Classes of Employees Covered

As of July 1, 2016 (date of the last actuarial valuation) membership data was as follows:

Active employees	1,043
Inactive employees	-
Retirees	<u>83</u>
Total plan members	<u><u>1,126</u></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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – School Department Employees (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, 2016 were \$344,744.

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.

	Total	School	Charter
Annual required contribution	\$1,492,569	\$1,466,058	\$26,511
Interest on net OPEB obligation	218,759	214,873	3,886
Amortization	(400,133)	(393,026)	(7,107)
Annual OPEB cost (expense)	1,311,195	1,287,905	23,290
Contributions made	344,774	338,650	6,124
Increase in net OPEB obligation	966,421	949,255	17,166
Net OPEB obligation - 7/1/15	6,250,243	6,173,889	76,354
Net OPEB obligation - 6/30/16	\$7,216,664	\$7,123,144	\$93,520

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset/(Obligation)
6/30/2014	\$ 1,158,523	74%	\$ 5,550,897
6/30/2015	\$ 1,146,559	38%	\$ 6,250,243
6/30/2016	\$ 1,311,195	26%	\$ 7,216,664

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – School Department Employees (Continued)

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, 2016, which is the most recent report available.

Actuarial accrued liability (AAL)	\$ (12,118,108)
Actuarial value of plan assets	517,877
Unfunded actuarial accrued liability (UAAL)	<u>\$ (11,600,231)</u>
Funded ratio (actuarial value of plan assets/AAL)	-4.27%
Covered payroll (active plan members)	\$ 79,517,965
UAAL as a percentage of covered payroll	-14.59%

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 7.25% for 2016 and declining by 0.25% per year until 5.0% is reached. The 5.0% 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.

CITY OF CRANSTON, RHODE ISLAND

EXHIBIT K

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) – School Department Employees (Continued)

6. Actuarial Methods and Assumptions (Continued)

Per capita costs are adjusted to reflect the relative cost of health coverage based on a retiree's age and sex. Representative relative values, relative to a male aged 65 are presented in the table below:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.145	0.298
30	0.180	0.425
35	0.225	0.463
40	0.284	0.464
45	0.352	0.491
50	0.460	0.572
55	0.604	0.667
60	0.778	0.778
65	1.000	0.911

The age/sex health care cost relativities implemented in this valuation reflect associated differences in medical costs are based on data from the recent study, "Health Care Costs – From Birth to Death" prepared by the actuary.

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, 2016 were \$41,954. Total employee contributions made to the plan during June 30, 2016 were \$41,954.

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

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, 2016 was \$15,357. Total employee contributions made to the plan during the fiscal year ending June 30, 2016 was \$15,357.

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 \$6,859,907.

J. Restatement

The Government-wide financial statements were restated for an overstatement of property tax revenue in the fiscal year ending June 30, 2015. The restatement was in the amount of \$8,019,155 which affected property tax revenue and deferred revenue.

**Required
Supplementary
Information**

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGETARY BASIS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE)
REVENUES:				
General property taxes.....	\$ 184,313,794	\$ 184,313,794	\$ 184,814,710	\$ 500,916
Intergovernmental	15,837,979	15,837,979	13,375,262	(2,462,717)
Charges for Services:				
Licenses and permits.....	3,069,286	3,069,286	3,000,261	(69,025)
Fines and forfeitures.....	1,675,000	1,675,000	1,511,019	(163,981)
Departmental.....	7,161,672	7,161,672	8,200,078	1,038,406
Investment income.....	75,000	75,000	116,870	41,870
Education.....	52,998,677	52,866,399	52,866,399	-
Other.....	2,171,450	2,171,450	1,336,915	(834,535)
TOTAL REVENUES.....	267,302,858	267,170,580	265,221,514	(1,949,066)
EXPENDITURES:				
Current:				
Executive.....	533,521	533,521	512,361	21,160
City Council.....	283,468	283,468	229,610	53,858
Law.....	480,500	480,500	697,974	(217,474)
Personnel.....	50,600	50,600	53,608	(3,008)
City Clerk.....	1,170,626	1,170,626	1,161,637	8,989
Probate Court.....	19,339	19,339	19,334	5
Municipal Court.....	236,197	236,197	312,503	(76,306)
Board of Canvassers.....	230,461	230,461	219,602	10,859
City Planning.....	1,265,400	1,265,400	410,788	854,612
Economic Development.....	173,896	173,896	156,432	17,464
Inspections.....	915,474	915,474	892,514	22,960
Finance.....	4,369,709	4,369,709	4,275,469	94,240
Fire.....	30,149,941	30,149,941	29,037,547	1,112,394
Rescue Fund.....	2,173,000	2,173,000	1,234,833	938,167
Police.....	21,301,755	21,301,755	22,558,069	(1,256,314)
Long-Term Debt.....	24,946,920	24,946,920	24,946,920	-
Public works.....	15,168,618	15,168,618	15,555,096	(386,478)
Parks and recreation.....	2,369,899	2,369,899	2,518,976	(149,077)
Public libraries.....	3,150,510	3,150,510	3,150,510	-
Senior services.....	3,021,001	3,021,001	2,786,823	234,178
Municipal Debt.....	10,384,735	10,384,735	9,971,826	412,909
Education.....	144,681,329	144,549,051	144,549,051	-
Community Grants.....	156,000	156,000	156,000	-
Boards and Commissions.....	19,189	19,189	17,782	1,407
Harbor Master.....	5,770	5,770	10,267	(4,497)
Transfers to Other Funds.....	-	-	17,889	(17,889)
TOTAL EXPENDITURES.....	267,257,858	267,125,580	265,453,421	1,672,159
EXCESS (DEFICIENCY) OF BUDGETED REVENUES OVER EXPENDITURE:	45,000	45,000	(231,907)	(276,907)
NET CHANGE IN FUND BALANCE.....	\$ 45,000	\$ 45,000	(231,907)	\$ (276,907)
FUND BALANCE - JULY 1, 2015.....			20,367,796	
FUND BALANCE - JUNE 30, 2016.....			<u>\$ 20,135,889</u>	

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND - SCHOOL UNRESTRICTED
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGETARY BASIS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE)
REVENUES:				
State aid.....	\$ 50,237,971	\$ 50,092,808	\$ 50,092,808	\$ -
Federal through State.....	1,200,000	1,200,000	1,447,994	247,994
Tuition.....	1,120,000	1,120,000	917,327	(202,673)
Miscellaneous.....	879,314	879,314	466,964	(412,350)
TOTAL REVENUES.....	53,437,285	53,292,122	52,925,093	(367,029)
EXPENDITURES:				
Salaries.....	89,352,015	88,416,922	88,596,847	(179,925)
Employee benefits.....	34,524,445	34,721,590	32,835,414	1,886,176
Purchased services.....	15,695,683	15,402,133	15,705,393	(303,260)
Supplies and materials.....	4,430,967	4,431,543	4,523,730	(92,187)
Capital outlay.....	1,639,376	1,939,376	2,464,601	(525,225)
Other.....	(522,549)	63,210	74,217	(11,007)
TOTAL EXPENDITURES.....	145,119,937	144,974,774	144,200,202	774,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	(91,682,652)	(91,682,652)	(91,275,109)	407,543
OTHER FINANCING SOURCES:				
Transfers in City of Cranston.....	91,682,652	91,682,652	91,682,652	-
Transfers in City of Cranston - middle school sports.....			426,723	426,723
Transfers out to capital reserve.....			(500,000)	(500,000)
	91,682,652	91,682,652	91,609,375	(73,277)
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	334,266	\$ 334,266
FUND BALANCE - JULY 1, 2015.....			2,052,077	
FUND BALANCE - JUNE 30, 2016.....			<u>\$ 2,386,343</u>	

CITY OF CRANSTON, RHODE ISLAND

RSI-3

REQUIRED SUPPLEMENTARY INFORMATION

(1 of 2)

OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS

PUBLIC SAFETY OPEB TRUST PLAN

ACTUARIAL VALUATION DATE JULY1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARIALLY 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 PAYROL
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	1080.77%
2010	\$ 450,533	\$ 50,765,110	\$ 50,314,577	0.9%	\$ 4,099,268	1227.40%
2011	\$ 114,890	\$ 52,934,184	\$ 52,819,294	0.2%	\$ 19,993,085	264.19%
2012	\$ 255,153	\$ 63,353,593	\$ 63,098,440	0.4%	\$ 20,471,562	308.22%
2013	\$ 1,089,925	\$ 60,059,536	\$ 58,969,611	1.8%	\$ 21,576,605	273.30%
2014	\$ 2,918,296	\$ 56,842,245	\$ 53,923,949	5.1%	\$ 21,982,918	245.30%
2015	\$ 4,060,566	\$ 59,893,710	\$ 55,833,144	6.8%	\$ 21,573,372	258.81%
2016	\$ 4,546,812	\$ 60,315,913	\$ 55,769,101	7.5%	\$ 22,996,148	242.51%

(Continued)

CITY OF CRANSTON, RHODE ISLAND

RSI-3

REQUIRED SUPPLEMENTARY INFORMATION

(2 of 2)

OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS

DEPARTMENT OF EDUCATION OPEB PLAN

ACTUARIAL VALUATION DATE JULY1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARIALLY 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	0	\$ 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%
2012	\$ -	\$ 13,581,115	\$ (13,581,115)	0.0%	\$ 88,453,767	-15.35%
2013	\$ -	\$ 11,653,717	\$ (11,653,717)	0.0%	\$ 85,987,558	-13.55%
2014	\$ -	\$ 13,331,812	\$ (13,331,812)	0.0%	\$ 77,648,987	-17.17%
2015	\$ -	\$ 13,331,812	\$ (13,331,812)	0.0%	\$ 77,648,987	-17.17%
2016	\$ 517,877	\$ 12,118,108	\$ (11,600,231)	4.3%	\$ 79,517,965	-14.59%

CITY OF CRANSTON, RHODE ISLAND

RSI-4

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

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%
2015	\$ 4,748,610	\$ 5,116,119	108%
2016	\$ 5,055,716	\$ 4,748,610	94%

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%
2015	\$ 1,391,038	\$ 447,213	32%
2016	\$ 1,492,569	\$ 344,774	23%

CITY OF CRANSTON, RHODE ISLAND

RSI-5

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - CITY
SCHEDULE OF CHANGES IN THE CITY OF CRANSTON'S NET PENSION
LIABILITY AND RELATED RATIOS

	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability		
1. Service Cost	\$ 2,346,927	\$ 2,376,369
2. Interest on the Total Pension Liability	9,977,843	9,687,460
3. Changes of benefit terms	2,581,501	-
4. Difference between expected and actual experience of the Total Pension Liability	-	-
5. Changes of assumptions	(2,865,321)	233,636
6. Benefit payments, including refunds of employee contributions	(8,291,699)	(8,530,234)
7. Net change in total pension liability	3,749,251	3,761,231
8. Total pension liability – beginning	136,010,293	132,243,062
9. Total pension liability – ending (a)	\$ 139,759,544	\$ 136,010,293
B. Plan fiduciary net position		
1. Contributions – employer	\$ 2,479,865	\$ 2,276,531
2. Contributions – employee	488,592	478,002
3. Net investment income	3,119,891	18,017,830
4. Benefit payments, including refunds of employee contributions	(8,291,699)	(8,530,234)
5. Pension Plan Administrative Expense	(124,435)	(112,827)
6. Other	176,372	7,388
7. Net change in plan fiduciary net position	(2,151,414)	12,136,690
8. Plan fiduciary net position – beginning	135,280,321	123,143,631
9. Plan fiduciary net position – ending (b)	\$ 133,128,907	\$ 135,280,321
C. Net pension liability - ending (a) - (b)	\$ 6,630,637	\$ 729,972
D. Plan fiduciary net position as a percentage of the total pension liability	95.26%	99.46%
E. Covered employee payroll	\$ 24,170,205	\$ 23,528,405
F. Net pension liability as a percentage of covered payroll	27.43%	3.10%

