

**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

**of the**

**CITY OF CRANSTON,**

**RHODE ISLAND**

**FOR THE YEAR ENDED**

**JUNE 30, 2006**

**PREPARED BY:**  
**DEPARTMENT OF FINANCE**

***JEROME BARON, CPA, FINANCE DIRECTOR***

**CITY OF CRANSTON, RHODE ISLAND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

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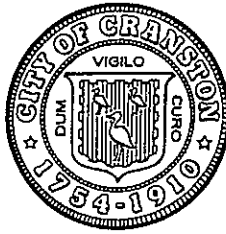
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# Introductory Section

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STEPHEN P. LAFFEY  
MAYOR



JEROME I. BARON  
DIRECTOR

DEPARTMENT OF FINANCE  
869 PARK AVENUE  
CRANSTON, RHODE ISLAND 02910

December 18, 2006

Honorable Mayor Stephen P. Laffey  
and Members of the Cranston City Council  
Cranston, Rhode Island

The Comprehensive Annual Financial Report of the City of Cranston for the fiscal year ended June 30, 2006, is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit.

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

Kostin, Ruffkess & Company, LLC, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Rhode Island, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cranston, Rhode Island for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Cranston's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## **PROFILE OF THE CITY OF CRANSTON**

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

### ***General***

The City was established as a City in 1754 and incorporated as a City in 1910. With a population of 79,267 as determined by the 2000 U.S. Census, the City is the third most populous municipality in the State of Rhode Island (the "State"). Primarily a residential community, the City contains many fine developments including Dean Estates, Glenwoods, Woodridge, Garden Hills, Garden City and Comstock Gardens.

### ***Government***

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

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

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

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

Cranston is a city of contrasts. Heavily populated in the east, it remains largely rural in the west. Although Cranston was incorporated as a city over 90 years ago, it never developed a true urban character. The neighborhoods, which together constitute Cranston, maintain their rustic charm and separate small-town warmth.

### ***Government Services***

***Public Safety.*** The City's Police Department consists of 189 employees and the City's Fire Department consists of 208 employees.

***Sewer System.*** Construction of the City's sewer system began as a Works Progress Administration project in 1939 and is continually being upgraded to meet the City's needs. This system consists entirely of sanitary sewers. Storm water is carried in a separate drainage system. The sewer system includes an estimated 260 miles of sewer mains, eight miles of force main, as well as many miles of lateral sewers.

### *Government Services (Continued)*

There are 22 pumping stations in the sewer system. The eastern half of the City is entirely sewered. Northwestern Cranston is partially sewered with newer sewers built after 1972. The pumping stations are presently in the design stage of an ongoing rehabilitation program being funded through the State of Rhode Island Clean Water Finance Agency. The extension of the sewer system into newly developed areas of southwestern Cranston was the subject of a \$500,000 federally funded U.S. Army Corps of Engineers Feasibility Study.

*Wastewater Treatment Facility.* The Cranston Wastewater Treatment Plant is located in eastern Cranston on the Pawtuxet River. In 2005, the average daily flow to the plant was 12 million gallons per day. The facility has a capacity of treating up to 23 million gallons per day which is projected to serve the City's needs until 2019. The current facility, which went on line in 1983, replaced an older facility originally built in 1942. The wastewater treatment units include: preliminary treatment (two grit removal tanks and two induced air, grease flotation tanks), primary settling (three center feed circular clarifiers), and disinfection (one chlorine contact tank). Sludge collected from the clarifiers is dewatered by three presses and incinerated in two multiple hearth incinerators. The treatment plant accepts municipal sludge from other communities for a fee and also accepts residential septage from private haulers for a fee.

On September 11, 1997, the City commenced leasing its wastewater treatment system for a base term of 25 years to Triton Ocean State LLC ("Triton") pursuant to a Lease and Service Agreement (the "LSA"). On December 31, 2001, Triton delegated its rights and obligations under the LSA to U.S. Filter Operating Services, Inc. (the "Company") and the LSA was amended and extended for five years. The City will remain the owner of the system. The Company is obligated to finance and make regulatory capital improvements to the wastewater treatment system and to operate, maintain, repair and replace the system. Triton made an up-front contract payment to the City of \$48,000,000. The City is required to pay the Company monthly fees for performance of the Company's obligations under the LSA. It is anticipated that the source of monthly payments to the Company by the City will be sewer user fees assessed upon users by the City. The City continues to be responsible for assessing and collecting such sewer user fees. Sewer user fees are set by City ordinance.

In August 1999, the City entered into an agreement with Florida Power & Light where Florida Power & Light agreed to purchase up to 5 million gallons of the treatment plant's effluent. A \$14 million improvement program at the treatment plant was completed in 2001. The program improved the quality of the treated effluent from a secondary to a tertiary treatment system. These enhancements were required of the Company under the LSA, were funded by the Company, and are consistent with state and federal requirements. During 2005 to 2006, two major capital improvements were performed at the treatment plant. This included a \$5.9 million Biological Nitrogen Removal (BNR) system upgrade which will allow the City to meet the new RIDEM permit limits imposed on our facility. The second project was a \$2.5 million Flue Gas Recirculation (FGR) improvement to the facility incinerators in order to improve the air quality from the incinerator stacks to stay within permit limits while allowing for additional volume through the system. Funding for the BNR was obtained through State of Rhode Island Clean Water Finance Agency loan for \$3.4 million and Pawtuxet River Authority grant for \$2.5 million.

Under the terms of the agreement, US Filter made a \$2.7 million payment to the City on April 1, 2002, and made payments of \$55,000 in 2004.



## ***Planning and Development***

*Water Supply System.* The City's water supply needs in the eastern portion of Cranston are served by the Providence Water Supply Board which services the majority of the City's residences and businesses. The Kent County Water Authority services a small number of residences in the southwest portion of the City. The western Cranston Water Supply System, which formerly serviced approximately 2,200 residences in the western portion of the City, was transferred in 1997 to the Providence Water Supply Board. As part of that transfer, the Providence Water Supply Board agreed to make payments to the City equal to the City's debt service on its outstanding Water Bonds. The Providence system derives its supply from the Scituate Reservoir and five tributary reservoirs located in the Town of Scituate. The entire watershed for these reservoirs covers 93 square miles with the reservoirs themselves comprising 24 square miles and storing over 41 billion gallons of water. The water supply and the distribution systems within Cranston will service the water supply needs of the City for the foreseeable future. To provide adequate supply for future growth of the western portion of the City, plans are being developed by the Providence Water Supply Board for the expansion of existing storage tanks and increasing pumping capacity.

The City has had a Planning Commission since 1934. The City Planning Commission consists of the City's Finance Director, its Public Works Director, a member of the City Council and four members appointed from the general public. The City's Planning Department has a planning staff of five full-time employees and an office of Economic Development, consisting of two full-time employees.

The City originally adopted a Comprehensive Plan in 1961, revised it in 1992, and they are currently in the final stages of completing the 2006 revision. The purpose of the Comprehensive Plan is to lend direction to the development of the City in areas of commercial and industrial development, traffic circulation, residential growth, schools, recreation and municipal services. The City Planning Commission has also adopted a five-year Capital Improvement Program. The City has amended its zoning, subdivision and land use controls to protect environmental resources and to encourage economic development.

## ***Retirement Programs***

The City provides pension benefits to substantially all municipal employees under three separate plans. The retirement plans for teachers, municipal employees, and certain personnel employed by the police and fire departments are administered by the State's Retirement Board. The City pays the entire annual employer's cost of the municipal employees' retirement plan and 50 percent of the annual employer's cost of the teachers' retirement plan. The pension plan of the City's Police and Fire Department employees hired before July 1, 1995, is administered by the City and is funded on a combined fund contribution and pay-as-you-go basis. The annual contribution to the general municipal employees' retirement plan is based upon an actuarial determination to provide for current service cost and amortization of past service cost.

## **FACTOR AFFECTING FINANCIAL CONDITION**

### ***Population***

Ranked third in population among the 39 cities and towns in the State in 2000, the City experienced a 4.2% increase in population from 1990 to 2000.

**FACTOR AFFECTING FINANCIAL CONDITION (CONTIONUED)**

***Unemployment***

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

	<b><u>Annualized</u></b>									
	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
City of Cranston.....	5.2%	5.2%	5.0%	4.4%	4.0%	4.2%	4.6%	5.0%	5.8%	5.2%
State of Rhode Island	5.1	5.1	4.9	4.1	4.1	4.4	5.1	5.3	5.2	5.0
United States.....	5.4	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1

Source: Rhode Island Department of Labor and Training.

**LONG-TERM FINANCIAL PLANNING**

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

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

***Industrial Parks***

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

Western Cranston Industrial Area - Currently, this is not only Cranston's but one of the State of Rhode Island's fastest developing industrial parks, located centrally in the State at an interchange of Interstate Route 295 and Route 14. This area continues to develop and become a generator of monies as part of the City's important industrial tax base. Nationally recognized companies like Con-Way Trucking, who operates a major new terminal on 13 acres, and Bay State Florist, an international floral exporter, are just a few of the many industrial tenants that have been attracted to this ever growing industrial area. Approximately 85 acres of fully serviced industrial land with excellent highway access remain available for development.

## LONG-TERM FINANCIAL PLANNING (CONTINUED)

### *Garden City Shopping Center Renovation*

Originally developed in the 1950s, the Garden City Shopping Center was the first suburban shopping center in the State. The second phase of a \$20 million renovation and expansion project was completed several years ago. This revitalized retail area is the site of numerous public activities and a source of considerable civic pride. Continual renovations of some of the older shopping areas are ongoing. Jan Co, a highly successful food service provider, has plans to upscale the former Newport Creamery Restaurant into one of their new Café Newport Shops.

### *Chapel View Shopping Center*

Located directly across from Garden City, this new upscale mixed use shopping group, coupled with the many high quality stores of its next door neighbor, will establish this area of Cranston as one of the leading shopping centers of not only the State but the Southeastern New England region. Located on the former site of the State's Youth Training and Reform school, the developers have used a number of the former historic structures, all over one hundred years old, to develop a European Village atmosphere that will have extensive upscale condominiums, office space and retail components. Current tenants include a recently finished Shaw's Superstore Market, the largest and newest for the food chain in this area. When completed, this area will be home to over 368,000 square feet of retail and living space.

### *Recent Development Initiatives*

Cranston Parkade - The long awaited redevelopment of the 77-acre former Narragansett Brewery property is completed. The Brewery Parkade has over 400,000 square feet of retail shopping area including such well-known retailers as Lowe's, Kmart, A.J. Wright, Super Stop & Shop, and several smaller stores. Phase II, the office development phase, has begun with a new 120,000 square foot complex to house the Katherine Gibbs School, which opened in January 2004 and accommodates over 1,500 attending students. National restaurant chain, Texas Roadhouse, constructed what has become a very successful facility. The developers are currently constructing a building that will become a new state-of-the art Police Headquarters and Municipal Court for the City of Cranston. Additional office buildings are currently in the planning stages and seven acres of additional open space has been added with the razing of the former Trolley Barn, which was part of the original Brewery Site. This substantial and visible economic redevelopment effort along Route 10 is proving to be a catalyst for the redevelopment of other nearby former industrial sites.

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

Citizens Bank Expansion - The Citizens Bank technology service center, located in the former Davol Company, is already the City's single largest office employer. Citizens Bank has continued its major expansion of 90,000 square feet and another 800 jobs at this Cranston facility. Located in close proximity to both the Chapel View and the Garden City Shopping Centers, it provides an excellent complement to the retail and service establishments located nearby.

## **LONG-TERM FINANCIAL PLANNING (CONTINUED)**

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

Taco Manufacturing Expansion - A well known industrial/commercial valve and pump producer with worldwide distribution, is currently undergoing an expansion to increase the size of its facility from 40,000 square feet to over 200,000 square feet. The expansion will allow Taco to consolidate all of its operations to one central location. This expansion is a further example of the revitalization of the Cranston Street area.

### ***Cash Management***

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates, depending on the anticipated cash requirements during the period.

### ***Risk Management***

The City is self-insured in most areas of risk, subject to certain third party "stop loss" coinsurance. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims. The City's Counsel defends the City in any lawsuits that arise from the normal course of operations.

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

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

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cranston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

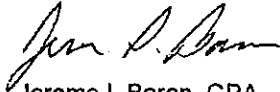
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgments*

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

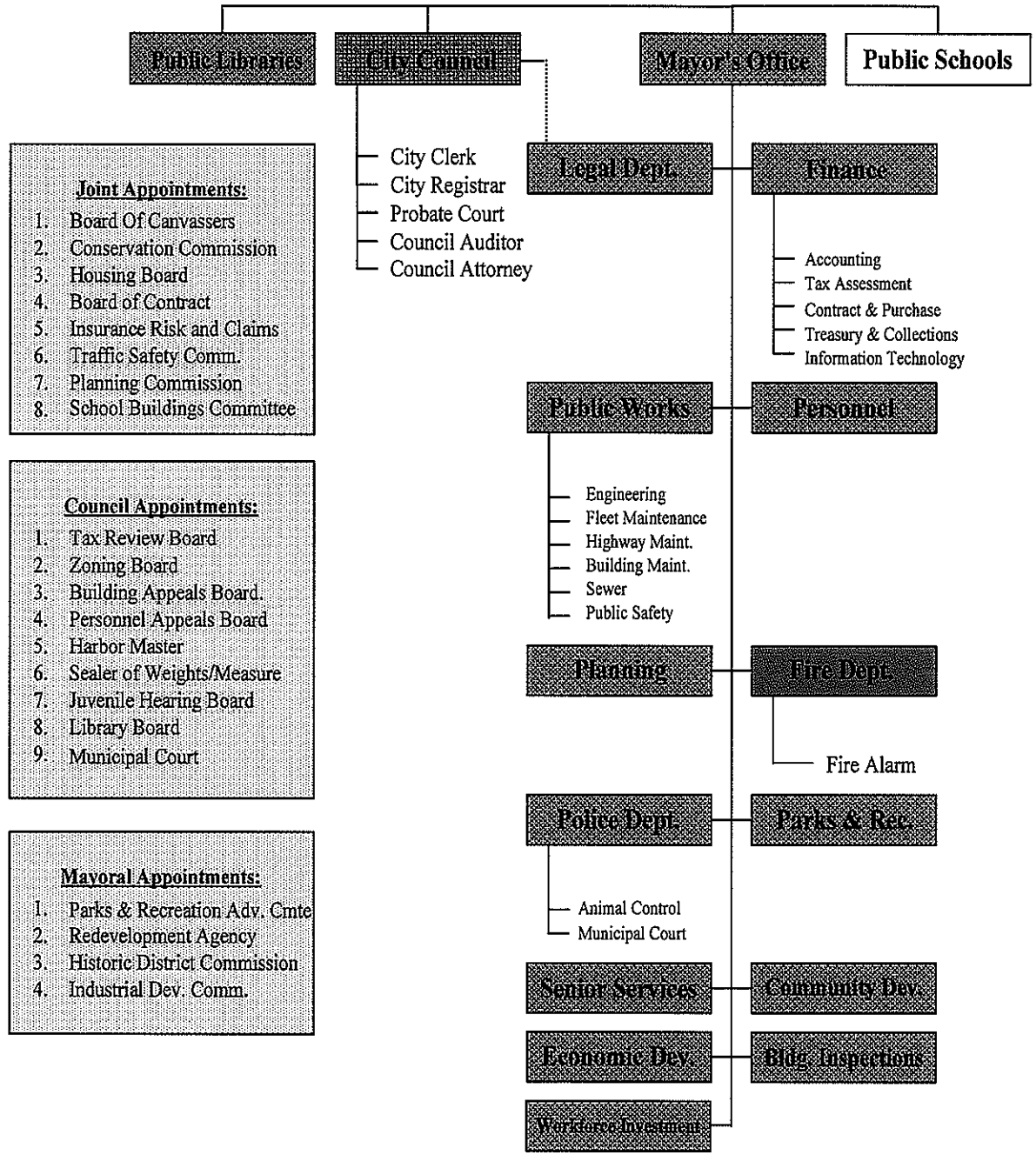
I want to extend the grateful appreciation of all Finance Department employees and to you, Mayor and members of the City Council, for the confidence you have shown in us.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerome I. Baron". The signature is written in a cursive style with a large initial "J".

Jerome I. Baron, CPA  
Director of Finance

# The People of Cranston



- Joint Appointments:**
1. Board Of Canvassers
  2. Conservation Commission
  3. Housing Board
  4. Board of Contract
  5. Insurance Risk and Claims
  6. Traffic Safety Comm.
  7. Planning Commission
  8. School Buildings Committee

- Council Appointments:**
1. Tax Review Board
  2. Zoning Board
  3. Building Appeals Board.
  4. Personnel Appeals Board
  5. Harbor Master
  6. Sealer of Weights/Measure
  7. Juvenile Hearing Board
  8. Library Board
  9. Municipal Court

- Mayoral Appointments:**
1. Parks & Recreation Adv. Cmte
  2. Redevelopment Agency
  3. Historic District Commission
  4. Industrial Dev. Comm.

**CITY OF CRANSTON, RHODE ISLAND**

LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2006

---

**MAYOR**

Stephen P. Laffey

**FINANCE DEPARTMENT**

Jerome I. Baron, CPA, Finance Director

Michael Igoe, CPA – City Controller

Frank Smith – Tax Assessor

Randy Rossi – City Treasurer

Mark Marchesi – Purchasing Agent

William Aguiar – Information Technology Manager

**CITY COUNCIL**

Aram Garabedian – Council President

Paula B. McFarland – Council Vice President

Allan Fung

Michael Pisaturo

Terence Livingston

Cynthia M. Fogarty

Maria Bucci

John E. Lanni, Jr.

Jeffrey Barone

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cranston  
Rhode Island

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



*Carla E. Perry*

President

*Jeffrey R. Emmer*

Executive Director



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# Financial Section

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## INDEPENDENT AUDITORS' REPORT

Board of Finance  
City of Cranston, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

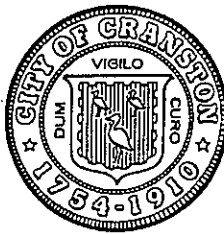
The Management Discussion and Analysis, Schedule of Funding Progress - Cranston Retirement System and budgetary comparison information on pages 14 through 31 and pages 72 through 74, respectively, are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City of Cranston, Rhode Island  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cranston, Rhode Island's basic financial statements. The introductory section and the accompanying financial information listed as supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Kostin, Ruffness & Company, LLC*

New London, Connecticut  
December 18, 2006



DEPARTMENT OF FINANCE  
869 PARK AVENUE  
CRANSTON, RHODE ISLAND 02910

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

Management's discussion and analysis ("MD&A") of the City of Cranston's (the "City's") financial performance provides an overview of the City's financial activities. It is designed to assist the reader in focusing on significant financial issues that the City has encountered.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements.

**HIGHLIGHTS**

**Financial Highlights**

- The City's net assets increased by \$4.2 million (or 36.2%). The governmental net assets increased by \$2.5 million (or 11.0%) and the business-type net assets increased by \$1.8 million (or 5.1%).
- The governmental activities revenue increased \$3.9 million (or 1.7%) and the net results from activities decreased by \$4.4 million (or 63.7%). In 2006, the results of activities produced an increase in net assets of \$2.5 million and in 2005, the results of activities produced an increase in net assets of \$6.9 million.
- The business-type activities revenue increased by \$1.7 million (or 8.7%) and the net results from activities decreased by \$0.3 million (or 16.8%). In 2006, the results of activities produced an increase in business-type net assets of \$1.8 million, while in 2005, the results of activities produced an increase of \$2.1 million in business-type net assets.
- The General Fund (the primary operating fund) reflected on a current financial resource basis reports an increase in fund balance of \$0.3 million (or 1.7%), compared to an increase of \$3.5 million in the prior year.

**Using this Annual Report**

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

***HIGHLIGHTS (CONTINUED)***

**Reporting the City as a Whole**

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

In the Statement of Net Assets and Statement of Activities, we divide the City into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including police, fire, public works, parks and recreation and general administration. Property taxes, state appropriations and miscellaneous departmental revenue finance most of these activities.
- **Business-type activities** - The City's sewer system is a fee based system. The City charges a fee to the users of the system to help cover all or most of the cost associated with operating the system.
- **Component units** - The City includes in its report Public Facilities Management Foundation, a separate legal entity, from which the City leases its public works facility. Although legally separate, this "component unit" is important because the City is financially accountable for it. A separately issued financial statement may be obtained by contacting the Finance Director of the City of Cranston.

**Reporting the City's Most Significant Funds**

Our analysis of the City's major funds is included in the fund financial statements and provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the construction of the Briggs Farm recreational facility) or to show that it is meeting legal responsibility for using certain taxes, grants and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two types of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** - Most of the City's basic services are reported in 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliations at the bottom of the fund financial statements.

