



# CITY OF CRANSTON

## RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY: DEPARTMENT OF FINANCE

Jerome I. Baron, CPA, Director of Finance

**CITY OF CRANSTON, RHODE ISLAND**

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FISCAL YEAR ENDED JUNE 30, 2005**

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**CITY OF CRANSTON, RHODE ISLAND**

**FISCAL YEAR ENDED JUNE 30, 2005**

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(CONCLUDED)

THE CITY OF  
CRANSTON, RHODE ISLAND

**INTRODUCTORY SECTION**



DEPARTMENT OF FINANCE  
869 PARK AVENUE  
CRANSTON, RHODE ISLAND 02910

November 19, 2005

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, 2005, 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.

The Introductory section includes the table of contents, this transmittal letter, a list of City officials, and the City's organizational chart. The Financial section includes the auditor's opinion, Management's Discussion and Analysis, Basic Financial Statements, Other Required Supplementary Information, Combining Statements and Supplemental Information. The Statistical section includes selected financial and general information presented on a multi-year comparative basis. The Single Audit section includes the single audit reports.

The City is required to arrange for an annual audit in conformity with the provisions of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

For the June 30, 2002 financial statements, the City implemented a dramatic change in governmental financial reporting. The new format, which provides for Government-wide and Major Fund presentations, expands the alternatives available to review/examine the City and its major activities. We believe this new presentation provides better information to the users of the CAFR.

## **REPORTING ENTITY AND ITS SERVICES**

This report includes all the funds of the City and the funds of the Cranston Public Schools. Not included in the financial statements are the Cranston Housing Authority and Cranston Historical Society. These agencies and authorities were evaluated for inclusion in the reporting entity of the City based on criteria established in pronouncements of the National Council on Governmental Accounting which have been accepted by the Governmental Accounting Standards Board.

### **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 181 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 21 pumping stations in the sewer system. The eastern half of the City is entirely sewerred. Northwestern Cranston is partially sewerred 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 2004, the average daily flow to the plant was 12.3 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 certain 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 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 the treatment plant's effluent for approximately \$500,000 a year. 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.

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 both 2004 and 2005, respectively.

*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 construction of an additional storage reservoir to be located in the southwest quadrant of the City.



## ***Planning and Development***

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. It adopted a revised Comprehensive Plan in 1992. 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 four 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.

## ***ECONOMIC CONDITIONS AND OUTLOOK***

### ***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.

### ***Unemployment***

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

	<b>Annualized</b>									
	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
City of Cranston.....	7.0%	5.2%	5.3%	4.7%	4.1%	4.0%	4.3%	4.8%	5.1%	5.2%
State of Rhode Island	6.6	5.1	5.1	4.9	4.1	4.1	4.4	5.1	5.3	5.2%
United States.....	5.6	5.4	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5%

Source: Rhode Island Department of Labor and Training.

## ***Economic Development***

The City of Cranston places a high priority on economic development initiatives in order to assure continued additions to the City's tax base and to bolster 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 in order to increase the scale and quantity of new development areas.

The City has a commitment to the economic development of appropriate sites to achieve a balance of land uses within the City and quality jobs for 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. The park houses 38 companies with a workforce of 3,000. Recognized as one of the premier industrial parks in the State, the park is home to several of the City's largest taxpaying companies.

Western Cranston Industrial Area - This new industrial park, located at an interchange of Interstate Route 295 and Route 14, continues to develop as part of the City's important industrial tax base. Con-Way Trucking has recently opened a major new terminal on 13 acres, one of several new industrial tenants the area has attracted within the past year. Approximately 85 acres of fully serviced industrial land with excellent highway access remain available for development.

### ***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.

### ***Recent Development Initiatives***

Cranston Parkade — The long awaited redevelopment of the 77-acre former Narragansett Brewery property is nearing completion. 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 a new facility and is now open for business. Additional office buildings are currently in the planning stages, including plans to construct a new police station for the City of Cranston. 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 the corporate office client a landscaped business environment currently unavailable in the City.

Sockanosset Crossings — Site work has begun on the location of the State's long vacant "reform school" adjacent to the very successful Garden City Shopping Center. Recently approved plans call for a mixed use redevelopment which incorporates 368,000 square feet of retail, office, restaurant, and high end residential uses in both new and historically restored buildings. Five million dollars of State highway work recently completed will facilitate access to this project. The first phase of this project, which included the completion of a Shaw's Supermarket, has been completed. The Shaw's Supermarket opened in May 2005 and owners are working towards the remainder of the phases by the fall of 2006.

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 is planning a major expansion of 90,000 square feet and another 700 jobs at this Cranston facility. Located in close proximity to both the Sockanosset Crossings Project and the Garden City Shopping Center, it provides an excellent complement to the retail and service establishments located nearby.

Tasca Ford Lincoln Mercury — Nationwide the largest Ford dealership, Tasca recently opened its new Regional headquarters in Cranston. The project resulted in the redevelopment of formerly abandoned State property and created a state-of-the-art Ford Lincoln Mercury Dealership and Service Center that is a model for other Ford dealerships throughout the United States.

## ***FINANCIAL INFORMATION***

The Management Discussion and Analysis (MD&A) (starting on page 3) summarizes the Statement of Net Assets and Statement of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The actual statements (in detail) are presented on pages 21 through 23. These Government-wide statements are intended to present the City in a more corporate-style basis and provide a view of the big picture.

Additionally, the Fund Financial Statements (starting on page 24) are designed to address the Major (or more significant) individual funds by category (governmental and proprietary), as well as the fiduciary fund (by category) and the component units. An explanation of these complementary presentations can be found in the MD&A (starting on page 3) and in the notes.

### ***Business-Type Activities***

The City's Business-type Activities are summarized in the MD&A and the Government-wide financial statements as a consolidated single column. The Major individual fund is presented in the Fund Financial Statements (See pages 28 through 32).

### ***Budgetary and Audit Procedures***

The City Charter provides that no later than March 1 all departments in the City must submit preliminary estimates of expenditures to the Director of Finance. The City Assessor must submit an estimate of valuation subject to tax. The Mayor and Director of Finance, no later than April 1, must submit to the City Council an operating budget and features of the capital improvement program. The City Council acts on the budget not later than May 15. The City Council may increase, decrease or strike out items of the budget as submitted by the Mayor provided that the balanced relation between expenditures and receipts is preserved. Within 48 hours after the budget is returned to the Mayor, he may veto any changes to the budget made by the City Council. A two-thirds vote of the City Council may override the veto of the Mayor.

The City of Cranston adopted its Fiscal Year 2005-2006 budget by a unanimous vote of the City Council. The budget contained the following items to achieve structural balance: Property tax collections assumed to be collected at 98% of the current levy; a contingent reserve of \$275,000.

## ***Accounting System and Budgetary Control***

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- \* Transactions are executed in accordance with management's general or specific authorization.
- \* Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance - related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- \* Access to assets is permitted only in accordance with management's authorization.
- \* The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control comprehends reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits expected to be derived. The benefits consist of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with the State of Rhode Island, the City has formally established budgetary accounting control for its General Fund and School Unrestricted Fund. Budgetary control is maintained at the department level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of department balances are not released until additional appropriations are made available through transfer from other accounts either by ordinance of City Council or administrative transfer. Open encumbrances are reported as reservations of fund balance at June 30, 2005.

## ***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, 2004. 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.

### ***Independent Audit***

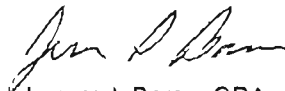
Pursuant to Section 3.21 of the City Charter, an audit of the accounts and financial statements has been completed by the City's independent Certified Public Accountants, Prescott Chatellier Fontaine & Wilkinson, LLP and their opinion is included herein.

### ***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.

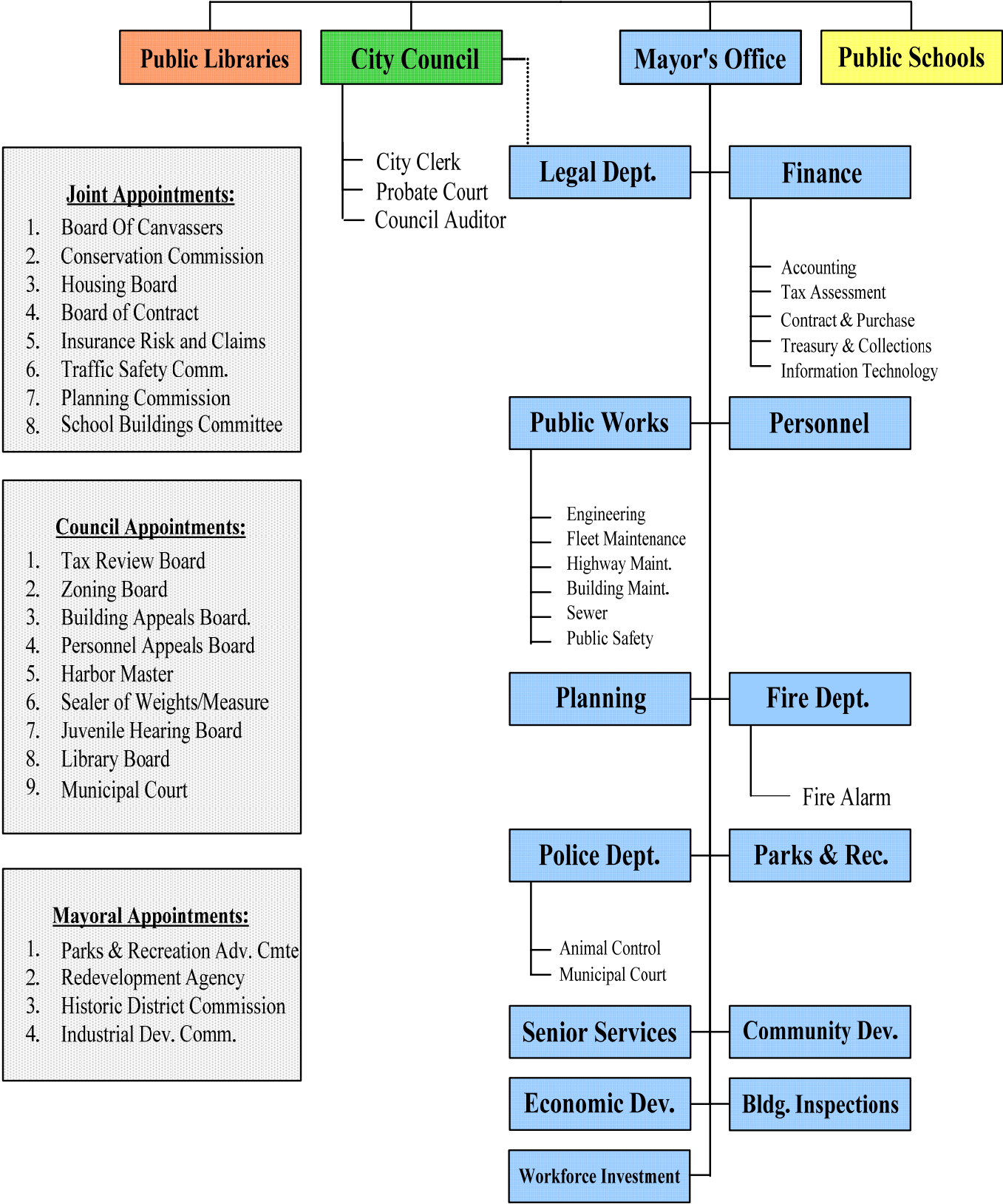
I want to extend the grateful appreciation of all Finance Department employees and to you, Mayor and members of the City Council, for the confidence you have shown in us.