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

CITY OF CRANSTON, RHODE ISLAND

RSI-5

REQUIRED SUPPLEMENTARY INFORMATION

(2 of 6)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - POLICE
SCHEDULE OF CHANGES IN THE CITY OF CRANSTON'S NET PENSION
LIABILITY AND RELATED RATIOS

	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability		
1. Service Cost	\$ 1,375,751	\$ 1,316,743
2. Interest on the Total Pension Liability	2,278,196	2,112,199
3. Changes of benefit terms	2,566,626	-
4. Difference between expected and actual experience of the Total Pension Liability	386,791	-
5. Changes of assumptions	-	(648,637)
6. Benefit payments, including refunds of employee contributions	<u>(598,672)</u>	<u>(594,343)</u>
7. Net change in total pension liability	6,008,692	2,185,962
8. Total pension liability – beginning	29,987,413	27,801,451
9. Total pension liability – ending (a)	<u>\$ 35,996,105</u>	<u>\$ 29,987,413</u>
B. Plan fiduciary net position		
1. Contributions – employer	857,531	687,959
2. Contributions – employee	641,751	619,646
3. Net investment income	763,454	4,119,654
4. Benefit payments, including refunds of employee contributions	(598,672)	(594,343)
5. Pension Plan Administrative Expense	(30,599)	(25,797)
6. Other	13,001	-
7. Net change in plan fiduciary net position	<u>1,646,466</u>	<u>4,807,119</u>
8. Plan fiduciary net position – beginning	30,930,926	26,123,807
9. Plan fiduciary net position – ending (b)	<u>\$ 32,577,392</u>	<u>\$ 30,930,926</u>
C. Net pension asset - ending (a) - (b)	\$ 3,418,713	\$ (943,513)
D. Plan fiduciary net position as a percentage of the total pension liability	90.50%	103.15%
E. Covered employee payroll	\$ 8,021,870	\$ 7,745,546
F. Net pension liability as a percentage of covered payroll	42.62%	-12.18%

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

CITY OF CRANSTON, RHODE ISLAND

RSI-5

REQUIRED SUPPLEMENTARY INFORMATION

(3 of 6)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - FIRE
SCHEDULE OF CHANGES IN THE CITY OF CRANSTON'S NET PENSION
LIABILITY AND RELATED RATIOS

	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability		
1. Service Cost	\$ 2,143,259	\$ 2,109,017
2. Interest on the Total Pension Liability	3,436,541	3,126,099
3. Changes of benefit terms	1,629,797	-
4. Difference between expected and actual experience of the Total Pension Liability	(249,261)	-
5. Changes of assumptions		(649,235)
6. Benefit payments, including refunds of employee contributions	(428,813)	(444,721)
7. Net change in total pension liability	6,477,523	4,141,160
8. Total pension liability – beginning	44,990,329	40,849,169
9. Total pension liability – ending (a)	<u>\$ 51,467,852</u>	<u>\$ 44,990,329</u>
B. Plan fiduciary net position		
1. Contributions – employer	\$ 1,226,727	\$ 1,006,080
2. Contributions – employee	943,698	933,528
3. Net investment income	1,266,662	6,811,997
4. Benefit payments, including refunds of employee contributions	(482,813)	(444,721)
5. Pension Plan Administrative Expense	(50,779)	(42,657)
6. Other	830	727
7. Net change in plan fiduciary net position	2,904,325	8,264,954
8. Plan fiduciary net position – beginning	51,145,398	42,880,444
9. Plan fiduciary net position – ending (b)	<u>\$ 54,049,723</u>	<u>\$ 51,145,398</u>
C. Net pension asset - ending (a) - (b)	\$ (2,581,871)	\$ (6,155,069)
D. Plan fiduciary net position as a percentage of the total pension liability	105.02%	113.68%
E. Covered employee payroll	\$ 11,750,323	\$ 11,626,334
F. Net pension liability as a percentage of covered payroll	-21.97%	-52.94%

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

CITY OF CRANSTON, RHODE ISLAND

RSI-5

REQUIRED SUPPLEMENTARY INFORMATION

(4 of 6)

EMPLOYEES' RETIREMENT SYSTEM COST- SHARING PLAN
SCHEDULE OF CRANSTON'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	4.51045621%	4.51838480%
Employer's proportionate share of the net pension liability	\$ 124,172,981	\$ 109,977,503
State's proportionate share of the net pension liability associated with the school district	84,831,083	75,416,640
Total	<u>\$ 209,004,064</u>	<u>\$ 185,394,143</u>
Employer's covered employee payroll	\$ 65,342,396	\$ 75,293,840
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	190.03%	146.06%
Plan fiduciary net position as a percentage of the total pension liability	57.55%	61.40%

Notes:

1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.

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

CITY OF CRANSTON, RHODE ISLAND

RSI-5

REQUIRED SUPPLEMENTARY INFORMATION

(5 of 6)

TEACHERS' SURVIVORS BENEFIT COST- SHARING PLAN
SCHEDULE OF CRANSTON'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension asset	15.92%	16.15%
Employer's proportionate share of the net pension asset	\$ (14,863,013)	\$ (20,076,310)
Employer's covered employee payroll	\$ 65,342,396	\$ 75,293,840
Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll	-22.75%	-26.66%
Plan fiduciary net position as a percentage of the total pension liability	146.60%	173.30%

Notes:

1.) *The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.*

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

CITY OF CRANSTON, RHODE ISLAND

RSI-5

REQUIRED SUPPLEMENTARY INFORMATION

(6 of 6)

CRANSTON RETIREMENT SYSTEM - POLICE AND FIRE PENSION
SCHEDULE OF CHANGES IN THE CITY OF CRANSTON'S NET PENSION
LIABILITY AND RELATED RATIOS

	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability		
1. Service Cost	\$ 696,010	\$ 802,841
2. Interest on the Total Pension Liability	22,826,090	22,844,850
3. Changes of benefit terms	-	-
4. Difference between Expected and Actual Liability Experience	(2,386,467)	-
5. Changes of assumptions	(8,277,796)	-
6. Benefit payments	<u>(24,067,694)</u>	<u>(23,747,994)</u>
7. Net change in total pension liability	(11,209,857)	(100,303)
8. Total pension liability – beginning	<u>324,937,270</u>	<u>325,037,573</u>
9. Total pension liability – ending (a)	<u>\$ 313,727,413</u>	<u>\$ 324,937,270</u>
B. Plan fiduciary net position		
1. Contributions – employer	21,994,344	\$ 21,994,344
2. Contributions – employee	336,937	368,575
3. Net investment income	2,983,286	9,690,430
4. Benefit payments, including refunds of employee contributions	(24,067,694)	(23,747,994)
5. Pension Plan Administrative Expense	(451,177)	(629,880)
6. Other	<u>429,963</u>	<u>381,765</u>
7. Net change in plan fiduciary net position	1,225,659	8,057,240
8. Plan fiduciary net position – beginning	<u>66,642,298</u>	<u>58,585,058</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 67,867,957</u>	<u>\$ 66,642,298</u>
C. Net pension liability - ending (a) - (b)	245,859,456	258,294,972
D. Plan fiduciary net position as a percentage of the total pension liability	21.63%	20.51%
E. Covered employee payroll	\$ 2,940,734	\$ 2,905,865
F. Net pension liability as a percentage of covered payroll	8360.48%	8888.75%

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

2.) No benefit changes

3.) Changes of assumptions include:

The assumptions used in the valuation were based upon the recommendations from the August 25, 2015 experience report.

- For port-retirement mortality, the tables were changed as follows: For males, reflect 115% of the RP-2000 Combined Healthy for Males mortality table with White Collar adjustments, projected generationally with Scale AA from 2000 for healthy retirees and beneficiaries.. For females, reflect 95% of the RP-2000 Combined Healthy for Females mortality table with White Collar adjustments, projected generationally with Scale AA from 2000 for healthy retirees and beneficiaries.

- Increase the overall interest rate from 7.50% to 7.90%

- The Discount Rate was changed from 7.29% at June 30, 2014 to 7.74% at June 30, 2015 to reflect the change in the expected rate of return on plan assets and the Municipal Bond Rate of 3.73% at that date as noted above.

CITY OF CRANSTON, RHODE ISLAND

RSI-6

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - CITY
SCHEDULE OF CITY OF CRANSTON'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,182,984	\$ 2,461,428
Contributions in relation to the actuarially determined contribution	2,182,984	2,461,428
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,170,205	\$ 23,528,405
Contributions as a percentage of covered-employee payroll	9.03%	10.46%

Notes:

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

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

CITY OF CRANSTON, RHODE ISLAND

RSI-6

REQUIRED SUPPLEMENTARY INFORMATION

(2 of 6)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - POLICE
SCHEDULE OF CITY OF CRANSTON'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,114,188	\$ 825,550
Contributions in relation to the actuarially determined contribution	1,114,188	825,550
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,021,870	\$ 7,745,546
Contributions as a percentage of covered-employee payroll	13.89%	10.66%

Notes:

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

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

CITY OF CRANSTON, RHODE ISLAND

RSI-6

REQUIRED SUPPLEMENTARY INFORMATION

(3 of 6)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - FIRE
SCHEDULE OF CITY OF CRANSTON'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 999,841	\$ 1,181,419
Contributions in relation to the actuarially determined contribution	999,841	1,181,419
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 11,750,323	\$11,626,334
Contributions as a percentage of covered-employee payroll	8.51%	10.16%

Notes:

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

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

CITY OF CRANSTON, RHODE ISLAND

RSI-6

REQUIRED SUPPLEMENTARY INFORMATION

(4 of 6)

EMPLOYEES' RETIREMENT SYSTEM COST-SHARING PLAN
SCHEDULE OF CITY OF CRANSTON'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 8,971,511	\$ 10,096,904
Contributions in relation to the actuarially determined contribution	8,971,511	10,096,904
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 65,343,396	\$ 75,293,840
Contributions as a percentage of covered- employee payroll	13.73%	13.41%

Notes:

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

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

CITY OF CRANSTON, RHODE ISLAND

RSI-6

REQUIRED SUPPLEMENTARY INFORMATION

(5 of 6)

TEACHERS' SURVIVORS BENEFIT COST-SHARING PLAN
SCHEDULE OF CITY OF CRANSTON'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Statutorily determined contribution	\$ 100,039	\$ 97,925
Contributions in relation to the statutorily determined contribution	100,039	97,925
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 65,343,396	\$ 75,293,840
Contributions as a percentage of covered- employee payroll	0.15%	0.13%

Notes:

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

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

CITY OF CRANSTON, RHODE ISLAND

RSI-6

REQUIRED SUPPLEMENTARY INFORMATION

(6 of 6)

TEACHERS' SURVIVORS BENEFIT COST-SHARING PLAN
SCHEDULE OF CITY OF CRANSTON'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 21,316,456	\$ 21,353,591	\$ 21,006,057
Contributions in relation to the actuarially determined contribution	21,316,456	22,376,110	22,376,109
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1,022,519)</u>	<u>\$ (1,370,052)</u>
Covered-employee payroll	\$ 2,663,974	\$ 2,940,734	\$ 2,905,865
Contributions as a percentage of covered-employee payroll	800%	761%	770%

Notes:

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

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

3.) 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, 2015 will be made during the fiscal year ending June 30, 2017.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

GASB68

Municipal Employees' Retirement System

Notes to Schedule	
Actuarial cost method	Entry age normal-the Individual Entry Age Actuarial Cost methodology is used.
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50% Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Varies depending on Years of Service and Age
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

Employees' Retirement System

Notes to Schedule	
Actuarial cost method	Entry age normal-the individual entry age actuarial cost methodology
Amortization method	Level percentage of payroll, closed
Equivalent single remaining amortization period	21 years at June 30, 2014
Inflation	2.75%
Salary Increases	State Employees - 3.50% to 6.50% Teachers - 3.50% to 13.50%
Investment rate of return	7.50%
Cost of living adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4%-the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement.
Mortality	Teachers: Male and Female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Fire and Police Benefit Plan

Notes to Schedule	
Actuarial cost method	Entry age normal, level percent of payroll
Amortization method	Level dollar basis
Amortization period	Court approved plan: Closed 28-year period beginning with the July 1, 2013 valuation. Opted out of Court approved plan: Closed 23-year period beginning with the July 1, 2013 valuation.
Asset valuation method	Market value of assets
Inflation	2.75%
Salary Increases	3%
Investment rate of return	7.90%
Cost of living adjustments	COLA is based on the Court approved plan.