**Reporting the City's Most Significant Funds (Continued)**

- **Proprietary funds** - When the City charges customers for the services it provides-whether to outside customers or to other units of the City-these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide services for the City's other programs and activities-such as the Insurance and Risk Management Fund.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**The City as Trustee**

The City is the trustee, or fiduciary, for the Police and Fire Employees' Pension of the City of Cranston. It is also responsible for other assets that (because of a trust arrangement) can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Statement of Net Assets**

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

**Condensed Statement of Net Assets**

**As of June 30**

**(In Millions)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><i>Assets:</i></b>						
Current and other assets.....	\$ 83.9	\$ 61.9	\$ 12.0	\$ 23.7	\$ 95.9	\$ 85.6
Capital assets .....	102.8	105.4	70.6	69.6	173.4	175.0
<b><i>Total assets</i></b> .....	<b>186.7</b>	<b>167.3</b>	<b>82.6</b>	<b>93.3</b>	<b>269.3</b>	<b>260.6</b>
<b><i>Liabilities:</i></b>						
Long-term debt outstanding.....	188.9	166.8	11.6	7.8	200.5	174.6
Other liabilities .....	18.0	24.3	34.8	51.1	52.8	75.4
<b><i>Total liabilities</i></b> .....	<b>206.9</b>	<b>191.1</b>	<b>46.4</b>	<b>58.9</b>	<b>253.3</b>	<b>250.0</b>
<b><i>Net assets:</i></b>						
Invested in capital assets, net of debt .....	12.9	36.7	62.8	61.8	75.7	98.5
Restricted.....	9.5		1.8	0.5	11.3	0.5
Unrestricted (deficit) .....	(42.6)	(60.5)	(28.4)	(27.9)	(71.0)	(88.4)
<b><i>Total net assets</i></b> .....	<b>\$ (20.2)</b>	<b>\$ (23.8)</b>	<b>\$ 36.2</b>	<b>\$ 34.4</b>	<b>\$ 16.0</b>	<b>\$ 10.6</b>

The composition of net assets and the changes in net assets over a period of time serves as a useful indicator of the City's financial position. The City's assets at June 30, 2006, exceed liabilities by \$16.0 million. Of the net assets, \$(71.0) million are Unrestricted Net Assets. The City's net assets are comprised of \$(20.2) million from governmental activities and \$36.2 million from business-type activities.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)***

**Condensed Statement of Net Assets (Continued)**

“Invested in Capital Assets, Net of Related Debt” comprises \$75.7 and \$98.5 million of net assets at June 30, 2006 and 2005, respectively. This category reflects the total invested in capital assets (vehicles, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**Normal Impacts**

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

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

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

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

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

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

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

The second category of net assets, Restricted Net Assets, represents net assets that are subject to external restriction on how they may be used. Restricted Net Assets totaled \$9.5 million for governmental activities and \$1.8 million for business-type activities. These consisted predominantly of construction commitments for existing capital projects of \$9.0 million in governmental activities and \$1.2 million in business-type activities. Additionally, in business-type activities, these restrictions consisted of cash reserves required by bond agreement totaling \$.5 million.

**Governmental Activities-Condensed Statements of Net Assets**

**June 30, 2006**

The major component of the “Current and Other Assets” category is “Cash and Cash Equivalents” of \$23 million. This category is also comprised of “Investments” of \$44 million. “Cash and Cash Equivalents” decreased \$22.2 million due to assets being placed in longer term investments and, therefore, reclassified as investments on the statement. Investments increased by \$44 million due to the investment strategy described and the issuance of \$23.9 million in bonds in June 2006.

“Capital Assets” totaling \$102.8 million (net of accumulated depreciation) represents the City’s investment in capital assets necessary to provide services to the residents of the City of Cranston. The major categories of fixed assets consist of land, land improvements, equipment, vehicles, and infrastructure.

“Other Liabilities” decreased by \$6.3 million due to a decrease in unearned revenue from uncollected property taxes.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)***

**Governmental Activities-Condensed Statements of Net Assets (Continued)**

**June 30, 2006**

The “Long-Term Debt Outstanding” at fiscal year end was \$188.9 million, of which \$91.1 million consisted of general obligation bonds, leases payable, and certificates of participation. The proceeds from these obligations were used to fund various capital projects (such as school construction and playground construction and improvements). The City issued \$23.9 million of general obligation bonds during fiscal year 2006.

Total Net Assets at June 30, 2006 was comprised of “Unrestricted Net Assets” of \$(42.6) million with the balance consisting of “Restricted” of \$9.5 million and “Invested in Capital Assets Net of Related Debt” of \$12.9 million.

**June 30, 2005**

The major component of the “Current and Other Assets” category consists of “Net Taxes Receivable” of \$3.1 million. This category is also comprised of “Cash and Cash Equivalents” of \$45.3 million and other receivables totaling \$8.1 million.

“Capital Assets” totaling \$105.4 million (net of accumulated depreciation) represents the City’s investment in capital assets necessary to provide services to the residents of the City of Cranston. The major categories of fixed assets consist of land, land improvements, equipment, vehicles, and infrastructure.

The “Long-Term Debt Outstanding” at fiscal year end was \$166.8 million, of which \$68.7 million consisted of general obligation bonds, leases payable and certificates of participation. The proceeds from these obligations were used to fund various capital projects (such as the construction of the new Briggs Farm recreational facility). The City issued \$22.3 million of refunding general obligation bonds during fiscal year 2005.

Total net assets at June 30, 2005, are comprised of “Unrestricted Net Assets” at \$(60.5) million with the balance of invested in capital assets net of related debt of \$36.7 million.

**Business-Type Activities-Condensed Statements of Net Assets**

**June 30, 2006**

For business-type activities, such as the Sewer Enterprise Fund, there are two major components of “Current and Other Assets”. “Cash and Cash Equivalents” of \$5.1 million were available to support the current operations of the sewer plant. The remaining balance of \$6.9 million consists primarily of “Other Assets”. “Other Assets” consists mainly of receivables totaling \$2.7 million, a lease payment receivable of \$3.5 million and restricted cash of \$.5 million.

“Capital Assets” totaling \$70.6 million represents the City’s investment, net of related debt, in land, buildings, machinery and equipment and motor vehicles for use by the Sewer and School Lunch Enterprise Funds.

“Long-Term Debt” Obligations of \$11.6 million represents amounts due for general obligation bonds used to finance the capital operations of the Sewer Plant as well as SRF (state revolving fund) loan from Rhode Island Clean Water Finance Agency. “Other Liabilities” consisted primarily of “Unearned Revenue” of \$31.4 million and \$3.3 million of “Accounts Payable”, and \$0.2 million of other miscellaneous payables.

“Invested in Capital Assets, net of Related Debt” is the major component of net assets for business-type activities at a total of \$62.8 million. As stated above, in the government-wide analysis of the Statement of Net Assets, the total of \$1.8 million is for “Restricted Net Assets”. The balance of \$(28.4) million comprises “Unrestricted Net Assets”.



**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities-Condensed Statements of Net Assets**

**June 30, 2005**

For business-type activities such as the Sewer Enterprise Fund, there are three major components of “Current and Other Assets”. “Sewer Assessment and User Fees” of \$14.0 million consisted of the fiscal year 2005 billing and prior year receivables. “Cash and Cash Equivalents” of \$3.1 million were available to support the current operations of the sewer plant. The remaining balance of \$6.6 million consists primarily of “Other Receivables”.

“Capital Assets” totaling \$69.6 million represents the City’s investment, net of related debt, in land, buildings, machinery and equipment and motor vehicles for use by the Sewer and School Lunch Enterprise Funds. “Long-Term Debt Obligation” represents amounts due for general obligation bonds used to finance the capital operations of the Sewer Plant as well as SRF (state revolving fund) loan from Rhode Island Clean Water Finance Agency. “Other Liabilities” consisted primarily of “Unearned Revenue” of \$47.4 million and \$3.6 million of “Accounts Payable”, and \$0.05 million of other miscellaneous payables.

Net assets “Invested in Capital Assets, net of Related Debt” is the major component of net assets for business-type activities at a total of \$61.8 million. As stated above, in the government-wide analysis of the Statement of Net Assets, the total of \$0.5 million is for “Restricted Net Assets”. The balance of \$(27.9) million comprises “Unrestricted Net Assets”.

**Statement of Activities**

A condensed Statement of Activities for the City of Cranston is presented below listing the major categories of revenues and expenses for the fiscal years ended June 30, 2006 and 2005.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services.....	\$ 17.2	\$ 15.1	\$18.5	\$18.0	\$35.7	\$ 33.1
Operating grants and contributions .....	51.7	53.6	1.1	1.0	52.8	54.6
Capital grants and Contributions .....	0.1	0.3	2.0	0.8	2.1	1.1
<b>General Revenues:</b>						
Property taxes .....	159.0	158.6			159.0	158.6
Grants and contributions not restricted to specific programs .....	5.6	3.2			5.6	3.2
Unrestricted investment earnings ...	2.3	1.2	0.2	0.3	2.5	1.5
<b>Total revenues</b> .....	<b>235.9</b>	<b>232.0</b>	<b>21.8</b>	<b>20.1</b>	<b>257.7</b>	<b>252.1</b>

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Statement of Activities (Continued)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2006	2005	2006	2005	2006	2005
<b>Program Expenses:</b>						
General government.....	10.0	15.8			10.0	15.8
Public safety .....	66.1	61.2			66.1	61.2
Public works .....	12.4	12.5			12.4	12.5
Parks and recreation.....	2.4	2.1			2.4	2.1
Libraries.....	2.8	2.8			2.8	2.8
Education.....	128.5	123.3			128.5	123.3
Senior services.....	2.6	2.6			2.6	2.6
Other .....			2.9	2.9	2.9	2.9
Community development.....	2.0	1.6			2.0	1.6
Sewer .....			17.1	15.1	17.1	15.1
Interest and other costs .....	6.6	3.2			6.6	3.2
<b>Total expenses</b> .....	<b>233.4</b>	<b>225.1</b>	<b>20.0</b>	<b>18.0</b>	<b>253.4</b>	<b>243.1</b>
<b>Change in net assets</b> .....	<b>2.5</b>	<b>6.9</b>	<b>1.8</b>	<b>2.1</b>	<b>4.3</b>	<b>9.0</b>
<b>Net assets – July 1, (as restated)</b> .....	<b>(22.7)</b>	<b>(30.7)</b>	<b>34.4</b>	<b>32.3</b>	<b>11.7</b>	<b>1.6</b>
<b>Net assets – June 30</b> .....	<b>\$(20.2)</b>	<b>\$(23.8)</b>	<b>\$36.2</b>	<b>\$34.4</b>	<b>\$ 16.0</b>	<b>\$ 10.6</b>

The Condensed Statement of Net Assets presents revenues, expenses and changes in net assets separately for governmental activities and business-type activities. The condensed format allows for presentation of Program Revenues (Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions) followed by a listing of General Revenues to support the City’s overall government or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities-Condensed Statement of Activities**

As noted above, there are two categories of revenue on the Statement of Activities - “Program Revenues” and “General Revenues”. “Program Revenues” are derived directly from the program itself or from parties outside the City’s taxpayers or citizenry and, as a whole, reduce the net cost of the function to be financed from the City’s “General Revenues”. “Program Revenues” are further divided into “Charge for Services”, “Operating Grants and Contributions” and “Capital Grants and Contributions”.

“General Revenues” include all revenues not required to be reported as “Program Revenue”. The “Other General Revenues” of \$166.9 and \$163.0 million includes \$159.0 and \$158.6 million in property taxes for the years ended June 30, 2006 and 2005, respectively.

“Program Expenses” are presented in the Condensed Statement of Activities by function and total \$233.4 and \$225.1 million (including interest on long-term debt) for the fiscal years June 30, 2006 and 2005. Revenues less expenses presented in this statement amount to change in the “Change of Net Assets” of \$2.5 and \$6.9 million for the years ended June 30, 2006 and 2005, respectively.

**Business-Type Activities – Condensed Statement of Activities**

Business-Type Activities provided by the City of Cranston consists primarily of the operation of wastewater facility commonly know as the Sewer Enterprise Fund. The majority of revenues for this fund consist of “Program Revenues”. Each year every user is charged a fee that is captured in the “Charges for Services” sub-category. In fiscal years 2006 and 2005, the City generated \$18.5 and \$18.0 million, respectively, in charges for services.

The City reports the total amount of expenses for business-type activities as \$20.0 and \$18.0 million for the fiscal years ended June 30, 2006 and 2005, respectively. The “Change in Net Assets” (revenues less expenses) for the years ended June 30, 2006 and 2005 were \$1.8 and \$2.1 million, respectively.

**Analysis of Fund Financial Statements**

*Governmental funds* include the General Fund, Special Revenue Funds and Capital Project Funds and are presented within the following fund financial statements:

<u>Description of Financial Statement</u>	<u>Exhibit</u>
Balance Sheet	C
Statement of Revenues, Expenditures and Changes in Fund Balances	D

The basic *proprietary funds* financial statements for enterprise and internal service funds are presented within the following statements:

<u>Description of Financial Statement</u>	<u>Exhibit</u>
Statement of Net Assets	F
Statement of Revenues, Expenses and Changes in Net Assets	G
Statement of Cash Flows	H

**Governmental Funds**

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

**June 30, 2006**

Combined fund balances for the Governmental Funds was \$58.6 million. Fund balance was comprised of \$49.1 million unreserved fund balances and \$9.5 million reserved fund balances. Under the modified-accrual basis for Fund Financial Statements, the emphasis is on accounting for current financial resources of the City. Assets of \$86.0 million include primarily \$21.5 million in “Cash and Cash Equivalents”, \$44.0 million in “Investments”, \$1.4 million in “Taxes Receivable”, \$7.5 million in “Interfund Receivables”, \$5.9 million “Due From Other Governments” and the remaining \$5.7 million in “Loans” and “Other Current Assets”. Liabilities of \$27.3 million consisted of \$3.9 million in “Accounts Payable”, \$7.7 million in “Due to Other Funds”, \$9.4 million in “Unearned Income and Other”, and \$6.3 million of other miscellaneous liabilities.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Funds (Continued)**

**June 30, 2005**

The City's governmental funds, consisting of the general fund, special revenue funds and the capital project funds, were reported in "Statement B-1-Balance Sheet." Combined fund balances for the Governmental Funds was a surplus of \$34.2 million. The surplus was comprised of \$33.8 million unreserved fund balances, and \$0.4 million reserved fund balances. Under the modified-accrual basis for Fund Financial Statements, the emphasis is on accounting for current financial resources of the City. Assets of \$203.4 million include primarily \$43.3 million in "Cash and Cash Equivalents", \$143.4 million in "Taxes Receivable", \$6.0 million in "Interfund Receivables", \$6.0 million "Due From Other Governments" and the remaining \$4.7 million in "Investments" and "Other Current Assets". Liabilities of \$169.2 million consist of \$6.4 million in "Accounts Payable", \$7.1 million in "Due to Other Funds", \$150.3 million in "Unearned Income and Other", and the remaining \$5.4 million in "Accrued Payroll", "Accrued Interest", "Accrued Liabilities", "Retainage Payable" and "Other Liabilities".

**Condensed Balance Sheet**

As of June 30  
(In Millions)

	General Fund		School Department		Total Major Funds	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets:</b>						
Current and other assets.....	\$37.5	\$40.1	\$5.2	\$5.1	\$42.7	\$45.2
<b>Total assets</b> .....	<b>37.5</b>	<b>40.1</b>	<b>5.2</b>	<b>5.1</b>	<b>42.7</b>	<b>45.2</b>
<b>Liabilities:</b>						
Other liabilities .....	17.6	20.5	3.7	4.1	21.3	24.6
<b>Total liabilities</b> .....	<b>17.6</b>	<b>20.5</b>	<b>3.7</b>	<b>4.1</b>	<b>21.3</b>	<b>24.6</b>
<b>Fund Balance:</b>						
Reserved .....			0.4	0.3	0.4	0.3
Unreserved.....	19.9	19.6	1.1	0.7	21.0	20.3
<b>Total fund balance</b> .....	<b>\$19.9</b>	<b>\$ 19.6</b>	<b>\$1.5</b>	<b>\$1.0</b>	<b>\$21.4</b>	<b>\$ 20.6</b>

**General Fund - Condensed Balance Sheet**

**June 30, 2006**

The "General Fund's" total assets of \$37.5 million consists primarily of \$5.8 million in "Cash and Cash Equivalents", \$23.6 million of "Investments", \$1.4 million of "Taxes Receivable", \$1.6 million of "Due From Other Funds", \$4.9 million of "Due From Other Governments" and \$0.2 million of other assets.

Total Liabilities for the General Fund were \$17.6 million. "Accounts Payable" amounted to \$2.5 million, \$7.1 million represent "Unearned Income", "Due to Other Funds" of \$5.3 million, and \$2.7 million in accrued interest and liabilities.

The City's "Fund Balance" was \$19.9 million, all of which was unreserved at June 30, 2006.

During the year "Cash and Cash Equivalents" decreased \$25.0 million, "Investments" increased by \$23.6 million, and "Accounts Payable" decreased \$1.1 million from prior year.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)***

**General Fund - Condensed Balance Sheet (Continued)**

**June 30, 2005**

The "General Fund's" total assets of \$40.1 million consists primarily of \$30.8 million in "Cash and Cash Equivalents", \$3.1 million of Taxes Receivables, \$0.7 million of "Due From Other Funds", and \$5.2 million of "Due From Other Governments."

Total Liabilities for the General Fund were \$20.5 million. "Accounts Payable" amounted to \$3.6 million, \$6.1 million in "Due to Other Funds", \$8.0 million represent "Unearned Income and Other", \$0.9 million in "Other Liabilities" and the remaining \$1.9 million in accrued liabilities.

The City's "Fund Balance" was \$19.6 million, all of which was unreserved at June 30, 2005.

**School Department - Condensed Balance Sheet**

**June 30, 2006**

The School Department's total assets were \$5.2 million. The majority of that consisted of \$1.2 million in "Cash and Cash Equivalents", \$2.3 million in "Other Receivables", \$0.8 million of "Advance Deposits", and \$0.9 of "Due From Other Funds".

Liabilities for the School Department totaled \$3.7 million. The majority of that consisted of "Accounts Payable" of \$0.9 million and other liabilities of \$2.8 million. The School Department had Fund Balance of \$1.5 million. This was comprised of \$0.4 million "Reserved Fund Balance" and a balance of \$1.1 million in "Unreserved Fund Balance" of which \$0.9 million has been designated for specific purposes. For the prior fiscal year, "Unreserved Fund Balance" was \$0.7 million and "Reserved Fund Balance" was \$0.3 million, a change of \$0.4 million and \$0.1 million, respectively.

**June 30, 2005**

The School Department's total assets were \$5.1 million. The majority of that consisted of \$2.1 million in "Cash and Cash Equivalents", \$1.5 million in "Other Receivables" and \$1.5 million in "Other Current Assets".

Liabilities for the School Department totaled \$4.1 million. The majority of that consisted of "Accounts Payable" of \$2.1 million and other liabilities of \$2.0 million. The School Department had Fund Balance of \$1.0 million. This was comprised of \$0.3 million "Reserved Fund Balance" and \$0.7 million "Unreserved Fund Balance". For the prior fiscal year, "Unreserved Fund Balance" was \$1.0 million and "Reserved Fund Balance" was \$0.6 million, a change of \$(0.3) million and \$(0.3) million, respectively.

**Condensed Statement of Revenues, Expenditures and Changes in Fund Balances**

A condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the City of Cranston is presented below listing the major categories of revenues and expenditures for the fiscal years ended June 30, 2006 and 2005. The major funds for the City of Cranston are the "General Fund" and the "School Department."

The fund reporting format, also presented on a functional basis, exhibited in "Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances" presents all revenue types followed by the expenses for the City. However, for the fund financial statements, the City reports only current year capital expenditures and does not report depreciation on capital assets and reports principal payments on long-term liabilities only as current year expenditure and not the related long-term liability as within the Government-Wide Financial Statements. The major source of revenues comes from the "General Property Taxes" of \$146.0 and \$146.7 million, respectively. Total revenues for all governmental funds for the years ending June 30, 2006 and 2005 were \$234.6 and \$229.8 million, respectively. For the Governmental Funds, the total expenditures for the years ending June 30, 2006 and 2005 were \$234.4 and \$226.4 million, respectively. For the year ended June 30, 2006, General Fund revenues exceeded expenditures by \$73.6 million before other financing sources (uses).

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Condensed Statement of Revenues, Expenditures and Changes in Fund Balances**

Year Ended June 30  
(In Millions)

	<u>General Fund</u>		<u>School Department</u>		<u>Total Major Governmental</u>		
	2006	2005	2006	2005	2006	2005	
<b>Revenues:</b>							
<b>General Revenues:</b>							
Property taxes .....		\$146.0	\$146.7		\$146.0	\$146.7	
Intergovernmental.....		10.0	7.1	\$39.8	\$ 34.9	49.8	42.0
Charges for services.....		7.9	7.5	2.0		9.9	7.5
Investment income.....		1.5	0.8			1.5	0.8
Other .....		4.5	6.0	0.2	5.5	4.7	11.5
<b>Total revenues</b> .....		<u>169.9</u>	<u>168.1</u>	<u>42.0</u>	<u>40.4</u>	<u>211.9</u>	<u>208.5</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General government.....		7.9	9.2			7.9	9.2
Public safety .....		58.9	58.5			58.9	58.5
Public works .....		12.5	12.2			12.5	12.2
Education .....				120.5	115.5	120.5	115.5
Parks and recreation.....		2.1	1.9			2.1	1.9
Public libraries.....		2.8	2.7			2.8	2.7
Senior services.....		2.5	2.4			2.5	2.4
Other .....		0.1	0.8			0.1	0.8
<b>Debt Service:</b>							
Principal.....		3.8	3.8			3.8	3.8
Interest and other costs .....		5.7	3.3			5.7	3.3
<b>Capital:</b>							
Capital expenditures .....			0.3				0.3
<b>Total expenditures</b> .....		<u>96.3</u>	<u>95.1</u>	<u>120.5</u>	<u>115.5</u>	<u>216.8</u>	<u>210.6</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses).....		<u>73.6</u>	<u>73.0</u>	<u>(78.5)</u>	<u>(75.1)</u>	<u>(4.9)</u>	<u>(2.1)</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in .....		10.7	9.7	79.0	74.5	89.7	84.2
Transfers out .....		(84.0)	(79.2)			(84.0)	(79.2)
<b>Net other financing sources (uses)</b> .....		<u>(73.3)</u>	<u>(69.5)</u>	<u>79.0</u>	<u>74.5</u>	<u>5.7</u>	<u>5.0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses .....		0.3	3.5	0.5	(0.6)	0.8	2.9
<b>Fund balance July 1</b> .....		<u>19.6</u>	<u>16.1</u>	<u>1.0</u>	<u>1.6</u>	<u>20.6</u>	<u>17.7</u>
<b>Fund balance June 30</b> .....		<u>\$ 19.9</u>	<u>\$ 19.6</u>	<u>\$ 1.5</u>	<u>\$ 1.0</u>	<u>\$ 21.4</u>	<u>\$ 20.6</u>

***GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)***

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

**June 30, 2006**

The City's "General Fund" had revenues of \$169.9 million for the fiscal year ended June 30, 2006. This was comprised of \$146.0 million in "General Property Taxes", \$10.0 million of "Intergovernmental" revenues, \$7.9 million in "Charges for Services", \$1.5 million in "Investment Income", and \$4.5 million in "Other" revenue.