Sincerely,



Jerome J. Baron, CPA  
Director of Finance

The People of Cranston



**CITY OF CRANSTON, RHODE ISLAND**

LIST OF CITY OFFICIALS

---

MAYOR

Stephen P. Laffey

FINANCE DEPARTMENT

Jerome I. Baron, CPA, Director of Finance

Michael Igoe, CPA - City Controller

Carlo DelBonis - Tax Assessor

Randy Rossi - City Treasurer

Mark Marchesi - Purchasing Agent

CITY COUNCIL

Avram Garabedian - President

Paula McFarland – Vice President

Michael Pisatauro

Terrence Livingston

Cynthia Fogarty

Maria Bucci

John 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, 2004

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.



*Nancy L. Zielke*

President

*Jeffrey R. Emer*

Executive Director



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THE CITY OF  
CRANSTON, RHODE ISLAND

**FINANCIAL SECTION**



PRESCOTT · CHATELLIER  
FONTAINE · WILKINSON · LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS & FINANCIAL ADVISORS

Two Charles Street, Providence, RI 02904  
401 421 2710 telephone 401 274 5230 facsimile  
[www.yourcpafirm.com](http://www.yourcpafirm.com)

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members of the City Council  
City of Cranston, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate component units, 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, 2005, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic 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 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the aggregate component units, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island as of June 30, 2005 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.

The Management's Discussion and Analysis, historical pension information and budgetary comparison information on Pages 3 through 20 and 66 through 71 are not a required part of the basic financial statements but are supplementary information required by the 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts and 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Cranston, Rhode Island's basic financial statements. The Introductory Section, Combining Fund Financial Statements, Non-major fund budgetary basis schedules and Statistical Section listed in the table of contents, including the schedule of expenditures of federal awards, are presented for purposes of additional analysis and as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. The Combining Fund Financial Statements and schedule of expenditures of federal awards 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.

November 19, 2005

A handwritten signature in black ink, reading "Patrick Chabellier Fortaine of Wilkinson, PA". The signature is written in a cursive, flowing style with a large initial "P" and a stylized "W".

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 (beginning on page i) and the City's financial statements (beginning on page 21).

### **HIGHLIGHTS**

#### **Financial Highlights**

- The City's net assets increased by \$9.6 million (or 546.4%) The governmental net assets increased by \$6.9 million (or 22.4%) and the business-type net assets increased by \$2.1 million (or 6.5%).
- The governmental activities revenue increased \$1.4 million (or 0.61%) and the net results from activities decreased by \$16.7 million (or 70.8%). In 2005 the results of activities produced an increase in net assets of \$6.9 million and in 2004 the results of activities produced an increase in net assets of \$23.6 million.
- The business-type activities revenue increased by \$1.2 million (or 6.3%) and the net results from activities increased by \$0.8 million (or 61.5%). In 2005, the results of activities produced an increase in business-type net assets of \$2.2 million, while in 2004, the restated results of activities produced a decrease of \$0.1 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 \$3.5 million (or 21.7%), compared to an increase of \$10.4 million in the prior year.

#### **Using this annual report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 21-22 and 23) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 24. For governmental activities, these 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 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.

#### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 21. 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.

## **HIGHLIGHTS (Continued)**

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, which the City leases its public works facility from. 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 begins on page 21. The fund financial statements begin on page 24 and provide 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- **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. We use internal service funds (the other component of proprietary funds) 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 on pages 33 and 34. We exclude these activities 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004 As restated</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>						
Current and other assets .....	\$202.2	\$189.1	\$ 23.7	\$ 20.3	\$225.9	\$209.4
Capital assets .....	105.4	109.1	69.6	67.6	175.0	176.7
<b>Total assets</b> .....	307.6	298.2	93.3	87.9	400.9	386.1
<b>Liabilities:</b>						
Long-term debt outstanding..	(166.8)	(169.6)	(7.8)	(4.5)	(174.6)	(174.1)
Other liabilities .....	(164.6)	(159.3)	(51.1)	(51.1)	(215.7)	(210.4)
<b>Total liabilities</b> .....	(331.4)	(328.9)	(58.9)	(55.6)	(390.3)	(384.5)
<b>Net assets:</b>						
Invested in capital assets, net of debt .....	36.7	36.5	61.8	62.5	98.5	99.0
Restricted .....			0.5	0.5	0.5	.5
Unrestricted (deficit) .....	(60.5)	(67.2)	(27.9)	(30.7)	(88.4)	(97.9)
<b>Total net assets</b> .....	\$ (23.8)	\$ (30.7)	\$ 34.4	\$ 32.3	\$ 10.6	\$ 1.6

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, 2005 exceed liabilities by \$10.6 million. Of the net assets, \$(88.4) million are Unrestricted Net Assets. The City's net assets are comprised of \$(23.8) million from governmental activities and \$34.4 million from business-type activities.

"Invested in Capital Assets, Net of Related Debt" comprises \$98.5 and \$99.0 million of net assets at June 30, 2005 and 2004, respectively. This category reflects the total invested in capital assets (vehicles, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

#### **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) will 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 of the business-type activities totaled \$0.5 million and consisted of cash reserves required by bond agreement.

### **Governmental Activities-Condensed Statement of Net Assets**

#### **June 30, 2005**

The major component of the “Current and Other Assets” category consists of “Net Taxes Receivable” of \$143.4 million. This category is also comprised of “Cash and Cash Equivalents” of \$45.3 million and other receivables totaling \$8.1 million. The “Net Taxes Receivable” represents the fiscal year 2005 billing plus delinquent taxes from prior fiscal years.

“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.



## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

### **Governmental Activities-Condensed Statement of Net Assets (Continued)**

#### **June 30, 2004**

The major component of the "Current and Other Assets" category consists of "Net Taxes Receivable" of \$139.2 million. This category is also comprised of "Cash and Cash Equivalents" of \$40.6 million and other receivables totaling \$6.1 million. The "Net Taxes Receivable" represents the fiscal year 2004 billing plus delinquent taxes from prior fiscal years. "Cash and Cash Equivalents" increased \$24.5 million due to increased tax collections.

"Capital Assets" totaling \$109.1 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 \$30.8 million due to the bonding of \$22.1 million of bond anticipation notes payable.

The "Long-Term Debt Outstanding" at fiscal year end was \$169.6 million of which \$72.6 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 Orchard Farms Elementary School). The City issued \$27.1 million of general obligation bonds during fiscal year 2004.

Total Net Assets at June 30, 2004 was comprised of "Unrestricted Net Assets" of \$(67.2) million with the balance of invested in capital assets net of related debt of \$36.5 million.

### **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".

#### **June 30, 2004**

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," net of \$13.3 million consisted of the fiscal year 2004 billing and prior year receivables. "Cash and Cash Equivalents" of \$1.4 million were available to support the current operations of the sewer plant. The remaining balance of \$5.6 million consists primarily of "Other Receivables".

# GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

### June 30, 2004 (Continued)

"Capital Assets", as restated totaling \$67.6 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 \$48.5 million and \$2.5 million of "Accounts Payable", and \$.3 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 \$62.5 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 \$(30.7) 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, 2005 and 2004.

### Condensed Statement of Activities

Year Ended June 30  
(In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004 Restated</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services .....	\$ 15.1	\$ 21.4	\$ 18.0	\$ 18.0	\$ 33.1	\$ 39.4
Operating grants and contributions .....	53.6	49.5	1.0	0.9	54.	50.4
Capital grants and Contributions .....	.3		.8		1.1	
<b>General Revenues:</b>						
Property taxes .....	158.6	155.9			158.6	155.9
State revenue sharing .....	3.2	3.3			3.2	3.3
Unrestricted investment earnings ..	1.2	0.5	0.3		1.5	0.5
<b>Total revenues .....</b>	<b>232.0</b>	<b>230.6</b>	<b>20.1</b>	<b>18.9</b>	<b>252.1</b>	<b>249.5</b>
<b>Program Expenses:</b>						
General government .....	13.1	11.6			13.1	11.6
Public safety .....	61.2	58.7			61.2	58.7
Public works .....	12.5	11.6			12.5	11.6
Parks and recreation .....	2.1	1.8			2.1	1.8
Libraries .....	2.8	2.8			2.8	2.8
Education .....	123.3	115.1			123.3	115.1
Senior services .....	2.6	2.6			2.6	2.6
Other .....	2.7	0.7	2.9	2.6	5.6	3.3
Community development .....	1.6	1.3			1.6	1.3
Sewer .....			15.1	15.0	15.1	15.0
Interest and other costs .....	3.2	2.2			3.2	2.2
<b>Total expenses .....</b>	<b>225.1</b>	<b>208.4</b>	<b>18.0</b>	<b>17.6</b>	<b>243.1</b>	<b>226.6</b>
<b>Excess (deficiency) of revenues Over expenditures before Transfers .....</b>	<b>6.9</b>	<b>22.2</b>	<b>2.1</b>	<b>1.3</b>	<b>9.0</b>	<b>23.5</b>
Transfers .....	0.0	1.4	0.0	(1.4)	0.0	0.0
<b>Change in net assets .....</b>	<b>6.9</b>	<b>23.6</b>	<b>2.1</b>	<b>(0.1)</b>	<b>9.0</b>	<b>23.5</b>
<b>Net assets – beginning .....</b>	<b>(30.1)</b>	<b>(54.2)</b>	<b>32.3</b>	<b>32.3</b>	<b>62.4</b>	<b>(21.9)</b>
<b>Net assets – ending .....</b>	<b>\$ (23.8)</b>	<b>\$ (30.6)</b>	<b>\$ 34.4</b>	<b>\$ 32.2</b>	<b>\$ 10.6</b>	<b>\$ 1.6</b>

See page 23 for a more detailed Statement of Activities for the City of Cranston.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

### **Condensed Statement of Activities (Continued)**

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.

### **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 \$163.0 and \$161.1 million includes \$158.6 and \$155.9 million in property taxes for the years ended June 30, 2005 and 2004, respectively. There was also a transfer of \$1.5 million for the year ended June 30, 2004 to repay interest due the general fund for past obligations.

"Program Expenses" are presented in the Condensed Statement of Activities by function and total \$225.1 and \$208.4 million (including interest on long-term debt) for the fiscal years June 30, 2005 and 2004. Revenues less expenses presented in this statement amount to change in the "Change of Net Assets" of \$6.9 and \$23.6 million for the year ended June 30, 2005 and 2004, 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 "Charges for Services" sub-category. In fiscal years 2005 and 2004, the City generated \$18.0 and \$18.0 million, respectively, in charges for services.

The City reports the total amount of expenses for business-type activities as \$18.0 and \$17.6 million for the fiscal years ended June 30, 2005 and 2004, respectively. The "Change in Net Assets" (revenues less expenses) for the years ended June 30, 2005 and 2004 were \$2.1 and \$(0.1) 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:

Description of Financial Statement	Statement Number	Page Number
Balance Sheet	B-1	24-25
Statement of Revenues, Expenditures and changes in Fund Balances	B-2	26

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

### **Analysis of Fund Financial Statements (Continued)**

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

Description of Financial Statement	Statement Number	Page Number
Statement of Net Assets	C-1	28-29
Statement of Revenues, Expenses and Changes in Net Assets	C-2	30
Statement of Cash Flow	C-3	31-32

### **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, 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 "Accrued Payroll", "Accrued Interest", "Accrued Liabilities", "Retainage Payable" and "Other Liabilities".