Teachers' Survivors Benefit Plan

Notes to Schedule	
Actuarial cost method	Entry age normal-the individual entry age actuarial cost methodology is used.
Inflation	2.75%
Salary Increases	Teachers - 3.50% to 13.50%
Investment rate of return	7.50%
Mortality	Teachers: Male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.
Cost of Living Adjustments	Eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment-for valuation purposes, a 2.75% cost of living adjustments is assumed.

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.

CITY OF CRANSTON, RHODE ISLAND

RSI-7

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 intradepartmental transfers at any time during the fiscal year. Interdepartmental transfers and supplemental appropriations are restricted to the fourth quarter and must be approved by the City Council in the form of an ordinance. Interdepartmental 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, 2016 there were no interdepartmental transfers or supplemental appropriations to the original adopted budget.

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, 2016.....	\$ 265,221,514	\$ 265,453,421	\$ 20,135,889	\$ 52,925,093	\$ 144,200,202	\$ 2,386,343
Revenues/Expenditures accounted for on the budgetary basis associated with Education funds	(52,866,399)	(144,549,051)				
Encumbrances outstanding at June 30, 2015						
liquidated during the year June 30, 2016					626,721	(626,721)
Encumbrances outstanding at June 30, 2016						
Charged to budgetary expenditures					(1,845,754)	1,845,754
Transfers to the school department not included in the City's general fund budget		(426,723)				
Expenditures in the school department capital reserve fund - not budgeted in general fund					1,088,308	(1,088,308)
Fund balance restricted for capital reserve and other purposes and removed from budgetary fund balance.						3,586,984
Transfer out to Public Facilities Management Foundation not included in the City's general fund budget		(17,889)				
Opening balances for funds that do not meet the GASB 54 definition for a special revenue fund			2,685,910			
Current year activity for funds that do not meet the GASB 54 definition for a special revenue fund	1,163,433	3,239,254	(2,075,821)			
Revenue/Expenditure pass-thru				410,402	405,368	5,034
State Teachers' Retirement on-behalf payment				6,859,907	6,859,907	
BALANCE, GAAP BASIS, JUNE 30, 2016 EXHIBIT D	\$ 213,518,548	\$ 123,699,012	\$ 20,745,978	\$ 60,195,402	\$ 151,334,752	\$ 6,109,086

**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, 2016

	Special Revenue Funds				
	Education	Community Services	Public Service	Senior Services	Governmental Special Revenue Funds
ASSETS:					
Cash and cash equivalents.....	\$ 1,542,156	\$ 1,575,706	\$ 583,482	\$ 207,372	\$ 1,887,090
Receivables:					
Intergovernmental.....	1,785,555			-	
Loans.....	-	847,358			-
Other.....	16,013		232,805		-
Prepays	8,913				
Due from:					
Other funds.....	90,514	2,637	3,765	-	890
TOTAL ASSETS.....	\$ 3,443,151	\$ 2,425,701	\$ 820,052	\$ 207,372	\$ 1,887,980
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable.....	\$ 576,178	\$ 28,490	\$ 9,922	\$ 3,226	\$ 66,431
Accrued payroll.....	-		3,517		
Accrued expenses.....					-
Retainage payable.....	-				
Due to other funds.....	1,776,567	8,500	122,383	75	-
Unearned revenues.....	999,323	847,358	-		-
TOTAL LIABILITIES.....	3,352,068	884,348	135,822	3,301	66,431
FUND BALANCES:					
Restricted.....	85,512	1,541,353	684,230	204,071	1,821,549
Committed.....	5,571				
Unassigned.....	-				
TOTAL FUND BALANCES.....	91,083	1,541,353	684,230	204,071	1,821,549
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 3,443,151	\$ 2,425,701	\$ 820,052	\$ 207,372	\$ 1,887,980

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

	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.....		\$ 428	\$ -	\$ 790,700	\$ 54,300
Receivables:					
Intergovernmental.....		108	3,012,073		-
Loans.....	\$ 2,321,635				
Other.....	52				
Prepays					
Due from:					
Other funds.....					
TOTAL ASSETS.....	\$ 2,321,687	\$ 536	\$ 3,012,073	\$ 790,700	\$ 54,300
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable.....			\$ 841,593	\$ 19,873	
Accrued payroll.....		\$ 6,329			
Accrued expenses.....	\$ 3,358				
Retainage payable.....			121,422	-	
Due to other funds.....	21,502	141,228			
Unearned revenues.....	2,321,635				
TOTAL LIABILITIES.....	2,346,495	147,557	963,015	19,873	-
FUND BALANCES:					
Restricted.....			2,049,058	770,827	\$ 54,300
Committed.....					
Unassigned.....	(24,808)	(147,021)			
TOTAL FUND BALANCES.....	(24,808)	(147,021)	2,049,058	770,827	54,300
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 2,321,687	\$ 536	\$ 3,012,073	\$ 790,700	\$ 54,300

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

	Capital Project Funds						Total Nonmajor Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Library Bond Fund	Neighborhood Infrastructure Bond Fund	Open Space Bond Fund	
ASSETS:							
Cash and cash equivalents.....	\$ 659,203	\$ 722,497	\$ 1,611,444	\$ 252,754	\$ 75,284	\$ 125,867	\$ 10,088,283
Receivables:							
Intergovernmental.....		-			1,729,450		6,527,186
Loans.....							3,168,993
Other.....							248,870
Prepays							8,913
Due from:							
Other funds.....		-			-		97,806
TOTAL ASSETS.....	\$ 659,203	\$ 722,497	\$ 1,611,444	\$ 252,754	\$ 1,804,734	\$ 125,867	\$ 20,140,051
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable.....	\$ 74,662	\$ 25,793	\$ 26,692	\$ 104,379	\$ 3,366		\$ 1,780,605
Accrued payroll.....							9,846
Accrued expenses.....							3,358
Retainage payable.....		-					121,422
Due to other funds.....							2,070,255
Unearned revenues.....							4,168,316
TOTAL LIABILITIES.....	74,662	25,793	26,692	104,379	3,366	-	8,153,802
FUND BALANCES:							
Restricted.....	584,541	696,704	1,584,752	148,375	1,801,368	125,867	12,152,507
Committed.....							5,571
Unassigned.....	-						(171,829)
TOTAL FUND BALANCES.....	584,541	696,704	1,584,752	148,375	1,801,368	125,867	11,986,249
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 659,203	\$ 722,497	\$ 1,611,444	\$ 252,754	\$ 1,804,734	\$ 125,867	\$ 20,140,051

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	Education	Community Services	Public Service	Senior Services	Governmental Special Revenue Funds
REVENUES:					
Intergovernmental.....	\$ 9,088,569		\$ 112,842		
Charges for services.....			1,551,527	\$ 99,138	\$ 226,719
Investment income.....		\$ 43,558	969	452	9,960
Other.....	102,859	66,693	45,236		
TOTAL REVENUES	9,191,428	110,251	1,710,574	99,590	236,679
EXPENDITURES:					
Current:					
General government.....		54,281			145,804
Public safety.....			1,545,848		
Education.....	9,163,282				
Parks and recreation.....					2,606
Public libraries.....		102,263			
Senior services.....				121,222	
Community development.....		63,574			
Debt service:					
Interest and other costs.....					
Capital:					
Capital expenditures.....					
TOTAL EXPENDITURES	9,163,282	220,118	1,545,848	121,222	148,410
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	28,146	(109,867)	164,726	(21,632)	88,269
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation bond.....	-		-	-	
Bond premium.....	-		-	-	
Extinguishment of long-term debt through advanced refunding.....	-		-	-	
NET OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	28,146	(109,867)	164,726	(21,632)	88,269
FUND BALANCES - JULY 1, 2015.....	62,937	1,651,220	519,504	225,703	1,733,280
FUND BALANCES - JUNE 30, 2016	\$ 91,083	\$ 1,541,353	\$ 684,230	\$ 204,071	\$ 1,821,549

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds		Capital Project Funds		
	Community Development Block Grant	WIA Job Development	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
REVENUES:					
Intergovernmental.....	\$ 1,344,592	\$ 557,165			
Charges for services.....					
Investment income.....	315,815	57			
Other.....					
TOTAL REVENUES	1,660,407	557,222	-	-	-
EXPENDITURES:					
Current:					
General government.....		540,671			
Public safety.....					
Education.....					
Parks and recreation.....					
Public libraries.....					
Senior services.....					
Community development.....	1,660,865				
Debt service:					
Interest and other costs.....			\$ 95,760	\$ 36,077	\$ 3
Capital:					
Capital expenditures.....			5,729,571	1,246,655	17,527
TOTAL EXPENDITURES	1,660,865	540,671	5,825,331	1,282,732	17,530
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(458)	16,551	(5,825,331)	(1,282,732)	(17,530)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation bond.....			16,626,026	5,701,937	1,085,452
Bond premium.....			1,310,602	454,971	92,702
Extinguishment of long-term debt through advanced refunding.....			(13,091,086)	(5,271,739)	(1,178,154)
NET OTHER FINANCING SOURCES (USES).....	-	-	4,845,542	885,169	-
NET CHANGE IN FUND BALANCES.....	(458)	16,551	(979,789)	(397,563)	(17,530)
FUND BALANCES - JULY 1, 2015.....	(24,350)	(163,572)	3,028,847	1,168,390	71,830
FUND BALANCES - JUNE 30, 2016.....	\$ (24,808)	\$ (147,021)	\$ 2,049,058	\$ 770,827	\$ 54,300

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	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	Open Space Bond Fund	
REVENUES:							
Intergovernmental.....					\$ 72,073		\$ 11,175,241
Charges for services.....							1,877,384
Investment income.....				\$ 45		\$ 21	370,877
Other.....							214,788
TOTAL REVENUES	\$ -	\$ -	\$ -	45	72,073	21	13,638,290
EXPENDITURES:							
Current:							
General government.....							740,756
Public safety.....							1,545,848
Education.....							9,163,282
Parks and recreation.....							2,606
Public libraries.....							102,263
Senior services.....							121,222
Community development.....							1,724,439
Debt service:							
Interest and other costs.....	59,227	165,271	71,687	16,643	27,687	21,123	493,478
Capital:							
Capital expenditures.....	789,276	3,363,959	182,285	243,567	147,129	371,562	12,091,531
TOTAL EXPENDITURES	848,503	3,529,230	253,972	260,210	174,816	392,685	25,985,425
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(848,503)	(3,529,230)	(253,972)	(260,165)	(102,743)	(392,664)	(12,347,135)
OTHER FINANCING SOURCES (USES):							
Issuance of general obligation bond.....	2,852,600	6,164,016	1,914,969	390,000	1,805,000	495,000	37,035,000
Bond premium.....	190,989	379,698	99,740	18,540	2,377	23,531	2,573,150
Extinguishment of long-term debt through advanced refunding.....	(1,587,512)	(2,484,507)	(249,609)				(23,862,607)
NET OTHER FINANCING SOURCES (USES).....	1,456,077	4,059,207	1,765,100	408,540	1,807,377	518,531	15,745,543
NET CHANGE IN FUND BALANCES.....	607,574	529,977	1,511,128	148,375	1,704,634	125,867	3,398,408
FUND BALANCES - JULY 1, 2015.....	(23,033)	166,727	73,624	-	96,734	-	8,587,841
FUND BALANCES - JUNE 30, 2016.....	\$ 584,541	\$ 696,704	\$ 1,584,752	\$ 148,375	\$ 1,801,368	\$ 125,867	\$ 11,986,249