Expenditures for the "General Fund" for fiscal year ended June 30, 2006 were \$96.3 million. These expenditures consisted of \$7.9 million in "General Government" expenditures, \$58.9 million of "Public Safety" expenditures, \$12.5 million of "Public Works" expenditures, \$2.1 million of "Parks and Recreation" expenditures, \$2.8 million of "Public Libraries" expenditures, \$2.5 million of "Senior Services" expenditures, \$0.1 million of "Other" expenditures, \$3.8 million of "Debt Service Principal" expenditures, and \$5.7 million of "Interest and Other Costs".

In addition to general operating expenses, the "General Fund" also had "Net Other Financing Uses" of \$(73.3) million. This was composed of \$(79.1) million transfer to the "School Department" and \$(4.9) million transfers to budget and hospital stabilization funds. This also included \$10.7 million in "Transfers In" from "Other Governmental Funds" for excise tax phase-out.

The "Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses" was \$0.3 million for the fiscal year ended June 30, 2006. This was primarily due to the following:

- Increase in Intergovernmental Revenue of \$2.9 million from excise tax phase out grants received from the State of Rhode Island.
- Decrease in General Government Expenditures of \$1.3 million.
- Increase in Debt Service Expenditures of \$2.4 million due to primarily to a \$2.1 million payment related to retroactive pay due to employees associated with contract settlements.
- Increase in Net Transfers Out of \$3.8 million due primarily to an increase in the transfer to the School Department of \$4.6 million a \$1 million increase in transfers in from the Excise Tax Phase-Out Fund.

**June 30, 2005**

The City's "General Fund" had revenues of \$168.1 million for the fiscal year ended June 30, 2005. This was comprised of \$146.7 million in "General Property Taxes", \$7.1 million of "Intergovernmental" revenues, \$3.6 million in "Licenses and Permits", \$1.7 million in "Fines and Forfeitures", \$0.8 million in "Investment Income", \$2.2 million in "Departmental" revenue and \$6.0 million in "Other" revenue.

Expenditures for the "General Fund" for fiscal year ended June 30, 2005 were \$95.1 million. These expenditures consisted of \$9.2 million of "General Government" expenditures, \$58.5 million of "Public Safety" expenditures, \$12.2 million of "Public Works" expenditures, \$1.9 million of "Parks and Recreation" expenditures, \$2.7 million of "Public Libraries" expenditures, \$2.4 million of "Senior Services" expenditures, \$0.8 million of "Other" expenditures, \$3.8 million of "Debt Service Principal" expenditures, \$3.3 million of "Interest and Other Costs" and \$0.3 million of "Capital Expenditures".

In addition to general operating expenses, the "General Fund" also had "Net Other Financing Uses" of \$(69.5) million. This was composed of \$(79.2) million transfer to the "School Department" and other funds with \$9.7 million in "Transfers In" from "Other Governmental Funds" for excise tax phase-out.

The "Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses" was \$3.5 million for the fiscal year ended June 30, 2005. This primarily resulted from an increase in tax collection of approximately \$4.2 million.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)***

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

**June 30, 2006**

The "School Department" had revenues for the year ended June 30, 2006 of \$42.0 million. This was derived from \$39.8 million of "Intergovernmental" revenues and \$2.2 million of "Other" revenues.

Expenditures for the "School Department" totaled \$120.5 million. This entire amount represents expenditures related to "Education".

In addition to general operating revenues, the "School Department" also received \$79.1 million of "Other Financing Sources" in the form of "Transfers In" from the "General Fund".

The "Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses" was \$0.5 million for the fiscal year ended June 30, 2006.

**June 30, 2005**

The "School Department" had revenues for the year ended June 30, 2005 of \$40.4 million. This was derived from \$34.9 million of "Intergovernmental" revenues and \$5.1 million of "Other" revenues.

Expenditures for the "School Department" totaled \$115.5 million. This entire amount represents expenditures related to "Education".

In addition to general operating revenues, the "School Department" also received \$74.5 million of "Other Financing Sources" in the form of "Transfers In" from the "General Fund".

The "Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses" was \$(0.6) million for the fiscal year ended June 30, 2005.

**Proprietary Funds**

**June 30, 2006**

The Proprietary Funds consist of the Sewer Fund, the Public Facilities Management Foundation, the School Lunch Program, and the Internal Service Funds. The major source of revenues consists of "Charges for Usage and Service" of \$17.4 million. Total operating revenues were \$18.9 million. Total operating expenses for the year ending June 30, 2006, for the Proprietary Funds were \$20.7 million. The "Contract Payments" of \$13.2 million for sewer privatization comprise the majority of the expenses. Net "Non-Operating Revenues" for the year ending June 30, 2006 were \$3.0 million. The Proprietary Funds ended fiscal year 2006 with \$1.2 million more in revenues than expenditures. Net Assets "Invested in Capital Assets, Net of Related Debt" was \$62.8 million at June 30, 2006. Unrestricted Net Assets were \$(26.1) million at June 30, 2006, compared to \$(26.3) million at June 30, 2005, an increase of \$0.2 million or .8%.



**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Proprietary Fund (Continued)**

**June 30, 2005**

The Proprietary Funds consist of the Sewer Fund, the Public Facilities Management Foundation, the School Lunch Program, and the Internal Service Funds. The major source of revenues consists of "Charges for Usage and Service" of \$17.1 million. Total operating revenues were \$19.7 million. Total operating expenses for the year ending June 30, 2005, for the Proprietary Funds were \$18.5 million. The "Contract Payments" of \$12.0 million for sewer privatization comprise the majority of the expenses. Please refer to Note 17 for a further explanation of privatization contract. Net "Non-Operating Revenues" for the year ending June 30, 2005 were \$1.9 million. The Proprietary Funds ended fiscal year 2005 with \$2.3 million more in revenues than expenses. Net Assets "Invested in Capital Assets, Net of Related Debt" was \$61.8 million at June 30, 2005. Unrestricted Net Assets were \$(26.3) million at June 30, 2005, compared to \$(29.3) million at June 30, 2004, an increase of \$3 million or 10.2%.

**Required Supplemental Information**

In addition to this MD& A and the basic financial statements, this report also presents certain Required Supplemental Information. For the City of Cranston, this Required Supplemental Information includes the Budgetary Comparison Schedule for the General Fund and for the School Department. Budgetary comparison for special revenue funds can be found on "Schedule 4". The presentation under GASB 34 requires disclosure of both the original and final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized legislative and executive changes applicable to the fiscal year.

**Analysis of Significant Budget Variations in the General Fund**

For the year ended June 30, 2006, the General Fund Revenues were less than budget projections by \$(2.1) million or 0.9%. General Fund Expenditures were less than the budget by \$2.4 million or 1.1%. This resulted in \$0.3 million of positive variance from revenues in excess of expenditures in the General Fund for the year ending June 30, 2006.

Significant revenue variances include:

- Property taxes – Unfavorable variance of \$1.9 million due to a decrease in property tax collections.
- Intergovernmental – Favorable variance of \$1.3 million due to an increase in excise tax phase-out payments from the State of Rhode Island.
- Other – Unfavorable variance of \$2.1 million mainly due to decreased revenues recorded in conjunction with the City's residents' third party rescue fee billing.

Significant expenditure variances include:

- Law – Unfavorable variance of \$0.7 million due mainly to \$.65 million charged for required claims payable reserve.
- Rescue Fund – Favorable variance of \$2.5 million due to expenditures recorded in conjunction with the City's residents' third party rescue fee runs.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The City of Cranston's investment in capital assets for its governmental and business-type activities as of June 30, 2006 and 2005 amounted to \$173.4 and \$174.9 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles, machinery and equipment and office furniture and equipment, and infrastructure.

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land.....	\$ 11.1	\$ 11.1	\$ 0.4	\$ 0.4	\$ 11.5	\$ 11.5
Buildings.....	59.1	58.8			59.1	58.8
Land improvements .....	9.5	9.5	0.3	0.3	9.8	9.8
Motor vehicles .....	14.4	13.6			14.4	13.6
Equipment.....	7.8	7.5	1.0	1.0	8.8	8.5
Construction in progress .....			5.8	4.6	5.8	4.6
Infrastructure .....	81.6	81.6			81.6	81.6
Leasehold improvements .....			0.1		0.1	
Sewer lines.....			45.6	45.6	45.6	45.6
Treatment and pumping plant.			74.9	72.8	74.9	72.8
<b>Total assets</b> .....	<b>183.5</b>	<b>182.1</b>	<b>128.1</b>	<b>124.7</b>	<b>311.6</b>	<b>306.8</b>
Less: accumulated depreciation	(80.7)	(76.7)	(57.5)	(55.2)	(138.2)	(131.9)
<b>Net capital assets</b> .....	<b>\$102.8</b>	<b>\$ 105.4</b>	<b>\$ 70.6</b>	<b>\$ 69.5</b>	<b>\$173.4</b>	<b>\$ 174.9</b>

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 were \$311.6 million less accumulated depreciation of \$138.2 million for a net investment in capital assets of \$173.4 million.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 were \$306.8 million less accumulated depreciation of \$131.9 million for a net investment in capital assets of \$174.9 million.

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

***CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)***

**Capital Assets (Continued)**

**Governmental Activities:**

Major capital asset additions during the fiscal year ended June 30, 2006 included the following:

- \$1.7 million of vehicles for the police, fire, and public works departments.
- \$.5 million for acquisition of machinery, equipment and furniture.

Major capital asset additions during the fiscal year ended June 30, 2005 included the following:

- \$1.0 million of vehicles for various city departments.

**Business-Type Activities:**

Major capital asset additions during the fiscal year ended June 30, 2006 included the following:

- \$2.2 million of treatment and pumping plant equipment.
- \$1.1 million for construction in progress.

Major capital asset additions during the fiscal year ended June 30, 2005 included the following:

- \$4.0 million of construction in progress related to the Sewer Fund.

**Long-Term Debt**

**June 30, 2006**

As of June 30, 2006, the governmental activities had total long-term debt of \$189.0 million. Of that, \$86.6 million related to bonded debt guaranteed by the City's assets. The City currently has \$4.4 million in leases payable. The business-type activities had total long-term debt of \$11.6 million. Of that, \$7.8 million related to State Revolving Loans (SRF) from Rhode Island Clean Water Finance Agency and \$3.8 million related to Certificates of Participation that relate to the Public Facilities Management Foundation. The (SRF) funds are available for projects related to clean water. The \$3.8 million of Certificates of Participation relate to acquisition and improvements of the Public Works Facility. See Note III.F.1. for further explanation of outstanding debt.

**Debt Outstanding**

For the year ending June 30, 2006, the City had \$102.6 million in debt (bonds, notes, etc.) outstanding compared to the \$80.4 million at June 30, 2005, net increase of \$22.2 million 28% (considering debt retirement and new issues). The key factor in this was the issuance of \$23.9million in public improvement bonds less principal payments made during fiscal year 2006.

**CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)**

**Debt Outstanding (Continued)**

	Outstanding Debt, at June 30 (in Millions)	
	<u>2006</u>	<u>2005</u>
<b>Governmental:</b>		
General obligation bonds.....	\$ 86.6	\$63.3
Capital lease.....	4.4	5.3
<b>Subtotal</b> .....	<u>91.0</u>	<u>68.6</u>
<b>Business-type:</b>		
Sewer revolving loans.....	7.8	7.7
Certificates of participation .....	3.8	4.1
<b>Subtotal</b> .....	<u>11.6</u>	<u>11.8</u>
<b>Total</b> .....	<u>\$102.6</u>	<u>\$80.4</u>

Principal payments of \$4.6 million and \$1.1 million were made in the governmental and business-type activities, respectively, during fiscal year 2006.

Based on an actuarial valuation completed as of July 1, 2006, the liability for unpaid pension contributions decreased by \$0.5 million from \$89.1 million to \$88.6 million.

Except as explained below, under Rhode Island law the City may not, without special statutory authorization, incur any debt that would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. There is currently no outstanding debt of the city subject to the 3% debt limit. The current 3% debt limit of the City is \$179 million based on taxable property as of December 31, 2004, of approximately \$8.0 billion. On June 30, 2006, the City had \$86.6 million of debt outstanding that is outside the 3% debt limit.

The City's bond ratings are as follows:

- Standard & Poor's : "A-"
- Fitch Ratings: "Baa2-"
- Moody's Investors Service : "Baa2"

**Economic Factors and Next Year's Budget and Rates**

- As noted previously, the Fiscal Year 2007 operating budget was passed by a majority vote of the City Council. Property tax collections were assumed to be collected at 98.1% of the current levy. There was also a required reserve budgeted for \$102,000. Having the discipline to budget a required reserve will permit the City to grow a strong Unreserved Fund Balance in future years.
- The City budgeted approximately \$21.7 million for Police and Fire Pension Fund Contributions.

**Request for Information**

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

Finance Director  
City of Cranston  
869 Park Avenue  
Cranston RI 02910

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# Basic Financial Statements

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**CITY OF CRANSTON, RHODE ISLAND**

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash.....	\$ 22,991,086	\$ 5,055,274	\$ 28,046,360
Investments.....	44,005,607		44,005,607
<b>Receivables:</b>			
Property taxes.....	1,399,701		1,399,701
Sewer assessments and user fees, net.....		862,704	862,704
Intergovernmental.....	5,852,832	1,555,956	7,408,788
Loans.....	2,168,552		2,168,552
Other.....	2,706,707	303,027	3,009,734
Prepays.....	899,185		899,185
Bond issue costs - current.....	188,461	59,872	248,333
Internal balances.....	98,994	(98,994)	-
Other.....		35,037	35,037
<b>Total current assets.....</b>	<b>80,311,125</b>	<b>7,772,876</b>	<b>88,084,001</b>
<b>Noncurrent assets:</b>			
<b>Restricted assets:</b>			
<b>Temporarily restricted:</b>			
Cash.....		504,624	504,624
<b>Total restricted assets.....</b>	<b>-</b>	<b>504,624</b>	<b>504,624</b>
<b>Receivables (net):</b>			
Property taxes.....	1,292,031		1,292,031
Other.....		3,510,000	3,510,000
Other assets.....		500	500
Bond issue costs - noncurrent.....	2,267,285	163,766	2,431,051
<b>Total receivables and other assets.....</b>	<b>3,559,316</b>	<b>3,674,266</b>	<b>7,233,582</b>
<b>Capital assets (net of accumulated depreciation):</b>			
Land.....	11,062,827	342,712	11,405,539
Construction in progress.....		5,756,558	5,756,558
Land improvements.....	3,905,966	99,811	4,005,777
Buildings and leasehold improvements.....	28,292,204	76,826	28,369,030
Sewer service to customers.....		38,679	38,679
Treatment and pumping plant.....		44,655,229	44,655,229
Vehicles.....	3,526,427	15,903	3,542,330
Machinery, equipment and furniture.....	1,228,075	97,439	1,325,514
Infrastructure.....	54,834,051	19,511,032	74,345,083
<b>Total net capital assets (net of accumulated depreciation).....</b>	<b>102,849,550</b>	<b>70,594,189</b>	<b>173,443,739</b>
<b>Total noncurrent assets.....</b>	<b>106,408,866</b>	<b>74,773,079</b>	<b>181,181,945</b>
<b>TOTAL ASSETS.....</b>	<b>186,719,991</b>	<b>82,545,955</b>	<b>269,265,946</b>

(Continued)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>LIABILITIES</b>			
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable.....	\$ 4,274,624	\$ 3,322,404	\$ 7,597,028
Accrued liabilities.....	1,007,587		1,007,587
Accrued payroll.....	1,131,488	1,009	1,132,497
Accrued interest payable.....	1,259,319	55,513	1,314,832
Retainage payable.....	28,441		28,441
Unearned revenue.....	5,701,528	2,557,272	8,258,800
Claims payable.....	3,345,795		3,345,795
Bond anticipation notes.....	1,300,000		1,300,000
Total current liabilities.....	18,048,782	5,936,198	23,984,980
Noncurrent liabilities:			
Unearned revenue.....		28,800,000	28,800,000
Long-term liabilities due within one year.....	7,004,115	1,104,059	8,108,174
Long-term liabilities due in more than one year.....	181,850,058	10,529,898	192,379,956
Total long-term liabilities.....	188,854,173	11,633,957	200,488,130
Total noncurrent liabilities.....	188,854,173	40,433,957	229,288,130
TOTAL LIABILITIES.....	206,902,955	46,370,155	253,273,110
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	12,863,084	62,823,896	75,686,980
Restricted for:			
Commitments.....	8,976,552	1,226,000	10,202,552
Debt service.....		504,624	504,624
Other purposes.....	491,469		491,469
Unrestricted.....	(42,514,069)	(28,378,720)	(70,892,789)
TOTAL NET ASSETS.....	\$ (20,182,964)	\$ 36,175,800	\$ 15,992,836

(Concluded)



EXHIBIT E

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUES (EXPENSES) AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government.....	\$ 10,038,244	\$ 9,339,781	\$ 3,141,113	\$ 114,596	\$ 2,442,650	\$ -	\$ 2,442,650
Public safety.....	66,103,904	3,364,334			(62,624,974)		(62,624,974)
Public works.....	12,353,799	124,564			(12,229,235)		(12,229,235)
Education.....	128,470,859	2,719,123	46,578,468		(79,173,268)		(79,173,268)
Parks and recreation.....	2,384,414	192,971			(2,191,443)		(2,191,443)
Public libraries.....	2,824,696	82,500	32,122		(2,710,074)		(2,710,074)
Senior services.....	2,611,039	1,392,072			(1,218,967)		(1,218,967)
Community development.....	1,962,445		1,952,442		(10,003)		(10,003)
Interest expense.....	6,672,049				(6,672,049)		(6,672,049)
<b>TOTAL GOVERNMENTAL ACTIVITIES.....</b>	<b>233,421,449</b>	<b>17,215,346</b>	<b>51,704,145</b>	<b>114,596</b>	<b>(164,387,362)</b>	<b>-</b>	<b>(164,387,362)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Sewer fund.....	17,082,479	16,870,584		2,030,980		1,819,085	1,819,085
Public facilities management foundation.....	275,798	247,419				(28,379)	(28,379)
School lunch fund.....	2,688,143	1,417,343	1,101,082			(169,718)	(169,718)
<b>TOTAL BUSINESS-TYPE ACTIVITIES.....</b>	<b>20,046,420</b>	<b>18,535,346</b>	<b>1,101,082</b>	<b>2,030,980</b>	<b>-</b>	<b>1,620,988</b>	<b>1,620,988</b>
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 253,467,869</b>	<b>\$ 35,750,691</b>	<b>\$ 52,805,227</b>	<b>\$ 2,145,576</b>	<b>\$ (164,387,362)</b>	<b>\$ 1,620,988</b>	<b>\$ (162,766,374)</b>
<b>GENERAL REVENUES:</b>							
Property taxes.....					\$ 158,960,204	\$ -	\$ 158,960,204
Grants and contributions not restricted to specific programs.....					5,599,200		5,599,200
Investment income.....					2,323,532	131,240	2,454,772
<b>TOTAL GENERAL REVENUES.....</b>					<b>166,882,936</b>	<b>131,240</b>	<b>167,014,176</b>
<b>CHANGE IN NET ASSETS.....</b>					<b>2,495,574</b>	<b>1,752,228</b>	<b>4,247,802</b>
<b>NET ASSETS - JULY 1, 2005 (AS RESTATED).....</b>					<b>(22,678,538)</b>	<b>34,423,572</b>	<b>11,745,034</b>
<b>NET ASSETS - JUNE 30, 2006.....</b>					<b>\$ (20,182,964)</b>	<b>\$ 36,175,800</b>	<b>\$ 15,992,836</b>

