



**Basic Financial Statements  
And Supplementary Information**

**For the year ended June 30, 2019**

**Prepared by:**

**Finance Department**

**CITY OF CENTRAL FALLS**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

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# CITY OF CENTRAL FALLS

## **BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

WITH

**INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED  
JUNE 30, 2019



***INDEPENDENT AUDITORS' REPORT***

The Honorable Mayor and Members of the City Council  
City of Central Falls, Rhode Island

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, supplementary pension information, and OPEB schedules on pages 4–11 and 68–91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central Falls, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, Agency fund financial statements, Annual Supplemental Transparency Report (MTP2), Tax Collectors Annual Report, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, agency funds financial statements, Annual Supplemental Transparency Report (MTP2), Tax Collectors Annual Report, and other supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, agency funds financial statements, Annual Supplemental Transparency Report (MTP2), Tax Collectors Annual Report, and other supplementary information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2020 on our consideration of the City of Central Falls, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Central Falls, Rhode Island's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Central Falls, Rhode Island's internal control over financial reporting and compliance.

*PPA, LLP*

PPA, LLP  
Warwick, Rhode Island  
April 8, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **Management's Discussion and Analysis**

### **Fiscal Year Ended June 30, 2019**

This discussion and analysis of the City of Central Falls financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. This is the City's sixteenth (16<sup>th</sup>) year reporting in accordance with the provisions of GASB Statement No. 34. Please read this document in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

#### **Financial Highlights**

The auditors' report for 2019 expresses an unmodified (i.e. "clean") opinion on the financial statements of the City of Central Falls. The City's basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the City and the notes to the financial statements.

The Government-Wide Statement of Net Position indicates that the City's total net position decreased this year to a negative \$19,374,081, reflecting an increase of \$1,421,057 over FY2018.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$19,375,373 combined with additional program revenues of \$3,855,171, less program expenses of \$21,809,397, resulted in an increase of \$1,421,057 in total net position from a year ago.

The Governmental Fund Financial Statements indicate that the ending fund balance for the City's general fund was a surplus of \$2,161,043, reflecting a decrease of \$22,201 (after other financing sources and uses) compared to the FY2018 fund balance.

#### **The Financial Statements**

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

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

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

#### **Overview of the Financial Statements**

##### **Government-Wide Financial Statements**

##### **The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

**Governmental Activities**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Notes to Financial Statements**

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

**Other Information**

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

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

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

**Government-Wide Financial Analysis**

In this, the sixteenth (16<sup>th</sup>) year of implementation of the provisions of GASB Statement No. 34, the City continues to provide certain disclosures and compares them to prior year financial statements. In the sections that follow, a comparative analysis is provided between current year and prior year information.

As noted earlier, the total net position for the City of Central Falls has decreased by \$18,621 over the prior year's balance. This decrease is first identified in the change in net position as recorded in the Statement of Activities and then flows through the Statement of Net Position. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets.

Net position for the City of Central Falls for the fiscal year ended June 30, 2019 was:

<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 6,266,354	\$ 5,384,548
Capital assets	<u>19,968,249</u>	<u>21,450,615</u>
Total Assets	<u>26,234,603</u>	<u>26,835,163</u>
Deferred Outflow	2,962,342	4,618,042
Current liabilities	4,181,968	4,954,327
Long-term liabilities	<u>38,151,629</u>	<u>43,053,812</u>
Total Liabilities	<u>42,333,597</u>	<u>48,008,139</u>
Deferred Inflow	<u>6,237,429</u>	<u>4,240,204</u>
Net Position:	(19,374,081)	(20,795,138)
Net investment in		
Capital assets	11,303,249	12,305,615
Restricted	4,871,719	2,874,449
Unrestricted	<u>(35,549,049)</u>	<u>(35,975,203)</u>
Total Net Position	<u>\$ (19,374,081)</u>	<u>\$ (20,795,138)</u>

This year the City of Central Falls continues to report positive balances in two (2) areas of net position. Net investment in capital assets is \$11,303,249 and restricted net position amounted to \$4,871,719. The negative balance of (\$35,549,049) in unrestricted net position is mostly attributable to the City's net pension liability of \$27,798,470 and the other post-employment benefits obligation of \$2,531,302.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2019 was \$21,809,397. Some of the costs (i.e. \$2,155,265) were paid by federal, state and private grants and entitlements.

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

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

**Government-Wide Financial Analysis (Continued)**

	<u>2019</u>	<u>2018</u>
<b>Charges for Services</b>		
General government	\$ 1,699,906	\$ 1,749,778

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

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

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

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

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

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

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

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

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

**Statement of Activities**

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

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

**Transfers**

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

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

**Statement of Changes in Fund Balances – Governmental Funds**

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

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

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

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

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

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

The following table displays a comparison of revenues and expenditures “budget to actual” for the general fund, as reported on a budgetary basis and required by the City Charter.

**General Fund Budgetary Comparison Schedule – June 30, 2019**

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

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

Other governmental funds consist of:

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

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

**Pension Trust Funds**

<u>Pension Fund</u>	<u>Total Net Position</u>
Total	\$ 11,474,800

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

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

**Debt Administration**

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

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

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

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

**Capital Assets**

The City of Central Falls has \$19,968,249 invested in capital assets, net of depreciation. Only capitalized assets with an original cost of \$5,000 or greater are included. The straight-line/unrecovered cost method was used to calculate annual depreciation.

### **Capital Assets**

The City of Central Falls has \$19,968,249 invested in capital assets, net of depreciation. Only capitalized assets with an original cost of \$5,000 or greater are included. The straight-line/unrecovered cost method was used to calculate annual depreciation.

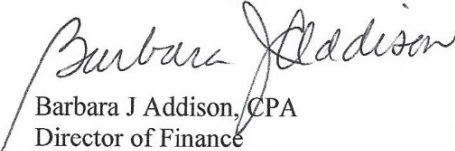
### **Independent Audit**

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

### **Acknowledgements**

The preparation of this report was made possible by the conscientious efforts provided by the entire staff of The City of Central Falls. I appreciate their hard work and dedication throughout this endeavor.