#### **June 30, 2004**

Combined fund balances for the Governmental Funds was a surplus of \$28.4 million. The surplus was comprised of \$27.6 million unreserved fund balances and \$0.8 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 \$189.5 million include primarily \$39.0 million in "Cash and Cash Equivalents", \$139.2 million in "Taxes Receivable" \$2.6 million in "Interfund Receivables", \$4.7 million "Due From Other Governments" and the remaining \$4.0 million in "Loans", and "Other Current Assets". Liabilities of \$161.1 million consisted of \$6.3 million in "Accounts Payable", \$3.5 million in "Due to Other Funds", \$147.0 million in "Unearned Income and Other", and \$4.3 million of other miscellaneous liabilities.

# GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

## Condensed Balance Sheet

As of June 30  
(In Millions)

	<u>General Fund</u>		<u>School Department</u>		<u>Total Major Funds</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>						
Current and other assets .....	\$180.4	\$169.0	\$5.1	\$5.7	\$185.5	\$174.7
<b>Total assets</b> .....	180.4	169.0	5.1	5.7	185.5	174.7
<b>Liabilities:</b>						
Other liabilities .....	(160.8)	(152.9)	(4.1)	(4.1)	(164.9)	(157.0)
<b>Total liabilities</b> .....	(160.8)	(152.9)	(4.1)	(4.1)	(164.9)	(157.0)
<b>Fund Balance:</b>						
Reserved .....			0.3	0.6	0.3	0.6
Unreserved .....	19.6	16.1	0.7	1.0	20.3	17.1
<b>Total fund balance</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>

## General Fund – Condensed Balance Sheet

### June 30, 2005

The “General Fund’s” total assets of \$180.4 million consists primarily of \$30.8 million in “Cash and Cash Equivalents”, \$143.4 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 \$160.8 million. “Accounts Payable” amounted to \$3.6 million, \$6.1 million in “Due to Other Funds”, \$148.2 million represent “Unearned Income and Other”, \$0.9 million in “Other Liabilities” and the remaining \$2.0 million in accrued liabilities.

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

### June 30, 2004

The “General Fund’s” total assets of \$169.0 million consists primarily of \$24.4 million in “Cash and Cash Equivalents”, \$139.2 million of Taxes Receivable, \$0.6 million of “Due From Other Funds”, \$4.5 million of “Due From Other Governments” and \$0.3 million of “Prepaid Items”.

Total Liabilities for the General Fund were \$152.9 million. “Accounts Payable” amounted to \$3.5 million, \$144.5 million represent “Unearned Income and Other”, “Due to Other Funds” of \$3.0 million, \$0.6 million in “Other Liabilities” and \$1.3 million in accrued interest and liabilities.

The City’s “Fund Balance” was \$16.1 million, all of which was unreserved at June 30, 2004.

During the year “Cash and Cash Equivalents” increased \$18.7 million. “Accounts Payable” increased \$0.6 million from prior year.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

### **School Department – Condensed Balance Sheet**

#### **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.

#### **June 30, 2004**

The School Department's total assets were \$5.7 million. The majority of that consisted of \$3.9 million in "Cash and Cash Equivalents", \$0.8 million in "Other Receivables", \$0.6 million of "Advance Deposits", and \$0.4 of "Due From Other Funds".

Liabilities for the School Department totaled \$4.1 million. The majority of that consisted of "Accounts Payable" of \$2.2 million and other liabilities of \$1.9 million. The School Department had Fund Balance of \$1.6 million. This was comprised of \$0.6 million "Reserved Fund Balance" and a surplus of \$1.0 million in "Unreserved Fund Balance" of which \$0.9 million has been designated for specific purposes. For the prior fiscal year "Unreserved Fund Balance" (deficit) was \$(4.2) million and "Reserved Fund Balance" was \$0.3 million, a change of \$5.2 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, 2005 and 2004. 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 "Statement B-2-Statement of Revenues, Expenditures, Other Financing Sources (Uses) 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" \$146.7 and \$142.5 million, respectively. Total revenues for all governmental funds for the years ending June 30, 2005 and 2004 were \$229.8 and \$227.7 million, respectively. For the Governmental Funds, the total expenditures for the years ending June 30, 2005 and 2004 were \$224.0 and \$211.2 million, respectively. For the year ended June 30, 2005, General Fund revenues exceeded expenditures by \$5.8 million before other financing sources (uses).

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

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

Year Ended June 30  
(In Millions)

	<u>General Fund</u>		<u>School Department</u>		<u>Total Major Governmental</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>						
<b>General Revenues:</b>						
Property taxes .....	\$146.7	\$142.5			\$146.7	\$142.5
Intergovernmental .....	7.1	6.1	\$ 34.9	\$34.7	42.0	40.8
Licenses and permits .....	3.6	3.2			3.6	3.2
Fines and forfeitures .....	1.7	1.7			1.7	1.7
Investment income .....	0.8	0.3			0.8	0.3
Departmental .....	2.2	2.2			2.2	2.2
Other .....	6.0	10.2	5.5	5.5	11.5	15.7
<b>Total revenues</b> .....	<u>168.1</u>	<u>166.2</u>	<u>40.4</u>	<u>40.2</u>	<u>208.5</u>	<u>206.4</u>
<b>Expenditures:</b>						
General government .....	9.2	8.5			9.2	8.5
Public safety .....	58.5	56.2			58.5	56.2
Public works .....	12.2	11.1			12.2	11.1
Education .....			115.5	108.0	115.5	108.0
Parks and recreation .....	1.9	1.7			1.9	1.7
Public libraries .....	2.7	2.6			2.7	2.6
Senior services .....	2.4	2.4			2.4	2.4
Other .....	0.8	0.5			0.8	0.5
Debt Service:						
Principal .....	3.8	3.0			3.8	3.0
Interest and other costs .....	3.3	2.4			3.3	2.4
Capital:						
Capital expenditures .....	0.3	0.5			0.3	0.5
<b>Total expenditures</b> .....	<u>95.1</u>	<u>88.9</u>	<u>115.5</u>	<u>108.0</u>	<u>210.6</u>	<u>196.9</u>
Excess of revenues over (under) expenditures before other financing sources (uses) .....	<u>73.0</u>	<u>77.3</u>	<u>(75.1)</u>	<u>(67.8)</u>	<u>(2.1)</u>	<u>9.5</u>
<b>Other Financing Sources (uses):</b>						
Transfers in .....	9.7	10.9	74.5	73.0	84.2	83.9
Transfers out .....	(79.2)	(77.8)			(79.2)	(77.8)
<b>Net other financing sources (uses)</b> .....	<u>(69.5)</u>	<u>(66.9)</u>	<u>74.5</u>	<u>73.0</u>	<u>5.0</u>	<u>6.1</u>
Excess of revenues and other sources over (under) expenditure and other uses .....	<u>3.5</u>	<u>10.4</u>	<u>(0.6)</u>	<u>5.2</u>	<u>2.9</u>	<u>15.6</u>
<b>Fund balance at beginning of year, as restated</b> .....	<u>16.1</u>	<u>5.7</u>	<u>1.6</u>	<u>(3.6)</u>	<u>17.7</u>	<u>2.1</u>
<b>Fund balance at end of year ..</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>

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

#### **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 in "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 of Revenues and Other Sources Over (Under) 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.

#### **June 30, 2004**

The City's "General Fund" had revenues of \$166.2 million for the fiscal year ended June 30, 2004. This was comprised of \$142.5 million in "General Property Taxes", \$6.1 million of "Intergovernmental" revenues, \$3.2 million in "Licenses and Permits", \$1.7 million in "Fines and Forfeitures", \$0.3 million in "Investment Income", \$2.2 million in "Departmental" revenue and \$10.2 million in "Other" revenue.

Expenditures for the "General Fund" for fiscal year ended June 30, 2004 were \$88.9 million. These expenditures consisted of \$8.5 million in "General Government" expenditures, \$56.2 million of "Public Safety" expenditures, \$11.1 million of "Public Works" expenditures, \$1.7 million of "Parks and Recreation" expenditures, \$2.6 million of "Public Libraries" expenditures, \$2.4 million of "Senior Services" expenditures, \$0.5 million of "Other" expenditures, \$3.0 million of "Debt Service Principal" expenditures, \$2.4 million of "Interest and Other Costs" and \$0.5 million of "Capital Expenditures".

In addition to general operating expenses, the "General Fund" also had "Net Other Financing Uses" of \$(66.9) million. This was composed of \$(77.8) million transfer to the "School Department" along with \$10.9 million in "Transfers In" from "Other Governmental Funds" for excise tax phase-out.

The "Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses" was \$10.4 million for the fiscal year ended June 30, 2004. This primarily resulted from an increase in tax collection of approximately \$11.6 million.



## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

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

#### **June 30, 2004**

The "School Department" had revenues for the year ended June 30, 2004 of \$40.2 million. This was derived from \$34.7 million of "Intergovernmental" revenues and \$5.5 million of "Other" revenues.

Expenditures for the "School Department" totaled \$108.0 million. This entire amount represents expenditures related to "Education".

In addition to general operating revenues, the "School Department" also received \$73.0 million of "Other Financing Sources" in the form of "Transfers In" from the "General Fund".

The "Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses" was \$5.2 million for the fiscal year ended June 30, 2004.

### **Proprietary Funds**

#### **June 30, 2005**

The Proprietary Funds consists 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 \$17.9 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 18 for a further explanation of privatization contract. Net "Non-Operating Revenues" for the year ending June 30, 2005 were \$1.0 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%.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

### **Proprietary Fund (Continued)**

#### **June 30, 2004**

The Proprietary Funds consists 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 \$17.8 million. Total revenues were \$18.0 million. Total expenditures for the year ending June 30, 2004 for the Proprietary Funds were \$18.1 million. The "Contract Payments" of \$12.0 million for sewer privatization comprise the majority of the expenses. Please refer to Note 18 for a further explanation of privatization contract. Net "Non-Operating Revenues" for the year ending June 30, 2004 were \$0.9 million. The Proprietary Funds ended fiscal year 2004 with \$0.1 million more in revenues than expenditures. Net Assets "Invested in Capital Assets, Net of Related Debt" was \$61.9 million at June 30, 2004. Unrestricted Net Assets, as restated, were \$(30.1) million at June 30, 2004 compared to \$(28.9) million at June 30, 2003, a decrease of \$1.2 million or 4.2%.

### **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 that can be found on "Schedule E-2" on page 69 and for the School Department on "Schedule H-1" on page 96. Budgetary comparison for special revenue funds can be found on "Schedule E-4" on page 71. 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**

#### **June 30, 2005**

For the year ended June 30, 2005, the General Fund Revenues exceeded budget projections by \$2.1 million or 1.0%. General Fund Expenditures were less than the budget by \$1.5 million or .7%. This resulted in a \$3.6 million positive variance in the excess of revenues over expenditures before other financing sources (uses) in the General Fund for the year ending June 30, 2005.

Significant revenue variances include:

- Property taxes – favorable variance of \$1.0 million due to increased property tax collection.
- Licenses and permits – favorable variance of \$0.6 million due to increased activity within the City for building permits, and because of lower interest rates, property owners were refinancing and generating an unusually higher amount of recording fees.