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

## CITY OF CRANSTON, RHODE ISLAND

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash	\$ 5,782,561	\$ 1,181,462	\$ 14,511,260	\$ 21,475,283
Investments	23,563,210		20,442,397	44,005,607
Receivables:				
Taxes, net	1,403,422			1,403,422
Intergovernmental	4,894,309		958,523	5,852,832
Loans			2,168,552	2,168,552
Other	252,913	2,253,229	198,922	2,705,064
Prepaid expenses		89,629	21,056	110,685
Advance deposits - hospitalization		788,500		788,500
Due from other funds	1,625,893	892,164	4,946,190	7,464,247
<b>TOTAL ASSETS</b>	<b>\$ 37,522,308</b>	<b>\$ 5,204,984</b>	<b>\$ 43,246,900</b>	<b>\$ 85,974,192</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,455,759	\$ 863,947	\$ 623,773	\$ 3,943,479
Accrued payroll	1,045,758		84,331	1,130,089
Accrued liabilities	857,587			857,587
Retainage payable			28,441	28,441
Due to other funds	5,294,226	800,379	1,617,041	7,711,646
Unearned revenue	7,140,395		2,243,102	9,383,497
Claims payable	796,300	2,027,596		2,823,896
Other liabilities			150,000	150,000
Bond anticipation notes			1,300,000	1,300,000
<b>TOTAL LIABILITIES</b>	<b>17,590,025</b>	<b>3,691,922</b>	<b>6,046,688</b>	<b>27,328,635</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances		412,555		412,555
Literacy		2,831		2,831
Commitments			8,976,552	8,976,552
Prepaid items			21,056	21,056
Article 18		55,027		55,027
Unreserved:				
Designated for health care		250,000		250,000
Designated for subsequent year expenditures		650,000		650,000
Unreserved, undesignated reported in:				
General fund	19,932,283			19,932,283
Special revenue funds		142,649	15,306,533	15,449,182
Capital project funds			12,896,071	12,896,071
<b>TOTAL FUND BALANCES</b>	<b>19,932,283</b>	<b>1,513,062</b>	<b>37,200,212</b>	<b>58,645,557</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 37,522,308</b>	<b>\$ 5,204,984</b>	<b>\$ 43,246,900</b>	<b>\$ 85,974,192</b>

(Continued)

**CITY OF CRANSTON, RHODE ISLAND**

RECONCILIATION OF FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

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

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1).....	\$	58,645,557
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning capital assets and current additions.....		107,924,908
Depreciation expense.....		(5,002,508)
Disposal of capital assets.....		(72,850)
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:		
Property tax, interest and lien accrual (net).....		1,288,310
Property tax receivable - accrual basis change.....		3,681,970
Bond issue costs.....		2,455,746
INTERNAL SERVICE FUND IS USED BY MANAGEMENT TO CHARGE THE COST OF SELF-INSURANCE TO INDIVIDUAL DEPARTMENTS:		
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.....		1,009,395
SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning long-term liabilities and current year additions.....		(196,004,224)
Long-term liability payments.....		7,150,051
Accrued interest payable.....		(1,259,319)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	<b>\$</b>	<b><u>(20,182,964)</u></b>
		(Concluded)

## CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
General property taxes	\$ 145,906,925	\$	\$	\$ 145,906,925
Intergovernmental	9,992,228	39,791,448	19,984,443	69,768,119
Charges for services	12,469,499	1,970,131	20,500	14,460,130
Investment income	1,491,231		620,470	2,111,701
Other	71,749	284,679	1,996,037	2,352,465
<b>TOTAL REVENUES</b>	<b>169,931,632</b>	<b>42,046,258</b>	<b>22,621,450</b>	<b>234,599,340</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	7,890,965		1,346,763	9,237,728
Public safety	58,864,793		2,165,231	61,030,024
Public works	12,486,760			12,486,760
Education		120,573,588	7,968,388	128,541,976
Parks and recreation	2,094,667		253,009	2,347,676
Public libraries	2,776,363		45,990	2,822,353
Senior services	2,476,360		100,469	2,576,829
Community development			1,974,504	1,974,504
Other	156,257			156,257
<b>Debt Service:</b>				
Principal	3,845,000			3,845,000
Interest and other costs	5,691,992		411,455	6,103,447
<b>Capital Outlay:</b>				
Capital expenditures			3,229,249	3,229,249
<b>TOTAL EXPENDITURES</b>	<b>96,283,157</b>	<b>120,573,588</b>	<b>17,495,058</b>	<b>234,351,803</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>73,648,475</b>	<b>(78,527,330)</b>	<b>5,126,392</b>	<b>247,537</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt			23,900,000	23,900,000
Bond premium			273,974	273,974
Transfers in	10,692,387	79,061,750	4,946,190	94,700,327
Transfers out	(84,007,940)		(10,692,387)	(94,700,327)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(73,315,553)</b>	<b>79,061,750</b>	<b>18,427,777</b>	<b>24,173,974</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>332,922</b>	<b>534,420</b>	<b>23,554,169</b>	<b>24,421,511</b>
<b>FUND BALANCES - JULY 1, 2005</b>	<b>19,599,361</b>	<b>978,642</b>	<b>13,646,043</b>	<b>34,224,046</b>
<b>FUND BALANCES - JUNE 30, 2006</b>	<b>\$ 19,932,283</b>	<b>\$ 1,513,062</b>	<b>\$ 37,200,212</b>	<b>\$ 58,645,557</b>

**CITY OF CRANSTON, RHODE ISLAND**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... \$ 24,421,511

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

Capital outlay.....	2,531,044
Depreciation expense.....	<u>(5,002,508)</u>

Total..... (2,471,464)

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

(72,850)

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

Increase in property tax receivable - accrual basis change.....	946,083
Increase in property tax interest and lien revenue.....	<u>159,771</u>

Total ..... 1,105,854

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

Debt issued or incurred:	
Bonds and capital lease.....	(23,900,000)
Bond premium.....	(273,974)
Principal repayments:	
General obligation bonds.....	3,555,000
Certificates of participation.....	290,000
Capital lease.....	<u>595,589</u>

Total ..... (19,733,385)

(Continued)

**CITY OF CRANSTON, RHODE ISLAND**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

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

Compensated absences and deferred salary.....	\$	2,007,280
Net pension obligation.....		551,492
Amortization of bond issuance costs.....		(188,461)
Amortization of bond premium.....		136,653
Accrued interest payable.....		<u>(380,141)</u>
 Total .....		 <u>2,126,823</u>
 Internal Service Funds are used by management to charge costs of medical insurance and property insurance deductibles to individual departments.....		 <u>(663,396)</u>
 The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....		 <u>75,179</u>
 CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B) .....	 \$	 <u>4,788,272</u>
		 (Concluded)

## CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM	TOTALS	INTERNAL SERVICE FUNDS
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 4,956,447	\$	\$ 98,827	\$ 5,055,274	\$ 1,515,803
Inventory			35,037	35,037	
Receivables (net):					
Sewer assessments and user fees	862,704			862,704	
Other			3,027	3,027	
Capital lease		300,000		300,000	
Intergovernmental	1,464,672		91,284	1,555,956	
Bond issue costs	7,553	52,319		59,872	
Due from other funds			90	90	23,158
<b>Total Current Assets</b>	<b>7,291,376</b>	<b>352,319</b>	<b>228,265</b>	<b>7,871,960</b>	<b>1,538,960</b>
Noncurrent Assets:					
Restricted cash		504,624		504,624	
Capital lease receivable		3,510,000		3,510,000	
Bond issuance costs	55,338	108,428		163,766	
Other assets		500		500	
<b>Subtotal Noncurrent Assets</b>	<b>55,338</b>	<b>4,123,552</b>	<b>-</b>	<b>4,178,890</b>	<b>-</b>
Capital Assets:					
Capital Assets, net of accumulated depreciation	70,431,100	88,202	74,887	70,594,189	
<b>Total Noncurrent Assets</b>	<b>70,486,438</b>	<b>4,211,754</b>	<b>74,887</b>	<b>74,773,079</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>77,777,814</b>	<b>4,564,073</b>	<b>303,152</b>	<b>82,645,039</b>	<b>1,538,960</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	3,183,470		138,934	3,322,404	6,267
Accrued payroll	1,009			1,009	1,399
Accrued interest	23,719	31,794		55,513	
Due to other funds	99,084			99,084	
Claims payable				-	521,899
Unearned revenue	2,557,272			2,557,272	
Bonds, notes and compensated absences	801,932	300,000	2,127	1,104,059	
<b>Total Current Liabilities</b>	<b>6,666,486</b>	<b>331,794</b>	<b>141,061</b>	<b>7,139,341</b>	<b>529,565</b>
Noncurrent Liabilities:					
Unearned revenue	28,800,000			28,800,000	
Bonds, notes payable and compensated absences	7,031,252	3,479,506	19,140	10,529,898	
<b>Total Noncurrent Liabilities</b>	<b>35,831,252</b>	<b>3,479,506</b>	<b>19,140</b>	<b>39,329,898</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>42,497,738</b>	<b>3,811,300</b>	<b>160,201</b>	<b>46,469,239</b>	<b>529,565</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	62,660,807	88,202	74,887	62,823,896	
Restricted for:					
Bond reserve funds		504,624		504,624	
Unrestricted	(27,380,731)	159,947	68,064	(27,152,720)	1,009,395
<b>TOTAL NET ASSETS</b>	<b>\$ 35,280,076</b>	<b>\$ 752,773</b>	<b>\$ 142,951</b>	<b>\$ 36,175,800</b>	<b>\$ 1,009,395</b>

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

## CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSE AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM		INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Charges for usage and service	\$ 15,821,874	\$ 32,500	\$ 1,257,361	\$ 17,111,735	\$ 250,000
Miscellaneous	1,048,710	214,919	159,982	1,423,611	70,681
TOTAL OPERATING REVENUES	16,870,584	247,419	1,417,343	18,535,346	320,681
OPERATING EXPENSES:					
Operations	1,411,143	50,603	1,479,967	2,941,713	452,578
Personnel	65,131		1,178,709	1,243,840	72,676
Claims					458,823
Contract payments, net	13,204,035			13,204,035	
Depreciation	2,327,821	8,014	29,467	2,365,302	
TOTAL OPERATING EXPENSES	17,008,129	58,617	2,688,143	19,754,889	984,077
OPERATING INCOME (LOSS)	(137,546)	188,802	(1,270,800)	(1,219,544)	(663,396)
NONOPERATING REVENUES (EXPENSES):					
Interest expense	(66,796)	(201,106)		(267,902)	
Investment income	110,836	18,891	1,513	131,240	75,179
Amortization	(7,554)	(16,075)		(23,629)	
Grants	2,030,980		1,101,082	3,132,062	
NET NONOPERATING REVENUES (EXPENSES)	2,067,467	(198,290)	1,102,595	2,971,772	75,179
CHANGE IN NET ASSETS	1,929,921	(9,488)	(168,205)	1,752,228	(588,217)
NET ASSETS - JULY 1, 2005	33,350,155	762,261	311,156	34,423,572	1,597,612
NET ASSETS - JUNE 30, 2006	\$ 35,280,076	\$ 752,773	\$ 142,951	\$ 36,175,800	\$ 1,009,395

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



## CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NON MAJOR SCHOOL LUNCH PROGRAM	TOTALS	INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 18,315,894	\$ 247,419	\$ 1,417,816	\$ 19,981,129	\$ 320,681
Cash paid to suppliers	(13,269,761)	(93,303)	(1,335,530)	(14,698,594)	
Cash paid to employees	(64,847)		(1,178,709)	(1,243,556)	(72,133)
Cash paid for claims					(410,782)
Cash paid for other operating expenses	(1,667,226)		(78,000)	(1,745,226)	(515,537)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>3,314,060</b>	<b>154,116</b>	<b>(1,174,423)</b>	<b>2,293,753</b>	<b>(677,770)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Nonoperating grants received	2,030,980		1,074,240	3,105,220	
Change in interfund loans	(95,251)			(95,251)	122,644
Transfers out			(90)	(90)	
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,935,729</b>	<b>-</b>	<b>1,074,150</b>	<b>3,009,879</b>	<b>122,644</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(3,354,072)	(53,515)		(3,407,587)	
Collection of capital lease payment		290,000		290,000	
Issuance of debt	900,000			900,000	
Principal payments	(790,733)	(290,000)		(1,080,733)	
Interest paid on long-term debt	(65,724)	(197,653)		(263,377)	
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,310,529)</b>	<b>(251,168)</b>	<b>-</b>	<b>(3,561,697)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Income from investments	110,836	18,891	1,513	131,240	75,179
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,050,096</b>	<b>(78,161)</b>	<b>(98,760)</b>	<b>1,873,175</b>	<b>(479,947)</b>
<b>CASH - JULY 1, 2005 (INCLUDING RESTRICTED CASH)</b>	<b>2,906,351</b>	<b>582,785</b>	<b>197,587</b>	<b>3,686,723</b>	<b>1,995,750</b>
<b>CASH - JUNE 30, 2006 (INCLUDING RESTRICTED CASH)</b>	<b>\$ 4,956,447</b>	<b>\$ 504,624</b>	<b>98,827</b>	<b>\$ 5,559,898</b>	<b>\$ 1,515,803</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (137,546)	\$ 188,802	\$ (1,270,800)	\$ (1,219,544)	\$ (663,396)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,327,821	8,014	29,467	2,365,302	
(Increase) decrease in accounts receivable	13,130,647		474	13,131,121	
Decrease in inventory			3,244	3,244	
(Increase) in due from other governments	4,386,725			4,386,725	
Increase (decrease) in accounts payable	(321,809)	(42,700)	61,351	(303,158)	(62,960)
Increase (decrease) in accrued payroll	284			284	544
Increase in prepaid assessments	637,272			637,272	
Decrease in deferred revenue assessments	(14,789,334)			(14,789,334)	
Decrease in unearned revenue	(1,920,000)			(1,920,000)	
Decrease in claims payable					48,042
Decrease in compensated absences			1,841	1,841	
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 3,314,060</b>	<b>\$ 154,116</b>	<b>(1,174,423)</b>	<b>\$ 2,293,753</b>	<b>\$ (677,770)</b>

CITY OF CRANSTON, RHODE ISLANDSTATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	PENSION TRUST FUND	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,990,753	\$ 1,308	\$ 1,018,642
Investments			
Guaranteed Investment Contracts	2,178,139		
Money Market Mutual Funds	59,624		
Equity Mutual Funds	24,998,230		
Bond Mutual Funds	9,379,488		
Total Investments	36,615,481	-	-
Due from other funds	324,878		
<b>TOTAL ASSETS</b>	<b>39,931,111</b>	<b>1,308</b>	<b>1,018,642</b>
<b>LIABILITIES:</b>			
Deposits held in custody for others			1,018,642
Due to other funds		1,643	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,643</b>	<b>1,018,642</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES</b>	<b>\$ 39,931,111</b>	<b>\$ (336)</b>	<b>\$ -</b>

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

**CITY OF CRANSTON, RHODE ISLAND**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	PENSION TRUST FUND	PRIVATE PURPOSE TRUST FUND
ADDITIONS:		
Contributions:		
Plan member contributions	\$ 728,325	\$
Employer contributions	21,935,067	
Other		6,167
Total contributions	22,663,392	6,167
Investment income:		
Interest and dividends	115,767	
Net increase in the fair value of investments	2,842,557	
Total investment income	2,958,324	-
TOTAL ADDITIONS	25,621,716	6,167
DEDUCTIONS:		
Benefits	18,308,881	7,203
Administrative expenses	238,417	
TOTAL DEDUCTIONS	18,547,297	7,203
CHANGE IN NET ASSETS	7,074,418	(1,036)
NET ASSETS - JULY 1, 2005	32,856,693	700
NET ASSETS - JUNE 30, 2006	\$ 39,931,111	\$ (336)

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

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006HISTORY AND ORGANIZATION

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

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

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

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

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

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

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**1. Deposits and Investments (Continued)**

The City's pension funds do not have an investment policy; however, the City has agreements with the investment advisors, who manage the investment portfolios and have full authority for the investment and reinvestment of pension fund assets.

Investments for the City are reported at fair value.

**2. Receivables and Payables**

**a. Interfunds**

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

**b. Property Taxes and Other Receivables**

In the government-wide financial statements, all trade, property tax, and water and sewer use are shown net of an allowance for uncollectibles. Allowance percentages range from 10 to 50% of outstanding receivable balances at June 30, 2006, and are calculated upon prior collection history.

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

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

**3. Restricted Assets**

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**4. Capital Assets**

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

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

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

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

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

**5. Compensated Absences**

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

**6. Long-Term Obligations**

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



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

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**6. Long-Term Obligations (Continued)**

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

**7. Fund Equity and Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, net assets are classified into the following categories:

Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets

This category presents the net assets of the City which are not restricted.

**8. Estimates**

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

**9. Reclassifications**

Comparative total data for the prior year have been presented only for the internal service fund and the individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

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

The level of budgetary control for the General Fund (that is, the level at which expenditures cannot legally exceed appropriations) is fixed by resolution of the annual Financial City Council Meeting. The resolution authorizes the City Council to spend within the total sum appropriated for municipal purposes. While this restriction prohibits spending in excess of the authorized budget, the policy enables the City Council to use surplus funds within the overall appropriations budget to offset over expenditures that may arise within a specific budgeted account.

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

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

**B. Budget - GAAP Reconciliation**

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

<u>School Department Fund</u>			
	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE</u>
BALANCE, BUDGETARY BASIS			
JUNE 30, 2006 .....	\$ 38,004,266	\$ 116,651,249	\$ 1,100,507
Encumbrances outstanding at June 30, 2005 liquidated during the year ended June 30, 2006 .....		292,902	
Encumbrances outstanding at June 30, 2006 Charged to budgetary expenditures.....		(412,555)	412,555
State Teachers' Retirement on-behalf payment .....	<u>4,041,992</u>	<u>4,041,992</u>	
BALANCE, GAAP BASIS - JUNE 30, 2006 .....	<u>\$ 42,046,258</u>	<u>\$ 120,573,588</u>	<u>\$ 1,513,062</u>

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**C. Capital Projects Authorizations**

The following is a summary of projects recorded in the Capital Projects Fund at June 30, 2006:

<u>PROJECT NAME</u>	<u>PROJECT AUTHORIZATION</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES</u>	<u>BALANCE JUNE 30, 2006</u>
<b>GOVERNMENTAL FUNDS:</b>				
School bond fund .....	\$ 27,735,000	\$ 1,383,332	\$ 8,889,151	\$ 18,845,849
Police and Fire bond fund .....	18,945,000	1,154,599	4,443,693	14,501,307
Public building bond fund .....	2,000,000	607	445,236	1,554,764
Recreation bond fund .....	4,400,000	196,222	2,108,731	2,291,269
Highway bond fund .....	5,700,000	17,777	2,013,144	3,686,856
Storm drains bond fund .....	900,000	44,350	240,389	659,611
Neighborhood infrastructure fund	4,000,000	436,362	1,465,763	2,534,237
Open space bond fund .....	1,000,000		336,760	663,240
<b>ENTERPRISE FUNDS:</b>				
Sewer System Project .....	1,226,000			1,226,000

**D. Deficit Fund Balance**

During the year ended June 30, 2006, the City had a deficit fund balance in the following fund:

Nonmajor governmental Funds

Community Development Block Grant .....

\$ 61,625

The deficit will be eliminated through future intergovernmental grant receipts or inter-fund contributions.

**III. DETAILED NOTES**

**A. Cash and Investments**

- Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires that deposits be placed in financial institution's that are FDIC insured up to \$100,000 and rated "well capitalized" on the institutions most recent audited financial statements/SEC filings, if deposits exceed \$100,000. As of June 30, 2006, \$21,084,923 of the City's bank balance including certificates of deposit of \$21,285,100 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized .....	\$18,791,445
Uninsured and collateral held by the pledging bank's trust department, not in the City's name .....	<u>2,293,478</u>
Total amount subject to custodial credit risk .....	<u>\$21,084,923</u>

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

**III. DETAILED NOTES (CONTINUED)**

**A. Cash and Investments (Continued)**

2. The investments classified under Risk Category 3 are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

At June 30, 2006, the City's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)		
		N/A	LESS THAN 1	1-5 YEARS
Mutual Funds:				
Equity Mutual Funds.....	\$ 24,998,230	\$ 24,998,230	\$	\$
Money Market Mutual Funds.....	6,347,235		6,347,235	
Certificates of Deposit.....	37,717,995		37,717,995	
Guaranteed Investment Contracts .....	2,178,139		2,178,139	
U.S. Government Obligations.....	9,379,488			9,379,488
<b>TOTAL.....</b>	<b>\$ 80,621,087</b>	<b>\$ 24,998,230</b>	<b>\$ 46,243,369</b>	<b>\$ 9,379,488</b>

Interest rate risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

The City's investments in money market mutual funds, U.S. Government obligation funds and guaranteed investment contracts had average ratings as follows by Standard & Poor's:

AVERAGE RATING	MONEY MARKET MUTUAL FUND	GUARANTEED INVESTMENT CONTRACTS
AAA.....	\$	\$
Unrated.....	6,347,235	2,178,139
<b>TOTAL.....</b>	<b>\$ 6,347,235</b>	<b>\$ 2,178,139</b>

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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

**III. DETAILED NOTES (CONTINUED)**

**A. Cash and Investments (Continued)**

Guaranteed Investment Contracts investments are held by the counterparty's trust department or agent but not in the City's name and, therefore, are subject to custodial credit risk.