Respectfully submitted,



Barbara J Addison, CPA  
Director of Finance



## **FINANCIAL SECTION**

**CITY OF CENTRAL FALLS**

A - 1

**STATEMENT OF NET POSITION****JUNE 30, 2019**

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

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

## STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2019

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

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE, 2019

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

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

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

	General Fund	Retirees Supplemental Settlement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,015,705	\$ 3,612	\$ 700,653	\$ 1,719,970
Due from federal and state governments	--	--	813,921	813,921
Property taxes receivable, net	2,079,654	--	--	2,079,654
Other receivables, net	167,809	--	--	167,809
Cash held in escrow - RIIB	1,485,000	--	--	1,485,000
Due from other funds	<u>3,737,628</u>	<u>80,545</u>	<u>5,796,811</u>	<u>9,614,984</u>
<b>Total Assets</b>	<u>8,485,796</u>	<u>84,157</u>	<u>7,311,385</u>	<u>15,881,338</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	598,905	--	71,875	670,780
Accrued expenses	342,566	--	47,557	390,123
Due to other funds	3,530,264	--	6,084,720	9,614,984
Unearned revenue	<u>507,464</u>	<u>--</u>	<u>373,315</u>	<u>880,779</u>
<b>Total Liabilities</b>	<u>4,979,199</u>	<u>--</u>	<u>6,577,467</u>	<u>11,556,666</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	<u>1,345,554</u>	<u>--</u>	<u>--</u>	<u>1,345,554</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,345,554</u>	<u>--</u>	<u>--</u>	<u>1,345,554</u>
<b>Fund Balance</b>				
Nonspendable	1,485,000	--	--	1,485,000
Restricted	5,060	84,157	790,598	879,815
Committed	2,506,904	--	--	2,506,904
Unassigned	<u>(1,835,921)</u>	<u>--</u>	<u>(56,680)</u>	<u>(1,892,601)</u>
<b>Total Fund Balances</b>	<u>2,161,043</u>	<u>84,157</u>	<u>733,918</u>	<u>2,979,118</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,485,796</u>	<u>\$ 84,157</u>	<u>\$ 7,311,385</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,968,249
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(40,380,626)
Unearned revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	1,345,554
Pension related deferred outflows less pension related deferred inflows on the statement of net position	(4,934,179)
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position.	<u>(11,289)</u>
<b>Net Position of Governmental Activities (A-1)</b>	<u>\$ (21,033,173)</u>

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

**STATEMENT OF REVENUES, OTHER FINANCING SOURCES, EXPENDITURES  
OTHER FINANCING USES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, OTHER  
FINANCING SOURCES, EXPENDITURES, OTHER FINANCING USES AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL  
FUNDS (B-2) TO THE STATEMENT OF ACTIVITIES (A-2)  
FOR THE PERIOD ENDED JUNE 30, 2019**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposals exceeded capital outlays in the current period. (907,312)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences. 5,290,868

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

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (5,323,306)

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

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

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

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



**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

#### ***RECENTLY ISSUED ACCOUNTING STANDARDS***

During the fiscal year ended June 30, 2019 the City implemented the following new accounting pronouncements:

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

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

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)***

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

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

#### ***REPORTING ENTITY***

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

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***REPORTING ENTITY (CONTINUED)***

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

- Central Falls Redevelopment Agency
- Central Falls Housing Authority
- Central Falls Detention Facility Corporation
- Central Falls School District

Although Central Falls Redevelopment Agency meets certain criteria of the tests previously listed, it is deemed not to have separate legal status apart from the City. As a result, the financial data of this entity has been included as non-major special revenue fund within the City's financial statements.

The remaining entities noted above did not meet the criteria to be reported as either blended or discretely presented component units and have not been included in the financial reporting entity.

#### ***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

The government-wide financial statements, statement of net position and statement of activities report information about the government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City had no business-type activities at June 30, 2019.

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

#### ***GOVERNMENTAL FUND FINANCIAL STATEMENTS***

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)***

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

and

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

The governmental funds of the City are described below:

#### **General Fund**

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

#### **Special Revenue Funds**

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

#### **Capital Project Funds**

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

#### **Permanent Funds**

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)***

##### **Proprietary Funds**

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

##### **Fiduciary Funds (not included in Government-wide statements)**

##### **Agency Funds**

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

##### **Pension Trust Funds**

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

##### **OPEB Trust Funds**

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

##### ***MAJOR FUNDS***

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

Special Revenue:	Retirees Supplemental Settlement
Capital Project:	Capital Reserve

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *GOVERNMENTAL FUND FINANCIAL STATEMENTS (CONTINUED)*

##### **Retirees Supplemental Settlement**

During the bankruptcy, a Settlement and Release Agreement was made between Robert G. Flanders, Jr. (the Receiver), the State of Rhode Island Department of Revenue, the Central Falls Police Retirees Association Inc., the Central Falls Firefighter Retirees Association, and various Central Falls retirees, or the surviving spouse or beneficiary of a retiree, under one or more pension plans established for such retirees. The appropriation and settlement payments are made from a restricted fund separate from the General Fund.

#### *MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

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

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



# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

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

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

#### **Budgets**

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

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

#### **Use of Estimates**

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

#### **Cash Equivalents**

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Investments**

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

#### **Accounts Receivable**

In the government-wide statements receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible property taxes amounted to \$763,000 at June 30, 2019. Receivable balances for the governmental activities include property taxes of \$2,079,654 and other receivables of \$167,809.

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

#### **Accounts Payable**

Accounts payable balances consist primarily of payables to vendors.

#### **Property Taxes**

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position, that apply to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2019, the City reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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

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

#### **Capital Assets**

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

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Capital Assets (Continued)**

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

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

Land	Not depreciated
Construction in progress	Not depreciated
Buildings and land improvements	20-45 years
Motor vehicles	5-6 years
Furniture & equipment	5-10 years
Infrastructure	20 years

#### **Interfund Transactions**

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

- Reciprocal interfund activities:
  - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds (due from other funds / due to other funds).
  - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
  - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.
  - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Position/Fund Balance

##### Government-Wide Statements

Net position is displayed in three categories:

- (a) Net investment in capital assets - Consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets or related debt would also be included in the net position component.
- (b) Restricted net position - Consists of net position restricted to specific purposes due to constraints placed on the use of those resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

##### Fund Financial Statements

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

- Non-spendable Fund Balance – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash.
- Restricted Fund Balance – includes amounts that are restricted to specific purposes either by constraints placed on the use of resources externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – the City Council, as the City’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment. This constraint must be imposed prior to the fiscal year end, but the specific amount may be determined at a later date.