Significant expenditure variances include:

- Other –favorable variance of \$1.1 million due primarily to required reserve.

#### **June 30, 2004**

For the year ended June 30, 2004, the General Fund Revenues were in excess of budget projections by \$13.1 million or 6.6%. General Fund Expenditures were less than the budget by \$0.3 million or 0.16%. This resulted in \$13.4 million of positive variance from revenues in excess of expenditures in the General Fund for the year ending June 30, 2004.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Analysis of Significant Budget Variations in the General Fund (Continued)

#### June 30, 2004 (Continued)

Significant revenue variances include:

- Property taxes – favorable variance of \$7.3 million due to increased property tax collections.
- Licenses and Permits – Favorable Variance of \$1.1 million due to increased activity within the City for building permits, and because of lower interest rates, property owners were refinancing and generating an unusually higher amount of recording fees.
- Other – Favorable Variance of \$2.6 million mainly due to revenues recorded in conjunction with the City's residents' rescue runs.

Significant expenditure variances include:

- Debt Service Principal – Favorable Variance of \$0.9 million due mainly to \$750,000 budgeted for required reserve.
- Rescue Fund – Unfavorable variance of \$0.9 million due to expenditures recorded in conjunction with the City's residents' rescue runs.

## 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, 2005 and 2004 amounted to \$174.9 and \$176.7 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</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u> <u>as restated</u>	<u>2005</u>	<u>2004</u>
Land .....	\$ 11.1	\$ 11.1	\$ 0.4	\$ 0.4	\$ 11.5	\$ 11.5
Buildings .....	58.0	58.0			58.0	58.0
Land improvements .....	9.5	9.5	0.3	0.3	9.8	9.8
Motor vehicles .....	13.6	13.2			13.6	13.2
Equipment .....	8.3	8.5	2.1	1.9	10.4	10.4
Construction in progress .....			4.6	.5	4.6	.6
Infrastructure .....	81.6	81.6			81.6	81.6
Sewer lines .....			45.6	45.6	45.6	45.6
Treatment and pumping plant ...			71.7	71.7	71.7	71.7
<b>Total assets</b> .....	<b>182.1</b>	<b>181.9</b>	<b>124.7</b>	<b>120.5</b>	<b>306.8</b>	<b>302.4</b>
Less: accumulated depreciation	(76.7)	(72.8)	(55.2)	(52.9)	(131.9)	(125.7)
<b>Net capital assets</b> .....	<b>\$ 105.4</b>	<b>\$ 109.1</b>	<b>\$ 69.5</b>	<b>\$ 67.6</b>	<b>\$ 174.9</b>	<b>\$ 176.7</b>

## ***CAPITAL ASSETS AND LONG-TERM DEBT (Continued)***

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

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.

The City's investment in capital assets for its governmental and business-type activities as restated, as of June 30, 2004 were \$302.4 million less accumulated depreciation of \$125.7 million for a net investment in capital assets of \$176.7 million.

Additional information on the City's capital assets can be found on Note 4 on page 47 of this report.

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.

Major capital asset additions during the fiscal year ended June 30, 2004 included the following:

- \$.9 million of vehicles for the police, fire, and public works departments
- \$3.3 million for completion of construction at the Orchard Farms Elementary School

### **Long Term Debt**

#### **June 30, 2005**

As of June 30, 2005, the governmental activities had total long-term debt of \$166.8 million. Of that, \$63.3 million related to bonded debt guaranteed by the City's assets. In addition, the City has \$4.1 million of Certificates of Participation relating to the acquisition of the Public Works Facility. The City had \$1.2 million in leases payable. The business-type activities had long-term debt of \$7.7 million representing State Revolving Loans (SRF) from Rhode Island Clean Water Finance Agency. These funds are available for projects related to clean water. See Note 6 for further explanation of SRF Loans.

#### **June 30, 2004**

As of June 30, 2004, the governmental activities had total long-term debt of \$169.6 million. Of that, \$66.4 million related to bonded debt guaranteed by the City's assets. In addition, the City has \$4.4 million of Certificates of Participation relating to the acquisition of the Public Works Facility. The City currently has \$1.8 million in leases payable. The business-type activities had long-term debt of \$4.5 million representing State Revolving Loans (SRF) from Rhode Island Clean Water Finance Agency. These funds are available for projects related to clean water. See Note 6 for further explanation of SRF Loans.

## **CAPITAL ASSETS AND LONG-TERM DEBT (Continued)**

### **Debt Outstanding**

For the year ending June 30, 2005, the City had \$76.3 million in debt (bonds, notes, etc.) outstanding compared to the \$77.1 million at June 30, 2004, net decrease of \$0.8 million (47.8%) (considering debt retirement and new issues). The key factor in this was the issuance of \$3.4 million SRF loans less principal payments made during fiscal year 2005.

Outstanding Debt, at Year-end  
(in Millions)

	<u>2005</u>	<u>2004</u>
<b>Governmental:</b>		
General obligation bonds.....	\$63.3	\$66.4
Certificates of participation .....	4.1	4.4
Capital lease .....	1.2	1.8
<b>Subtotal</b> .....	<u>68.6</u>	<u>72.6</u>
<b>Business-type:</b>		
Sewer revolving loans .....	7.7	4.5
<b>Subtotal</b> .....	<u>7.7</u>	<u>4.5</u>
<b>Total</b> .....	<u>\$76.3</u>	<u>\$77.1</u>

Principal payments of \$26.2 million and \$0.2 million were made in the governmental and business-type activities, respectively, during fiscal year 2005.

Based on an actuarial valuation completed as of July 1, 2005, the liability for unpaid pension contributions increased by \$1.3 million from \$87.8 million to \$89.1 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 \$166 million based on taxable property as of December 31, 2003, of approximately \$5.5 billion. On June 30, 2005, the City had \$63.3 million of debt outstanding that is outside the 3% debt limit.

The City's bond ratings are as follows:

- Standard & Poor's : "BBB-"
- Fitch Ratings: "BBB-"
- Moody's Investors Service : "Baa3"

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

- As noted previously, the Fiscal Year 2006 operating budget was passed by a majority vote of the City Council. Property tax collections were assumed to be collected at 98% of the current levy. There was also a required reserve budgeted for \$275,000. 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 \$22.0 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

**CITY OF CRANSTON, RHODE ISLAND****Statement of Net Assets  
June 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 45,265,077	\$ 3,103,938	\$ 48,369,015
Restricted cash and cash equivalents		582,785	582,785
Investments	15,537		15,537
Receivables:			
Taxes, net	143,358,290		143,358,290
Sewer assessments and user fees, net		13,972,190	13,972,190
Loans	1,969,879		1,969,879
Other receivables	8,058,110	5,940,501	13,998,611
Advance deposits - hospitalization	706,800		706,800
Prepaid expenses	19,856		19,856
Inventory		38,281	38,281
Internal balances	194,335	(194,335)	
<b>Total Current Assets</b>	<b>199,587,884</b>	<b>23,443,360</b>	<b>223,031,244</b>
<b>Noncurrent Assets:</b>			
Non-depreciable capital assets	11,062,827	5,037,443	16,100,270
Net depreciable capital assets	94,331,037	64,514,461	158,845,498
Other assets	2,644,208	284,010	2,928,218
<b>Total Noncurrent Assets</b>	<b>108,038,072</b>	<b>69,835,914</b>	<b>177,873,986</b>
<b>TOTAL ASSETS</b>	<b>307,625,956</b>	<b>93,279,274</b>	<b>400,905,230</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	7,694,493	3,625,562	11,320,055
Accrued payroll	647,031	725	647,756
Accrued interest	879,178	56,738	935,916
Accrued liabilities	1,768,457		1,768,457
Retainage payable	266,208		266,208
Current portion of long term debt	5,366,671	792,676	6,159,347
Unearned revenue	150,326,444	14,789,334	165,115,778
Other liabilities	3,060,763		3,060,763
<b>Total Current Liabilities</b>	<b>170,009,245</b>	<b>19,265,035</b>	<b>189,274,280</b>
<b>Noncurrent Liabilities:</b>			
Unearned revenue		32,640,000	32,640,000
Long term debt, net	161,423,789	6,950,667	168,374,456
<b>Total Noncurrent Liabilities</b>	<b>161,423,789</b>	<b>39,590,667</b>	<b>201,014,456</b>
<b>TOTAL LIABILITIES</b>	<b>331,433,034</b>	<b>58,855,702</b>	<b>390,288,736</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND****Statement of Net Assets  
June 30, 2005**


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	Governmental Activities	Business-type Activities	Total
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	36,731,439	61,785,287	98,516,726
Restricted for debt service		500,267	500,267
Unrestricted	(60,538,517)	(27,861,982)	(88,400,499)
<b>TOTAL NET ASSETS</b>	<b>\$ (23,807,078)</b>	<b>\$ 34,423,572</b>	<b>\$ 10,616,494</b>

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SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)



**Statement of Activities**  
**Year Ended June 30, 2005**

<b>Functions/Programs:</b>	Program Revenues				Net (Expense) Revenue 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	\$ 13,099,604	\$ 10,094,738	\$ 3,282,664		\$ 277,798		\$ 277,798
Public safety	61,212,863	3,250,181		342,051	(57,620,631)		(57,620,631)
Public works	12,500,813	79,485			(12,421,328)		(12,421,328)
Education	123,345,770		48,633,487		(74,712,283)		(74,712,283)
Parks and recreation	2,059,016	218,346			(1,840,670)		(1,840,670)
Public libraries	2,761,476	179,232	73,732		(2,508,512)		(2,508,512)
Senior services	2,564,049	1,264,135			(1,299,914)		(1,299,914)
Community development	1,606,187		1,602,450		(3,737)		(3,737)
Other	2,749,536				(2,749,536)		(2,749,536)
Interest on long-term debt	3,203,381				(3,203,381)		(3,203,381)
<b>Total governmental activities</b>	<b>225,102,695</b>	<b>15,086,117</b>	<b>53,592,333</b>	<b>342,051</b>	<b>(156,082,194)</b>		<b>(156,082,194)</b>
<b>Business-type activities:</b>							
Sewer	15,052,454	16,133,909		836,249		\$ 1,917,704	1,917,704
Public Facilities Management Foundation	309,662	304,306				(5,356)	(5,356)
School lunch	2,586,402	1,490,280	1,036,970			(59,152)	(59,152)
<b>Total business-type activities</b>	<b>17,948,518</b>	<b>17,928,495</b>	<b>1,036,970</b>	<b>836,249</b>	<b>0</b>	<b>1,853,196</b>	<b>1,853,196</b>
<b>Total</b>	<b>\$ 243,051,213</b>	<b>\$ 33,014,612</b>	<b>\$ 54,629,303</b>	<b>\$ 1,178,300</b>	<b>(156,082,194)</b>	<b>1,853,196</b>	<b>(154,228,998)</b>
<b>General revenues:</b>							
Property taxes and other					158,547,041		158,547,041
State revenue sharing, unrestricted					3,199,670		3,199,670
Unrestricted investment earnings					1,203,044	253,271	1,456,315
<b>Total general revenues and transfers</b>					<b>162,949,755</b>	<b>253,271</b>	<b>163,203,026</b>
<b>Change in Net Assets</b>					<b>6,867,561</b>	<b>2,106,467</b>	<b>8,974,028</b>
<b>Net Assets - beginning, as restated</b>					<b>(30,674,639)</b>	<b>32,317,105</b>	<b>1,642,466</b>
<b>Net Assets - ending</b>					<b>\$ (23,807,078)</b>	<b>\$ 34,423,572</b>	<b>\$ 10,616,494</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND****Balance Sheet  
Governmental Funds  
June 30, 2005**