	TOTAL	LESS INSURED AMOUNTS	AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK
Guaranteed Investment Contracts .....	\$ 2,178,139	\$ 500,000	\$ 1,678,139

**B. Receivables**

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

	PROPERTY TAXES		
	TAXES	INTEREST & PENALTIES	TOTAL
Current Portion .....	\$ 729,779	\$ 669,921	\$ 1,399,701
Long-term Portion .....	\$ 3,408,643	\$ 1,160,510	\$ 4,569,152
Less Allowance for Uncollectibles .....	( 2,735,000)	( 542,121)	( 3,277,121)
Net Long-term Portion .....	\$ 673,643	\$ 618,389	\$ 1,292,031
Total Receivable.....	\$ 1,403,422	\$ 1,288,310	\$ 2,691,732
	ECONOMIC DEVELOPMENT LOANS	CDBG LOANS	SEWER USE CHARGES
Gross Receivable.....	\$ 1,035,403	\$ 1,133,149	\$ 1,295,704
Less Allowance for Uncollectibles....	_____	_____	( 433,000)
Net Receivable .....	\$ 1,035,403	\$ 1,133,149	\$ 862,704

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

DEFERRED REVENUE:	
Delinquent property taxes receivable (general fund) .....	\$ 3,681,969
UNEARNED REVENUE:	
Advance tax collections .....	3,374,340
Unearned developer security deposits .....	84,086
Grant draw-downs prior to meeting all eligibility requirements .....	2,227,418
Unearned charges for services .....	15,684
TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS .....	\$ 9,383,497

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

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	BALANCE JULY 1, 2005	INCREASES	DECREASES	BALANCE JUNE 30, 2006
<b><u>Governmental Activities:</u></b>				
<b><u>Capital Assets, not being Depreciated:</u></b>				
Land .....	\$ 11,062,827	\$	\$	\$ 11,062,827
<b><u>Capital Assets, being Depreciated:</u></b>				
Land improvements .....	9,458,613			9,458,613
Buildings .....	58,832,923	288,659		59,121,582
Machinery and equipment .....	2,361,612	356,240	64,773	2,653,079
Office furniture and equipment .....	5,140,276	140,568	129,089	5,151,755
Vehicles .....	13,589,932	1,745,577	916,848	14,418,661
Infrastructure .....	81,676,306			81,676,306
Total Capital Assets, being Depreciated .....	171,059,662	2,531,044	1,110,710	172,479,996
Total Capital Assets .....	182,122,489	2,531,044	1,110,710	183,560,823
<b><u>Less Accumulated Depreciation for:</u></b>				
Land improvements .....	5,081,569	471,078		5,552,647
Buildings .....	29,797,695	1,031,683		30,829,378
Machinery and equipment .....	1,448,036	262,593	64,773	1,645,856
Office furniture and equipment .....	4,822,431	215,021	106,549	4,930,903
Vehicles .....	10,044,415	1,714,356	866,538	10,892,234
Infrastructure .....	25,534,479	1,307,776		26,842,255
Total Accumulated Depreciation .....	76,728,625	5,002,508	1,037,860	80,693,273
Total Capital Assets, being Depreciated, net .....	94,331,037	( 2,471,464)	72,850	91,786,723
Governmental Activities Capital Assets, net .....	\$105,393,864	\$ ( 2,471,464)	\$ 72,850	\$102,849,550
<b><u>Business-Type Activities:</u></b>				
<b><u>Capital Assets, not being Depreciated:</u></b>				
Land .....	\$ 342,712	\$	\$	\$ 342,712
Construction in progress .....	4,652,031	1,104,527		5,756,558
Total Capital Assets, not being Depreciated .....	4,994,743	1,104,527	-	6,099,270
<b><u>Capital Assets, being Depreciated:</u></b>				
Land improvements .....	266,795			266,795
Leasehold improvements .....	42,700	40,775		83,475
Collection systems .....	45,646,375			45,646,375
Treatment and pumping plant .....	72,719,699	2,249,545		74,969,244
Machinery and equipment .....	1,039,680	12,740		1,052,420
Total Capital Assets, being Depreciated .....	119,715,249	2,303,060	-	122,018,309
Total Capital Assets .....	124,709,992	3,407,587	-	128,117,579
<b><u>Less Accumulated Depreciation for:</u></b>				
Land improvements .....	153,644	13,340		166,984
Leasehold improvements .....		6,649		6,649
Collection systems .....	25,479,194	656,149		26,135,343
Treatment and pumping plant .....	28,660,498	1,654,001		30,314,499
Machinery and equipment .....	864,752	35,163		899,915
Total Accumulated Depreciation .....	55,158,088	2,365,302	-	57,523,390
Total Capital Assets, being Depreciated, net .....	64,557,161	( 62,242)	-	64,494,919
Business-Type Capital Assets, net .....	\$ 69,551,904	\$ 1,042,285	\$ -	\$ 70,594,189

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

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

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

<u>Governmental Activities:</u>	
General government .....	\$ 91,619
Public safety .....	776,774
Public works .....	2,156,843
Education .....	925,262
Parks and recreation .....	884,243
Public libraries.....	87,572
Senior services.....	<u>80,195</u>
Total Depreciation Expense - Governmental Activities .....	<u>\$ 5,002,508</u>

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

<u>Business-Type Activities:</u>	
Sewer .....	\$ 2,327,821
Public facilities management foundation .....	8,014
School lunch.....	<u>29,467</u>
Total Depreciation Expense - Business-Type Activities .....	<u>\$ 2,365,302</u>

Construction Commitments

The City has active construction projects as of June 30, 2006. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>
School construction .....	\$ 7,420,742
Playgrounds .....	<u>1,555,810</u>
Total.....	<u>\$ 8,976,552</u>
 Business-Type Activities:	
Sewer projects .....	<u>\$ 1,226,000</u>

D. Interfund Accounts

1. Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2006 is as follows:

	CORRESPONDING		
	FUND	DUE FROM	DUE TO
<u>MAJOR FUNDS:</u>			
<u>GENERAL FUND:</u>			
School unrestricted fund.....	N/A	\$ 800,289	\$
Budget Stabilization .....	N/A	481,427	3,079,943
Hospital Stabilization .....	N/A		1,866,247
Community Development Fund.....	N/A	36,479	
Public Service Funds.....	N/A	102,758	
WIA Job Development Fund .....	N/A	34,420	
School Bond Fund.....	N/A	38,288	
Police and Fire Bond Fund.....	N/A	15,419	
Public Building Bond Fund .....	N/A	3,446	
Recreation Bond Fund.....	N/A	4,643	
Highway Bond Fund .....	N/A	7,267	
Storm Drains Bond Fund .....	N/A	730	
Insurance Risk Management .....	N/A		23,158

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

**III. DETAILED NOTES (CONTINUED)**

**D. Interfund Accounts (Continued)**

**1. Interfund Payables and Receivables (Continued)**

	CORRESPONDING FUND	DUE FROM	DUE TO
GENERAL FUND: (Continued)			
Private Purpose Trust Funds .....	N/A	\$ 1,643	\$
Pension Trust Fund.....	N/A		324,878
Sewer fund.....	N/A	99,094	
TOTAL GENERAL FUND.....		1,625,893	5,294,226
SCHOOL SPECIAL REVENUE			
UNRESTRICTED:			
General Fund .....	N/A		800,289
School Lunch Fund .....	N/A		90
Restricted School Funds.....	N/A	892,164	
TOTAL SCHOOL SPECIAL REVENUE UNRESTRICTED.....		892,164	800,379
SEWER:			
General Fund .....	N/A		99,094
SCHOOL LUNCH:			
School Unrestricted Fund.....	N/A	90	
<u>NONMAJOR FUNDS:</u>			
Restricted School Funds.....	School Unrestricted Fund		892,164
Budget Stabilization Fund.....	General Fund	3,079,943	481,427
Hospital Stabilization Fund.....	General Fund	1,866,247	
Community Development Block Grant Fund	General Fund		36,479
Public Service Funds.....	General Fund		102,758
WIA Job Development Fund .....	General Fund		34,420
School Bond Fund.....	General Fund		38,288
Police and Fire Bond Fund.....	General Fund		15,419
Public Building Bond Fund .....	General Fund		3,446
Recreation Bond Fund.....	General Fund		4,643
Highway Bond Fund .....	General Fund		7,267
Storm Drains Bond Fund .....	General Fund		730
TOTAL NONMAJOR FUNDS.....		4,946,190	1,617,041
INTERNAL SERVICE FUND:			
Insurance Risk Management Fund.....	General Fund	23,158	
FIDUCIARY FUNDS:			
City Employee Pension Fund.....	General Fund	324,878	
Private Purpose Trust Education Scholarships.....	General Fund		1,643
TOTAL FIDUCIARY FUNDS.....		324,878	1,643
GRAND TOTAL.....		\$ 7,812,373	\$ 7,812,373



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

**III. DETAILED NOTES (CONTINUED)**

**D. Interfund Accounts (Continued)**

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

**2. Interfund Transfers**

A summary of interfund transfers as of June 30, 2006 is as follows:

	CORRESPONDING FUND	TRANSFERS IN	TRANSFERS OUT
GENERAL FUND:			
Excise Tax Phase Out Fund.....	N/A	\$ 10,692,387	\$
School Unrestricted Fund.....	N/A		79,061,750
Budget Stabilization Fund.....	N/A		3,079,943
Hospital Stabilization Fund.....	N/A		1,866,247
TOTAL GENERAL FUND.....		<u>10,692,387</u>	<u>84,007,940</u>
SCHOOL UNRESTRICTED:			
General Fund.....	N/A	<u>79,061,750</u>	
NONMAJOR FUNDS:			
Budget Stabilization Fund.....	General Fund	3,079,943	
Hospital Stabilization Fund.....	General Fund	1,866,247	
Excise Tax Phase Out Fund.....	General Fund		<u>10,692,387</u>
TOTAL NONMAJOR FUNDS.....		<u>4,946,190</u>	<u>10,692,387</u>
GRAND TOTAL .....		<u>\$ 94,700,327</u>	<u>\$ 94,700,327</u>

**E. Short-Term Obligations - Bond Anticipation Notes**

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

Short-term obligation activity for the year ended June 30, 2006 was as follows:

TYPE OF OBLIGATION	BALANCE JULY 1, 2005	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2006
Bond Anticipation Note.....	\$	\$ 1,300,000	\$	\$ 1,300,000

The bond anticipation note carries an interest rate of 5.25% and matures August 1, 2006.

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

**III. DETAILED NOTES (CONTINUED)**

**F. Changes in Long-Term Obligations**

**1. Summary of Changes**

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

**Governmental Activities:**

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006	CURRENT PORTION
<b>GENERAL OBLIGATION:</b>									
Public improvement	\$ 17,540,000	06/15/98	07/15/18	4.4-6.0%	\$ 2,900,000	\$	\$ 715,000	\$ 2,185,000	\$ 585,000
Public improvement	16,115,000	11/15/99	11/15/19	4.5-5.45%	2,900,000		475,000	2,425,000	325,000
Refunding .....	13,320,000	12/01/00	07/01/15	4.5-5.5%	9,565,000		950,000	8,615,000	955,000
Public improvement	27,050,000	02/15/04	02/15/24	2.0-5.0%	25,695,000		1,355,000	24,340,000	1,355,000
Advance refunding	22,280,000	05/13/05	07/15/19	3.0-5.0%	22,280,000		60,000	22,220,000	5,000
Public improvements	23,900,000	6/14/06	4/1/2026	4.0-5.0%		23,900,000		23,900,000	995,000
Total General Obligation Bonds.....					63,340,000	23,900,000	3,555,000	83,685,000	4,220,000
Bond Premiums.....					2,733,055	273,974	136,653	2,870,376	-
TOTAL BONDS AND RELATED LIABILITIES .....					66,073,055	24,173,974	3,691,653	86,555,376	4,220,000
<b>LEASES PAYABLE:</b>									
<b>Public Facilities Management</b>									
Foundation Lease	5,130,000	11/01/00	11/01/15	4.75 - 5.25%	4,100,000		290,000	3,810,000	300,000
Modular buildings.	201,632	09/20/00	08/20/05	5.59%	7,808		7,808	-	-
Modular buildings.	138,599	07/30/01	06/30/06	5.25%	33,189		30,568	2,621	2,621
Musical instruments	110,634	08/29/01	08/29/05	8.3%	23,810		23,810	-	-
School buses .....	793,314	07/15/01	12/01/05	5.1%	170,083		170,083	-	-
Modular buildings.	189,573	09/01/02	09/01/07	4.85%	89,029		39,932	49,097	41,912
Telephone equipment	95,484	08/01/02	08/01/07	0.0%	39,785		19,097	20,688	19,097
School buses .....	420,000	12/15/02	12/15/07	3.84%	189,510		92,844	96,666	96,666
Vehicle - trucks.....	1,478,889	10/31/01	10/31/07	5.4%	669,211		211,447	457,764	222,865
Total Leases Payable.....					5,322,425	-	885,589	4,436,836	683,161
TOTAL BONDS AND NOTES AND RELATED LIABILITIES .....					71,395,480	24,173,974	4,577,242	90,992,212	4,903,161
COMPENSATED ABSENCES .....					8,577,328	2,306,735	2,007,280	8,876,783	2,034,008
DEFERRED SALARY .....					383,501		14,037	369,464	36,946
NET PENSION OBLIGATION.....					89,107,206		551,492	88,555,714	
CLAIMS AND JUDGMENTS.....					60,000			60,000	30,000
TOTAL GENERAL LONG-TERM OBLIGATIONS .....					\$169,523,515	\$ 26,480,709	\$ 7,150,051	\$188,854,173	\$ 7,004,115

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

The Statement of Net Assets includes \$3,274,207 of leased capital assets.

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

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

Business-Type Activities:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006	CURRENT PORTION
ENTERPRISE FUNDS									
SEWER:									
RI Clean Water.....	\$ 3,242,000	09/01/93	09/01/15	3.0%	\$ 1,783,100	\$	\$ 162,100	\$ 1,621,000	\$ 162,100
RI Clean Water.....	700,000	08/25/99	09/01/15	3.0%	540,817		42,633	498,184	43,832
RI Clean Water.....	2,000,000	11/13/03	09/01/27	0.0%	2,000,000		100,000	1,900,000	100,000
RI Clean Water.....	3,400,000	12/30/04	09/01/11	0.0%	3,400,000		486,000	2,914,000	486,000
RI Clean Water.....	840,000	09/01/05	09/01/25	3.0%		900,000		900,000	10,000
TOTAL SEWER.....					7,723,917	900,000	790,733	7,833,184	801,932
PUBLIC FACILITIES MANAGEMENT									
FOUNDATION:									
Certificates of participation.....	5,130,000	11/01/00	11/01/15	4.75-5.25%	4,100,000		290,000	3,810,000	300,000
Certification of participation unamortized discount.....					(36,244)		5,750	(30,494)	-
TOTAL BONDS AND RELATED LIABILITIES.....					11,787,673	900,000	1,086,483	11,612,690	1,101,932
COMPENSATED ABSENCES.....					17,925	1,842		19,767	1,977
DEFERRED SALARY.....					1,500			1,500	150
TOTAL ENTERPRISE FUNDS.....					\$ 11,807,098	\$ 901,842	\$ 1,086,483	\$ 11,633,957	\$ 1,104,059

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

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			
	GENERAL OBLIGATION DEBT		LEASES PAYABLE		CERTIFICATES OF PARTICIPATION		CLEAN WATER BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2007	\$ 4,220,000	\$ 3,543,890	\$ 683,161	\$ 213,621	\$ 300,000	\$ 183,453	\$ 801,932	\$ 106,695
2008	4,665,000	3,601,907	558,675	181,191	315,000	168,462	803,166	100,986
2009	4,780,000	3,416,785	335,000	152,618	335,000	152,618	804,433	91,737
2010	4,885,000	3,223,537	350,000	136,053	350,000	136,053	805,736	82,449
2011	5,005,000	3,017,573	365,000	118,710	365,000	118,710	807,076	73,119
2012-2016	26,160,000	11,569,219	2,145,000	288,945	2,145,000	288,945	2,310,841	195,986
2017-2021	21,940,000	5,560,173					800,000	63,080
2022-2025	12,030,000	1,521,525					700,000	19,796
TOTALS	\$ 83,685,000	\$ 35,454,609	\$ 4,436,836	\$ 1,091,138	\$ 3,810,000	\$ 1,048,241	\$ 7,833,184	\$ 733,848

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

**III. DETAILED NOTES (CONTINUED)**

**F. Changes in Long-Term Obligations (Continued)**

**2. Statutory Debt Limitations**

Debt Limit

Except as explained below, under Rhode Island law the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. There is currently no outstanding debt of the City subject to the 3% debt limit. The current 3% debt limit of the City is \$168 million based on taxable property as of December 31, 2005, of approximately \$8.0 billion.

The State of Rhode Island General Assembly ("General Assembly") may by special act permit the City to incur indebtedness outside the 3% debt limit. Bonds issued either within the 3% debt limit or by special legislation adopted by the General Assembly authorizing the City to incur debt are subject to referendum by the electors of the City. On June 30, 2006, the City had \$86,685,000 of debt outstanding, none of which is subject to the 3% debt limit.

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

**3. Prior Year Debt Refundings**

In the prior year the City issued \$22,280,000 of general obligation bonds for the advance refunding of \$21,755,000 of two public improvement bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2006, \$21,640,000 of bonds outstanding are considered defeased.

**4. Authorized/Unissued Bonds**

The amount of authorized, unissued bonds are as follows:

General purposes	\$ 16,390,022
Schools	<u>8,416,228</u>
<b>TOTAL</b>	<b><u>\$ 24,806,250</u></b>

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

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**IV. OTHER INFORMATION**

**A. Risk Management**

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

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

The City of Cranston contributes to a separate account an amount per covered employee which would otherwise have been paid to an insurance carrier. These amounts are determined by the City of Cranston based upon recommendations made by the plan administrator. Factors considered by the plan administrator include the amount of claims paid during the previous year, claims administration costs and projected insurance industry inflation rates. The City of Cranston, including Cranston Public Schools, incurred approximately \$25 million for fiscal year 2005 under this plan.

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

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

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

The self-insurance program and payments to the fund are based upon estimates by number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability reported in the fund is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation, and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

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

**IV. OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

Changes in the self-insurance liability for the fiscal years ended June 30, 2006 and June 30, 2005 are as follows:

	<u>2006</u>	<u>2005</u>
July 1.....	\$ 3,056,894	\$ 2,733,325
Add: incurred claims .....	30,007,423	29,166,782
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health and life .....	26,052,374	25,388,435
Other claims.....	<u>3,666,148</u>	<u>3,454,778</u>
June 30.....	<u>\$ 3,345,795</u>	<u>\$ 3,056,894</u>

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

**B. Lease of Wastewater Treatment Facility**

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

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

At June 30, 2006, the balance of unearned revenue related to this was \$30,720,000, which is comprised of a short-term portion of \$1,920,000 and a long-term portion of \$28,800,000.

During the term of the agreement, the City pays the Company a service fee, which is calculated based on definitive components and amounts, as adjusted in accordance with guidelines established in the agreement. The service fee is generally fixed at the beginning of each fiscal year. During 2006, the City paid service fees totaling \$13.2 million. The City also recognized 4% of the lease payment (\$1,920,000) as revenue for the year ended June 30, 2006.

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

**IV. OTHER INFORMATION (CONTINUED)**

**C. Commitments and Litigation**

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

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

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

**D. Employee Retirement Systems**

**Summary**

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

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

**a. Summary of Significant Accounting Policies and Plan Asset Matters**

**(i) Basis of Accounting**

PFERS' financial statements are prepared on the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned and expenses (benefits, administration and refunds) are recognized when they are due and payable in accordance with the terms of the plan.

**(ii) Valuation of Investments**

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

**b. Classes of Employees Covered**

As of July 1, 2006, the plans' membership consists of:

	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Retirees, disability retirees and beneficiaries receiving benefits .....	216	191	407
Active plan members vested .....	61	37	98
Active plan members non vested .....	—	—	—
TOTALS .....	<u>277</u>	<u>228</u>	<u>505</u>

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

**IV. OTHER INFORMATION (CONTINUED)**

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

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

**c. Benefit Provisions**

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

**Contributions**

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

**d. Schedule of Employer Contributions**

<u>PERIOD ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
June 30, 2001	\$16,012,994	\$12,610,513	79%
June 30, 2002	18,996,537	9,482,990	50%
June 30, 2003	24,945,408	14,949,999	60%
June 30, 2004	21,877,449	23,876,569	109%
June 30, 2005	22,147,958	20,024,158	90%
June 30, 2006	21,723,021	21,339,876	98%

**e. Actuarial Assumptions**

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

VALUATION DATE.....	JULY 1, 2006
ACTUARIAL COST METHOD .....	ATTAINED AGE NORMAL
ASSET VALUATION METHOD.....	FAIR VALUE
ACTUARIAL ASSUMPTIONS:	
Investment Rate of Return.....	8%



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

**IV. OTHER INFORMATION (CONTINUED)**

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

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

**e. Actuarial Assumptions (Continued)**

PROJECTED SALARY INCREASES:

Merit.....	3%
Cost-of-living adjustment .....	3%
Inflation.....	3%

AMORTIZATION METHOD ..... OPEN  
 LEVEL DOLLAR

REMAINING AMORTIZATION PERIOD..... 27 YEARS

**f. Annual Pension Cost and Net Pension Obligation (NPO)**

The changes in the net pension obligation of PFERS as of June 30, 2006, were as follows:

Annual required contribution .....	\$ 21,723,021
Interest on net pension obligation .....	7,128,576
Adjustments to ARC.....	( 8,063,213)
Annual pension cost .....	20,788,384
Contribution made.....	(21,339,876)
Change in net pension obligation.....	( 551,492)
Net pension obligation - July 1, 2005 .....	<u>89,107,206</u>
Net pension obligation - June 30, 2006.....	<u>\$ 88,555,714</u>

**g. Three Year Trend Information**

YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
2006	\$20,788,384	100%	\$88,555,714
2005	21,303,175	100%	89,107,206
2004	21,077,454	100%	87,828,189

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

**IV. OTHER INFORMATION (CONTINUED)**

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

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

**a. Plan Description**

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

**b. Funding Policy**

Covered employees are required by Rhode Island General Law Section 45-21-41 to contribute 6% of their salary to the plan and contribute an additional 1% for a cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal cost and, where applicable, a payment to amortize the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized as a level percent of payroll over a close period of 30 years measured from June 30, 1999. Police contribute 10% and fire personnel are required to contribute 11.5% of their salary with the excess contribution (1.5%) offsetting the City's required contribution. For 2006, the City's contribution rate for police personnel was 17.12% and 16.32% for fire personnel, resulting in a net contribution by the City for fire personnel of 14.82%.