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Position/Fund Balance (Continued)

#### Fund Financial Statements (Continued)

- Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City does not presently have a spending policy that has delegated this authority.
- Unassigned Fund Balance – is the residual amount not allocated to any other fund balance category in the General Fund, and any residual deficit balance of any other governmental fund.

#### Application of Funds

The City of Central Falls does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the City considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

#### Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, employees are compensated for unused vacation at their current rate of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to record this liability if it is expected to be liquidated with expendable available resources, otherwise this liability is recorded in the government-wide financial statements.

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***RECONCILIATION OF GOVERNMENT-WIDE NET POSITION AND FUND FINANCIAL STATEMENTS FUND BALANCE***

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(40,380,626) difference are as follows:

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

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$5,290,868 difference are as follows:

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

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

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



# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 2 - BUDGETARY AND LEGAL COMPLIANCE

#### *BUDGETS*

All agencies of the City submit requests for appropriation to the City's finance director (currently to the Administrative and Finance Officer). These requests include information on the past years, current year's estimates and requested appropriations for the next fiscal year. In accordance with the City's Fourth Amended Plan, dated July 27, 2012, the City's elected officials, and any fiduciary acting with the powers of elected officials, shall keep the City's budget in balance through June 30, 2019, the term of the Plan.

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

### NOTE 3 - DEPOSITS AND INVESTMENTS

#### *DEPOSITS*

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

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

#### *INVESTMENTS*

At June 30, 2019 the City's investments totaled \$11,562,493 (all of which are held in its Fiduciary Funds) and consisted of the following:

Description	Fair Value	Interest Rate	Maturity	Credit Rating
Fixed Income Funds	\$ 19,934	n/a	n/a	n/a
Common Stock	1,382,700	n/a	n/a	n/a
Mutual Funds	9,691,222	n/a	n/a	n/a
Pooled Equity Index Funds	468,637	n/a	n/a	n/a
Total	<u>\$ 11,562,493</u>			

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### **NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

#### *INVESTMENTS (CONTINUED)*

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

#### *INTEREST RATE RISK*

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

#### *CREDIT RISK*

The City has no investment policy that would limit its investment choices due to credit risk other than the State Statutes governing investments in obligations of any State or political subdivision or in obligations to the State of Rhode Island or political subdivision. At June 30, 2019 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. The investments were in a wide range of companies and various industries enabling the City to minimize its risk.

#### *CUSTODIAL CREDIT RISK*

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

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### **NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

#### ***FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)***

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

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

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity).

Level 3 Inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

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

#### ***FIXED INCOME FUNDS***

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

#### ***EQUITY FUNDS AND COMMON STOCK***

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

#### ***POOLED EQUITY INDEX FUNDS***

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## Notes to the Financial Statements

For the year ended June 30, 2019

### NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

#### *POOLED FIXED INCOME INDEX FUNDS*

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in valuation methodology used in 2019.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2019:				
Fixed income funds	\$ 4,034,463	\$ --	\$ --	\$ 4,034,463
Equity funds	5,676,693	--	--	5,676,693
Common stock	1,382,700	--	--	1,382,700
Pooled Equity Index Funds	--	468,637	--	468,637
Investments at fair value	<u>\$ 11,093,856</u>	<u>\$ 468,637</u>	<u>\$ --</u>	<u>\$ 11,562,493</u>

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 4 - CAPITAL ASSETS**

Activity for governmental activity capital assets is summarized below:

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

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

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## Notes to the Financial Statements

For the year ended June 30, 2019

### NOTE 5 - UNEARNED REVENUE/UNAVAILABLE REVENUE

Governmental funds report deferred inflow of resources from unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At June 30, 2019, the various components of unearned revenue and unavailable revenue reported in the governmental funds and governmental activities were as follows:

General Fund	
Unearned revenue - advanced tax collections	\$ 423,754
Unearned revenue - other	<u>83,710</u>
Total General Fund	<u>\$ 507,464</u>
Other Governmental Funds	
Unearned Revenue Grants	<u>\$ 373,315</u>

### NOTE 6 - LONG-TERM DEBT

#### *GENERAL OBLIGATION BONDS AND OTHER DEBT*

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

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

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

	<u>Amount</u>	<u>Percent</u>
General obligation municipal bonds	\$ 4,975,000	12%
R.I. Health & Education Building Corporation (RIHEBC) revenue bonds	2,190,000	5%
R.I. Infrastructure Bank	1,500,000	4%
Net pension liability	27,798,470	69%
Net OPEB obligation	2,531,302	6%
Due to State	945,884	2%
Compensated absences	<u>439,970</u>	<u>1%</u>
Total	<u>\$ 40,380,626</u>	<u>100%</u>

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

Schedule of long-term bond requirements:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,050,000	\$ 331,621	\$ 1,381,621
2021	929,000	320,450	1,249,450
2022	955,000	237,983	1,192,983
2023	736,000	248,932	984,932
2024	762,000	170,643	932,643
2025	794,000	136,796	930,796
Thereafter	<u>3,439,000</u>	<u>457,139</u>	<u>3,896,139</u>
Total	<u>\$ 8,665,000</u>	<u>\$ 1,903,564</u>	<u>\$ 10,568,564</u>

***MAXIMUM AGGREGATE INDEBTEDNESS***

The City's legal debt limit as set forth by Rhode Island General Law 45-12-2 is limited to three percent of total assessed property value. As of June 30, 2019, the City's total assessed property value was \$572,173,934 and three percent of this value equals \$17,165,218. As of June 30, 2019, the City was in compliance with this limit.