CITY OF CRANSTON, RHODE ISLAND

NONMAJOR BUDGETARY FUNDS
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET BASIS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

COMMUNITY DEVELOPMENT BLOCK GRANT

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Program Income.....	\$ 160,000	\$ 160,000	\$ 315,815	\$ 155,815
Federal Grants.....	1,211,366	1,211,366	1,344,592	133,226
Total Revenues.....	1,371,366	1,371,366	1,660,407	289,041
EXPENDITURES:				
Current:				
Program Activities.....	1,371,366	1,371,366	1,660,865	(289,499)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	\$ -	\$ -	\$ (458)	\$ (458)

WORKFORCE INVESTMENT ACT

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Program Income.....	\$ 546,382	\$ 546,382	\$ 557,165	\$ 10,783
Investment Income.....	-	-	57	57
Total Revenues.....	546,382	546,382	557,222	10,840
EXPENDITURES:				
Current:				
Program Activities.....	546,382	546,382	540,671	5,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	\$ -	\$ -	\$ 16,551	\$ 16,551

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
<u>Unclaimed Estates in Probate Court</u>				
ASSET				
Cash.....	\$ 96,823	\$ 13	\$ -	\$ 96,836
LIABILITY				
Deposits Held in Custody for Others.....	\$ 96,823	\$ 13	\$ -	\$ 96,836
<u>Performance Bonds</u>				
ASSET				
Cash.....	\$ 237,706	\$ 12,477	\$ 12,000	\$ 238,183
LIABILITY				
Deposits Held in Custody for Others.....	\$ 237,706	\$ 12,477	\$ 12,000	\$ 238,183
<u>Student Activity Funds</u>				
ASSET				
Cash.....	\$ 583,647	\$ 1,692,443	\$ 1,599,690	\$ 676,400
LIABILITY				
Deposits Held in Custody for Others.....	\$ 583,647	\$ 1,692,443	\$ 1,599,690	\$ 676,400
<u>TOTALS</u>				
ASSET				
Cash.....	\$ 918,176	\$ 1,704,933	\$ 1,611,690	\$ 1,011,419
LIABILITY				
Deposits Held in Custody for Others.....	\$ 918,176	\$ 1,704,933	\$ 1,611,690	\$ 1,011,419

CITY OF CRANSTON, RHODE ISLAND
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES		
	SCHOOL DEPARTMENT INTERNAL SERVICE FUND	CITY INTERNAL SERVICE FUND	TOTALS
ASSETS			
Current Assets:			
Cash and cash equivalents.....		\$ 78,277	\$ 78,277
Receivables:			
Other.....	\$ 6,252		6,252
Claims deposit.....	1,364,078		1,364,078
Total Current Assets	1,370,330	78,277	1,448,607
Noncurrent Assets:			
Advance deposits - medical.....	1,687,082	-	1,687,082
Total Noncurrent Assets	1,687,082	-	1,687,082
TOTAL ASSETS	3,057,412	78,277	3,135,689
LIABILITIES			
Current Liabilities:			
Accounts payable.....		5,957	5,957
Accrued payroll.....		1,056	1,056
Due to other funds.....	3,760,549	41,051	3,801,600
Claims payable.....	-	235,582	235,582
Total Current Liabilities	3,760,549	283,646	4,044,195
Total Noncurrent Liabilities	-	-	-
TOTAL LIABILITIES	3,760,549	283,646	4,044,195
NET POSITION			
Unrestricted.....	(703,137)	(205,369)	(908,506)
TOTAL NET POSITION	\$ (703,137)	\$ (205,369)	\$ (908,506)

SCHEDULE 6

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, 2016

	GOVERNMENTAL ACTIVITIES		TOTALS
	SCHOOL DEPARTMENT INTERNAL SERVICE FUND	CITY INTERNAL SERVICE FUND	
OPERATING REVENUES:			
Charges for usage and service.....	\$ 22,833,767	\$ 855,600	\$ 23,689,367
Miscellaneous.....		90,892	90,892
TOTAL OPERATING REVENUES.....	22,833,767	946,492	23,780,259
OPERATING EXPENSES:			
Operations.....		532,325	532,325
Personnel.....		94,804	94,804
Claims.....		286,775	286,775
Health care management.....	23,864,256		23,864,256
TOTAL OPERATING EXPENSES.....	23,864,256	913,904	24,778,160
OPERATING (LOSS) INCOME	(1,030,489)	32,588	(997,901)
NONOPERATING REVENUES:			
Investment income.....		38	38
NONOPERATING REVENUES		38	38
CHANGE IN NET POSITION.....	(1,030,489)	32,626	(997,863)
NET POSITION - JULY 1, 2015 -	327,352	(237,995)	89,357
NET POSITION - JUNE 30, 2016.....	\$ (703,137)	\$ (205,369)	\$ (908,506)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES		TOTALS
	SCHOOL DEPARTMENT INTERNAL SERVICE FUND	CITY INTERNAL SERVICE FUND	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers.....	\$ 23,191,134	\$ 946,492	\$ 24,137,626
Cash received from providing service.....			-
Cash paid to employees.....		(94,276)	(94,276)
Cash paid for claims.....	(23,051,331)	(371,465)	(23,422,796)
Cash paid for other operating expenses.....		(531,500)	(531,500)
NET CASH USED IN OPERATING ACTIVITIES.....	139,803	(50,749)	89,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Change in interfund loans.....	(139,803)	65,499	(74,304)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES.....	(139,803)	65,499	(74,304)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Income from investments.....		38	38
NET DECREASE IN CASH.....	-	14,788	14,788
CASH - JULY 1, 2015 (INCLUDING RESTRICTED CASH).....	-	63,489	63,489
CASH - JUNE 30, 2016 (INCLUDING RESTRICTED CASH).....	\$ -	\$ 78,277	\$ 78,277
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (1,030,489)	\$ 32,588	\$ (997,901)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Increase in accounts receivable.....	357,367		357,367
Increase in claims deposits.....	2,772,524		2,772,524
Decrease in accounts payable.....		825	825
Decrease in accrued payroll.....		528	528
(Increase) decrease in claims payable.....	(1,959,599)	(84,690)	(2,044,289)
NET CASH USED IN OPERATING ACTIVITIES.....	\$ 139,803	\$ (50,749)	\$ 89,054

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS (NONMAJOR)
JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES			TOTALS
	SCHOOL LUNCH	CHARTER SCHOOL	PUBLIC FACILITIES MANAGEMENT FOUNDATION	
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 410,708	\$ 323,651	\$ -	\$ 734,359
Prepaid expenses.....		24,304	-	24,304
Inventory.....	64,910	-	-	64,910
Receivables:				
Other.....	107,725	19,233	-	126,958
Due from other funds.....	-	622,375	-	622,375
Intergovernmental.....	186,208	-	-	186,208
Total Current Assets	769,551	989,563	-	1,759,114
Noncurrent Assets:				
Net pension asset.....		216,915	-	216,915
Other assets.....		-	500	500
Subtotal Noncurrent Assets.....		216,915	500	217,415
Capital Assets:				
Capital assets, net of accumulated depreciation.....	81,665	25,971	15,333	122,969
Total Noncurrent Assets.....	81,665	242,886	15,833	340,384
TOTAL ASSETS.....	851,216	1,232,449	15,833	2,099,498
DEFERRED OUTFLOW OF RESOURCES				
Pension liability.....		214,557	-	214,557
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES.....	851,216	1,447,006	15,833	2,314,055
LIABILITIES				
Current Liabilities:				
Accounts payable.....	314,387	27,591	-	341,978
Compensated absences.....	-	15,000	-	15,000
Unearned revenue.....	21,557	-	-	21,557
Total Current Liabilities.....	335,944	42,591	-	378,535
Noncurrent Liabilities:				
Compensated absences.....		25,397	-	25,397
Net OPEB obligation.....		93,500	-	93,500
Net pension liability.....		1,611,696	-	1,611,696
Total Noncurrent Liabilities.....		1,730,593	-	1,730,593
TOTAL LIABILITIES.....	335,944	1,773,184	-	2,109,128
DEFERRED INFLOWS OF RESOURCES				
Pension liability.....		75,738	-	75,738
Deferred sewer lease arrangement.....		75,738	-	75,738
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES.....	335,944	1,848,922	-	2,184,866
NET POSITION				
Unrestricted				
Net position from operations-before effect of GASB 68 and OPEB.....	515,272	947,546	15,833	1,478,651
Net position resulting from GASB 68 reporting and OPEB.....	-	(1,349,462)	-	(1,349,462)
TOTAL NET POSITION.....	515,272	(401,916)	15,833	129,189
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION.....	\$ 851,216	\$ 1,447,006	\$ 15,833	\$ 2,314,055

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS - ENTERPRISE FUNDS (NONMAJOR)
 FOR THE YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES			TOTALS
	SCHOOL LUNCH	CHARTER SCHOOL	PUBLIC FACILITIES MANAGEMENT FOUNDATION	
OPERATING REVENUES:				
Charges for usage and service.....	\$ 913,019			\$ 913,019
Tuition.....		\$ 2,630,109		2,630,109
On-behalf pension contribution.....		133,040		133,040
Miscellaneous.....	19,185	41,159	\$ 5,475	65,819
TOTAL OPERATING REVENUES.....	932,204	2,804,308	5,475	3,741,987
OPERATING EXPENSES:				
Operations.....	3,173,091	798,711	17,889	3,989,691
Personnel.....		1,775,780		1,775,780
Claims.....		17,146		17,146
Depreciation.....	22,790	1,367	24,968	49,125
TOTAL OPERATING EXPENSES.....	3,195,881	2,593,004	42,857	5,831,742
OPERATING INCOME.....	(2,263,677)	211,304	(37,382)	(2,089,755)
NONOPERATING REVENUES (EXPENSES):				
Interest expense.....			(3,650)	(3,650)
Investment income.....	32			32
Grant income.....	2,483,891			2,483,891
TOTAL NONOPERATING REVENUES (EXPENSES):	2,483,923	-	(3,650)	2,480,273
Transfer in.....			17,889	17,889
NET NONOPERATING REVENUES (EXPENSES).....	2,483,923	-	14,239	2,498,162
CHANGE IN NET POSITION.....	220,246	211,304	(23,143)	408,407
NET POSITION - JULY 1, 2015.....	295,026	(613,220)	38,976	(279,218)
NET POSITION - JUNE 30, 2016.....	\$ 515,272	\$ (401,916)	\$ 15,833	\$ 129,189