**c. Contributions**

The City's contribution rate for general employees was .08%.

<u>YEAR ENDED JUNE 30,</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
<u>General Employees</u>			
2004	\$ -	\$ -	100%
2005	-	-	100%
2006	9,541	9,541	100%
<u>Police</u>			
2004	\$ 620,067	\$ 620,067	100%
2005	731,118	731,118	100%
2006	823,426	823,426	100%
<u>Fire</u>			
2004	\$ 899,623	\$ 899,623	100%
2005	996,437	996,437	100%
2006	952,013	952,013	100%

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

**IV. OTHER INFORMATION (CONTINUED)**

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

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

**a. Plan Description**

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

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

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

**b. Funding Policy**

Rhode Island General Laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both employees and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. Plan members are required by State statute to contribute 9.5% of their salary to the plan. The School Department contributions are based on a percentage of annual compensation of active members, half of which is payable by the State of Rhode Island.

**c. Contributions**

The School Department's required contributions and actual contributions made for the years ended June 30, 2006, 2005, and 2004 were as follows:

<u>PERIOD ENDED JUNE 30,</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
2004	\$ 4,695,431	\$4,695,431	100%
2005	5,371,312	5,371,312	100%
2006	6,163,913	6,163,913	100%

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

**IV. OTHER INFORMATION (CONTINUED)**

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

**4. National (Industrial) Pension Plan**

**a. Plan Description**

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

**b. Funding Policy**

Covered employees are not required to contribute to the Plan. The City was required to contribute \$.91 per hour and the School Department is required to contribute \$.42 per hour for each hour worked by the employees to the Plan.

**c. Contributions**

Contributions for the past three years were as follows:

<u>YEAR ENDED JUNE30.</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
<u>City</u>			
2004	\$ 149,637	\$ 149,637	100%
2005	160,312	160,312	100%
2006	132,843	132,843	100%
<u>School Department</u>			
2004	\$ 67,918	\$ 67,918	100%
2005	68,689	68,689	100%
2006	70,905	70,905	100%

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

**IV. OTHER INFORMATION (CONTINUED)**

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

**5. New England Teamsters & Trucking Industry Pension Plan**

**a. Plan Description**

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

**b. Funding Policy**

Covered employees are currently not required to contribute to the Plan. The City was required to contribute \$.50 per hour for each hour worked by the employees to the Plan.

**c. Contributions**

YEAR ENDED JUNE30.	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
2004	\$ 55,835	\$ 55,835	100%
2005	106,045	106,045	100%
2006	160,662	160,662	100%

**E. On-Behalf Payments**

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the City's teachers to the Employees' Retirement System of the State of Rhode Island was \$4,041,992.

**F. Post-Employment Benefits**

The City of Cranston provides post-employment health care and life insurance benefits to all Policemen and Firemen who retire in accordance with the provisions of their respective contracts. The City pays 100% of the amount of medical health insurance for both Policemen and Firemen until such time as they secure employment elsewhere with equivalent medical health insurance or until they are eligible for Medicare or other federally subsidized programs. The City funds post-employment benefits on a pay as you go basis. During the year ended June 30, 2006, expenditures of \$1,527,931 for Policemen and \$1,405,344 for Firemen were recognized for post-employment health care. During the year ended June 30, 2006, 126 police and 120 fire retirees received benefits under this plan. The City also pays 100% of the full cost of life insurance for both Policemen and Firemen, who retired prior to July 1, 2002, for a policy value of \$17,000. The City pays 100% of the full cost of life insurance for Firemen who retired after July 1, 2002, for a policy value of \$20,000. During the year ended June 30, 2006, expenditures of \$8,254 for Policemen and \$8,388 for Firemen were recognized for post-employment life insurance. During the year ended June 30, 2006, 161 police and 176 fire retirees received benefits under this plan.

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

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**IV. OTHER INFORMATION (CONTINUED)**

**G. Restatements**

Government-Wide Financial Statements:

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

	<u>GOVERNMENTAL TYPE ACTIVITIES</u>
Net assets, June 30, 2005, as previously reported .....	\$( 23,807,078)
Adjustment to record prior year interest receivable on taxes...	1,612,200
Adjustment to record allowance for uncollectible.....	<u>( 483,658)</u>
Net assets, July 1, 2005, as restated .....	<u>\$( 22,678,536)</u>

**CITY OF CRANSTON, RHODE ISLAND**

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEMS  
SCHEDULE OF FUNDING PROGRESS

		POLICE AND FIRE PLAN					
	A	B	(A-B)	(A/B)	C	[(B-A)/C]	
ACTUARIAL VALUATION DATE JULY 1,	ACTUARIAL VALUE OF ASSETS	ACTUARIALY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL	
2001	\$ 20,805,000	\$ 211,799,000	\$ (190,994,000)	9.8%	\$ 11,148,000	(1,713.3%)	
2002	19,237,000	256,292,000	(237,055,000)	7.5%	10,654,000	(2,225.0%)	
2003	17,960,000	218,407,000	(200,447,000)	8.2%	9,596,000	(2,088.9%)	
2004	27,622,000	242,850,000	(215,228,000)	11.4%	9,446,000	(2,278.5%)	
2005	31,641,000	252,222,000	(220,581,000)	12.5%	7,879,000	(2,799.6%)	
2006	39,931,111	257,474,713	(217,543,602)	15.5%	7,012,677	(3,102.1%)	

**CITY OF CRANSTON, RHODE ISLAND**

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND  
SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
General property taxes	\$ 146,288,358	\$ 147,788,358	\$ 145,906,925	\$ (1,881,433)
Intergovernmental	17,158,746	19,451,719	20,709,187	1,257,468
Charges for Services:				
Licenses and permits	3,494,091	3,944,091	4,173,394	229,303
Fines and forfeitures	1,439,065	1,439,065	1,540,791	101,726
Departmental	2,052,696	2,052,696	2,221,657	168,961
Investment income	800,000	1,350,000	1,466,659	116,659
Education	37,690,639	37,691,638	37,691,639	1
Other	6,691,547	6,691,547	4,605,407	(2,086,140)
<b>TOTAL REVENUES</b>	<b>215,615,142</b>	<b>220,409,114</b>	<b>218,315,658</b>	<b>(2,093,456)</b>
<b>EXPENDITURES:</b>				
Current:				
Executive	513,468	513,468	508,803	4,665
City Council	271,227	271,227	185,344	85,883
Law	462,300	552,300	1,221,107	(668,807)
Personnel	196,486	196,486	192,424	4,062
City Clerk	1,377,136	1,477,136	1,420,566	56,570
Probate Court	19,339	19,339	19,137	202
Municipal Court	297,895	297,895	227,706	70,189
Board of Canvassers	150,343	150,343	145,987	4,356
City Planning	356,023	356,023	330,200	25,823
Economic Development	161,543	246,943	168,390	78,553
Finance	3,506,607	3,566,607	3,471,301	95,306
Fire	23,795,244	24,049,244	23,798,356	250,888
Inspections	868,944	905,944	896,104	9,840
Police	16,903,738	17,038,738	16,746,025	292,713
Public works	12,371,904	12,421,904	12,486,760	(64,856)
Parks and recreation	1,794,000	2,079,000	2,094,667	(15,667)
Public libraries	2,776,363	2,776,363	2,776,363	-
Community Grants	140,500	140,500	140,500	-
Senior services	2,472,321	2,501,321	2,476,360	24,961
Municipal Debt	10,034,096	12,324,039	12,616,935	(292,896)
Long-Term Debt	18,480,332	18,480,332	18,480,332	-
Boards and Commissions	18,690	18,690	13,066	5,624
Harbor Master	2,692	2,692	2,691	1
Sealer of Weights and Measures	2,692	2,692	-	2,692
Rescue Fund	3,266,500	3,266,500	810,224	2,456,276
Education	115,374,759	116,753,388	116,753,389	(1)
<b>TOTAL EXPENDITURES</b>	<b>215,615,142</b>	<b>220,409,114</b>	<b>217,982,736</b>	<b>2,426,378</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>332,922</b>	<b>\$ 332,922</b>
FUND BALANCE - JULY 1, 2005			19,599,361	
FUND BALANCE - JUNE 30, 2006			<u>\$ 19,932,283</u>	



**CITY OF CRANSTON, RHODE ISLAND**

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND - SCHOOLS UNRESTRICTED  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Intergovernmental:				
State	\$ 33,942,639	\$ 33,943,639	\$ 33,943,639	\$ -
Federal	1,840,000	1,805,817	1,805,817	-
Tuition	1,791,500	1,970,131	1,970,131	-
Carryover		18,152	18,151	(1)
Miscellaneous	129,000	266,528	266,528	-
<b>TOTAL REVENUES</b>	<b>37,703,139</b>	<b>38,004,267</b>	<b>38,004,266</b>	<b>(1)</b>
<b>EXPENDITURES:</b>				
Education	115,374,759	117,066,017	116,651,249	414,768
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(77,671,620)</b>	<b>(79,061,750)</b>	<b>(78,646,983)</b>	<b>414,767</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer in - City appropriation	77,671,620	79,061,750	79,061,750	-
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>414,767</b>	<b>\$ 414,767</b>
<b>FUND BALANCE - JULY 1, 2005</b>			<b>685,740</b>	
<b>FUND BALANCE - JUNE 30, 2006</b>			<b>\$ 1,100,507</b>	

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# Supplemental Schedules

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# Nonmajor Governmental Funds

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## **Special Revenue Funds**

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

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

***Budget Stabilization*** - This fund was established to elevate requests made in FY06 budget (ordinance specified items that could be appropriated).

***Hospital Stabilization*** - This fund was established to eliminate future deficits generated by the risks related to being self-insured for health care.

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

***Public Service*** - This fund accounts for public safety activities financed by grants received from private parties and federal and state agencies.

***Restitution*** - To account for monies received in restitution of charges.

***Cultural Services*** - This fund accounts for parks and recreation activities financed by grants received from private parties and federal and state agencies.

***Public Works*** - Insurance fund for snow and ice removal costs.

***Excise Tax Phase-Out*** - This fund accounts for excise phase-out receipts received from the State of Rhode Island.

***Governmental Special Revenue*** - This fund accounts for special grants and non-capital projects.

***Economic Development Revolving Loan*** - This fund accounts for the repayment of principal and interest payments from commercial loans funded by a grant from the Department of Housing and Urban Development.

## **Special Revenue Funds (Continued)**

***Capital Facilities Development Impact Fees*** - This fund accounts for fees charged by the City to real estate developers. The fees are to be used for infrastructure capital assets.

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

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

RSVP  
Multipurpose Center  
Adult Day Care  
Senior Service Special Project

## **Capital Project Funds**

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

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

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

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

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

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

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

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

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

**SCHEDULE 1**  
(1 of 4)

**CITY OF CRANSTON, RHODE ISLAND**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds				
	Education	Budget Stabilization	Hospital Stabilization	Community Development Block Grant	Public Service
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 245,655	\$ 1,783,709	\$ 3,253,592	\$	\$ 805,498
Investments					
Receivables:					
Loans				1,133,149	
Intergovernmental	958,523				
Other	48,129				150,793
Prepaid items	21,056				
Due from other funds		3,079,943	1,866,247		
<b>TOTAL ASSETS</b>	<b>\$ 1,273,363</b>	<b>\$ 4,863,652</b>	<b>\$ 5,119,839</b>	<b>\$ 1,133,149</b>	<b>\$ 956,291</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 202,638	\$ 2,114	\$	\$ 20,814	\$ 3,736
Accrued payroll		75,042		4,332	
Retainage payable					
Due to other funds	892,164	481,427		36,479	102,758
Unearned revenue	58,866			1,133,149	11,194
Other liabilities					
Bond anticipation notes					
<b>TOTAL LIABILITIES</b>	<b>1,153,668</b>	<b>558,583</b>	<b>-</b>	<b>1,194,774</b>	<b>117,688</b>
<b>FUND BALANCES:</b>					
Reserved for commitments					
Reserved for prepaid items	21,056				
Unreserved, reported in:					
Special revenue funds	98,639	4,305,069	5,119,839	(61,625)	838,603
Capital project funds					
<b>TOTAL FUND BALANCES</b>	<b>119,695</b>	<b>4,305,069</b>	<b>5,119,839</b>	<b>(61,625)</b>	<b>838,603</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,273,363</b>	<b>\$ 4,863,652</b>	<b>\$ 5,119,839</b>	<b>\$ 1,133,149</b>	<b>\$ 956,291</b>

(Continued)

**CITY OF CRANSTON, RHODE ISLAND**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds					Economic Development Revolving Loan
	Restitution	Cultural Services	Public Works	Excise Tax Phase-out	Governmental Special Revenue Funds	
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 95,083	\$ 236,359	\$ 313,388	\$ 8,672	\$ 546,808	\$ 627,170
Investments						
Receivables:						
Loans					121,362	914,041
Intergovernmental						
Other						
Prepaid items						
Due from other funds						
<b>TOTAL ASSETS</b>	<b>\$ 95,083</b>	<b>\$ 236,359</b>	<b>\$ 313,388</b>	<b>\$ 8,672</b>	<b>\$ 668,170</b>	<b>\$ 1,541,211</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable		\$ 5,765	\$	\$	12,932	\$
Accrued payroll						
Retainage payable						
Due to other funds					121,362	914,041
Unearned revenue					150,000	
Other liabilities						
Bond anticipation notes						
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>5,765</b>	<b>-</b>	<b>-</b>	<b>284,294</b>	<b>914,041</b>
<b>FUND BALANCES:</b>						
Reserved for commitments						
Reserved for prepaid items						
Unreserved, reported in:						
Special revenue funds	95,083	230,594	313,388	8,672	383,876	627,170
Capital project funds						
<b>TOTAL FUND BALANCES</b>	<b>95,083</b>	<b>230,594</b>	<b>313,388</b>	<b>8,672</b>	<b>383,876</b>	<b>627,170</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 95,083</b>	<b>\$ 236,359</b>	<b>\$ 313,388</b>	<b>\$ 8,672</b>	<b>\$ 668,170</b>	<b>\$ 1,541,211</b>

**CITY OF CRANSTON, RHODE ISLAND**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds				Capital Project Funds			
	Capital Facilities Development Impact Fees	WIA Job Development	Senior Services	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund		
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 3,046,709	\$ 82,602	\$ 261,739	\$ 879,469	\$ 112,522	\$ 561,233		
Investments			16,091	10,921,871	5,256,528	676,977		
Receivables:								
Loans								
Intergovernmental								
Other								
Prepaid items								
Due from other funds								
<b>TOTAL ASSETS</b>	<b>\$ 3,046,709</b>	<b>\$ 82,602</b>	<b>\$ 277,830</b>	<b>\$ 11,801,340</b>	<b>\$ 5,369,050</b>	<b>\$ 1,238,210</b>		
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Accounts payable	\$ 13,024	\$ 4,957	\$ 3,025	\$ 311,953	\$ 16,056	\$		
Accrued payroll								
Retainage payable								
Due to other funds		34,420		38,288	15,419	3,446		
Unearned revenue	4,490							
Other liabilities								
Bond anticipation notes					1,000,000			
<b>TOTAL LIABILITIES</b>	<b>17,514</b>	<b>39,377</b>	<b>3,025</b>	<b>350,241</b>	<b>1,031,475</b>	<b>3,446</b>		
<b>FUND BALANCES:</b>								
Reserved for commitments						7,420,742		
Reserved for prepaid items								
Unreserved, reported in:								
Special revenue funds	3,029,195	43,225	274,805					
Capital project funds							4,030,357	1,234,764
<b>TOTAL FUND BALANCES</b>	<b>3,029,195</b>	<b>43,225</b>	<b>274,805</b>	<b>11,451,099</b>	<b>4,337,575</b>	<b>1,234,764</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,046,709</b>	<b>\$ 82,602</b>	<b>\$ 277,830</b>	<b>\$ 11,801,340</b>	<b>\$ 5,369,050</b>	<b>\$ 1,238,210</b>		

**CITY OF CRANSTON, RHODE ISLAND**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Capital Project Funds					Total Nonmajor Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Neighborhood Infrastructure Bond Fund	Open Space Bond Fund	
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 466,913	\$ 965,688	\$ 8,346	\$ 65,775	\$ 144,330	\$ 14,511,260
Investments	1,582,932	1,739,109	248,889			20,442,397
Receivables:						
Loans						2,168,552
Intergovernmental						958,523
Other						198,922
Prepaid items						21,056
Due from other funds						4,946,190
<b>TOTAL ASSETS</b>	<b>\$ 2,049,845</b>	<b>\$ 2,704,797</b>	<b>\$ 257,235</b>	<b>\$ 65,775</b>	<b>\$ 144,330</b>	<b>\$ 43,246,900</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable		\$ 31,402	\$	\$	\$	\$ 623,773
Accrued payroll					314	84,331
Retainage payable	28,441					28,441
Due to other funds	4,643	7,267	730			1,617,041
Unearned revenue						2,243,102
Other liabilities						150,000
Bond anticipation notes	300,000					1,300,000
<b>TOTAL LIABILITIES</b>	<b>333,084</b>	<b>38,669</b>	<b>730</b>	<b>314</b>	<b>-</b>	<b>6,046,688</b>
<b>FUND BALANCES:</b>						
Reserved for commitments	1,555,810					8,976,552
Reserved for prepaid items						21,056
Unreserved, reported in:						
Special revenue funds	160,951	2,666,128	256,505	65,461	144,330	15,306,533
Capital project funds	1,716,761	2,666,128	256,505	65,461	144,330	37,200,212
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,049,845</b>	<b>\$ 2,704,797</b>	<b>\$ 257,235</b>	<b>\$ 65,775</b>	<b>\$ 144,330</b>	<b>\$ 43,246,900</b>

(Concluded)



CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				
	Education	Budget Stabilization	Hospital Stabilization	Community Development Block Grant	Public Service
<b>REVENUES:</b>					
Intergovernmental	\$ 6,787,020	\$	\$	\$ 1,952,442	\$ 218,657
Charges for services	20,500				
Investment income	16,503	102,972	118,891		31,428
Other	443,813				847,076
<b>TOTAL REVENUES</b>	<b>7,267,836</b>	<b>102,972</b>	<b>118,891</b>	<b>1,952,442</b>	<b>1,097,161</b>
<b>EXPENDITURES:</b>					
Current:					
General government		718,682			5,365
Public safety		966,061			1,097,744
Education	7,297,388	671,000			
Parks and recreation		100,000			
Public libraries					
Senior services					
Community development				1,974,504	
Debt service:					
Interest and other costs					
Capital outlay					
<b>TOTAL EXPENDITURES</b>	<b>7,297,388</b>	<b>2,455,743</b>	<b>-</b>	<b>1,974,504</b>	<b>1,103,109</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(29,552)</b>	<b>(2,352,771)</b>	<b>118,891</b>	<b>(22,062)</b>	<b>(5,948)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of debt					
Bond premium					
Transfers in		3,079,943	1,866,247		
Transfers out					
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>3,079,943</b>	<b>1,866,247</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(29,552)</b>	<b>727,172</b>	<b>1,985,138</b>	<b>(22,062)</b>	<b>(5,948)</b>
<b>FUND BALANCES - JULY 1, 2005</b>	<b>149,247</b>	<b>3,577,897</b>	<b>3,134,701</b>	<b>(39,563)</b>	<b>844,551</b>
<b>FUND BALANCES - JUNE 30, 2006</b>	<b>\$ 119,695</b>	<b>\$ 4,305,069</b>	<b>\$ 5,119,839</b>	<b>\$ (61,625)</b>	<b>\$ 838,603</b>