***DUE TO STATE***

Due to State of \$945,884 at June 30, 2019 represents non-interest bearing amount due to the State of Rhode Island for receivership costs paid by the State. During fiscal 2013, legislation was passed by the State of Rhode Island allowing the City to repay the State over a period of time for these costs. In accordance with the City's bankruptcy documents, progress payments are budgeted as follows:

FY 2020	\$ 600,000
FY 2021	<u>345,884</u>
	<u>\$ 945,884</u>

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

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

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

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

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

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



**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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

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

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

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

The following funds had operational and/or fund deficits:

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 8 - FUND BALANCES**

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

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

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 8 - FUND BALANCES (CONTINUED)**

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

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

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

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

**NOTE 9 - PENSION PLANS**

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

*(a) City of Central Falls Pension Plan*

***PLAN DESCRIPTION***

All full-time non-civilian police and fire employees hired after July 1, 1972 are eligible and must participate in this pension plan administered formerly by John Hancock Financial Services until June 3, 2011 and currently administered by the City of Central Falls. The new plan, entitled the “City of Central Falls Pension Plan”, also consolidates all payments paid to former employees and beneficiaries who retired prior to July 1, 1972 under the “1% Plan”. The plan was restated effective August 1, 2011 and delineates the new pension benefits as well as disability and death benefits. Specifically, a member may retire and receive normal retirement benefits if they have accumulated 25 years of service and are at least 57 years of age. Members earn 2% of their final average base pay for the number of completed years and months of service up to a maximum of 25 years as of their normal retirement date and 1% of their final average base pay for each additional year of service after 25 years, up to a maximum of 30 years. The base pay includes regular wages, longevity payments and holiday pay. The final average base pay is the average of the participant’s base pay for the 5 consecutive years of the last 10 years of employment that produce the highest average. After retirement a participant’s pension benefit is increased annually by 2% (COLA), but the increases are not compounded. These cost of living adjustments are made effective July 1 following a participant’s retirement date and every July 1 thereafter. The following plan information was based on an actuarial valuations completed as of July 1, 2019.

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

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

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 9 - PENSION PLANS (CONTINUED)

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

##### ***INVESTMENT POLICY***

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

For the year ended June 30, 2019 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

##### ***ACTUARIAL ASSUMPTIONS***

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

Actuarial cost method	Individual entry age normal method
Asset valuation method	Market value
Inflation	3.00%
Salary increases	3% per year, including longevity and holiday pay
Investment rate of return	7.5%, net of investment management fees
Cost of living adjustments	2.0% per year without compounding

It is assumed that both pre-retirement and post retirement mortality are represented by the SOA RP-2014 IRS Static Mortality Table for males and females. Mortality for disabled members is represented by the SOA RP-2014 Disabled Mortality Table.

##### ***ASSUMED RATE OF RETURN AND TARGET ALLOCATION***

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***ASSUMED RATE OF RETURN AND TARGET ALLOCATION (CONTINUED)***

The assets held in the trust are invested as directed by the City. The target allocations and expected long-term (25 years) rates of return reflecting investment rate of return and inflation are shown in the following table:

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

***DISCOUNT RATE***

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

***CONTRIBUTIONS***

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. Employees of the City are required to contribute 9.5% of their gross earnings if they were an employee of the City prior to the new pension plan starting in December 2011. New members of the plan are required to contribute 10.5% of their gross earnings to the pension plan. For the year ended June 30, 2019, employee contributions were \$867,170. The City establishes employer contributions based on an actuarially determined contribution determined by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at an actuarially determined rate; the current rate is 62.26% of annual covered payroll. The employer contribution for the fiscal year ended June 30, 2019 was \$ 2,585,270.

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 9 - PENSION PLANS (CONTINUED)**

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

**NET PENSION LIABILITY**

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 41,034,653	\$ 36,621,180	\$ 32,952,285
Plan Fiduciary Net Position	\$ 11,474,800	\$ 11,474,800	\$ 11,474,800
Net Pension Liability	<u>\$ 29,559,853</u>	<u>\$ 25,146,380</u>	<u>\$ 21,477,485</u>

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

The components of the net position liability of the Retirement System were as follows:

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## Notes to the Financial Statements

For the year ended June 30, 2019

### NOTE 9 - PENSION PLANS (CONTINUED)

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

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

For the year ended June 30, 2019 the employer recognized pension expense of \$2,631,303. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in assumptions	\$ 1,529,338	\$ (2,150,878)
Net asset (gain)	127,188	(141,524)
Contributions and proportionate share of contributions	--	(2,056,833)
Differences between Expected and Actual Experience	<u>700,992</u>	<u>(1,462,014)</u>
Total	<u>\$ 2,357,518</u>	<u>\$ (5,811,249)</u>

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

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



**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***PLAN DESCRIPTION***

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

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org)

***BENEFITS PROVIDED***

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

***KEY PLAN TERMS***

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***KEY PLAN TERMS (CONTINUED)***

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

***RETIREMENT BENEFITS***

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

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***RETIREMENT BENEFITS (CONTINUED)***

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

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

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

***OTHER BENEFIT PROVISIONS***

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***OTHER BENEFIT PROVISIONS (CONTINUED)***

- a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%.
- c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, \$26,098 for 2017, \$26,290 for 2018, \$26,687 for 2019, \$27,184 for 2020 and \$27,608 for 2021.

***EMPLOYEES COVERED BY BENEFIT TERMS***

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

Inactive plan members or beneficiaries currently receiving benefits	33
Inactive plan members entitled to but not yet receiving benefits	72
Active plan members	<u>48</u>
Total	<u><u>153</u></u>

***CONTRIBUTIONS***

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. The City of Central Falls contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City of Central Falls contributed \$294,325 in the year ended June 30, 2019 which was 14.36% of annual covered payroll.