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - ENTERPRISE FUNDS (NONMAJOR)
 FOR THE YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES			TOTALS
	SCHOOL LUNCH	CHARTER SCHOOL	PUBLIC FACILITIES MANAGEMENT FOUNDATION	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers.....	\$ 859,698	\$ 2,652,076	\$ 5,475	\$ 3,517,249
Cash received from other sources.....	14,104			14,104
Cash paid to suppliers.....		(801,582)		(801,582)
Cash paid to employees.....		(1,748,664)		(1,748,664)
Cash paid for other operating expenses.....	(3,172,406)		(17,889)	(3,190,295)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	(2,298,604)	101,830	(12,414)	(2,209,188)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Non-operating grant.....	2,483,891			2,483,891
Advances from interfund loans.....	(86,036)	200,629		114,593
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	2,397,855	200,629	-	2,598,484
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets.....	(10,842)	(27,338)		(38,180)
Collection of capital lease payment.....			365,000	365,000
Transfer in.....			17,889	17,889
Principal paid on bonds.....			(365,000)	(365,000)
Interest paid on bonds.....			(5,475)	(5,475)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES.....	(10,842)	(27,338)	12,414	(25,766)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Income from investments.....				38
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	-	-	-	38
NET INCREASE IN CASH.....	88,409	275,121	-	363,568
CASH - JULY 1, 2015 (INCLUDING RESTRICTED CASH).....	322,299	48,530	-	63,489
CASH - JUNE 30, 2016 (INCLUDING RESTRICTED CASH).....	\$ 410,708	\$ 323,651	\$ -	\$ 427,057
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income.....	\$ (2,263,677)	\$ 211,304	\$ (37,382)	\$ (2,089,755)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation.....	22,790	1,367	24,968	49,125
Decrease in net pension asset.....		104,312		104,312
Increase in deferred outflows related to pension plans.....		(62,830)		(62,830)
Decrease in deferred inflows related to pension plans.....		(221,038)		(221,038)
(Increase) decrease in accounts receivable.....	(72,507)	(17,697)		(90,204)
Increase in claims deposit.....				-
Increase in inventory.....	(29,644)			(29,644)
(Increase) decrease in intergovernmental receivables.....	(32,170)			(32,170)
Increase (decrease) in accounts payable.....	59,541	(4,238)		55,303
Increase (decrease) in accrued payroll.....				-
Increase in compensated absences.....		(3,623)		(3,623)
Increase (decrease) in prepaid assessments.....				-
Decrease in OPEB.....		17,146		17,146
Decrease in claims payable.....				-
Decrease in unearned revenue.....	17,062	(1,495)		15,567
Increase in net pension liability.....		78,622		78,622
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	\$ (2,298,605)	\$ 101,830	\$ (12,414)	\$ (2,209,189)

**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, 2016

	LAND	LAND IMPROVEMENTS	INFRASTRUCTURE	BUILDINGS	VEHICLES	OFFICE FURNITURE & EQUIP.	MACHINERY AND EQUIPMENT	TOTAL
General government.....	\$ 14,920,308	\$ 26,597,492	\$ 83,949,599	\$ 101,176,291	\$ 133,853	\$ 1,389,643		\$ 228,167,186
Public safety.....					11,247,359	1,204,404	\$ 4,237,103	16,688,866
Public works.....					4,867,981	34,093	899,529	5,801,603
Education.....				814,720	3,049,042	1,179,483		5,043,245
Parks and recreation.....					774,753	-	1,325,097	2,099,850
Public libraries.....					17,458	3,405,241	63,806	3,486,505
Senior services.....					509,124	65,363	42,638	617,125
TOTAL.....	\$ 14,920,308	\$ 26,597,492	\$ 83,949,599	\$ 101,991,011	\$ 20,599,570	\$ 7,278,227	\$ 6,568,173	\$ 261,904,380

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, 2016

	BALANCE JULY 1, 2015	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2016
General government.....	\$ 217,977,852	\$ 10,627,897	\$ 225,000	\$ 228,380,749
Public safety.....	14,560,856	2,235,298	320,850	16,475,304
Public works.....	5,288,248	827,351	313,996	5,801,603
Education.....	4,671,653	1,041,971	670,379	5,043,245
Parks and recreation.....	1,886,800	306,470	93,420	2,099,850
Public libraries.....	3,398,942	87,562		3,486,504
Senior services.....	585,643	31,482		617,125
TOTAL CAPITAL ASSETS	\$ 248,369,994	\$ 15,158,031	\$ 1,623,645	\$ 261,904,380

City of Cranston
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Property Tax Collection	\$ 183,547,941	\$ -
Prior Year Property Tax Collection	1,262,636	-
Interest & Penalty	1,061,361	-
PILOT & Tax Treaty (excluded from certified levy)	216,562	-
Other Local Property Taxes	-	-
Licenses and Permits	3,789,103	-
Fines and Forfeitures	449,864	-
Investment Income	120,697	-
Departmental	4,535,916	-
Rescue Run Revenue	4,018,249	-
Police & Fire Detail	1,893,334	-
Other Local Non-Property Tax Revenues	1,127,048	-
Tuition	-	951,041
Impact Aid	-	-
Medicaid	-	1,447,994
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	2,483,891
CDBG	1,660,407	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	7,484,202
MV Excise Tax Reimbursement	1,005,084	-
State PILOT Program	5,322,139	-
Distressed Community Relief Fund	-	-
Library Resource Aid	553,271	-
Library Construction Aid	-	-
Public Service Corporation Tax	1,038,680	-
Meals & Beverage Tax	1,789,268	-
Hotel Tax	14,593	-
LEA Aid	-	50,092,808
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	2,152,998	-
State Food Service Revenue	-	24,169
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	1,159,726	924,321
Other Revenue	-	3,069,442
Local Appropriation for Education	-	91,682,652
Regional Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 216,718,876	\$ 158,160,522
Transfer from Capital Projects Funds	\$ -	\$ -
Transfer from Other Funds	-	-
Debt Proceeds	-	-
Other Financing Sources	-	-
Rounding	-	-
Total Other Financing Sources	\$ -	\$ -

Totals might not add due to rounding.

City of Cranston
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

EXPENDITURES	General Government	Finance	Social Services	Information Technology	Planning	Libraries	Public Works	Parks and Rec	Police Department
Compensation- Group A	\$ 1,259,595	\$ 1,248,110	\$ 1,270,104	\$ 394,111	\$ 918,561	\$ 1,961,040	\$ 3,920,943	\$ 1,475,437	\$ 10,046,984
Compensation - Group B	-	-	-	-	-	-	-	-	1,144,933
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	8,838	84,528	7,390	50,240	11,392	33,000	130,573	80,022	937,978
Overtime - Group B	-	-	-	-	-	-	-	-	106,890
Police & Fire Detail	-	-	-	-	-	-	-	-	1,565,879
Active Medical Insurance - Group A	150,553	174,441	208,243	65,603	634,728	683,897	698,731	219,053	1,811,696
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	188,685
Active Dental Insurance- Group A	7,924	9,181	10,960	3,453	7,880	10,468	36,775	10,674	87,145
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	9,931
Payroll Taxes	99,691	99,522	96,989	33,331	70,574	120,338	320,501	119,374	316,790
Life Insurance	3,509	4,025	4,539	1,238	3,070	4,128	15,195	4,506	36,060
Defined Contribution- Group A	-	-	-	-	-	-	-	-	42,858
Defined Contribution - Group B	-	-	-	-	-	-	-	-	6,085
Other Benefits- Group A	20,741	156,689	33,795	10,428	26,819	52,307	213,698	56,531	2,494,417
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Local Pension- Group A	-	-	-	-	-	-	-	-	9,375,815
Local Pension - Group B	-	-	-	-	-	-	-	-	-
State Pension- Group A	133,977	159,579	146,238	57,313	125,333	170,832	615,483	166,788	1,385,747
State Pension - Group B	-	-	-	-	-	-	-	-	115,612
Other Pension	-	-	-	-	-	-	-	-	70,166
Purchased Services	795,051	73,475	44,745	-	12,133	-	588,896	79,131	422,641
Materials/Supplies	16,988	111,950	817,731	33,634	2,023	44,000	344,879	141,863	347,234
Software Licenses	-	-	-	155,207	-	-	-	-	-
Capital Outlays	-	-	-	37,001	15,000	35,732	55,171	-	248,233
insurance	855,600	-	-	-	-	-	-	-	-
Maintenance	-	1,331	14,565	173,592	-	60,000	9,232	15,184	303,258
Vehicle Operations	-	-	48,744	-	4,867	2,500	552,753	31,908	175,066
Utilities	-	-	5,468	209,479	-	115,000	469,629	174,656	99,659
Contingency	689	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	1,723,260	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	692,016	-	-
Trash Removal & Recycling	-	-	-	-	-	-	4,978,406	-	-
Claims & Settlements	-	-	-	-	-	-	-	-	-
Community Support	1,358,608	-	-	-	-	-	-	-	-
Other Operation Expenditures	1,435,111	70,523	77,311	1,886	114,845	361,000	89,297	909,073	1,766,968
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 6,146,876	\$ 2,193,354	\$ 2,786,822	\$ 1,226,515	\$ 1,947,227	\$ 3,654,242	\$ 15,455,438	\$ 3,484,199	\$ 33,106,729

Totals might not add due to rounding.

City of Cranston
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

EXPENDITURES	Fire Department	Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ 12,201,962	\$ -	\$ 124,820	\$ -	\$ -	\$ -	\$ 34,821,666	\$ 80,096,339
Compensation - Group B	725,215	-	-	-	-	-	1,870,148	13,275,380
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	4,497,564	-	11,170	-	-	-	5,852,695	-
Overtime - Group B	267,309	-	-	-	-	-	374,199	313,527
Police & Fire Detail	52,632	-	-	-	-	-	1,618,511	-
Active Medical Insurance - Group A	3,097,640	-	27,541	-	-	-	7,772,125	12,277,322
Active Medical Insurance- Group B	171,359	-	-	-	-	-	360,045	4,320,647
Active Dental Insurance- Group A	151,746	-	-	-	-	-	336,206	840,518
Active Dental Insurance- Group B	9,019	-	-	-	-	-	18,950	335,741
Payroll Taxes	323,210	-	12,438	-	-	-	1,612,756	2,238,045
Life Insurance	61,888	-	688	-	-	-	138,846	40,647
Defined Contribution- Group A	40,574	-	-	-	-	-	83,432	1,726,492
Defined Contribution - Group B	4,316	-	-	-	-	-	10,401	105,585
Other Benefits- Group A	3,259,355	-	1,827	-	-	-	6,326,608	826,443
Other Benefits- Group B	-	-	-	-	-	-	-	123,216
Local Pension- Group A	11,940,641	-	-	-	-	-	21,316,456	-
Local Pension - Group B	-	-	-	-	-	-	-	105,748
State Pension- Group A	1,311,886	-	15,941	-	-	-	4,289,117	10,718,647
State Pension - Group B	82,011	-	-	-	-	-	197,623	1,081,143
Other Pension	-	-	-	-	-	-	70,166	-
Purchased Services	1,251,818	-	-	-	-	-	3,267,892	16,485,671
Materials/Supplies	265,621	-	38,445	-	-	-	2,164,369	3,461,612
Software Licenses	-	-	-	-	-	-	155,207	498,646
Capital Outlays	306,015	-	-	-	-	-	697,153	3,218,621
Insurance	-	-	-	-	-	-	855,600	827,014
Maintenance	209,027	-	116,050	-	-	-	902,239	1,534,427
Vehicle Operations	145,569	-	-	-	-	-	961,407	1,493,947
Utilities	772,326	-	-	-	-	-	1,846,216	1,205,153
Contingency	-	-	-	-	-	-	689	-
Street Lighting	-	-	-	-	-	-	1,723,260	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	692,016	-
Trash Removal & Recycling	-	-	-	-	-	-	4,978,406	-
Claims & Settlements	-	-	-	-	-	-	-	-
Community Support	-	-	-	-	-	-	1,358,608	250
Other Operation Expenditures	613,305	-	2,747	-	-	-	5,442,065	748,765
Local Appropriation for Education	-	-	-	91,682,652	-	-	91,682,652	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	6,740,000	-	6,740,000	-
Municipal Debt- Interest	-	-	-	-	2,554,305	-	2,554,305	-
School Debt- Principal	-	-	-	-	280,000	-	280,000	-
School Debt- Interest	-	-	-	-	397,590	-	397,590	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	310,179
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	34,595
OPEB Contribution- Total	-	-	-	-	-	4,748,610	4,748,610	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 41,762,007	\$ -	\$ 351,667	\$ 91,682,652	\$ 9,971,895	\$ 4,748,610	\$ 218,518,234	\$ 158,244,320

Transfer to Capital Project Funds	\$ -	\$ -
Transfer to Other Funds	444,612	-
Payment to Bond Escrow Agent	-	-
Other Financing Uses	-	-
Total Other Financing Uses	\$ 444,612	\$ -
Net Change in Fund Balance	(2,243,970)	(83,799)
Fund Balance - beginning of year	23,164,576	4,887,016
Fund Balance - end of year	\$ 20,920,606	\$ 4,803,218

Totals might not add due to rounding.