(Continued)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					
	Restitution	Cultural Services	Public Works	Excise Tax Phase-out	Governmental Special Revenue Funds	Economic Development Revolving Loan
<b>REVENUES:</b>						
Intergovernmental	\$	\$	\$	\$ 10,692,387	\$	\$
Charges for services						
Investment income	3,784	9,186	12,471	3,278	18,179	64,123
Other		60,109			273,642	15,200
<b>TOTAL REVENUES</b>	<b>3,784</b>	<b>69,295</b>	<b>12,471</b>	<b>10,695,665</b>	<b>291,821</b>	<b>79,323</b>
<b>EXPENDITURES:</b>						
Current:						
General government					115,292	191,976
Public safety						
Education						
Parks and recreation		5,905				
Public libraries		45,990				
Senior services						
Community development						
Debt service:						
Interest and other costs						
Capital outlay						
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>51,895</b>	<b>-</b>	<b>-</b>	<b>115,292</b>	<b>191,976</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,784</b>	<b>17,400</b>	<b>12,471</b>	<b>10,695,665</b>	<b>176,529</b>	<b>(112,653)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of debt						
Bond premium						
Transfers in				(10,692,387)		
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,692,387)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,784</b>	<b>17,400</b>	<b>12,471</b>	<b>3,278</b>	<b>176,529</b>	<b>(112,653)</b>
<b>FUND BALANCES - JULY 1, 2005</b>	<b>91,299</b>	<b>213,194</b>	<b>300,917</b>	<b>5,394</b>	<b>207,347</b>	<b>739,823</b>
<b>FUND BALANCES - JUNE 30, 2006</b>	<b>\$ 95,083</b>	<b>\$ 230,594</b>	<b>\$ 313,388</b>	<b>\$ 8,672</b>	<b>\$ 383,876</b>	<b>\$ 627,170</b>

(Continued)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			Capital Project Funds		
	Capital Facilities Development Impact Fees	WIA Job Development	Senior Services	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
REVENUES:						
Intergovernmental Charges for services	\$	\$ 333,937	\$	\$	\$	\$
Investment income	126,594	1,737	10,179	36,097	12,015	3,613
Other	216,323		139,874			
<b>TOTAL REVENUES</b>	<b>342,917</b>	<b>335,674</b>	<b>150,053</b>	<b>36,097</b>	<b>12,015</b>	<b>3,613</b>
EXPENDITURES:						
Current:						
General government		315,448				
Public safety	101,426					
Education						
Parks and recreation	147,104					
Public libraries						
Senior services			100,469			
Community development						
Debt service:						
Interest and other costs				239,918	83,952	18,762
Capital outlay				1,383,332	1,154,599	607
<b>TOTAL EXPENDITURES</b>	<b>248,530</b>	<b>315,448</b>	<b>100,469</b>	<b>1,623,250</b>	<b>1,238,551</b>	<b>19,369</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>94,387</b>	<b>20,226</b>	<b>49,584</b>	<b>(1,587,153)</b>	<b>(1,226,536)</b>	<b>(15,756)</b>
OTHER FINANCING SOURCES (USES):						
Issuance of debt				13,111,600	5,280,000	1,180,000
Bond premium				150,303	60,526	13,527
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,261,903</b>	<b>5,340,526</b>	<b>1,193,527</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>94,387</b>	<b>20,226</b>	<b>49,584</b>	<b>11,674,750</b>	<b>4,113,990</b>	<b>1,171,771</b>
<b>FUND BALANCES - JULY 1, 2005</b>	<b>2,934,808</b>	<b>22,999</b>	<b>225,221</b>	<b>(223,651)</b>	<b>223,585</b>	<b>56,993</b>
<b>FUND BALANCES - JUNE 30, 2006</b>	<b>\$ 3,029,195</b>	<b>\$ 43,225</b>	<b>\$ 274,805</b>	<b>\$ 11,451,099</b>	<b>\$ 4,337,575</b>	<b>\$ 1,234,764</b>

(Continued)

CITY OF CRANSTON, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Capital Project Funds					Total Non-Major Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Neighborhood Infrastructure Bond Fund	Open Space Bond Fund	
REVENUES:						
Intergovernmental						\$ 19,984,443
Charges for services						20,500
Investment income	19,698	11,028	1,652	11,298	5,744	620,470
Other						1,996,037
<b>TOTAL REVENUES</b>	19,698	11,028	1,652	11,298	5,744	22,621,450
EXPENDITURES:						
Current:						
General government						1,346,763
Public safety						2,165,231
Education						7,968,388
Parks and recreation						253,009
Public libraries						45,990
Senior services						100,469
Community development						1,974,504
Debt service:						
Interest and other costs	25,282	39,566	3,975			411,455
Capital outlay	196,222	17,777	40,350	436,362		3,229,249
<b>TOTAL EXPENDITURES</b>	221,504	57,343	44,325	436,362	-	17,495,058
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(201,806)	(46,315)	(42,673)	(425,064)	5,744	5,126,392
OTHER FINANCING SOURCES (USES):						
Issuance of debt	1,590,000	2,488,400	250,000			23,900,000
Bond premium	18,227	28,525	2,866			273,974
Transfers in						4,946,190
Transfers out						(10,692,387)
<b>NET OTHER FINANCING SOURCES (USES)</b>	1,608,227	2,516,925	252,866	-	-	18,427,777
<b>NET CHANGE IN FUND BALANCES</b>	1,406,421	2,470,610	210,193	(425,064)	5,744	23,554,169
<b>FUND BALANCES - JULY 1, 2005</b>	310,340	195,518	46,312	490,525	138,586	13,646,043
<b>FUND BALANCES - JUNE 30, 2006</b>	\$ 1,716,761	\$ 2,666,128	\$ 256,505	\$ 65,461	\$ 144,330	\$ 37,200,212

(Concluded)

**CITY OF CRANSTON, RHODE ISLAND**

**NONMAJOR BUDGETARY FUNDS  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET BASIS  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

**COMMUNITY DEVELOPMENT BLOCK GRANT**

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Program Income	\$ 130,000	\$ 130,000	\$ 365,304	\$ 235,304
Federal Grants	1,192,409	1,192,409	1,587,138	394,729
Total Revenues	1,322,409	1,322,409	1,952,442	630,033
<b>EXPENDITURES:</b>				
Current:				
Program Activities	1,322,409	1,322,409	1,974,504	(652,095)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (22,062)</b>	<b>\$ (22,062)</b>

**WORKFORCE INVESTMENT ACT**

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Program Income	\$ 298,157	\$ 298,157	\$ 335,674	\$ 37,517
<b>EXPENDITURES:</b>				
Current:				
Program Activities	298,157	298,157	315,448	(17,291)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,226</b>	<b>\$ 20,226</b>

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# Fiduciary Funds

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## Agency Funds

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

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

*Performance Bonds* - This fund was established to account for funds set aside to pay land developers who perform services for the City.

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

**CITY OF CRANSTON, RHODE ISLAND**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITY  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<b>ASSETS</b>				
<b>CASH:</b>				
Unclaimed estates in probate	\$ 141,938	\$ 1,039	\$	\$ 142,977
Performance bonds	337,465	49,726	48,887	338,304
Student activity funds	547,555	2,534,946	2,545,140	537,361
<b>TOTAL CASH</b>	<b>1,026,958</b>	<b>2,585,711</b>	<b>2,594,027</b>	<b>1,018,642</b>
<b>INVESTMENTS:</b>				
Student activity funds	1,500	31	1,531	-
<b>TOTAL ASSETS</b>	<b>\$ 1,028,458</b>	<b>\$ 2,585,742</b>	<b>\$ 2,595,558</b>	<b>\$ 1,018,642</b>
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 1,028,458	\$ 2,585,742	\$ 2,595,558	\$ 1,018,642

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

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**SCHEDULE 5**

**CITY OF CRANSTON, RHODE ISLAND**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE  
JUNE 30, 2006**

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**CAPTIAL ASSETS**

Land.....	\$ 11,062,827
Land improvements.....	9,458,613
Buildings.....	59,121,582
Machinery and equipment.....	2,653,079
Office furniture and equipment.....	5,151,755
Vehicles.....	14,418,661
Infrastructure.....	<u>81,676,306</u>

TOTAL CAPITAL ASSETS..... \$ 183,542,823

**INVESTMENT IN CAPITAL ASSETS BY SOURCE**

Property taxes.....	\$ 27,531,423
Bonds.....	137,657,117
Intergovernmental grants.....	16,518,854
Contributions.....	<u>1,835,428</u>

TOTAL CAPITAL ASSETS BY SOURCE ..... \$ 183,542,823

**SCHEDULE 6**

**CITY OF CRANSTON, RHODE ISLAND**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2006**

	LAND	LAND IMPROVEMENTS	BUILDINGS	MACHINERY AND EQUIPMENT	VEHICLES	INFRASTRUCTURE	TOTAL
General government.....	\$ 11,062,827	\$ 9,458,613	\$ 58,737,292	\$ 724,289	\$ 620,002	\$ 81,676,306	\$ 162,279,329
Public safety.....		1,417,358	8,227,288				9,644,646
Public works.....		667,313	3,394,153				4,061,466
Education.....			384,290	177,170	1,296,238		1,857,698
Parks and recreation.....				1,125,457	500,328		1,625,785
Public libraries.....				3,594,907	10,092		3,604,999
Senior services.....				98,340	370,560		468,900
<b>TOTAL.....</b>	<b>\$ 11,062,827</b>	<b>\$ 9,458,613</b>	<b>\$ 59,121,582</b>	<b>\$ 7,804,834</b>	<b>\$ 14,418,661</b>	<b>\$ 81,676,306</b>	<b>\$ 183,542,823</b>

**CITY OF CRANSTON, RHODE ISLAND**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2006**

	BALANCE JULY 1, 2005	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2006
General government.....	\$ 161,654,991	\$ 1,051,005	\$ 426,667	\$ 162,279,329
Public safety.....	9,360,416	577,205	292,976	9,644,645
Public works.....	3,394,528	885,715	218,777	4,061,466
Education.....	1,939,868		82,170	1,857,698
Parks and recreation.....	1,688,155	5,209	67,579	1,625,785
Public libraries.....	3,627,541		22,541	3,605,000
Senior services.....	456,990	11,910		468,900
<b>TOTAL CAPITAL ASSETS .....</b>	<b>\$ 182,122,489</b>	<b>\$ 2,531,044</b>	<b>\$ 1,110,710</b>	<b>\$ 183,542,823</b>

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# Statistical Section

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**CITY OF CRANSTON, RHODE ISLAND**

NET ASSETS BY COMPONENT  
LAST FIVE FISCAL YEARS  
(UNAUDITED)

	FISCAL YEAR				
	2006	2005	2004	2003	2002
Governmental activities:					
Invested in capital assets, net of related debt	\$ 12,863,084	\$ 36,731,439	\$ 36,571,258	\$ 65,847,258	\$ (35,603,725)
Restricted	9,468,021			621,085	5,963,118
Unrestricted	(42,514,069)	(60,538,517)	(67,245,897)	(127,626,157)	(132,708,572)
Total Governmental activities	(20,182,964)	(23,807,078)	(30,674,639)	(61,157,814)	(162,349,179)
Business-type activities:					
Invested in capital assets, net of related debt	62,823,896	61,785,287	61,892,799	61,013,636	61,364,446
Restricted	1,730,624	500,267	500,267	820,751	819,358
Unrestricted	(28,378,720)	(27,861,982)	(30,724,644)	(29,490,872)	(39,125,642)
Total Business-type activities	36,175,800	34,423,572	31,668,422	32,343,515	23,058,162
Total City:					
Invested in capital assets, net of related debt	75,686,980	98,516,726	98,464,057	126,860,894	25,760,721
Restricted	11,198,645	500,267	500,267	1,441,836	6,782,476
Unrestricted	(70,892,789)	(88,400,499)	(97,970,541)	(157,117,029)	(171,834,214)
Total City	\$ 15,992,836	\$ 10,616,494	\$ 993,783	\$ (28,814,299)	\$ (139,291,017)

**TABLE 2**  
**(1 of 3)**

**CITY OF CRANSTON, RHODE ISLAND**

CHANGES IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(UNAUDITED)

	FISCAL YEAR				
	2006	2005	2004	2003	2002
<b>EXPENSES:</b>					
Governmental activities:					
General government	\$ 10,038,244	\$ 15,849,140	\$ 12,264,371	\$ 14,054,259	\$ 11,315,504
Public safety	66,103,904	61,212,863	58,737,753	48,600,836	54,311,983
Public works	12,353,799	12,500,813	11,556,583	8,428,595	8,492,030
Education	128,470,859	123,345,770	115,118,837	114,486,888	104,666,500
Parks and recreation	2,384,414	2,059,016	1,848,297	1,801,404	2,007,121
Public libraries	2,824,696	2,761,476	2,790,619	2,662,535	2,559,200
Senior services	2,611,039	2,564,049	2,564,641	2,959,335	3,040,382
Community development	1,962,445	1,606,187	1,273,293	1,293,739	1,459,680
Interest expense	6,672,049	3,203,381	2,254,851	5,169,683	3,476,705
<b>Total Governmental activities</b>	<b>233,421,449</b>	<b>225,102,695</b>	<b>208,409,245</b>	<b>199,457,274</b>	<b>191,329,105</b>
Business-type activities:					
Sewer	17,082,479	15,052,454	15,612,521	13,553,258	15,305,821
Public Facilities Management Foundation	275,798	309,662	78,078	357,990	324,228
Water					18,608
School lunch	2,688,143	2,586,402	2,488,766	2,547,767	2,393,349
<b>Total Business-type activities</b>	<b>20,046,420</b>	<b>17,948,518</b>	<b>18,179,365</b>	<b>16,459,015</b>	<b>18,042,006</b>
<b>Total City expenses</b>	<b>253,467,869</b>	<b>243,051,213</b>	<b>226,588,610</b>	<b>215,916,289</b>	<b>209,371,111</b>

(Continued)

**TABLE 2**  
**(2 of 3)**

**CITY OF CRANSTON, RHODE ISLAND**

**CHANGES IN NET ASSETS**  
**LAST FIVE FISCAL YEARS**  
**(UNAUDITED)**

	FISCAL YEAR				
	2006	2005	2004	2003	2002
<b>PROGRAM REVENUES:</b>					
Governmental activities:					
Charges for services:					
General government	\$ 9,339,781	\$ 10,094,738	\$ 14,279,624	\$ 7,167,456	\$ 3,835,199
Public safety	3,364,334	3,250,181	2,930,328	1,138,141	2,531,055
Public works	124,564	79,485	110,771		
Education	2,719,123		2,267,150	2,992,832	4,598,157
Parks and recreation	192,971	218,346	214,878		
Public libraries	82,500	179,232	124,987		
Senior services	1,392,072	1,264,135	1,461,805		
Other activities				3,622,184	1,126,311
Operating grants and contributions	51,704,145	53,592,333	49,494,352	46,172,804	45,397,783
Capital grants and contributions	114,596	342,051			243,949
<b>Total Governmental activities program revenues</b>	<b>69,034,086</b>	<b>69,020,501</b>	<b>70,883,895</b>	<b>61,093,417</b>	<b>57,732,454</b>
Business-type activities:					
Charges for services:					
Sewer	16,870,584	16,133,909	16,456,479	17,478,196	16,053,597
Public Facilities Management Foundation	247,419	304,306	45,000	319,699	452,161
Water					3,118
School lunch	1,417,343	1,490,280	1,483,555	1,571,470	1,536,637
Operating grants and contributions	1,101,082	1,036,970	939,419	911,614	886,491
Capital grants and contributions	2,030,980	836,249			
<b>Total Business-type activities program revenues</b>	<b>21,667,408</b>	<b>19,801,714</b>	<b>18,924,453</b>	<b>20,280,979</b>	<b>18,932,004</b>
<b>Total City revenues</b>	<b>90,701,494</b>	<b>88,822,215</b>	<b>89,808,348</b>	<b>81,374,396</b>	<b>76,664,458</b>
<b>Net (expenses) revenues:</b>					
Governmental activities	(164,387,363)	(156,082,194)	(137,525,350)	(138,363,857)	(133,596,651)
Business-type activities	1,620,988	1,853,196	745,088	3,821,964	889,998
<b>Total City net expense</b>	<b>(162,766,375)</b>	<b>(154,228,998)</b>	<b>(136,780,262)</b>	<b>(134,541,893)</b>	<b>(132,706,653)</b>

(Continued)

**TABLE 2**  
**(3 of 3)**

**CITY OF CRANSTON, RHODE ISLAND**

**CHANGES IN NET ASSETS**  
**LAST FIVE FISCAL YEARS**  
**(UNAUDITED)**

	FISCAL YEAR				
	2006	2005	2004	2003	2002
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>					
Governmental activities:					
General Revenues:					
Property taxes and other	\$ 158,960,204	\$ 158,547,041	\$ 155,870,057	\$ 140,791,381	\$ 118,179,277
Grants and contributions not restricted to specific programs	5,599,200				
State revenue sharing		3,199,670	3,293,868	2,898,349	2,662,371
Unrestricted investment earnings	2,323,533	1,203,044	477,653	346,950	327,699
Miscellaneous					4,908,858
Transfers			1,450,000	(495,919)	
<b>Total Governmental activities</b>	<b>166,882,937</b>	<b>162,949,755</b>	<b>161,091,578</b>	<b>143,540,761</b>	<b>126,078,205</b>
Business-type activities:					
Unrestricted investment earnings	131,240	253,271	29,819	49,403	119,581
Transfers			(1,450,000)	495,919	
<b>Total Business-type activities</b>	<b>131,240</b>	<b>253,271</b>	<b>(1,420,181)</b>	<b>545,322</b>	<b>119,581</b>
<b>Total City</b>	<b>167,014,177</b>	<b>163,203,026</b>	<b>159,671,397</b>	<b>144,086,083</b>	<b>126,197,786</b>
<b>CHANGE IN NET ASSETS:</b>					
Governmental activities	2,495,574	6,867,561	23,566,228	5,176,904	(7,518,446)
Business-type activities	1,752,228	2,106,467	(675,093)	4,367,286	1,009,579
<b>Total City change in net assets</b>	<b>\$ 4,247,802</b>	<b>\$ 8,974,028</b>	<b>\$ 22,891,135</b>	<b>\$ 9,544,190</b>	<b>\$ (6,508,867)</b>

(Concluded)



CITY OF CRANSTON, RHODE ISLAND

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

	FISCAL YEAR				
	2006	2005	2004	2003	2002
General Fund:					
Reserved	\$ 19,932,283	\$ 19,599,361	\$ 16,098,058	\$ 211,806	\$ 3,027,829
Unreserved			16,098,058	5,465,068	(4,454,508)
Total General Fund	19,932,283	19,599,361	16,098,058	5,676,874	(1,426,679)
All Other Governmental Funds:					
Reserved	9,468,021	449,705	770,552	409,279	2,935,289
Unreserved, designated	900,000	667,588	942,942	(4,193,715)	(2,871,535)
Unreserved, reported in:					
Special revenue funds	15,449,182	12,269,184	8,155,009	4,423,779	5,948,959
Capital project funds	12,896,071	1,238,208	2,444,469	(21,667,080)	(12,308,135)
Total All Other Governmental Funds	38,713,274	14,624,685	12,312,972	(21,027,737)	(6,295,422)
GRAND TOTAL	\$ 58,645,557	\$ 34,224,046	\$ 28,411,030	\$ (15,350,863)	\$ (7,722,101)

TABLE 4

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)  
(UNAUDITED)

	FISCAL YEAR									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues:</b>										
Property taxes	\$ 145,906,925	\$ 146,687,442	\$ 142,444,687	\$ 130,881,284	\$ 108,564,553	\$ 103,540,505	\$ 102,322,000	\$ 100,353,000	\$ 101,933,000	\$ 103,913,843
Intergovernmental revenue	69,768,119	61,446,086	59,413,263	55,200,184	52,692,416	47,639,030	46,613,000	37,457,000	35,591,000	30,308,081
Charges for services	14,460,130	3,630,513	3,196,325	2,127,280	1,688,575	1,595,317	1,255,000	1,445,000	794,000	1,169,493
Licenses and permits		1,680,163	1,727,841	1,168,927	1,244,372	1,142,520	938,000	4,255,000	855,000	844,831
Fines and interest on late payments	2,111,701	1,104,514	449,364	346,950	327,699	826,411	1,462,000	1,214,000	1,186,000	702,165
Interest on investments		2,194,673	2,191,986	3,111,410						
Departmental		13,049,659	18,247,736	20,182,135	18,971,771	11,665,144	12,508,000	13,043,000	5,946,000	5,148,852
Other revenues	2,352,465									
<b>Total revenues</b>	<b>234,599,340</b>	<b>229,793,020</b>	<b>227,671,202</b>	<b>213,018,170</b>	<b>183,489,386</b>	<b>166,408,927</b>	<b>165,097,000</b>	<b>157,767,000</b>	<b>146,307,000</b>	<b>142,087,865</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	9,237,728	10,222,585	9,173,000	12,714,754	10,061,207	8,154,772	5,331,000	5,864,000	4,780,000	4,838,019
Public safety	61,030,024	59,779,344	57,502,834	48,209,827	43,597,698	42,976,586	37,229,000	33,665,000	33,084,000	33,473,435
Public works	12,486,760	12,242,411	11,130,019	8,243,944	8,400,200	8,374,354	9,394,000	9,335,000	9,116,000	8,972,035
Human resources										
Education	128,541,976	123,115,632	114,916,387	114,225,766	105,030,656	98,363,576	91,703,000	86,306,000	82,476,000	77,666,426
Parks and recreation	2,347,676	1,945,381	1,730,551	1,775,134						
Public libraries	2,822,353	2,690,940	2,659,809	2,658,217						
Senior services	2,576,829	2,486,770	2,503,444	2,883,992						
Community development	1,974,504	1,606,187	1,273,293	1,293,739						
Other	156,257	771,881	470,759	8,142,700	9,787,400	10,382,250	15,949,000	10,321,000	9,636,000	2,278,319
Capital outlay	3,229,249	1,977,655	4,452,313	10,414,157	7,065,558	8,875,169	9,102,000	7,185,000	4,658,000	3,190,832
Debt service	9,948,447	9,599,525	5,339,688	7,993,840	8,539,924	6,537,665	7,864,000	7,519,000	7,839,000	7,066,007
<b>Total expenditures</b>	<b>234,351,803</b>	<b>226,438,311</b>	<b>211,152,097</b>	<b>218,556,070</b>	<b>192,502,643</b>	<b>183,684,372</b>	<b>176,572,000</b>	<b>160,195,000</b>	<b>151,869,000</b>	<b>142,098,205</b>
<b>Excess of revenues over expenditures</b>	<b>247,537</b>	<b>3,354,709</b>	<b>16,519,105</b>	<b>(5,537,900)</b>	<b>(9,013,257)</b>	<b>(17,275,445)</b>	<b>(11,475,000)</b>	<b>(2,428,000)</b>	<b>(5,282,000)</b>	<b>(10,340)</b>
<b>Other financing sources (uses):</b>										
Issuance of debt	23,900,000	22,280,000	27,050,000			13,320,000	15,023,000		17,540,000	
Bond premium	273,974	1,933,307	877,652							
Proceeds from leasing				705,057	2,521,436					
Transfers in	94,700,327	88,857,289	86,467,243	70,382,293	68,211,228	55,535,987	54,482,000	51,829,000	55,401,000	
Repayment of debt to escrow agent	(64,700,327)	(88,857,289)	(87,473,612)	(73,178,312)	(68,311,228)	(55,535,987)	(54,482,000)	(51,829,000)	(50,326,000)	
Transfers out										
<b>Net other financing sources (uses)</b>	<b>24,173,974</b>	<b>2,458,307</b>	<b>26,921,283</b>	<b>(2,090,862)</b>	<b>2,521,436</b>	<b>178,971</b>	<b>15,023,000</b>	<b>-</b>	<b>22,615,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 24,421,511</b>	<b>\$ -5,813,016</b>	<b>\$ 43,440,388</b>	<b>\$ (7,628,762)</b>	<b>\$ (6,491,821)</b>	<b>\$ (17,096,474)</b>	<b>\$ 3,548,000</b>	<b>\$ (2,428,000)</b>	<b>\$ 17,333,000</b>	<b>\$ (10,340)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.3%</b>	<b>4.3%</b>	<b>2.6%</b>	<b>3.8%</b>	<b>4.6%</b>	<b>3.8%</b>	<b>4.7%</b>	<b>4.9%</b>	<b>5.3%</b>	<b>5.7%</b>