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 9 - PENSION PLANS (CONTINUED)

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

##### *ACTUARIAL ASSUMPTIONS*

The total pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

### NOTE 9 - PENSION PLANS (CONTINUED)

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

##### **ASSUMED RATE OF RETURN AND TARGET ALLOCATION**

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2018 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***DISCOUNT RATE***

The discount rate used to measure the total pension liability of the plans was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***CHANGES IN THE NET POSITION LIABILITY (ASSET)***

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***SENSITIVITY OF THE NET POSITION LIABILITY TO CHANGES IN THE DISCOUNT RATE***

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>1.00% Decrease</b>	<b>Current Discount</b>	<b>1.00% Increase</b>
<b>6.00%</b>	<b>Rate</b>	<b>8.00%</b>
<hr/>		
<b>\$ 3,554,479</b>	<b>\$ 2,652,090</b>	<b>\$ 1,980,071</b>

***PENSION PLAN FIDUCIARY NET POSITION***

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



**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 9 - PENSION PLANS (CONTINUED)**

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

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

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

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

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

***DEFINED CONTRIBUTION PLAN DESCRIPTION***

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

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

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

The City of Central Falls recognized pension expense of \$19,281, for the fiscal year ended June 30, 2019.

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 10 - POST RETIREMENT BENEFITS**

***PLAN DESCRIPTION***

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit post-retirement health insurance program as required by union contracts. The City provides health care to retired police and firefighter employees and their spouses until the retiree reaches the age of 65. Retired employees are covered by the same plan as active employees and are subject to the same 20% co-share as actives. The trust is accounted for as an OPEB trust fund in the City's financial statements. As of June 30, 2019, there are no separate financial statements available for the Plan. Most full-time employees of the police and fire department are eligible to participate in the plan. Benefit provisions are established through negotiations between the City and the Police Officers and Fire Unions.

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

***CLASSES OF EMPLOYEES COVERED***

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

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

***BASIS OF ACCOUNTING***

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

***VALUATION OF INVESTMENTS***

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

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**NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)**

***INVESTMENT POLICY***

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

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

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

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

***FUNDING POLICY***

The City's funding policy provides for actuarially determined periodic contributions to the plans at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due. Municipal retirees are required to contribute 20% of the health care cost between ages 62 to 65, and 100% of the premium prior to age 62. Retired police officers and firefighters may elect to be covered by the City's medical plan until age 65 and must pay 20% co-shares. Coverage reverts to COBRA for 36 months upon death of the member, or until the spouse reaches age 65, whichever occurs first. The annual OPEB cost was estimated from the July 1, 2019 actuarial valuation using the projected unit credit funding method. The actuarial assumptions included a 4.0% unfunded discount rate and the SOA RP-2014 Blue Collar Mortality with Scale MP-2016 Improvements and RP 2000 Disabled Mortality Table.

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)**

***NET OPEB LIABILITY***

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

The components of the net OPEB liability of the City as of June 30, 2019 were as follows:

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

#### *ACTUARIAL ASSUMPTIONS*

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Interest	Full Prefunding: 7.5%, net of investment expenses								
Actuarial Cost Method	Entry Age Normal								
Medical Care Inflation	<table><thead><tr><th>Year</th><th>Inflation Rate</th></tr></thead><tbody><tr><td>2017</td><td>5.5%</td></tr><tr><td>2018</td><td>5.0%</td></tr><tr><td>2019+</td><td>4.5%</td></tr></tbody></table>	Year	Inflation Rate	2017	5.5%	2018	5.0%	2019+	4.5%
Year	Inflation Rate								
2017	5.5%								
2018	5.0%								
2019+	4.5%								
Participation	70% of future retirees are assumed to participate in the retiree medical plan								
Marital Status	85% of male employees and 65% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.								
Termination Benefit	No benefits will be payable for terminations prior to retirement eligibility.								
Medical Plan Costs	The City is treated as community rated and therefore, the expected claims costs does not include the implicit subsidy. It is assumed that future retirees participate in the same manner as current retirees. Employee cost sharing is based on 20% of current unadjusted rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.								
Pre-Age 65 Retirees	<p>Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.</p> <p>Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.</p>								
Post-Age 65 Retirees	Current retirees over age 65 remain in their current medical plan until death for purposes of measuring their contributions. It is assumed that all current retirees under 65 will participate in the same proportion as current retirees over 65. Per capital costs were developed from the City developed monthly costs. Amounts to be received in the future for Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.								
Mortality	It is assumed that both pre-retirement and post-retirement mortality are represented by the SOA RP-2014 Blue Collar Mortality with Scale MP-2016 improvements, fully generational, for males and females. Mortality for disabled members is represented by the RP-2000 Disabled Mortality Table.								

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)**

***DISCOUNT RATE***

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

The discount rate was selected based on a projection of employer and employee contributions, benefit payments, expenses, and the long-term expected rate of return on trust assets. Based on these laws and above assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE***

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total OPEB Liability	\$ 3,407,622	\$ 3,008,967	\$ 2,678,717
Plan Fiduciary Net Position	477,665	477,665	477,665
Net OPEB Liability	<u>\$ 2,929,957</u>	<u>\$ 2,531,302</u>	<u>\$ 2,201,052</u>

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

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

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

**CITY OF CENTRAL FALLS, RHODE ISLAND**

*Notes to the Financial Statements*

*For the year ended June 30, 2019*

**NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)**

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

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

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

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

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

**NOTE 11 - RISK MANAGEMENT**

The City of Central Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the City is insured for a maximum of \$2,000,000 per occurrence. Settled



# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### **NOTE 11 - RISK MANAGEMENT (CONTINUED)**

claims resulting from these risks have not exceeded the Trust Coverage in any of the past three fiscal years. There have been no reductions in insurance coverage during the year ended June 30, 2019.

### **NOTE 12 - TAX ABATEMENTS**

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

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

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

For the fiscal year ended June 30, 2019, the City abated \$90,484 under this program, including the following tax abatement:

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

- A twelve year property tax abatement was entered into in 2016 for the renovation of a historic building and to expand the number of apartments in the City. The abatement is for a declining stabilization rate and amounted to \$60,007 during FY2019.
- A twelve year property tax abatement was entered into in 2016 to increase the number of jobs in the City and to completely renovate a rundown building in a high traffic area of the City. The abatement amounted to \$12,681 during FY2019.
- A twelve year property tax abatement was entered into in 2016 increase the number of jobs in the City. The abatement amounted to \$17,796 during FY2019.