City of Cranston
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Municipal
Fiscal Year Ended June 30, 2016

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
General Fund	\$ 213,518,548	\$ -	\$ 123,699,012	\$ 92,127,264	\$ (2,307,728)	\$ 23,053,706	\$ 20,745,978
Special Fire Duty	52,805	-	52,632	-	173	3,097	3,270
Special Police Duty	1,487,116	-	1,423,072	-	64,044	132,123	196,167
Community Development Block Grant (CDBG)	1,660,407	-	1,660,865	-	(458)	(24,350)	(24,808)
Totals per audited financial statements	\$ 216,718,876	\$ -	\$ 126,835,581	\$ 92,127,264	\$ (2,243,969)	\$ 23,164,576	\$ 20,920,607
<u>Reconciliation from financial statements to MTP2</u>							
Department of Education State aid and other revenues recognized as revenue and expenditure on MTP2.	-	-	91,682,652	(91,682,652)	-	-	-
Rounding.	-	-	1	-	(1)	-	(1)
Totals Per MTP2	\$ 216,718,876	\$ -	\$ 218,518,234	\$ 444,612	\$ (2,243,970)	\$ 23,164,576	\$ 20,920,606

Totals might not add due to rounding.

City of Cranston
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2016

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
School Unrestricted Fund	\$ 53,351,816	\$ 91,682,652	\$ 144,200,202	\$ 500,000	\$ 334,266	\$ 3,561,828	\$ 3,896,094
Enterprise Fund	3,416,128	-	3,195,881	-	220,247	295,024	515,271
School Special Revenue Funds	9,191,428	-	9,163,282	-	28,146	62,937	91,083
School Capital Reserve Fund	-	500,000	1,088,319	-	(588,319)	967,227	378,908
OPEB Trust Fund	18,498	-	621	-	17,877	-	17,877
Totals per audited financial statements	65,977,870	92,182,652	157,648,305	500,000	12,217	4,887,016	4,899,233
<u>Reconciliation from financial statements to MTP2</u>							
Municipal appropriation for Education reported as a transfer on financial statements but as revenue on MTP2.	\$ 91,682,652	\$ (91,682,652)	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Reserve Fund appropriation from School Unrestricted Fund reported as a transfer on financial statements but as a revenue/expenditure on MTP2.	500,000	(500,000)	500,000	(500,000)	-	-	-
For financial statements, indirect cost charges are reported as expenditures in Federal Grant Funds and also as actual revenue in School Unrestricted Fund. On MTP2, revenue reported once.	-	-	(225,972)	-	225,972	-	225,972
Retiree Health & Dental costs reported in MTP2 only.	-	-	344,777	-	(344,777)	-	(344,777)
Depreciation expense not reported on MTP2.	-	-	(22,790)	-	22,790	-	22,790
Miscellaneous variances between UCOA & Financial Statements, (rounding).	(1)	-	-	-	(1)	-	(1)
Totals Per MTP2	\$ 158,160,522	\$ -	\$ 158,244,320	\$ -	\$ (83,799)	\$ 4,887,016	\$ 4,803,218

Totals might not add due to rounding.

CITY OF CRANSTON, RHODE ISLAND

NOTES TO OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2016

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a new supplemental schedule required by the State of Rhode Island, as a result of newly enacted legislation, Article 8 of the Appropriations Act (2016 House Bill 7454 sub A as amended). This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) on the Division of Municipal Finance website to host municipal financial information in a centralized location. The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups

Group A - This item includes compensation (salaries, longevity, stipends, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for the primary work force of the department (Police Department: Police Officers, Fire Department: Fire Fighters, Education Department: Certified Employees, and Other Departments: All Employees).

Group B - This item would only include compensation (salaries, longevity, stipend, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for administrative and civilian dispatch employees in Police and Fire Departments and Non-Certified employees for Education Department.

NOTE 5. Education Revenue and Expenditures

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

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>. (Documents pertaining to the Transparency Portal will be posted in January 2017).

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									
	2016	2015 (As Restated)	2014 (As Restated)	2013	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 32,242,050	\$ 28,003,223	\$ 19,411,174	\$ 49,660,029	\$ 41,265,304	\$ 38,755,896	\$ 36,911,322	\$ 30,061,368	\$ 27,722,028	\$ 28,499,098
Restricted	-	-	-	-	-	-	2,770,499	754,859	3,219,448	2,530,430
Unrestricted	(319,267,325)	(315,174,995)	(320,500,997)	(86,076,389)	(85,654,610)	(81,803,993)	(79,180,678)	(63,493,862)	(59,641,599)	(59,323,748)
Total Governmental activities	(287,025,275)	(287,171,772)	(301,089,823)	(36,416,360)	(44,389,306)	(43,048,097)	(39,498,857)	(32,677,635)	(28,700,123)	(28,294,220)
Business-type activities:										
Net investment in capital assets	69,185,030	66,195,785	37,961,522	55,410,689	54,943,414	55,835,806	54,279,242	58,955,899	60,339,186	63,828,596
Restricted	2,129,729	8,598,629	-	-	-	-	501,295	501,302	507,594	954,040
Unrestricted	(16,171,020)	(22,951,735)	11,138,372	(7,230,976)	(9,165,835)	(11,349,807)	(12,293,232)	(18,495,702)	(20,023,658)	(25,204,693)
Total Business-type activities	55,143,739	51,842,679	49,099,894	48,179,713	45,777,579	44,485,999	42,487,305	40,961,499	40,823,122	39,577,943
Total City:										
Net investment in capital assets	101,427,080	94,199,008	57,372,696	105,070,718	96,208,718	94,591,702	91,190,564	89,017,267	88,061,214	92,327,694
Restricted	2,129,729	8,598,629	-	-	-	-	3,271,794	1,256,161	3,727,042	3,484,470
Unrestricted	(335,438,345)	(338,126,730)	(309,362,625)	(93,307,365)	(94,820,445)	(93,153,800)	(91,473,910)	(81,989,564)	(79,665,257)	(84,528,441)
Total City	\$(231,881,536)	\$(235,329,093)	\$(251,989,929)	\$ 11,763,353	\$ 1,388,273	\$ 1,437,902	\$ 2,988,448	\$ 8,283,864	\$ 12,122,999	\$ 11,283,723

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2016	2015	2014 (As Restated)	2013	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007
EXPENSES:										
Governmental activities:										
General government	\$ 13,529,838	\$ 15,760,616	\$ 13,331,926	\$ 13,332,988	\$ 14,124,547	\$ 11,681,983	\$ 11,927,606	\$ 13,502,051	\$ 11,071,588	\$ 14,667,120
Public safety	77,077,356	76,316,860	76,071,254	80,850,179	76,501,580	74,176,278	75,005,742	69,891,470	64,867,512	69,816,686
Public works	15,878,037	15,539,611	15,709,766	15,002,479	15,167,301	14,162,027	14,132,084	14,286,657	13,603,612	13,111,503
Education	200,479,946	175,923,426	148,510,719	143,177,724	145,560,327	148,737,275	147,353,569	144,564,947	145,639,712	139,954,890
Parks and recreation	3,595,810	3,100,766	2,502,784	2,187,997	2,271,516	1,674,918	1,564,980	2,249,144	2,604,501	2,617,354
Public libraries	3,295,271	3,302,163	3,130,504	3,111,686	3,068,582	2,929,901	2,918,385	3,210,102	3,159,253	3,142,534
Senior services	2,904,766	3,172,283	3,091,950	2,902,182	2,894,707	2,747,580	2,822,873	2,948,510	3,122,575	2,913,263
Community development	1,724,439	1,430,568	716,188	1,240,559	1,467,564	1,560,098	1,981,805	1,095,367	866,181	1,901,604
Interest expense	2,778,437	3,245,053	3,659,457	2,887,674	5,143,233	5,003,790	4,985,466	4,962,888	4,318,495	3,873,139
Other	-	-	284,552,076	-	124,638	119,225	-	-	-	-
Total Governmental activities	321,263,900	297,791,346	551,276,624	264,693,468	266,323,995	262,793,075	262,692,510	256,711,136	249,253,429	251,998,093
Business-type activities:										
Sewer	19,788,661	19,809,246	18,636,282	18,184,729	19,076,141	17,604,843	17,312,453	17,381,311	16,174,140	16,233,984
Public Facilities Management Foundation	-	-	92,137	77,010	93,501	200,937	219,337	228,248	246,029	270,154
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
Other	5,835,392	5,698,896	1,526,883	-	-	-	-	-	-	-
Total Business-type activities	25,624,053	25,508,142	25,836,472	23,777,644	24,953,590	23,332,207	23,343,626	20,510,426	19,443,582	19,461,159
Total City expenses	346,887,953	323,299,488	577,113,096	288,471,112	291,277,585	286,125,282	286,036,136	277,221,562	268,697,011	271,459,252

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2016	2015	2014 (As Restated)	2013	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007
EXPENSES:										
Governmental activities:										
General government	\$ 13,529,838	\$ 15,760,616	\$ 13,331,926	\$ 13,332,988	\$ 14,124,547	\$ 11,681,983	\$ 11,927,606	\$ 13,502,051	\$ 11,071,588	\$ 14,667,120
Public safety	77,077,356	76,316,860	76,071,254	80,850,179	76,501,580	74,176,278	75,005,742	69,891,470	64,867,512	69,816,686
Public works	15,878,037	15,539,611	15,709,766	15,002,479	15,167,301	14,162,027	14,132,084	14,286,657	13,603,612	13,111,503
Education	200,479,946	175,923,426	148,510,719	143,177,724	145,560,327	148,737,275	147,353,569	144,564,947	145,639,712	139,954,890
Parks and recreation	3,595,810	3,100,766	2,502,784	2,187,997	2,271,516	1,674,918	1,564,980	2,249,144	2,604,501	2,617,354
Public libraries	3,295,271	3,302,163	3,130,504	3,111,686	3,068,582	2,929,901	2,918,385	3,210,102	3,159,253	3,142,534
Senior services	2,904,766	3,172,283	3,091,950	2,902,182	2,894,707	2,747,580	2,822,873	2,948,510	3,122,575	2,913,263
Community development	1,724,439	1,430,568	716,188	1,240,559	1,467,564	1,560,098	1,981,805	1,095,367	866,181	1,901,604
Interest expense	2,778,437	3,245,053	3,659,457	2,887,674	5,143,233	5,003,790	4,985,466	4,962,888	4,318,495	3,873,139
Other	-	-	284,552,076	-	124,638	119,225	-	-	-	-
Total Governmental activities	321,263,900	297,791,346	551,276,624	264,693,468	266,323,995	262,793,075	262,692,510	256,711,136	249,253,429	251,998,093
Business-type activities:										
Sewer	19,788,661	19,809,246	18,636,282	18,184,729	19,076,141	17,604,843	17,312,453	17,381,311	16,174,140	16,233,984
Public Facilities Management Foundation	-	-	92,137	77,010	93,501	200,937	219,337	228,248	246,029	270,154
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
Other	5,835,392	5,698,896	1,526,883	-	-	-	-	-	-	-
Total Business-type activities	25,624,053	25,508,142	25,836,472	23,777,644	24,953,590	23,332,207	23,343,626	20,510,426	19,443,582	19,461,159
Total City expenses	346,887,953	323,299,488	577,113,096	288,471,112	291,277,585	286,125,282	286,036,136	277,221,562	268,697,011	271,459,252