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

CITY OF CRANSTON, RHODE ISLAND

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

YEAR ENDED JUNE 30,	REAL PROPERTY										PERSONAL PROPERTY			TOTAL		RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE (1)	DIRECT TAX RATE	COMMERCIAL ASSESSED VALUE (2)	DIRECT TAX RATE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE (1)	DIRECT TAX RATE TANGIBLE	DIRECT TAX RATE MOTOR VEHICLE	DIRECT TAX RATE INVENTORY	ESTIMATED ACTUAL VALUE	ASSESSED VALUE (1)	ESTIMATED ACTUAL VALUE	ASSESSED VALUE (1)	ESTIMATED ACTUAL VALUE		
1997	\$ 3,313,203,200	32	N/A	N/A	\$ 3,435,523,796	\$ 535,912,971	32	42	N/A	\$ 535,912,971	\$ 3,849,116,171	\$ 3,971,436,767	\$ 3,849,116,171	\$ 3,971,436,767	0.969	
1998	3,331,921,000	32	N/A	N/A	3,551,412,288	551,792,451	32	42	N/A	551,792,451	3,883,713,451	4,103,204,739	3,883,713,451	4,103,204,739	0.947	
1999	3,349,781,100	32	N/A	N/A	3,793,282,852	587,224,419	32	42	N/A	587,224,419	3,937,005,519	4,380,507,271	3,937,005,519	4,380,507,271	0.899	
2000	3,387,033,100	32	N/A	N/A	4,354,329,990	672,320,596	32	42	29	672,320,596	4,059,353,696	5,026,650,586	4,059,353,696	5,026,650,586	0.808	
2001	3,425,766,400	32	N/A	N/A	4,720,107,081	670,265,695	32	42	25	670,265,695	4,096,032,095	5,390,372,776	4,096,032,095	5,390,372,776	0.760	
2002	3,471,476,900	33	N/A	N/A	4,770,268,926	726,632,739	33	42	22	726,632,739	4,198,109,639	5,496,901,665	4,198,109,639	5,496,901,665	0.764	
2003	3,526,107,500	34	N/A	N/A	4,822,036,330	763,362,568	34	42	19	763,362,568	4,289,470,068	5,585,398,798	4,289,470,068	5,585,398,798	0.768	
2004	4,120,580,900	22	\$ 929,951,200	30	5,357,818,034	787,898,647	34	42	16	787,898,647	5,838,430,847	6,145,716,681	5,838,430,847	6,145,716,681	0.950	
2005	4,152,937,000	23	950,396,900	31	5,613,667,290	794,638,753	35	42	13	794,638,753	5,897,972,653	6,408,306,043	5,897,972,653	6,408,306,043	0.920	
2006	4,196,433,200	23	959,929,900	31	5,929,817,565	835,667,975	35	42	10	835,667,975	5,992,031,075	6,765,485,540	5,992,031,075	6,765,485,540	0.886	

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

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

TABLE 6

**CITY OF CRANSTON, RHODE ISLAND**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
**(UNAUDITED)**

	GRAND LIST YEAR						
	2006			1997			
NAME	NATURE OF BUSINESS	ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (1)	ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (2)
Campionato Alfred	Real Estate Management	\$ 62,408,903	1	1.04%	\$ -		
Gateway Woodside Inc.	Real Estate Management	55,476,936	2	0.93%	-		
Picorne Properties	Real Estate Management	34,370,314	3	0.57%	7,899,400	10	0.20%
Brewery Parkade	Real Estate Management	29,562,100	4	0.49%	-		
Cox Communications Inc.	Cable Communications	27,717,260	5	0.46%	-		
Nanagansett Electric	Electric Utility	25,031,300	6	0.42%	20,419,620	2	0.52%
Lowes	Retail Hardware	20,061,603	7	0.33%	-		
Independence Park Property	Real Estate Management	18,143,400	8	0.30%	-		
New England Gas Company	Gas Utility	16,351,790	9	0.27%	13,980,091	3	0.36%
Providence Water	Water Utility	15,609,520	10	0.26%	8,600,000	8	0.22%
Fiatley , Thomas J. d/b/a Fiatley Company	Commercial Property				36,919,230	1	0.94%
Birmam Woods LP	Real Estate				11,329,500	4	0.29%
Eppley Realty Co. - Stop & Shop	Real Estate				10,206,252	5	0.26%
RWF Inc. - Supervalue	Real Estate				8,941,719	6	0.23%
Pierson Street Associates	Real Estate				8,667,225	7	0.22%
Amalgamated Financial Equities	Individual Taxpayer				8,007,000	9	0.20%
<b>TOTAL</b>		<b>\$ 304,733,126</b>		<b>5.09%</b>	<b>\$ 134,970,037</b>		<b>8.78%</b>

Source: Town Assessor Department.

(1) Based on a net taxable Grand List of \$5,607,084,189.

(2) Based on a net taxable Grand List of \$3,102,955,930.

TABLE 7

CITY OF CRANSTON, RHODE ISLAND

TAX RATES, LEVIES AND CASH COLLECTIONS  
LAST TEN YEARS  
(UNAUDITED)

YEAR ENDED JUNE 30	TOTAL ADJUSTED TAX LEVY	NET CURRENT TAX COLLECTIONS	PERCENTAGE OF CURRENT TAXES COLLECTED	NET DELINQUENT TAX COLLECTIONS CURRENT YEAR	TOTAL NET TAXES COLLECTED ALL YEARS	PERCENTAGE OF TOTAL TAX COLLECTED TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	PERCENTAGE OF DELINQUENT TAXES TO TOTAL TAX LEVY
1997	\$ 104,639,207	\$ 99,602,209	95.2%	\$ 1,534,032	\$ 101,136,241	96.7%	\$ 6,763,868	6.5%
1998	101,361,559	98,451,001	97.1%	425,804	98,876,805	97.5%	6,893,000	6.8%
1999	102,041,174	98,913,349	96.9%	1,158,764	100,072,113	98.1%	4,918,122	4.8%
2000	102,313,877	98,472,257	96.2%	3,152,504	101,624,761	99.3%	5,434,557	5.3%
2001	101,763,544	100,124,698	98.4%	1,763,463	101,888,161	100.1%	6,010,551	5.9%
2002	105,644,501	102,588,301	97.1%	679,912	103,268,213	97.8%	14,409,114	13.6%
2003	129,179,767	125,690,321	97.3%	1,541,416	127,231,737	98.5%	13,106,311	10.1%
2004	136,756,194	135,075,140	98.8%	3,223,007	138,298,147	101.1%	2,815,462	2.1%
2005	142,694,201	140,405,075	98.4%	1,250,029	141,655,104	99.3%	3,946,447	2.8%
2006	144,870,459	142,903,329	98.6%	1,450,866	144,354,195	99.6%	4,138,422	2.9%

Source: Town audit reports.

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

TABLE 3

## CITY OF CRANSTON, RHODE ISLAND

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

YEAR ENDED JUNE 30	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES				TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CLEAN WATER NOTES	TOTAL	TOTAL			
1997	\$ 38,446,000	\$ 1,372,000	\$ 39,818,000	\$ 13,644,090	\$	\$ 3,080,000	\$ 16,724,090	\$ 56,542,090	N/A	\$ 2,688	
1998	47,089,000	1,500,000	48,589,000	7,806,000		2,918,000	10,724,000	59,313,000	N/A	2,636	
1999	42,287,000	1,520,000	43,807,000	6,344,000		2,756,000	9,100,000	52,907,000	N/A	2,254	
2000	53,716,000	1,318,000	55,034,000	4,094,101		3,293,600	7,387,701	62,421,701	N/A	2,583	
2001	50,853,542	7,106,668	57,960,210	2,817,056	5,130,000	3,131,500	11,078,556	69,038,766	N/A	2,758	
2002	46,098,154	7,459,150	53,557,304	1,517,438	4,890,000	2,931,245	9,338,683	62,895,987	N/A	2,481	
2003	42,025,156	7,065,400	49,090,556	335,437	4,640,000	2,729,916	7,705,353	56,795,909	N/A	2,196	
2004	66,360,000	6,202,345	72,562,345		4,375,000	4,527,484	8,902,484	81,464,829	N/A	3,098	
2005	63,340,000	5,322,425	68,662,425		4,100,000	7,723,917	11,823,917	80,486,342	N/A	3,007	
2006	83,685,000	4,436,836	88,121,836		3,810,000	7,833,184	11,643,184	99,765,020	N/A	3,728	

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

**TABLE 9**

**CITY OF CRANSTON, RHODE ISLAND**  
**RATIOS OF GENERAL DEBT OUTSTANDING**  
**LAST TEN YEARS**  
**(UNAUDITED)**

YEAR ENDED JUNE 30	GENERAL DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL		
1997	\$ 38,446,000	1,372,000	\$ 39,818,000	1.03%	\$ 533
1998	47,089,000	1,500,000	48,589,000	1.25%	649
1999	42,287,000	1,520,000	43,807,000	1.11%	584
2000	53,716,000	1,318,000	55,034,000	1.36%	724
2001	50,853,542	7,106,668	57,960,210	1.42%	730
2002	46,098,154	7,459,150	53,557,304	1.28%	669
2003	42,025,156	7,065,400	49,090,556	1.14%	606
2004	66,360,000	6,202,345	72,562,345	1.24%	889
2005	63,340,000	5,322,425	68,662,425	1.16%	837
2006	83,685,000	4,436,836	88,121,836	1.47%	1,080

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

**CITY OF CRANSTON, RHODE ISLAND**

COMPUTATION OF LEGAL DEBT MARGIN  
 JUNE 30, 2006  
 (UNAUDITED)

Assessed value	\$ 5,992,031,075
Less: exemptions	<u>(384,946,886)</u>
<b>NET TOTAL TAXABLE ASSESSED VALUE</b>	<b><u>\$ 5,607,084,189</u></b>
Debt limit - 3 percent of total assessed value	\$ 168,212,526
Amount of debt applicable to debt limit:	
Total bonded debt	<u>-</u>
<b>LEGAL DEBT MARGIN</b>	<b><u>\$ 168,212,526</u></b>

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

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



**TABLE 11**

**CITY OF CRANSTON, RHODE ISLAND**

**LEGAL DEBT MARGIN INFORMATION  
LAST TEN YEARS**

<b>YEAR ENDED JUNE 30</b>	<b>DEBT LIMIT</b>	<b>NET DEBT APPLICABLE TO LIMIT</b>	<b>LEGAL DEBT MARGIN</b>
1997	\$ 65,816,306	\$ -	\$ 65,816,306
1998	66,540,408	-	66,540,408
1999	93,088,678	-	93,088,678
2000	93,672,789	-	93,672,789
2001	93,797,178	-	93,797,178
2002	95,374,621	-	95,374,621
2003	100,615,221	-	100,615,221
2004	166,419,556	-	166,419,556
2005	165,502,160	-	165,502,160
2006	168,212,526	-	168,212,526

**TABLE 12**

**CITY OF CRANSTON, RHODE ISLAND**

DEMOGRAPHIC STATISTICS  
LAST TEN YEARS  
(UNAUDITED)

YEAR ENDED JUNE 30	(1) POPULATION	(5) PERSONAL INCOME	(2) PER CAPITA INCOME	(1) MEDIAN AGE	EDUCATION LEVEL IN YEARS OF SCHOOLING	(3) SCHOOL ENROLLMENT	(4) UNEMPLOYMENT PERCENTAGE
1997	74,722	N/A	15,922	39	N/A	10,716	5.2%
1998	74,831	N/A	15,922	39	N/A	10,793	5.0%
1999	75,009	N/A	15,922	39	N/A	10,785	4.4%
2000	76,060	N/A	15,922	39	N/A	10,906	4.0%
2001	79,426	N/A	21,978	39	N/A	11,042	4.2%
2002	80,052	N/A	21,978	39	N/A	11,155	4.6%
2003	81,005	N/A	21,978	39	N/A	11,269	5.0%
2004	81,617	N/A	21,978	39	N/A	11,218	5.8%
2005	81,990	N/A	21,978	39	N/A	11,102	5.2%
2006	81,614	N/A	21,978	39	N/A	11,018	5.8%

(1) Rhode Island Economic Development Corporation.

(2) PER CAPITA INCOME - Figures obtained from the Rhode Island Census Data Center derived from the 1990 and 2000 census.

(3) Cranston School Department.

(4) Rhode Island Department of Labor and Training.

N/A - Information not available

TABLE 13

## CITY OF CRANSTON, RHODE ISLAND

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

EMPLOYER	2006			1997		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
State of Rhode Island	3,927	1	10.69%	3,370	1	9.65%
Jan-Co	3,200	2	8.71%	1,200	3	3.44%
City of Cranston	2,479	3	6.75%	2,000	2	5.73%
Citizens Bank	780	4	2.12%	-		
Ross-Simons of Warwick	450	5	1.23%	600	9	1.72%
Taco, Inc.	406	6	1.11%	500	6	1.43%
Swarovski Consumer Goods Ltd.	350	7	0.95%	450	7	1.29%
The Stop & Shop Co., Inc.	329	8	0.90%	225	17	0.64%
CranstonARC	324	9	0.88%	-		
Pepsi	271	10	0.74%	185	14	0.53%
Swarovski Jewelry U.S. Ltd.				800	4	2.29%
Davol Square Partners				580	5	1.66%
Weiterau, Inc.				365	8	1.05%
North Safety Equipment (Siebe North, Inc.)				350	10	1.00%
TOTAL	12,516		34.08%	10,625		30.42%

SOURCE: State Department of Labor

TABLE 14

## CITY OF CRANSTON, RHODE ISLAND

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

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30		
	2006	2005	2004
<b>GENERAL GOVERNMENT:</b>			
Mayor.....	7	7	7
City Council.....	2	2	2
Information Technology.....	8	7	7
Department of Personnel.....	3	4	4
City Clerk.....	9	9	9
Probate Court.....	1	1	1
Municipal Court.....	4	5	5
Board of Canvassers.....	6	6	6
City Planning.....	5	5	5
Economic Development.....	2	2	2
Finance.....	4	4	4
Division of Accounting & Control.....	5	4	4
Division of Assessment.....	9	9	9
Division of Contracts & Purchasing.....	4	5	5
Division of Treasury & Collection.....	7	7	7
<b>POLICE:</b>			
Officers.....	167	206	206
Civilians.....	13	13	13
Canine Control.....	5	5	5
Traffic Safety.....	4	5	5
<b>FIRE:</b>			
Chief.....	1	1	1
Uniformed.....	195	195	195
Civilians.....	12	12	12
INSPECTIONS.....	13	12	12
<b>PUBLIC WORKS:</b>			
Administration.....	4	5	5
Engineering.....	8	8	8
Highway.....	41	39	39
Building.....	26	26	26
Fleet Management.....	10	10	10
PARKS AND RECREATION.....	21	22	22
PUBLIC LIBRARIES.....	32	32	32
SENIOR SERVICES.....	32	32	32
COMMUNITY DEVELOPMENT.....	4	4	4
OTHER.....	10	11	11
EDUCATION.....	1,635	1,626	1,669
<b>TOTAL.....</b>	<b>2,309</b>	<b>2,341</b>	<b>2,384</b>

SOURCE: Town Budget

**TABLE 15**

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

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30		
	2006	2005	2004
<b><u>GOVERNMENTAL ACTIVITIES</u></b>			
<b>PUBLIC SAFETY:</b>			
Fire:			
Total incidents.....	11,872	12,144	12,019
Rescue/medical calls.....	10,706	10,973	10,721
Rescue/non-medical calls.....	1,166	1,171	1,298
Police:			
Number of calls.....	N/A	N/A	N/A
Total 911 calls received.....	N/A	N/A	N/A
Formal investigations.....	N/A	N/A	N/A
<b>TOWN CLERK:</b>			
Number of documents recorded.....	N/A	N/A	N/A
<b>HEALTH AND WELFARE:</b>			
Number of food service facilities inspections.....	N/A	N/A	N/A
New homes built.....	N/A	N/A	N/A
<b>LAND USE:</b>			
Total subdivisions approved.....	N/A	N/A	N/A
Total commercial applications approved.....	N/A	N/A	N/A
<b>BUILDING:</b>			
Residential permits issued.....	73	150	147
Commercial permits issued.....	19	8	10
Total permits.....	92	158	157
<b>PUBLIC WORKS:</b>			
Highway department			
Streets (miles).....			
Paved Town roads.....	315	313	313
Paved State roads.....	64	64	64
Private roads.....	N/A	N/A	N/A
Roads under construction (maintained by Town).....	N/A	N/A	N/A
Sidewalks (miles).....	N/A	N/A	N/A
Water department			
Water mains (miles).....			
Fire hydrants.....	1,914	2,156	1,850
Storage capacity (thousands of gallons).....	N/A	N/A	N/A

**TABLE 15**

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

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30		
	2006	2005	2004
<b>EDUCATION:</b>			
<b>Enrollment:</b>			
High School Grades 9-12.....	3,646	3,633	3,514
Middle School Grades 6-8.....	2,672	2,707	2,764
Elementary Schools Grades K-5.....	4,614	4,759	4,944

**BUSINESS-TYPE ACTIVITIES**

SOURCES: Various Town Departments

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

N/A - Information not available

**TABLE 16**

**CITY OF CRANSTON, RHODE ISLAND**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN YEARS  
(UNAUDITED)**

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30		
	2006	2005	2004
<b><u>GOVERNMENTAL ACTIVITIES</u></b>			
<b>PARKS AND RECREATION:</b>			
Acreage (includes all open space)			
Parks and Public Squares.....	10	10	10
Marinas.....	3	3	3
Playgrounds.....	35	35	35
Walking tracks.....	7	7	7
Basketball courts.....	21	21	17
Tennis courts.....	24	24	24
Baseball fields.....	27	27	27
Softball fields.....	11	11	11
Other fields.....	22	22	22
Ice Rink.....	1	1	1
Stadium and Field House.....	1	1	1
<b>PUBLIC SAFETY:</b>			
Fire Stations	6	6	6
Fire alarm boxes.....	149	139	146
Police department:			
Stations.....	4	4	4
Animal Control Building.....	1	1	1
<b>PUBLIC WORKS:</b>			
Highway department:			
Streets (miles).....			
Sidewalks (miles).....			
Water department:			
Water mains (miles).....			
Fire hydrants.....	1,914	2,156	1850
Storage capacity (thousands of gallons).....			
<b>PUBLIC LIBRARIES:</b>			
Number of transfer stations			
<b>EDUCATION:</b>			
Number of High Schools.....	2	2	2
Number of Middle Schools.....	3	3	3
Number of Elementary Schools.....	18	19	19
Number of Charter Schools.....	1	1	1
Number of Adult Education Buildings.....	1	1	1
<b>SENIOR SERVICES:</b>			
Senior Citizens Center.....	1	1	1
<b>COMMUNITY DEVELOPMENT:</b>			
<b><u>BUSINESS TYPE ACTIVITIES</u></b>			
<b>SEWER FUND</b>			
Sewer mains (miles).....			
Treatment capacity (thousands of gallons).....			
Sewerage Disposal Plant.....	1	1	1
Pumping Stations.....	22	22	22
<b>SOURCES: Various Town Departments</b>			