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Financial Statements*

*For the year ended June 30, 2019*

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### NOTE 13 – RESTATEMENT – CORRECTION OF ERRORS

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

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

### NOTE 14 – SUBSEQUENT EVENTS

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

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

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

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

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF CENTRAL FALLS

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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



CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

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

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

CITY OF CENTRAL FALLS

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GENERAL FUND

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

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

CITY OF CENTRAL FALLS

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GENERAL FUND

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

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

**CITY OF CENTRAL FALLS**

D-3

**BUDGETARY AND LEGAL COMPLIANCE**

**FOR THE YEAR ENDED JUNE 30, 2019**

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

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

# CITY OF CENTRAL FALLS

D-4

## GENERAL FUND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

FOR THE YEAR ENDED JUNE 30, 2019

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

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

SCHEDULE OF CHANGES IN CITY OF CENTRAL FALLS

D-5

NET PENSION LIABILITY AND RELATED RATIOS

MERS

LAST FIVE FISCAL YEARS

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
<b>A. Total pension liability</b>					
1. Service Cost	\$ 137,303	\$ 127,458	\$ 116,360	\$ 105,194	\$ 112,984
2. Interest on the Total Pension Liability	540,961	505,170	500,546	514,938	510,493
3. Changes of benefit terms	--	--	--	(12,537)	--
4. Difference between expected and actual experience of the Total Pension Liability	(363,438)	491,539	(2,161)	(254,173)	--
5. Changes of assumptions	--	344,688	--	--	(24,723)
6. Benefit payments, including refunds of employee contributions	(443,944)	(518,780)	(598,500)	(503,299)	(567,898)
7. Net change in total pension liability	(129,118)	950,075	16,245	(149,877)	30,856
8. Total pension liability – beginning	7,881,335	6,931,260	6,915,015	7,064,892	7,034,036
9. Total pension liability – ending (a)	\$ 7,752,217	\$ 7,881,335	\$ 6,931,260	\$ 6,915,015	\$ 7,064,892
<b>B. Plan fiduciary net position</b>					
1. Contributions – employer	\$ 275,704	\$ 287,795	\$ 269,399	\$ 266,285	\$ 162,612
2. Contributions – employee	39,609	39,027	35,604	18,326	16,471
3. Net investment income	381,632	515,888	(1,594)	114,533	665,429
4. Benefit payments, including refunds of employee contributions	(443,944)	(518,780)	(598,500)	(503,299)	(567,898)
5. Pension Plan Administrative Expense	(5,080)	(53,622)	(4,288)	(4,621)	(4,167)
6. Other	(5,655)	(4,874)	4,596	(146)	(28,883)
7. Net change in plan fiduciary net position	242,266	265,434	(294,783)	(108,922)	243,564
8. Plan fiduciary net position – beginning	4,857,861	4,592,427	4,887,210	4,996,132	4,752,568
9. Plan fiduciary net position – ending (b)	\$ 5,100,127	\$ 4,857,861	\$ 4,592,427	\$ 4,887,210	\$ 4,996,132
<b>C. Net pension liability - ending (a) - (b)</b>	\$ 2,652,090	\$ 3,023,474	\$ 2,338,833	\$ 2,027,805	\$ 2,068,760
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	65.79%	61.64%	66.26%	70.68%	70.72%
<b>E. Covered employee payroll</b>	\$ 2,189,847	\$ 2,134,978	\$ 1,972,211	\$ 1,832,653	\$ 1,647,003
<b>F. Net pension liability as a percentage of covered payroll</b>	121.11%	141.62%	118.59%	110.65%	125.61%

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



SCHEDULE OF CHANGES IN THE CITY OF CENTRAL FALLS

D-6

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

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
<b>A. Total pension liability</b>					
1. Service Cost	\$ 264,073	\$ 625,895	\$ 604,729	\$ 782,937	\$ 451,646
2. Interest on Liability and Service Cost	2,740,977	2,548,469	2,423,750	2,359,718	2,455,649
3. Change in Plan Provisions	--	1,247,670	--	--	--
4. Experience (Gain) and Loss	(1,266,759)	1,068,464	(376,824)	(1,003,524)	411,659
5. Changes of Assumptions	--	--	1,362,628	(7,182,170)	8,108,455
6. Benefit Payments	(2,749,099)	(2,381,347)	(2,364,040)	(2,275,505)	(2,317,773)
7. Interest on Benefit Payments	--	--	--	(64,506)	(88,138)
8. Net change in total pension liability	(1,010,808)	3,109,151	1,650,243	(7,383,050)	9,021,498
9. Total pension liability – beginning	<u>37,631,988</u>	<u>34,522,837</u>	<u>32,872,594</u>	<u>40,255,644</u>	<u>31,234,146</u>
10. Total pension liability – ending (a)	<u>\$ 36,621,180</u>	<u>\$ 37,631,988</u>	<u>\$ 34,522,837</u>	<u>\$ 32,872,594</u>	<u>\$ 40,255,644</u>
<b>B. Plan fiduciary net position</b>					
1. Contributions – employer	\$ 2,636,223	\$ 2,276,371	\$ 2,423,009	\$ 2,404,956	\$ 2,412,068
2. Contributions – employee	867,170	503,146	439,546	455,617	410,224
3. Other Payments	--	--	--	--	--
4. Benefit Payments	(2,749,099)	(2,381,347)	(2,364,040)	(2,275,504)	(2,317,773)
5. Expenses	(71,470)	(67,953)	(62,664)	(18,992)	(19,312)
6. Investment Income	<u>803,552</u>	<u>487,949</u>	<u>789,169</u>	<u>678,721</u>	<u>(176,495)</u>
7. Net change in plan fiduciary net position	1,486,376	818,166	1,225,020	1,244,798	308,712
8. Plan fiduciary net position – beginning	<u>9,988,424</u>	<u>9,170,268</u>	<u>7,945,248</u>	<u>6,700,450</u>	<u>6,391,738</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 11,474,800</u>	<u>\$ 9,988,434</u>	<u>\$ 9,170,268</u>	<u>\$ 7,945,248</u>	<u>\$ 6,700,450</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 25,146,380</u>	<u>\$ 27,643,554</u>	<u>\$ 25,352,569</u>	<u>\$ 24,927,346</u>	<u>\$ 33,555,194</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	31.33%	26.54%	26.56%	24.17%	16.64%
<b>E. Covered employee payroll</b>	<u>\$ 4,152,699</u>	<u>\$ 4,684,587</u>	<u>\$ 4,717,866</u>	<u>\$ 4,777,056</u>	<u>\$ 4,482,450</u>
<b>F. Net pension liability as a percentage of covered payroll</b>	605.54%	590.10%	537.37%	521.81%	748.59%