	General Fund	School Department	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 30,812,110	\$ 2,111,875	\$ 10,345,343	\$ 43,269,328
Investments			15,537	15,537
Receivables:				
Taxes, net	143,358,290			143,358,290
Loans			1,969,879	1,969,879
Other	293,275	1,546,127	212,821	2,052,223
Prepaid items			19,856	19,856
Advance deposits - hospitalization		706,800		706,800
Due from:				
Other funds	713,031	761,256	4,511,017	5,985,304
Other governments	5,182,287		823,600	6,005,887
<b>TOTAL ASSETS</b>	<b>\$ 180,358,993</b>	<b>\$ 5,126,058</b>	<b>\$ 17,898,053</b>	<b>\$ 203,383,104</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,591,872	\$ 2,074,046	\$ 745,894	\$ 6,411,812
Accrued payroll	633,201		12,975	646,176
Accrued liabilities	1,294,600			1,294,600
Retainage payable			266,208	266,208
Due to other funds	6,071,588	138,378	940,257	7,150,223
Unearned income and other	148,229,225		2,100,050	150,329,275
Other liabilities	939,146	1,934,992	186,626	3,060,764
<b>TOTAL LIABILITIES</b>	<b>160,759,632</b>	<b>4,147,416</b>	<b>4,252,010</b>	<b>169,159,058</b>
<b>FUND BALANCES:</b>				
Reserved for encumbrances		292,902		292,902
Reserved for Literacy		18,152		18,152
Reserved for prepaid items			19,856	19,856
Reserved per trust agreements			118,795	118,795
Unreserved:				
Designated for health care		136,109		136,109
Designated for subsequent year expenditures		450,000		450,000
Undesignated	19,599,361	81,479		19,680,840
Unreserved, reported in nonmajor:				
Special revenue funds			12,269,184	12,269,184
Capital project funds			1,238,208	1,238,208
<b>TOTAL FUND BALANCES</b>	<b>19,599,361</b>	<b>978,642</b>	<b>13,646,043</b>	<b>34,224,046</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 180,358,993</b>	<b>\$ 5,126,058</b>	<b>\$ 17,898,053</b>	<b>\$ 203,383,104</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND****Balance Sheet  
Governmental Funds  
June 30, 2005*****Amounts reported for governmental activities in the statement of net assets differ because:***

<b>Total Fund Balances (B-1)</b>	\$ 34,224,046
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	105,393,864
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(166,790,460)
Unearned revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	2,735,886
Deferred bond issuance costs and other debt charges resulting from issuance of bonds. These charges have been included in the statement of net assets	2,644,207
Net premium on issuance of bonds has been recorded as unearned income on the Statement of net assets	(2,733,055)
Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.	1,597,612
Accrued interest payable is recorded in government activities, but is not recorded in the funds.	<u>(879,178)</u>
<b>Total Net Assets (A-1)</b>	<b><u><u>\$ (23,807,078)</u></u></b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND**

**Statement of Revenues, Expenditures  
Other Financing Sources (Uses) and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2005**

	<u>General Fund</u>	<u>School Department</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
General property taxes	\$ 146,687,442			\$ 146,687,442
Intergovernmental	7,077,734	\$ 34,934,445	\$ 19,433,877	61,446,056
Licenses and permits	3,630,513			3,630,513
Fines and forfeitures	1,680,163			1,680,163
Investment income	839,532		264,982	1,104,514
Departmental	2,194,673			2,194,673
Other	6,002,726	5,483,201	1,563,732	13,049,659
<b>TOTAL REVENUES</b>	<b>168,112,783</b>	<b>40,417,646</b>	<b>21,262,591</b>	<b>229,793,020</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	9,209,239		1,013,346	10,222,585
Public safety	58,486,724		1,292,620	59,779,344
Public works	12,242,411			12,242,411
Education		115,520,814	7,594,818	123,115,632
Parks and recreation	1,944,451		930	1,945,381
Public libraries	2,651,570		39,370	2,690,940
Senior services	2,396,441		90,329	2,486,770
Community development			1,606,187	1,606,187
Other	771,881			771,881
<b>Debt Service:</b>				
Principal	3,820,000			3,820,000
Interest and other costs	3,321,218		2,458,307	5,779,525
<b>Capital Outlay:</b>				
Capital expenditures	299,972		1,677,683	1,977,655
<b>TOTAL EXPENDITURES</b>	<b>95,143,907</b>	<b>115,520,814</b>	<b>15,773,590</b>	<b>226,438,311</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>72,968,876</b>	<b>(75,103,168)</b>	<b>5,489,001</b>	<b>3,354,709</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of refunding bonds			22,280,000	22,280,000
Bond premium			1,933,307	1,933,307
Repayment of debt to escrow agent			(21,755,000)	(21,755,000)
Transfers in	9,694,858	74,506,740	4,655,691	88,857,289
Transfers out	(79,162,431)		(9,694,858)	(88,857,289)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(69,467,573)</b>	<b>74,506,740</b>	<b>(2,580,860)</b>	<b>2,458,307</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,501,303</b>	<b>(596,428)</b>	<b>2,908,141</b>	<b>5,813,016</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED</b>	<b>16,098,058</b>	<b>1,575,070</b>	<b>10,737,902</b>	<b>28,411,030</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 19,599,361</b>	<b>\$ 978,642</b>	<b>\$ 13,646,043</b>	<b>\$ 34,224,046</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND**

***Reconciliation of the Statement of Revenues, Expenditures,  
Other Financing Sources (Uses) and Changes in Fund Balances  
of Governmental Funds (B-2) to the Statement of Activities (A-2)  
Year Ended June 30, 2005***

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<b>Net Change in Fund Balances - Total Governmental Funds (B-2):</b>	<b>\$ 5,813,016</b>
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.	(3,364,116)
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2005.	(375,623)
Governmental funds report the issuance of new bonds as other financing sources whereas the issuance of new debt would have no effect on the net assets	(22,280,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	26,179,920
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount is shown net of the allowance for uncollectible motor vehicle and tangible taxes.	1,143,084
Excess of internal service funds' revenues over expenses, reported as governmental fund activity in the statement of activities and changes in net assets	172,764
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The government-wide financial statements amortize them over the term of the debt	402,293
Governmental funds do not report estimated accrued claims and judgements as a liability in the Fund statements if they are not going to be paid with current available resources. These liabilities are reported in the Government-wide financial statements as long-term debt.	30,000
Decrease in compensated absences and deferred salary. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	124,703
Increase in unpaid pension contributions. The liability is not recorded in the governmental fund. The change from prior year balances is reflected in the statement of activities and changes in net assets.	(1,279,017)
Adjustment to accrued interest payable related to general obligation bonds which is required to be recorded for government-wide financial statement presentation.	300,537
<b>Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)</b>	<b><u>\$ 6,867,561</u></b>

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SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Sewer	Public Facilities Management Foundation	Non-major Enterprise Funds	Totals	
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 2,906,351		\$ 197,587	\$ 3,103,938	\$ 1,995,750
Restricted cash and cash equivalents		\$ 582,785		582,785	
Inventory			38,281	38,281	
Receivables:					
Sewer assessments and user fees, net	13,972,190			13,972,190	
Other	21,161		3,501	24,662	
Due from:					
Other funds					145,802
Other governments	5,851,397		64,442	5,915,839	
<b>Total Current Assets</b>	<u>22,751,099</u>	<u>582,785</u>	<u>303,811</u>	<u>23,637,695</u>	<u>2,141,552</u>
<b>Noncurrent Assets:</b>					
Net capital assets	69,404,850	42,700	104,354	69,551,904	
Debt issuance costs, net	70,444	213,066		283,510	
Other assets		500		500	
<b>Total Noncurrent Assets</b>	<u>69,475,294</u>	<u>256,266</u>	<u>104,354</u>	<u>69,835,914</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>92,226,393</u>	<u>839,051</u>	<u>408,165</u>	<u>93,473,609</u>	<u>2,141,552</u>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Sewer	Public Facilities Management Foundation	Non-major Enterprise Funds	Totals	
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts payable	3,505,279	42,700	77,583	3,625,562	69,228
Accrued payroll	725			725	855
Accrued interest	22,648	34,090		56,738	
Due to other funds	194,335			194,335	
Other liabilities					473,857
Current portion of long term debt	790,733		1,943	792,676	
<b>Total Current Liabilities</b>	<b>4,513,720</b>	<b>76,790</b>	<b>79,526</b>	<b>4,670,036</b>	<b>543,940</b>
<b>Long-Term Liabilities:</b>					
Unearned revenue	47,429,334			47,429,334	
Long-term debt, net	6,933,184		17,483	6,950,667	
<b>Total Long-Term Liabilities</b>	<b>54,362,518</b>	<b>0</b>	<b>17,483</b>	<b>54,380,001</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>58,876,238</b>	<b>76,790</b>	<b>97,009</b>	<b>59,050,037</b>	<b>543,940</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt as restated	61,680,933		104,354	61,785,287	
Restricted:					
Bond reserve funds		500,267		500,267	
Unrestricted	(28,330,778)	261,994	206,802	(27,861,982)	1,597,612
<b>TOTAL NET ASSETS</b>	<b>\$ 33,350,155</b>	<b>\$ 762,261</b>	<b>\$ 311,156</b>	<b>\$ 34,423,572</b>	<b>\$ 1,597,612</b>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND**

C - 2

**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Sewer	Public Facilities Management Foundation	Non-major Enterprise Funds	Totals	
<b>OPERATING REVENUES:</b>					
Charges for usage and service	\$ 14,850,506	\$ 30,000	\$ 1,333,030	\$ 16,213,536	\$ 875,000
Miscellaneous	1,283,403	274,306	157,250	1,714,959	60,625
<b>Total Operating Revenues</b>	<b>16,133,909</b>	<b>304,306</b>	<b>1,490,280</b>	<b>17,928,495</b>	<b>935,625</b>
<b>OPERATING EXPENSES:</b>					
Operations	647,568	78,552	1,460,985	2,187,105	329,500
Personnel	58,363		1,093,606	1,151,969	67,594
Claims					404,303
Contract payments, net	12,034,428			12,034,428	
Depreciation	2,250,629		31,811	2,282,440	
<b>Total Operating Expenses</b>	<b>14,990,988</b>	<b>78,552</b>	<b>2,586,402</b>	<b>17,655,942</b>	<b>801,397</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,142,921</b>	<b>225,754</b>	<b>(1,096,122)</b>	<b>272,553</b>	<b>134,228</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest expense	(61,466)	(215,035)		(276,501)	
Investment income	243,629	7,991	1,651	253,271	38,536
Amortization		(16,075)		(16,075)	
Grants	836,249		1,036,970	1,873,219	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>1,018,412</b>	<b>(223,119)</b>	<b>1,038,621</b>	<b>1,833,914</b>	<b>38,536</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,161,333</b>	<b>2,635</b>	<b>(57,501)</b>	<b>2,106,467</b>	<b>172,764</b>
<b>TOTAL NET ASSETS - BEGINNING, AS RESTATED</b>	<b>31,188,822</b>	<b>759,626</b>	<b>368,657</b>	<b>32,317,105</b>	<b>1,424,848</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 33,350,155</b>	<b>\$ 762,261</b>	<b>\$ 311,156</b>	<b>\$ 34,423,572</b>	<b>\$ 1,597,612</b>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.