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2016	2015 (As Restated)	2014 (As Restated)	2013	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:										
Governmental activities:										
General Revenues:										
Property taxes and other	\$ 186,026,404	\$ 184,125,495	\$ 189,420,459	\$ 177,673,789	\$ 183,880,964	\$ 178,871,587	\$ 172,909,856	\$ 173,615,269	\$ 169,279,075	\$ 162,010,764
Grants and contributions not restricted to specific programs								2,086,520	4,599,682	5,473,326
Gain/(Loss) on sale of assets				1,000,000		662,520	303,537			
State special funding for pension	10,167,762	5,169,920								
Unrestricted investment earnings	491,493	552,058	252,218	626,522	586,730	577,703	706,945	1,065,331	2,449,896	3,851,161
Transfers	(17,889)	(25,662)	(1,737,409)	(20,826)	(23,817)	488,880				
Miscellaneous	2,538,972	3,006,381	4,889,709	2,682,574	3,574,315	3,600,368	2,069,191	1,912,658		
Transfers										
Total Governmental activities	199,206,742	192,828,192	192,824,977	181,962,059	188,018,192	184,201,058	175,989,529	178,679,778	176,328,653	171,335,251
Business-type activities:										
State special funding for pension	133,040									
Unrestricted investment earnings	488,905	257,825	368,591	363,136	313,299	342,267	389,505	268,956	217,085	188,091
Transfers	17,889	25,662	25,218	20,826	23,817	(488,880)				
Miscellaneous	-	72,748	26,035							
Total Business-type activities	639,834	356,235	419,844	383,962	337,116	(146,613)	389,505	268,956	217,085	188,091
Total City	199,846,576	193,184,427	193,244,821	182,346,021	188,355,308	184,054,445	176,379,034	178,948,734	176,545,738	171,523,342
CHANGE IN NET ASSETS:										
Governmental activities	225,120	13,918,051	(264,673,461)	7,972,946	(1,341,209)	(3,549,240)	(6,821,222)	(3,977,513)	(1,518,583)	(8,111,256)
Business-type activities	3,301,062	2,742,785	920,182	1,978,185	1,291,580	1,264,692	1,525,806	138,363	1,245,179	999,832
Total City change in net assets	\$ 3,526,182	\$ 16,660,836	\$ (263,753,279)	\$ 9,951,131	\$ (49,629)	\$ (2,284,548)	\$ (5,295,416)	\$ (3,839,150)	\$ (273,404)	\$ (7,111,424)

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

	FISCAL YEAR									
	2016	2015	2014	2013	2012 (As Restated)	2011 (As Restated)	2010	2009 (As Restated)	2008	2007
General Fund:										
Nonspendable	\$ 207,000	\$ 207,000	\$ 1,706,660	\$ 5,366,568	\$ 7,261,553	\$ 3,264,015				
Restricted	275,374	279,040	256,362	420,657	464,805	-				
Committed	42,892	2,115,631	1,884,028	1,653,133	2,356,649	6,390,443				
Assigned	-	-	-	-	-	1,300,761				
Unassigned	20,220,712	20,452,035	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
Total General Fund	20,745,978	23,053,706	24,781,438	24,155,035	23,628,122	21,378,930	20,939,867	23,571,945	23,042,756	18,663,933
All Other Governmental Funds:										
Nonspendable	147,689	3,900,353	4,543,783	6,123,093	5,606,358	3,489,492				
Restricted	16,219,384	9,344,674	12,885,640	8,908,234	8,945,331	8,234,662				
Committed	1,900,091	634,041	320,650	97,321	119,410	92,887				
Assigned	-	-	11,656	-	-	-				
Unassigned	(171,829)	(152,166)	(3,506,353)	(8,578,569)	(11,865,051)	(10,727,614)				
Reserved							2,441,699	754,859	3,792,674	2,359,721
Unreserved, designated - school									450,000	450,000
Unreserved, reported in:										
Special revenue funds							(3,378,407)	(3,022,478)	797,940	8,405,339
Capital project funds							2,416,361	6,688,914	4,776,751	5,338,216
Total All Other Governmental Funds	18,095,335	13,726,902	14,255,376	6,550,079	2,806,048	1,089,427	1,479,653	4,421,295	9,817,365	16,553,276
GRAND TOTAL	\$ 38,841,313	\$ 36,780,608	\$ 39,036,814	\$ 30,705,114	\$ 26,434,170	\$ 22,468,357	\$ 22,419,520	\$ 27,993,240	\$ 32,860,121	\$ 35,217,209

CITY OF CRANSTON, RHODE ISLAND

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

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011 (As Restated)	2010	2009 (As Restated)	2008	2007
Revenues:										
Property taxes	\$ 184,814,710	\$ 181,540,560	\$ 180,400,427	\$ 179,645,778	\$ 184,783,590	\$ 178,724,593	\$ 165,623,300	\$ 159,040,147	\$ 156,152,762	\$ 147,243,054
Intergovernmental revenue	76,241,305	74,551,512	71,702,358	70,263,785	56,219,867	54,891,645	67,192,078	62,680,327	73,022,744	75,289,523
Charges for services	16,496,783	16,074,252	15,692,399	15,014,414	14,910,956	13,913,936	15,183,424	16,336,920	15,731,489	14,030,153
Licenses and permits										
Fines and interest on late payments										
Interest on investments	491,455	550,694	250,841	624,555	408,711	389,697	529,705	885,302	2,260,933	3,635,196
Departmental										
State fiscal stabilization funds	-	-	-	-	2,396	814,266	2,410,080	2,090,303		
State on-behalf pension contributions	6,859,907	6,746,731	6,125,457	5,670,313	6,144,339	5,716,721	5,056,767	6,661,428		
Other revenues	2,448,080	2,922,776	4,798,810	2,629,867	3,494,320	3,519,553	2,038,060	1,825,834	996,030	2,468,895
Total revenues	287,352,240	282,386,525	278,970,292	273,848,712	265,964,179	257,970,411	258,033,414	249,520,261	248,163,958	242,666,821
Expenditures:										
Current:										
General government	9,932,588	9,670,263	10,227,750	9,497,003	10,346,906	8,392,000	7,727,864	8,488,491	8,874,157	11,427,653
Public safety	80,899,232	78,150,559	77,395,466	76,404,816	72,975,293	69,125,309	70,172,182	68,605,728	69,339,328	67,854,283
Public works	15,555,096	15,267,760	15,525,053	14,824,224	15,636,714	14,445,497	13,625,913	13,963,806	13,320,943	12,544,966
Education	160,498,034	155,280,225	148,879,136	145,577,247	144,144,843	143,931,478	147,100,982	143,189,521	144,629,043	139,558,319
Parks and recreation	3,486,804	3,034,746	2,363,957	2,236,847	2,195,590	1,836,292	2,065,678	2,287,973	2,526,612	2,516,148
Public libraries	3,273,998	3,270,495	3,439,400	3,074,267	3,142,384	3,072,541	2,981,728	3,190,251	3,163,096	3,039,202
Senior services	2,908,045	3,119,557	3,084,039	2,872,279	2,911,362	2,754,871	2,780,245	2,946,217	3,086,360	2,852,395
Community development	1,724,439	1,487,068	1,659,368	1,908,299	1,467,564	1,560,098	1,981,805	1,095,367	876,379	1,916,946
Other	184,049	178,112	128,974	115,972	124,638	119,225	170,780	161,411	163,802	175,183
Capital outlay	12,091,531	4,455,146	6,069,584	4,196,151	2,268,257	5,063,077	4,853,492	7,942,434	8,955,447	15,970,638
Debt service:										
Principal	7,020,000	7,355,000	6,815,000	5,530,000	6,360,000	6,440,000	5,860,000	5,115,000	4,980,000	4,520,000
Interest	3,445,373	3,348,140	3,635,359	3,319,837	4,064,249	4,263,972	4,286,465	4,474,678	4,039,572	3,719,436
Total expenditures	301,019,189	284,617,071	279,223,088	269,556,942	265,637,800	261,004,360	263,607,134	261,460,877	263,954,739	266,095,169
Excess of revenues over expenditures	(13,666,949)	(2,230,546)	(252,796)	4,291,770	326,379	(3,033,949)	(5,573,720)	(11,940,616)	(15,790,781)	(23,428,348)
Other financing sources (uses):										
Issuance of debt	37,035,000	-	10,210,000	-	19,385,000	3,700,000	-	7,000,000	13,075,000	-
Bond premium	2,573,150	-	111,906	-	1,066,929	91,420	-	73,734	358,693	-
Proceeds from leasing	-	-	-	-	-	-	-	-	-	-
Transfers in	91,682,652	93,693,519	92,055,646	91,574,333	90,891,152	90,032,050	87,023,036	95,952,192	99,002,633	98,534,821
Repayment of debt to escrow agent	(23,862,607)	-	-	-	(16,788,678)	-	-	-	-	-
Transfers out	(91,700,541)	(93,719,181)	(93,793,055)	(91,595,159)	(90,914,969)	(90,740,684)	(87,023,036)	(95,952,192)	(99,002,633)	(98,534,821)
Net other financing sources (uses)	15,727,654	(25,662)	8,584,497	(20,826)	3,639,434	3,082,786	-	7,073,734	13,433,693	-
Net change in fund balances	\$ 2,060,705	\$ (2,256,208)	\$ 8,331,701	\$ 4,270,944	\$ 3,965,813	\$ 48,837	\$ (5,573,720)	\$ (4,866,882)	\$ (2,357,088)	\$ (23,428,348)
Debt service as a percentage of noncapital expenditures	3.6%	3.8%	3.8%	3.3%	4.0%	4.2%	3.9%	3.8%	3.5%	3.3%

(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	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	
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
2015	\$ 4,882,850,900	23	\$ 1,310,585,835	34	\$ 6,193,436,735	\$ 834,519,001	34	42	N/A	\$ 834,519,001	\$ 7,027,955,736	\$ 7,027,955,736	1.000
2016	\$ 5,127,157,200	23	\$ 1,331,450,700	34	\$ 6,458,607,900	\$ 844,756,803	34	42	N/A	\$ 844,756,803	\$ 7,303,364,703	\$ 7,303,364,703	1.000

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

TABLE 6

CITY OF CRANSTON, RHODE ISLAND

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

NAME	NATURE OF BUSINESS	GRAND LIST YEAR					
		2016			2007		
		ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (1)	ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (2)
Carpionato Alfred	Real Estate Management	\$ 109,830,874	2	1.50%	\$ 90,534,415	1	0.99%
Gateway Woodside Inc.	Real Estate Management	85,428,667	3	1.17%	81,932,887	2	0.90%
Piceme Properties	Real Estate Management	55,467,895	4	0.76%	65,928,342	3	0.72%
National Grid (formerly Narragansett Electric/Prov. Gas)	Utility	110,442,323	1	1.51%	45,246,446	6 & 10	0.50%
Brewery Parkade	Real Estate Management	34,985,866	5	0.48%	38,468,700	4	0.42%
Cranston Addison	Real Estate Management	19,195,400	8	0.26%			
Swarovski American	Industrial Manufacturing	16,747,985	10	0.23%			
Cox Communications Inc.	Cable Communications	21,319,007	7	0.29%	34,043,100	5	0.37%
Independence Way	Real Estate Management	17,572,600	9	0.24%	18,842,000	9	0.21%
Lowes	Retail Hardware	14,711,412	11	0.20%	23,525,793	8	0.26%
Calvi Realty Co., Inc.	Real Estate Management	14,469,180	12	0.20%			
Tasca Auto Group	Car Dealership	22,882,826	6	0.31%		10	0.00%
BFMIT II Cranston LLC	Real Estate Management				23,770,330	7	0.26%
TKG Cranston Development LLC	Retail	12,797,500	13	0.18%			
TOTAL		\$ 535,851,535		7.33%	\$ 422,292,013		4.63%

Source: Town Assessor Department.