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

**CITY OF CENTRAL FALLS**

**D-7**

**SCHEDULE OF INVESTMENT RETURNS  
CITY PLAN**

**LAST FIVE FISCAL YEARS**

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	2019	2018	2017	2016	2015
Annual money-weighted rate of return net of investment expense	7.72%	5.33%	9.75%	9.97%	2.68%

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

CITY OF CENTRAL FALLS

D-8

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

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

**Notes:**

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

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

CITY OF CENTRAL FALLS

D-9

SCHEDULE OF CITY OF CENTRAL FALLS CONTRIBUTIONS  
CITY PLAN  
LAST EIGHT FISCAL YEARS

	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012
Actuarially determined contribution	\$ 2,585,270	\$ 2,513,311	\$ 2,441,365	\$ 2,335,487	\$ 2,227,079	\$ 2,006,770	\$ 2,014,476	\$ 2,030,996
Contributions in relation to the actuarially determined contribution	<u>2,636,223</u>	<u>2,276,371</u>	<u>2,423,009</u>	<u>2,451,749</u>	<u>2,412,068</u>	<u>2,328,947</u>	<u>2,309,325</u>	<u>2,547,562</u>
Contribution deficiency (excess)	\$ <u>(50,953)</u>	\$ <u>236,940</u>	\$ <u>18,356</u>	\$ <u>(116,262)</u>	\$ <u>(184,989)</u>	\$ <u>(322,177)</u>	\$ <u>(294,849)</u>	\$ <u>(516,566)</u>
Covered-employee payroll	\$ <u>4,152,699</u>	\$ <u>4,684,587</u>	\$ <u>4,717,866</u>	\$ <u>4,777,056</u>	\$ <u>4,482,450</u>	\$ <u>4,025,037</u>	\$ <u>3,849,274</u>	\$ <u>3,620,778</u>
Contributions as a percentage of covered-employee payroll	63.48%	48.59%	51.36%	51.32%	53.81%	57.86%	59.99%	70.36%

Notes:

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

**SCHEDULE OF CHANGES IN THE CITY OF CENTRAL FALLS**

**D-10**

**NET OPEB LIABILITY AND RELATED RATIOS  
CITY PLAN**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
<b>A. Total OPEB liability</b>			
1. Service Cost	\$ 755,714	\$ 62,911	\$ 60,202
2. Interest on Liability and Service Cost	365,321	298,293	286,327
3. Change in Plan Provisions	--	--	--
4. Experience (Gain) and Loss	(2,163,172)	--	--
5. Changes of Assumptions	--	--	--
6. Benefit Payments	(125,991)	(193,377)	(186,131)
7. Interest on Benefit Payments	--	--	--
8. Net change in total OPEB liability	(1,168,128)	167,827	160,398
9. Total OPEB liability – beginning	4,177,095	4,009,268	3,848,869
10. Total OPEB liability – ending (a)	<u>\$ 3,008,967</u>	<u>\$ 4,177,095</u>	<u>\$ 4,009,267</u>
<b>B. Plan fiduciary net position</b>			
1. Contributions – employer	\$ 325,991	\$ 193,377	\$ 293,377
2. Contributions – employee	--	--	--
3. Other Payments	--	--	--
4. Benefit Payments	(125,991)	(193,377)	(193,377)
5. Expenses	(869)	(285)	(285)
6. Investment Income	38,207	19,053	13,683
7. Net change in plan fiduciary net position	237,338	18,768	113,398
8. Plan fiduciary net position – beginning	240,327	221,559	108,160
9. Plan fiduciary net position – ending (b)	<u>\$ 477,665</u>	<u>\$ 240,327</u>	<u>\$ 221,558</u>
<b>C. Net OPEB liability - ending (a) - (b)</b>	<u>\$ 2,531,302</u>	<u>\$ 3,936,768</u>	<u>\$ 3,787,709</u>
<b>D. Plan fiduciary net position as a percentage of the total OPEB liability</b>	15.87%	5.75%	5.53%
<b>E. Covered employee payroll</b>	<u>\$ 7,535,514</u>	<u>\$ 7,025,436</u>	<u>\$ 6,787,861</u>
<b>F. Net OPEB liability as a percentage of covered payroll</b>	33.59%	56.04%	55.80%

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

**CITY OF CENTRAL FALLS**

**D-11**

**SCHEDULE OF CITY OF CENTRAL FALLS CONTRIBUTIONS  
OTHER POST EMPLOYMENT BENEFITS**

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

**Notes:**

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

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Required Supplementary Information*

*June 30, 2019*

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### **Municipal Employees Retirement Plan**

#### **Schedule of Proportionate Share of the Net Pension Liability**

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

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

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

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

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

#### ***June 30, 2018 measurement date –***

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

#### ***June 30, 2017 measurement date –***

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

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



# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Required Supplementary Information*

*June 30, 2019*

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

#### ***June 30, 2016 measurement date –***

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

#### ***June 30, 2015 measurement date –***

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

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, are summarized below:

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

# CITY OF CENTRAL FALLS, RHODE ISLAND

## Notes to the Required Supplementary Information

June 30, 2019

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

#### June 30, 2015 measurement date (Continued) –

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

#### City of Central Falls Pension Plan

##### *ACTUARIAL ASSUMPTIONS*

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

Actuarial cost method	Individual entry age normal method
Asset valuation method	Market value
Inflation	3.00%
Salary increases	3% per year, including longevity and holiday pay
Investment rate of return	7.5%, net of investment management fees
Cost of living adjustments	2.0% per year without compounding

It is assumed that both pre-retirement and post retirement mortality are represented by the SOA RP-2014 IRS Static Mortality Table for males and females. Mortality for disabled members is represented by the SOA RP-2014 Disabled Mortality Table.