**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Sewer	Public Facilities Management Foundation	Non-major Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 14,724,928	\$ 304,306	\$ 1,490,529	\$ 16,519,763	\$ 1,470,016
Cash paid to suppliers	(11,558,628)	(78,552)	(1,478,799)	(13,115,979)	
Cash paid to employees	(58,152)		(1,093,043)	(1,151,195)	(67,029)
Cash paid for claims					(169,922)
Cash paid for other operating expenses			(46,710)	(46,710)	(430,546)
<b>Net cash provided by (used for) operating activities</b>	<b>3,108,148</b>	<b>225,754</b>	<b>(1,128,023)</b>	<b>2,205,879</b>	<b>802,519</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Nonoperating grants received			1,176,946	1,176,946	
(Increase) decrease in due from other funds					(299,135)
Decrease in due to other funds	(118,731)			(118,731)	
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(118,731)</b>	<b>0</b>	<b>1,176,946</b>	<b>1,058,215</b>	<b>(299,135)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(4,183,351)		(3,055)	(4,186,406)	
Collection of capital lease payment		275,000		275,000	
Bond proceeds	3,400,000			3,400,000	
Principal paid on bonds	(203,567)	(275,000)		(478,567)	
Interest paid on bonds	(64,148)	(211,070)		(275,218)	
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(1,051,066)</b>	<b>(211,070)</b>	<b>(3,055)</b>	<b>(1,265,191)</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest on investments	243,629	7,991	1,651	253,271	10,377
<b>Net cash provided by investing activities</b>	<b>243,629</b>	<b>7,991</b>	<b>1,651</b>	<b>253,271</b>	<b>10,377</b>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

	Enterprise Funds				Internal Service Funds
	Sewer	Public Facilities Management Foundation	Non-major Enterprise Funds	Totals	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,181,980	22,675	47,519	2,252,174	513,761
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	724,371	560,110	150,068	1,434,549	1,075,470
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,906,351</u>	<u>\$ 582,785</u>	<u>\$ 197,587</u>	<u>\$ 3,686,723</u>	<u>\$ 1,589,231</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 1,142,921	\$ 225,754	\$ (1,096,122)	\$ 272,553	\$ 134,228
Adjustments to reconcile:					
Depreciation	2,250,629		31,811	2,282,440	
(Increase) decrease in accounts receivable	(584,177)		250	(583,927)	
Decrease in inventory			(3,859)	(3,859)	
(Increase) in due from other governments	(609,931)			(609,931)	
Decrease in prepaid expenses	111			111	(137)
Increase (decrease) in accounts payable	1,123,257		(60,667)	1,062,590	(12,516)
Increase (decrease) in accrued payroll	211		564	775	(794)
Decrease in claims payable					30,899
Decrease in unearned revenue	(1,051,122)			(1,051,122)	
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 2,271,899</u>	<u>\$ 225,754</u>	<u>\$ (1,128,023)</u>	<u>\$ 1,369,630</u>	<u>\$ 151,680</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

(CONCLUDED)

**CITY OF CRANSTON, RHODE ISLAND****Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	Pension Trust Fund	Private Purpose Trust Fund	Agency Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,250,877	\$ 2,344	\$ 1,026,958
Investments			
Guaranteed Investment Contracts	23,387,956		
Real Estate Investment Trust	427,152		
Mutual Funds	5,616,456		
Bonds	958,894		
Other			1,500
Total	30,390,458	0	1,500
Due from other funds	1,428,025		
Other assets	262		
<b>Total assets</b>	<b>33,069,622</b>	<b>2,344</b>	<b>1,028,458</b>
<b>LIABILITIES:</b>			
Due to other funds	212,929	1,644	
Deposits held in custody for others			1,028,458
<b>Total liabilities</b>	<b>212,929</b>	<b>1,644</b>	<b>1,028,458</b>
<b>NET ASSETS:</b>			
Assets held in trust for pension benefits	\$ 32,856,693	\$ 700	\$ 0

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND**

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2005**

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Plan member contributions	\$ 774,684	\$ 5,370
Employer contributions	20,024,662	
<b>Total contributions</b>	<u>20,799,346</u>	<u>5,370</u>
<b>Investment income:</b>		
Interest and dividends	315,462	
Net realized and unrealized losses on investments	516,718	
<b>Total investment income</b>	<u>832,180</u>	<u>0</u>
<b>Total additions</b>	<u>21,631,526</u>	<u>5,370</u>
<b>DEDUCTIONS:</b>		
Benefits paid	16,370,966	4,670
Administrative expenses	103,208	
<b>Total deductions</b>	<u>16,474,174</u>	<u>4,670</u>
<b>CHANGE IN NET ASSETS</b>	5,157,352	700
<b>Net Assets - beginning</b>	27,699,341	0
<b>Net Assets - ending</b>	<u><u>\$ 32,856,693</u></u>	<u><u>\$ 700</u></u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In accordance with the requirements of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, the accompanying basic financial statements present the City of Cranston (the primary government) and its component units. The activities discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The City complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Enterprise funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

***Reporting Entity***

**(a) Primary Government**

The City of Cranston, Rhode Island, operates under a Mayor-Council form of government. A Home Rule Charter 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. Most department heads and other City officials are appointed by the Mayor.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

- Test 1 – The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit;
- Test 2 – The potential component is fiscally dependent upon the primary government; or
- Test 3 – The financial statements would be misleading if data from the potential component unit were not included

The Cranston Public Schools and the Public Facilities Management Foundation were considered for classification as component units for 2005:

The Cranston Public Schools is deemed to not have a separate legal status apart from the City. As a result, the financial data of the Cranston Public Schools has been included within the City's financial statements.

Based upon the application of the above criteria, the City has included the Public Facilities Management Foundation as part of the reporting entity, as a blended component unit.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Primary Government (Continued)**

The Public Facilities Management Foundation (Foundation), constituting a non-profit corporation, was established by the City of Cranston, Rhode Island (City) on November 28, 2000. The Foundation consists of five members who 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 and the City entered into a term lease agreement, dated November 1, 2000 whereby the Foundation has the exclusive right to lease a 23.4 acre parcel and the improvements thereon located at 929 and 935 Phenix Avenue in the City to be used as a public works storage and maintenance facility.

The Public Facilities Management Foundation issues a separate financial statement. This financial statement can be obtained by contacting the City of Cranston, Rhode Island. The Foundation's fiscal year end is June 30, 2005.

**(b) Joint Ventures**

Cranston Job Training Partnership (the Partnership) is the administrative entity of Cranston Job Training Consortium. Cranston Job Training Consortium was established by the City of Cranston and the City of Providence to operate a comprehensive employment and training service delivery system according to the provisions of the Job Training Partnership Act of 1982.

The Partnership is administered by the City of Providence which is responsible for the proper administration and operation of programs within guidelines established by the Providence -Cranston Private Industry Council (the Council) and provisions of the Job Training Partnership Act of 1982. The operations of the Partnership are not material to the City's basic financial statements.

The Council is a committee of representatives from the public and private sector. The Council provides policy guidance and exercises oversight of activities within the service delivery area. The operations of the Council are immaterial to the City's basic financial statements.

Complete financial statements of the above mentioned entity can be obtained through the City of Cranston Finance Department, City Hall, Cranston, Rhode Island 02910.

***Recently Issued Accounting Standards***

The City has implemented GASB Statement No. 40 – Deposits and Investment Risk Disclosures effective for the City's fiscal year ending June 30, 2005.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued Accounting Standards (Continued)***

The City will adopt the following new accounting pronouncements in future years:

- ✓ GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, effective for the City's fiscal year ending June 30, 2006.
- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the City's fiscal year ending June 30, 2008.
- ✓ GASB Statement No. 46 – Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34, effective for the City's year ending June 30, 2006.
- ✓ GASB Statement No. 47 – Accounting for Termination Benefits effective for the City's year ending June 30, 2006.
- ✓ GASB Statement No. 44 – Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1, effective for the City's year ending June 30, 2006.

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

***Basis of Presentation***

***Government-Wide Financial Statements***

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual, governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual, governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

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

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

**Capital Project Funds**

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

***Proprietary Funds***

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the Proprietary Funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Funds are considered non-operating sources of revenue. The Internal Service Fund of the City represents activity related to insurance risk management.

**Fiduciary Funds (Not included in government-wide statements)**

***Agency Funds***

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

- Unclaimed Estates in Probate Court
- Performance Bonds
- Student Activity Funds

***Private-Purpose Trust Funds***

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the City, and can not be used at the City's discretion or support the City's general operations. The private-purpose fund of the City is the Medical savings fund.

(CONTINUED)



**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Pension Trust Funds***

Pension trust funds are used to account for resources legally held in trust for the payment of pension benefits.

***Major and Non-Major Funds***

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<b><i>Major:</i></b>	
General:	See above for description
Special Revenue:	School Department-accounts for all financial transactions of the City of Cranston School Department which are not required to be accounted for in another fund
Proprietary:	Sewer-responsible for tracking revenue and expenses related to the treatment of user's wastewater  Public Facilities Management Foundation- a blended component unit of the City that facilitates multiple divisions of the Public Works Department
<b><i>Non-Major:</i></b>	
Special Revenue:	School Restricted Federal Grants, School Restricted State Grants, School Restricted Private Grants, Budget Stabilization, Hospital Stabilization, Connetta Park, Community Development Block Grant, Emergency Management, DARE Program, Restitution, Substance Abuse Prevention, Fire-Grants/Donations, Police-Grants/Donations, Fall Harvest Festival, Snow and Ice Insurance, Excise Tax Phase Out, Parks and Recreation, Special Grants and Projects, Inaugural Committee, Public Facilities Management Foundation, Fire Revolving Loan Fund, Economic Development Revolving Loan, Capital Facilities Development Impact Fees, Juvenile Hearing Board, Police Home Land Security, Police Federal Forfeiture-Just., Police Evidence, Police Surplus Revolving, Police State Seizure, Police Federal Forfeiture-Treas, Police Block Grant, Training Academy Maintenance, Public Libraries, Cemetery Trust Fund, School Trusts, Charter School, Vocational Training Adults, WIA Job Development, RSVP, Multipurpose Center, Adult Day Care, Senior Services Special Project, Special Fire Duty, Special Police Duty, Cranston Senior Games, Donations - Animal Shelter, Historical Records and Ice Rink.
Capital Projects:	School Bond Fund, Police and Fire Bond Fund, Public Building Bond Fund, Recreation Bond Fund, Highway Bond Fund, Storm Drains Bond Fund, Neighborhood Infrastructure Bond Fund, and Open Space Bond Fund.
Enterprise:	School Lunch Fund

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus***

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end.
- (b) All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds and fiduciary funds, including agency funds, utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting (Continued)***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

***Cash Equivalents***

For purposes of the cash flow statement, the proprietary funds consider all investments with original maturities of three months or less when purchased to be cash equivalents.

***Use of Estimates***

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenue and expenditures. Actual results could differ from these estimates.

***Accounts Receivable***

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes and intergovernmental grants and aid. Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivables are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$856,000 at June 30, 2005. Of the receivable balances for the governmental activities property taxes comprise 97% of the total. Business-type activities report service fees as its major receivables.