(1) Based on a net taxable Grand List of \$7,303,364,703

(2) Based on a net taxable Grand List of \$9,104,755,379

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
2007	\$ 144,155,093	\$ 141,859,549	98.4%	\$ 1,413,799	\$ 143,273,348	99.4%	\$	0.0%
2008	\$ 151,718,441	\$ 150,177,124	99.0%	\$ 1,144,756	\$ 151,321,880	99.7%	576,287	0.4%
2009	\$ 153,150,874	\$ 151,086,526	98.7%	\$ 1,365,981	\$ 152,452,507	99.5%	596,050	0.4%
2010	\$ 160,419,261	\$ 159,080,002	99.2%	\$ 1,186,602	\$ 160,266,604	99.9%	545,116	0.3%
2011	\$ 175,003,222	\$ 171,899,372	98.2%	\$ 1,578,340	\$ 173,477,712	99.1%	960,840	0.5%
2012	\$ 180,715,853	\$ 177,799,124	98.4%	\$ 1,451,966	\$ 179,251,090	99.2%	866,830	0.5%
2013	\$ 181,367,888	\$ 178,631,631	98.5%	\$ 1,169,003	\$ 179,800,634	99.1%	921,121	0.5%
2014	\$ 181,591,061	\$ 179,327,785	98.8%	\$ 1,371,758	\$ 180,699,543	99.5%	937,127	0.5%
2015	\$ 182,559,745	\$ 180,321,237	98.8%	\$ 686,078	\$ 181,007,315	99.1%	965,733	0.5%
2016	\$ 185,998,132	\$ 183,674,083	98.8%		\$ 183,674,083	98.8%	2,494,958	1.3%
							<u>\$ 8,864,062</u>	

Source: City's audit reports.

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

CITY OF CRANSTON, RHODE ISLAND

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

YEAR ENDED JUNE 30	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES				TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	BOND PREMIUMS	CERTIFICATES OF PARTICIPATION	TOTAL	BOND PREMIUMS	CERTIFICATES OF PARTICIPATION	RI INFRASTRUCTURE NOTES	TOTAL	TOTAL		
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	1,253
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	1,314
2015	\$ 71,060,000	\$ 2,758,348	\$ 365,000	\$ 74,183,348	\$ -	\$ 365,000	\$ 22,818,364	\$ 23,183,364	\$ 97,366,712	N/A	1,207
2016	\$ 78,270,000	\$ 3,451,770	\$ -	\$ 81,721,770	\$ -	\$ -	\$ 21,525,000	\$ 21,525,000	\$ 103,246,770	N/A	1,274

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

TABLE 9

CITY OF CRANSTON, RHODE ISLAND

**RATIOS OF GENERAL DEBT OUTSTANDING
LAST TEN YEARS
(UNAUDITED)**

YEAR ENDED JUNE 30	<u>GENERAL DEBT OUTSTANDING</u>		PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	TOTAL		
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%	1,001
2013	\$ 74,320,000	\$ 74,320,000	1.06%	922
2014	\$ 78,060,000	\$ 78,060,000	1.12%	968
2015	\$ 71,060,000	\$ 71,060,000	1.01%	878
2016	\$ 78,270,000	\$ 78,270,000	1.07%	965

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, 2015
 (UNAUDITED)

Assessed value	\$ 7,303,364,703
Less: exemptions	<u>(251,429,864)</u>
 NET TOTAL TAXABLE ASSESSED VALUE	 <u>\$ 7,051,934,839</u>
 Debt limit - 3 percent of total assessed value	 \$ 211,558,045
Amount of debt applicable to debt limit: Total bonded debt	 <u>-</u>
 LEGAL DEBT MARGIN	 <u>\$ 211,558,045</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>
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	\$ 202,495,272	-	\$ 202,495,272
2015	\$ 203,692,047	-	\$ 203,692,047
2016	\$ 211,558,045	-	\$ 211,558,045

TABLE 12

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
2007	80,284	N/A	\$ 21,978	39	N/A	10,911	4.4%
2008	80,105	N/A	\$ 21,978	39	N/A	10,718	8.5%
2009	80,126	N/A	\$ 21,978	39	N/A	10,658	8.8%
2010	80,387	N/A	\$ 21,978	39	N/A	10,744	10.3%
2011	80,437	N/A	\$ 25,653	39	N/A	10,735	10.2%
2012	80,470	N/A	\$ 28,496	39	N/A	10,685	10.0%
2013	80,617	N/A	\$ 28,496	39	N/A	10,559	8.9%
2014	80,645	N/A	\$ 29,218	41	N/A	10,374	8.2%
2015	80,975	N/A	\$ 29,218	41	N/A	10,271	6.6%
2016	81,073	N/A	\$ 29,878	40	N/A	10,443	5.5%

(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	2016			2007		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT (1)	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT (2)
State of Rhode Island	5,500	1	15.50%	3,927	1	10.69%
City of Cranston	2,379	3	6.70%	2,479	3	6.75%
Citizens Bank	2,400	2	6.76%	780	4	2.12%
Tasca Motor Group	376	8	1.06%			
Walmart	303	10	0.85%			
Taco, Inc.	410	6	1.16%	406	6	1.11%
CranstonARC			0.00%	324	9	0.88%
Thielsch Engineering	400	7	1.13%			
Swarovski Consumer Goods Ltd.			0.00%	350	7	0.95%
The Stop & Shop Co., Inc.	444	5	1.25%	329	8	0.90%
Ross-Simons of Warwick				450	5	1.23%
JanCo				3,200	2	8.71%
Access Point RI	550	4				0.00%
Falvey Linen	325	9				
Pepsi Co				271	10	0.74%
TOTAL	13,087		34.41%	12,516		34.08%

SOURCE: State Department of Labor

(1) Based on 6/30/16 total City employment of 35,486

(2) Based on 6/30/07 total City employment of 36,723

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GENERAL GOVERNMENT:										
Mayor.....	6	6	6	5	5	5	5	7	7	7
Department of Personnel.....	0	0	1	0	1	1	2	2	2	3
City Clerk.....	6	6	6	6	6	6	8	8	9	9
Municipal Court.....	2	3	3	3	3	2	3	3	3	3
Board of Canvassers.....	3	3	3	3	3	3	3	3	3	3
City Planning.....	4	4	4	4	4	4	5	5	5	5
Economic Development.....	2	2	2	2	2	2	2	2	2	2
Finance.....	3	3	3	3	2	2	3	3	4	4
Division of Accounting & Control.....	5	5	5	5	5	5	5	5	5	5
Division of Assessment.....	6	6	6	6	6	6	7	8	9	9
Division of Contracts & Purchasing.....	2	2	2	2	3	3	4	4	4	4
Information Technology.....	6	6	6	6	6	6	8	8	8	8
Division of Treasury & Collection.....	6	6	7	6	6	6	6	6	7	7
POLICE:										
Officers.....	153	151	152	150	143	140	153	153	153	153
Civilians.....	26	26	26	25	25	25	26	29	30	30
Animal Control.....	4	4	4	4	4	4	5	5	5	5
FIRE:										
Chief.....	1	1	1	1	1	1	1	1	1	1
Uniformed.....	194	193	197	178	178	181	200	200	200	200
Civilians.....	15	15	16	16	16	16	7	7	7	7
INSPECTIONS.....	10	12	12	11	12	12	14	16	16	13
PUBLIC WORKS:										
Administration.....	3	4	3	3	3	3	4	4	4	4
Engineering.....	4	4	4	4	4	4	4	0	8	8
Highway.....	39	38	39	39	38	38	41	44	41	41
Building.....	23	23	24	24	24	24	26	26	26	26
Fleet Management.....	10	10	10	10	10	10	10	10	10	10
Refuse Removal.....	1	1	0	0	0	0	0	0	0	0
Traffic Safety.....	1	0	1	1	3	3	4	0	4	4
PARKS AND RECREATION.....	20	20	20	20	20	19	20	21	21	21
PUBLIC LIBRARIES.....	32	32	32	31	32	30	32	32	32	32
SENIOR SERVICES.....	24	24	22	23	23	23	30	32	32	32
COMMUNITY DEVELOPMENT.....	3	3	3	3	3	3	4	4	4	4
OTHER.....	9	8	8	8	8	8	8	8	7	9
EDUCATION.....	1,462	1,442	1,437	1,431	1,461	1,528	1,523	1,570	1,486	1,546
TOTAL.....	2,085	2,063	2,065	2,033	2,060	2,123	2,173	2,226	2,155	2,215

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

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES										
PUBLIC SAFETY:										
Fire:										
Total incidents.....	14,203	7,497	12,614	6,859	14,717	14,407	15,111	14,065	13,991	13,980
Rescue/medical calls.....	9,349	5,466	8,438	5,116	11,327	10,067	9,976	8,965	9,568	10,148
Rescue/non-medical calls.....	4,854	2,031	4,176	1,743	3,390	4,340	5,135	5,100	4,423	3,832
Fire hydrants.....	1,923	1,923	1,923	1,922	1,922	1,922	1,922	1,922	1,903	1,903
Police:										
Number of calls.....	68,834	65,422	66,243	67,937	66,542	66,030	68,620	65,814	68,422	58,896
Total 911 calls received.....	5,646	5,120	5,327	5,227	5,105	4,786	5,156	5,554	4,993	4,872
Formal investigations.....	20,394	17,075	16,097	15,150	14,706	14,923	15,920	16,717	16,353	14,724
CITY CLERK:										
Number of documents recorded.....	15,036	14,513	15,036	16,381	14,529	14,793	15,683	15,726	17,083	22,411
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.....	64	20	41	37	26	34	52	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.....	1,627	20	41	37	26	34	52	30	36	48
Commercial permits issued.....	237	6	7	4	2	5	6	8	12	19
Total permits.....	1,864	26	48	41	28	39	58	38	48	67
PUBLIC WORKS:										
Highway department										
Streets (miles).....										
Paved City roads.....	318	318	318	318	318	318	318	317	315	315
Paved State roads.....	69	69	69	69	69	69	69	69	69	64
Private roads.....	6	6	6	6	6	6	6	5	5	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.....	3,279	3,213	3,223	3,303	3,504	3,580	3,551	3,478	3,469	3,657
Middle School Grades 7-8.....	1,695	1,661	1,486	1,637	1,482	1,579	1,637	1,713	2,620	2,627
Elementary Schools Grades K-6.....	5,469	5,397	5,665	5,619	5,699	5,576	5,556	5,467	4,629	4,627
Total.....	10,443	10,271	10,374	10,559	10,685	10,735	10,744	10,658	10,718	10,911

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES										
PARKS AND RECREATION:										
Acreage (includes all open space)										
Parks and Public Squares.....	11	11	11	11	11	11	11	11	11	11
Marinas.....	3	3	3	3	3	3	3	3	3	3
Playgrounds.....	36	35	35	35	35	35	35	35	35	35
Walking tracks.....	8	8	8	8	8	8	8	8	8	8
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.....	28	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	2	2
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.....	120	149	149	149	149	149	149	149	149	149
Fire hydrants.....	1,923	1,923	1,923	1,922	1,922	1,922	1,921	1,922	1,903	1,903
Police department:										
Stations.....	3	3	3	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	324	324	315	315	315	315	315	315
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	17	17
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.....	24	28	23	27	30	41	53	15	19	27
BUSINESS TYPE ACTIVITIES										
SEWER FUND										
Sewer mains (miles).....	263	263	263	263	250	250	250	245	240	N/A
Treatment capacity (thousands of gallons)...	20,200	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 City Departments

N/A - Information not available