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Required Supplementary Information*

*June 30, 2019*

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### Other Post-Employment Benefits

#### *ACTUARIAL ASSUMPTIONS*

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Interest	Full Prefunding: 7.5%, net of investment expenses								
Actuarial Cost Method	Entry Age Normal								
Medical Care Inflation	<table><thead><tr><th>Year</th><th>Inflation Rate</th></tr></thead><tbody><tr><td>2017</td><td>5.5%</td></tr><tr><td>2018</td><td>5.0%</td></tr><tr><td>2019+</td><td>4.5%</td></tr></tbody></table>	Year	Inflation Rate	2017	5.5%	2018	5.0%	2019+	4.5%
Year	Inflation Rate								
2017	5.5%								
2018	5.0%								
2019+	4.5%								
Participation	70% of future retirees are assumed to participate in the retiree medical plan								
Marital Status	85% of male employees and 65% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.								
Termination Benefit	No benefits will be payable for terminations prior to retirement eligibility.								
Medical Plan Costs	The City is treated as community rated and therefore, the expected claims costs does not include the implicit subsidy. It is assumed that future retirees participate in the same manner as current retirees. Employee cost sharing is based on 20% of current unadjusted rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.								
Pre-Age 65 Retirees	<p>Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.</p> <p>Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.</p>								

# CITY OF CENTRAL FALLS, RHODE ISLAND

## *Notes to the Required Supplementary Information*

*June 30, 2019*

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### **Other Post-Employment Benefits (Continued)**

Post-Age 65 Retirees	Current retirees over age 65 remain in their current medical plan until death for purposes of measuring their contributions. It is assumed that all current retirees under 65 will participate in the same proportion as current retirees over 65. Per capital costs were developed from the City developed monthly costs. Amounts to be received in the future for Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.
Mortality	It is assumed that both pre-retirement and post-retirement mortality are represented by the SOA RP-2014 Blue Collar Mortality with Scale MP-2016 improvements, fully generational, for males and females. Mortality for disabled members is represented by the RP-2000 Disabled Mortality Table.

## **NON-MAJOR GOVERNMENTAL FUNDS**

CITY OF CENTRAL FALLS

E-1

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

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

CITY OF CENTRAL FALLS

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

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

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

E-1

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

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

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

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

E-1

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

**CITY OF CENTRAL FALLS**

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

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



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

E-1

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

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

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

# **AGENCY FUNDS**

**CITY OF CENTRAL FALLS**

F-1

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

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

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

G-1

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

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

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

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

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

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

## **OTHER SUPPLEMENTARY INFORMATION**

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

Annual Supplemental Transparency Report (MTP2) - Revenue

Annual Supplemental Transparency Report (MTP2) – Expenditures

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

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

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

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

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

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

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

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

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

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

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



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

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance <sup>1</sup>	Beginning Fund Fund Balance <sup>1</sup> (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance <sup>1</sup> (Deficit)	Ending Fund Balance <sup>1</sup> (Deficit)
<b>Fund Balance<sup>1</sup> - per MTP-2 at June 30, 2018 adjusted</b>						\$ 2,758,303	(575,054)	\$ 2,183,249	
<i>No funds removed from RGS for fiscal 2018</i>						-	-	-	
<i>No funds added to RGS for Fiscal 2018</i>						-	-	-	
<i>Misc. adjustments made for fiscal 2018</i>						(5)	-	(5)	
<b>Fund Balance<sup>1</sup> - per MTP-2 at June 30, 2018 adjusted</b>						<u>\$ 2,758,298</u>	<u>(575,054)</u>	<u>\$ 2,183,244</u>	
General Fund	\$ 20,576,775	\$ 1,517,644	\$ 19,984,399	\$ 2,132,221	\$ (22,201)	\$ 2,758,298	\$ (575,054)	\$ 2,183,244	\$ 2,161,043
CDBG Revolving	-	-	-	20,674	(20,674)	20,674	-	20,674	-
CDBG 2014	13,807	91,136	9,855	-	95,088	(95,088)	-	(95,088)	-
CDBG 2015	132,297	-	132,297	-	-	-	-	-	-
CDBG2016	101,267	-	101,267	-	-	-	-	-	-
Main Street Grant	164,709	-	164,709	-	-	-	-	-	-
RIDOH	200,000	2,354	16,945	-	185,409	-	-	-	185,409
Recreation Summer Lunch Program	104,239	-	63,068	-	41,171	-	-	-	41,171
School Building Capital	556,950	104,168	661,118	-	-	-	-	-	-
RIC Dexter Street	1,000,000	200,000	1,200,000	-	-	-	-	-	-
<b>Totals per audited financial statements</b>	<u>\$ 22,850,044</u>	<u>\$ 1,915,302</u>	<u>\$ 22,333,658</u>	<u>\$ 2,152,895</u>	<u>\$ 278,793</u>	<u>\$ 2,683,884</u>	<u>\$ (575,054)</u>	<u>\$ 2,108,830</u>	<u>\$ 2,387,623</u>
<b><u>Reconciliation from financial statements to MTP2</u></b>									
Program Activity in CDBG Funds that are not reported on the MTP2 because they are for program revenues & expenses and not for administration	\$ (182,249)	\$ (91,136)	\$ (178,297)	\$ (20,674)	\$ (74,414)	\$ 74,414	\$ -	\$ 74,414	\$ -
Forgiveness of debt from state	(600,000)	-	-	(600,000)	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
<b>Totals Per MTP2</b>	<u>\$ 22,067,795</u>	<u>\$ 1,824,166</u>	<u>\$ 22,155,361</u>	<u>\$ 1,532,221</u>	<u>\$ 204,379</u>	<u>\$ 2,758,298</u>	<u>\$ (575,054)</u>	<u>\$ 2,183,244</u>	<u>\$ 2,387,623</u>

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

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

NOTE 1. Basis of Presentation

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

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

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups - Compensation and Benefit Costs

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

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

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

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

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

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

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

NOTE 5. Education Revenue and Expenditures

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2020.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*PPA, LLP*

PPA, LLP  
Warwick, Rhode Island  
April 8, 2020