***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year end.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Investments***

In accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

***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.

***Judgments and Claims***

Liabilities for legal cases and other claims against governmental funds are recorded when the ultimate liability can be estimated and such cases are expected to be liquidated with expendable available financial resources. Proprietary fund types record these liabilities using the accrual basis of accounting.

***Inventory***

Proprietary fund inventory is stated at the lower of cost (first-in, first-out) or market. Inventory consists primarily of materials and supplies. Inventory maintained in governmental funds is recorded as expenditures at the time of purchase.

***Property, Plant and Equipment***

The accounting treatment over property, plant and equipment (capitals assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Financial Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City uses a threshold of \$2,500 for capitalizing assets while the School Department uses a \$5,000 threshold.

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**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property, Plant and Equipment (Continued)***

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

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

Machinery and equipment .....	3 - 20 years
Sewer lines and treatment and pumping plant .....	50 - 100 years
Vehicles .....	5 years
Infrastructure.....	5 – 65 years
Buildings .....	20 – 50 years
Land improvements .....	20 years

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

***Interfund Transactions***

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

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

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Financing Costs***

Deferred financing costs incurred in connection with bonds payable are amortized on the straight-line basis over the term of the related debt.

***Self-Insurance***

The City's self-insurance costs for health and general liabilities are accounted for in the City's general fund. Claims incurred but not paid, including those which have not been reported, are accounted for as expenses and accrued claims in those funds when a liability has been incurred.

***Equity Classifications***

**Government-Wide Statements**

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

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

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

(CONTINUED)

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**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government – wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$3,364,116 difference are as follows:

Capital outlays .....	\$1,390,293
Depreciation expense .....	<u>(4,754,409)</u>
Net adjustment .....	<u>\$ (3,364,116)</u>

Another element of the reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this difference are as follows:

Deferred revenue – ending .....	\$2,735,886
Deferred revenue – beginning .....	<u>(1,592,802)</u>
Net adjustment .....	<u>\$1,143,084</u>

**2. PROPERTY TAXES**

The City’s property tax is levied each year on or about June 1 (for the subsequent fiscal year) based on the assessed property value, as of the prior December 31, for all real property, tangible property, equipment and motor vehicles located in the City. Assessed values of real property were established by the City Assessor’s office at 100% of appraised market value, based on the December 31, 2003 valuation. Assessed values of tangible property and equipment and motor vehicles are determined annually at a maximum of 100% of market value.

The taxable valuations for the tax roll year 2004 and assessment as of December 31, 2003 were as follows:

Real property .....	\$5,103,333,900
Motor vehicles .....	452,683,376
Tangible property .....	273,203,783
Retail/wholesale inventory .....	<u>68,751,594</u>
	5,897,972,653
Less exemptions .....	<u>(381,233,995)</u>
Net taxable valuation .....	<u>\$5,516,738,658</u>

For June 30, 2005, the City used a tax rate of \$42.44 per thousand for motor vehicle, a tax rate of \$23.23 per thousand for real property (1-5 units), a tax rate of \$30.80 per thousand for real property (6 units and up mix use and commercial industrial), a tax rate of \$34.84 per thousand for tangible personal property, and a tax rate of \$12.70 per thousand for retail/wholesale inventory.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**2. PROPERTY TAXES (Continued)**

Payments on the gross levy may be paid in full by July 15 or quarterly thereafter (at the taxpayers' option) without penalty. Property taxes attach as an enforceable lien on property when due. The City recognizes property tax revenues on the modified accrual basis. Only those property tax payments due as of the end of the current fiscal year and collected within the current fiscal year or reasonably thereafter, usually 60 days, are recognized as revenue of the current fiscal year. All uncollected property taxes as of the end of fiscal year are recorded as receivables. Those taxes not collected within 60 days subsequent to year-end are recorded as deferred revenue, even if the eventual collection appears likely. If collection appears unlikely an allowance for doubtful accounts is established.

**3. BUDGETARY DATA**

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 three of the non-major special revenue funds.

(CONTINUED)



**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<b>PRIMARY GOVERNMENT</b>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 11,062,827			\$11,062,827
<b>Total capital assets not being depreciated.....</b>	<b>11,062,827</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>11,062,827</b>
<b>Other capital assets:</b>				
Buildings .....	58,018,203			58,018,203
Land improvements.....	9,464,387		(5,774)	9,458,613
Equipment.....	8,543,660	345,705	(572,757)	8,316,608
Vehicles .....	13,175,963	1,044,588	(630,619)	13,589,932
Infrastructure.....	81,676,306			81,676,306
<b>Total other capital assets at historical cost.....</b>	<b>170,878,519</b>	<b>1,390,293</b>	<b>(1,209,150)</b>	<b>171,059,662</b>
Less: accumulated depreciation for:				
Buildings .....	(28,498,950)	(944,265)		(29,443,215)
Land improvements.....	(4,612,414)	(472,123)	2,968	(5,081,569)
Equipment.....	(6,501,390)	(416,754)	293,197	(6,624,947)
Vehicles .....	(9,012,549)	(1,569,228)	537,362	(10,044,415)
Infrastructure.....	(24,182,440)	(1,352,039)		(25,534,479)
<b>Total accumulated depreciation .....</b>	<b>(72,807,743)</b>	<b>(4,754,409)</b>	<b>833,527</b>	<b>(76,728,625)</b>
<b>Other capital assets, net.....</b>	<b>98,070,776</b>	<b>(3,364,116)</b>	<b>(375,623)</b>	<b>94,331,037</b>
<b>Governmental activities capital assets, net.....</b>	<b>\$109,133,603</b>	<b>\$ (3,364,116)</b>	<b>\$ (375,623)</b>	<b>\$105,393,864</b>
<b>Business-type activities: as restated:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	\$ 342,712			\$342,712
Construction in progress, as restated.....	648,684	\$4,046,047		4,694,731
<b>Total capital assets not being depreciated.....</b>	<b>991,396</b>	<b>4,046,047</b>	<b>\$ 0</b>	<b>5,037,443</b>
<b>Other capital assets:</b>				
Land improvements.....	266,795			266,795
Sewer lines .....	45,646,375			45,646,375
Treatment and pumping plant .....	71,657,702			71,657,702
Machinery and equipment.....	1,920,309	183,699	(2,331)	2,101,677
<b>Total other capital assets at historical cost.....</b>	<b>119,491,181</b>	<b>183,699</b>	<b>(2,331)</b>	<b>119,672,549</b>
Less: accumulated depreciation for:				
Land improvements.....	(140,304)	(13,340)		(153,644)
Sewer lines .....	(24,805,863)	(673,331)		(25,479,194)
Treatment and pumping plant .....	(26,955,787)	(1,426,394)		(28,382,181)
Machinery and equipment.....	(975,384)	(169,375)	1,690	(1,143,069)
<b>Total accumulated depreciation .....</b>	<b>(52,877,338)</b>	<b>(2,282,440)</b>	<b>1,690</b>	<b>(55,158,088)</b>
<b>Other capital assets, net.....</b>	<b>66,613,843</b>	<b>(2,098,741)</b>	<b>(641)</b>	<b>64,514,461</b>
<b>Business-type activities capital assets, net .....</b>	<b>\$ 67,605,239</b>	<b>\$1,947,306</b>	<b>\$ (641)</b>	<b>\$ 69,551,904</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government.....	\$1,874,115
Public safety .....	1,089,767
Public works .....	652,877
Education.....	825,209
Parks and recreation .....	160,273
Public libraries .....	82,143
Senior services .....	70,025
<b>Total governmental activities depreciation expense.....</b>	<b><u>\$4,754,409</u></b>
<b>Business-type activities:</b>	
Sewer.....	\$2,250,629
Non-major enterprise funds.....	31,811
<b>Total business-type activities depreciation expense .....</b>	<b><u>\$2,282,440</u></b>

**5. INTERFUND ACCOUNTS**

At June 30, 2005, net amounts due to and from funds of the City were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental activities:</b>		
<b>Major funds:</b>		
City General Fund .....	\$ 713,031	\$6,071,588
School Unrestricted Fund .....	761,256	138,378
<b>Non-major funds.....</b>	<b><u>4,511,017</u></b>	<b><u>940,257</u></b>
<b>Total governmental activities .....</b>	<b><u>5,985,304</u></b>	<b><u>7,150,223</u></b>
<b>Business-type activities:</b>		
<b>Major funds:</b>		
Sewer Fund .....		194,335
<b>Internal Service Funds .....</b>	<b><u>145,802</u></b>	
<b>Total business-type activities .....</b>	<b><u>145,802</u></b>	<b><u>194,335</u></b>
<b>Fiduciary fund types .....</b>	<b><u>1,428,025</u></b>	<b><u>214,573</u></b>
<b>Total .....</b>	<b><u>\$7,559,131</u></b>	<b><u>\$7,559,131</u></b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**6. LONG-TERM LIABILITIES**

**(a) Long-Term Liability Activity**

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Long-term debt:</b>					
General obligation debt .....	\$ 66,360,000	\$22,280,000	\$25,300,000	\$ 63,340,000	\$3,555,000
Certificates of participation .....	4,375,000		275,000	4,100,000	290,000
Leases payable .....	1,827,345		604,920	1,222,425	595,588
<b>Total long-term debt .....</b>	<b>72,562,345</b>	<b>22,280,000</b>	<b>26,179,920</b>	<b>68,662,425</b>	<b>4,440,588</b>
<b>Other long-term liabilities:</b>					
Compensated absences .....	8,606,781	954,856	984,309	8,577,328	857,733
Deferred salary .....	478,751		95,250	383,501	38,350
Unpaid pension contributions .....	87,828,189	1,279,017		89,107,206	
Claims and judgments .....	90,000		30,000	60,000	30,000
<b>Total other long-term liabilities .....</b>	<b>97,003,721</b>	<b>2,233,873</b>	<b>1,109,559</b>	<b>98,128,035</b>	<b>926,083</b>
<b>Governmental activities long- term liabilities .....</b>	<b>\$169,566,066</b>	<b>\$24,513,873</b>	<b>\$27,289,479</b>	<b>\$166,790,460</b>	<b>\$5,366,671</b>
<b>Business-type Activities:</b>					
<b>Long-term debt:</b>					
Clean water bonds .....	\$ 4,527,484	\$ 3,400,000	203,567	\$ 7,723,917	\$ 790,733
<b>Total long-term debt .....</b>	<b>4,527,484</b>	<b>3,400,000</b>	<b>203,567</b>	<b>7,723,917</b>	<b>790,733</b>
<b>Other long-term liabilities:</b>					
Compensated absences .....	17,362	564		17,926	1,793
Deferred salary .....	1,500			1,500	150
<b>Total other long-term liabilities .....</b>	<b>18,862</b>	<b>564</b>		<b>19,426</b>	<b>1,943</b>
<b>Business-type activities long- term liabilities .....</b>	<b>\$ 4,546,346</b>	<b>\$ 3,400,564</b>	<b>\$ 203,567</b>	<b>\$ 7,743,343</b>	<b>\$ 792,676</b>

Payments on all long-term debt and other long-term liabilities that pertain to the City's governmental activities are made by the general fund.

Total interest expense paid on general long-term liabilities for the year ended June 30, 2005 was approximately \$3,410,503. The Statement of Net Assets includes \$3,274,207 of leased capital assets.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**6. LONG-TERM LIABILITIES (Continued)**

**(b) Debt Maturity**

Debt service requirements at June 30, 2005 were as follows:

Year Ended June 30,	<b>GOVERNMENTAL ACTIVITIES</b>					
	<b><u>General Obligation Debt</u></b>		<b><u>Certificates of Participation</u></b>		<b><u>Leases Payable</u></b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006 .....	\$3,555,000	\$2,445,606	\$290,000	\$197,653	\$595,588	\$59,303
2007 .....	3,225,000	2,720,793	300,000	183,453	383,161	30,168
2008 .....	3,860,000	2,587,205	315,000	168,462	243,676	12,729
2009 .....	3,940,000	2,434,283	335,000	152,618		
2010 .....	4,015,000	2,274,635	350,000	136,053		
2011-2015 .....	21,405,000	8,593,982	2,510,000	407,654		
2016-2020 .....	17,940,000	3,664,469				
2021-2024 .....	5,400,000	675,000				
Total .....	<u>\$63,340,000</u>	<u>\$25,395,973</u>	<u>\$4,100,000</u>	<u>\$1,245,893</u>	<u>\$1,222,425</u>	<u>\$102,200</u>

**BUSINESS-TYPE ACTIVITIES**

Year Ended June 30,	<b><u>Clean Water Bonds</u></b>	
	<u>Principal</u>	<u>Interest</u>
2006 .....	\$790,733	\$88,121
2007 .....	791,932	82,185
2008 .....	793,165	73,143
2009 .....	794,433	64,066
2010 .....	795,737	54,953
2011-2015 .....	2,539,553	147,703
2016-2020 .....	718,364	21,972
2021-2025 .....	500,000	6,250
Total .....	<u>\$7,723,917</u>	<u>\$538,393</u>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**6. LONG-TERM LIABILITIES (Continued)**

At June 30, 2005, the City's long-term debt outstanding is as follows:

	Date of <u>Issue</u>	Amount <u>Issued</u>	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance Outstanding <u>6/30/04</u>	<u>Additions</u>	<u>Retirements</u>	Balance Outstanding <u>6/30/05</u>
<b>General Long-Term Debt</b>								
<b>General obligation debt:</b>								
Public improvements - 152 .....	6/15/98	17,540,000	4.4-6.0%	7/15/98-18	\$14,605,000		\$11,705,000	\$2,900,000
Public improvements – 153 .....	11/15/99	16,115,000	4.5-5.45%	11/15/99-19	14,185,000		11,285,000	2,900,000
Refunding – 151 .....	12/1/00	13,320,000	4.5-5.5%	7/1/01-15	10,520,000		955,000	9,565,000
Public improvement – 155 .....	2/15/04	27,050,000	2.0-5.0%	2/15/05-24	27,050,000		1,355,000	25,695,000
Advance refunding – 156 .....	5/13/05	22,280,000	3.0-5.0%	7/15/05-19	0	\$22,280,000		22,280,000
<b>Total general obligation debt.....</b>					<u>66,360,000</u>	<u>22,280,000</u>	<u>25,300,000</u>	<u>63,340,000</u>
Certificates of participation .....	11/1/00	\$5,130,000	4.75-5.25%	11/1/01-15	4,375,000	0	275,000	4,100,000
<b>Leases payable:</b>								
Modular buildings .....	9/20/00	201,632	5.59%	9/20/00-8/20/05	53,163		45,355	7,808
Modular buildings .....	7/30/01	138,599	5.25%	7/30/01-6/30/06	62,195		29,006	33,189
Musical instruments.....	8/29/01	110,634	8.3%	8/29/01-05	45,797		21,987	23,810
School buses.....	7/15/01	793,314	5.1%	7/15/01-12/1/05	331,727		161,644	170,083
Modular buildings .....	9/1/02	189,573	4.85%	9/1/02 – 9/1/07	127,074		38,045	89,029
Telephone equipment.....	8/1/02	95,484	0.00%	8/1/02 – 8/1/07	58,881		19,097	39,784
School buses.....	12/15/02	420,000	3.84%	12/15/02 – 12/15/07	278,683		89,172	189,511
Vehicle-trucks.....	10/31/01	1,478,889	5.4%	10/31/01-07	869,825		200,614	699,211
<b>Total leases payable .....</b>					<u>1,827,345</u>		<u>604,920</u>	<u>1,222,425</u>
<b>Total long-term liabilities.....</b>					<u>\$72,562,345</u>	<u>\$22,280,000</u>	<u>\$26,179,920</u>	<u>\$68,662,425</u>
<b>Enterprise funds:</b>								
RI Clean Water.....	9/1/93	3,242,000	3%	9/1/15	\$1,945,200		\$162,100	\$1,783,100
RI Clean Water.....	8/25/99	700,000	3%	9/1/15	582,284		41,467	540,817
RI Clean Water.....	11/13/03	2,000,000	0%	9/1/27	2,000,000			2,000,000
RI Clean Water.....	12/30/04	3,400,000	0%	9/1/11	0	\$ 3,400,000		3,400,000
<b>Total enterprise funds.....</b>					<u>\$4,527,484</u>	<u>\$ 3,400,000</u>	<u>\$203,567</u>	<u>\$7,723,917</u>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**7. OTHER DEBT INFORMATION**

**(a) 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 \$166 million based on taxable property as of December 31, 2003, of approximately \$5.9 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, 2005, the City had \$63,340,000 of debt outstanding that is outside 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.

**(b) Advanced and Current Debt Refundings**

During fiscal year ended June 30, 2005, 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 refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, is not reflected in the financial statements of the City. The advance refundings resulted in a reduction of total debt service payments of \$1,227,274 and a present value economic gain of \$1,014,921. The outstanding balance of the defeased bonds as of June 30, 2005 was \$21,755,000.

On December 31, 2000, the City issued \$13.320 million in general obligation bonds with interest rates ranging from 4.5% to 5.5% to advance refund \$12.3 million of outstanding bonds with interest rates ranging from 4.8% to 6.0%. A portion of the proceeds from the refunding debt were transferred into a refunding trust fund to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded debt. As a result, the old bonds are considered to be defeased. The outstanding principal of the defeased bonds is \$9,565,000 at June 30, 2005.

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**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**8. LEASE COMMITMENTS**

The School Department's operating lease consists of leased real estate and equipment. Lease expenditures for the operating lease for the fiscal year ended June 30, 2005 were \$262,132.

As of June 30, 2005, future minimum rental expenditures under the operating leases are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Fund Types</u>
2006.....	\$245,571
2007.....	245,571
2008.....	7,296
2009.....	2,796
2010.....	932
Total	<u>\$502,166</u>

**9. UNEARNED REVENUE**

Unearned revenues are summarized as follows:

Property taxes .....	\$145,373,014
Unearned revenue – other .....	<u>4,953,430</u>
<b>Total unearned revenues</b> .....	<u>\$150,326,444</u>

**10. FUND EQUITY**

**(a) Reservations/Designations**

Reserved fund balances at June 30, 2005 are as follows:

**Special Revenue:**

Reserved for encumbrances .....	\$ 292,902
Reserved for Literacy .....	18,152
Reserved for prepaid items .....	<u>19,856</u>
<b>Total</b> .....	<u>\$ 330,910</u>

**Non-major Governmental Funds:**

Reserved per trust agreement.....	<u>\$ 118,795</u>
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**Fiduciary Fund Types:**

Held in trust for pension benefits .....	<u>\$32,856,693</u>
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Designated fund balances at June 30, 2005 are as follows:

**Special Revenue:**

Designated for subsequent year expenditures.....	\$ 450,000
Designated for health care .....	136,109
<b>Total</b> .....	<u>\$ 586,109</u>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**10. FUND EQUITY (Continued)**

**(b) Deficit**

The following funds had deficit fund equity balances at June 30, 2005:

**Non-major Governmental Funds:**

Connetta Park.....	\$ (153,760)
Community Development Block Grant .....	\$ (39,563)
School Bond Fund .....	\$ (223,651)

The deficits will be eliminated through future borrowings, grant revenues and other operating resources.

**11. RESTATEMENT**

The June 30, 2004 Proprietary net assets have been restated to reflect a correction of an error in the reporting of the Construction in Progress in the Sewer Fund.

The following represents the effect of the prior period adjustment at June 30, 2004:

<b>Proprietary net assets at June 30, 2004, as originally stated .....</b>	<b>\$ 31,668,422</b>
Recording of additional construction in progress .....	<u>648,683</u>
<b>Net increase in proprietary net assets .....</b>	<b>648,683</b>
<b>Proprietary net assets at June 30, 2004, as restated .....</b>	<b><u>\$ 32,317,105</u></b>

**12. EMPLOYEE RETIREMENT SYSTEMS**

The City contributes to four 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, and the National Industrial Pension Plan, a cost-sharing multi-employer defined benefit plan. The PFERS is presented in the accompanying financial statements as a fiduciary fund. MERS, ERS, and the National Industrial Pension Plan are not included in the City's financial statements.

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**CITY OF CRANSTON, RHODE ISLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**12. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Summary of Significant Accounting Policies**

- ***Basis of Accounting***

PFERS' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

- ***Method Used to Value Investments***

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**Plan Description and Contribution Information**

Membership of the PFERS plan consisted of the following at July 1, 2005, the date of the latest actuarial valuation:

	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Retirees, disability retirees, and beneficiaries receiving benefits .....	205	191	396
Active plan members:			
Vested.....	76	39	115
Non-vested .....	0	0	0
<b>Total</b> .....	<u>281</u>	<u>230</u>	<u>511</u>

- ***Plan Description***

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 2½% 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.

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**CITY OF CRANSTON, RHODE ISLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**12. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

• **Contributions**

Police personnel are required to contribute 10% of 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 .

The City's annual pension cost and net pension obligation to PFERS for the current year were as follows:

Annual required contribution .....	\$ 22,147,958
Interest on net pension obligation .....	7,026,255
Adjustment to annual required contribution.....	<u>(7,871,038)</u>
Annual pension cost .....	21,303,175
Contributions made .....	<u>(20,024,158)</u>
Increase in net pension obligation .....	1,279,017
 <b>Net pension obligation, beginning of year.....</b>	 <b><u>87,828,189</u></b>
 <b>Net pension obligation, end of year .....</b>	 <b><u>\$ 89,107,206</u></b>

The annual required contribution for the current year was determined as part of the July 1, 2004 actuarial valuation using the attained age normal method as changed to reflect cost of living adjustments. The actuarial assumptions included (a) 8% investment rate of return; (b) projected salary increase of 3% (c) cost of living adjustments of 3% and (d) an inflation rate of 3%. The actuarial value of assets was determined using a 5-year moving average of market values. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2005 was 29 years. Annual pension cost for this plan was \$21,303,175, \$21,077,454 and \$24,512,145 for fiscal years ended June 30, 2005, 2004 and 2003, respectively. Net pension obligation was \$89,107,206, \$87,828,189 and \$90,627,304 as of June 30, 2005, 2004, and 2003, respectively.

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

**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 per year of credited service with a maximum benefit of 75% of final average salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. 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).

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**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**12. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Funding Policy**

The City and covered employees are required to contribute the amounts necessary to fund MERS based on actuarially determined contribution requirements. 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. Police and fire personnel are required to contribute 10%. Due to contractual negotiations, fire personnel are currently contributing 11.5% of their salary with the excess contribution offsetting the City's required contribution. For 2005, the City's contribution rate for police personnel was 16.35% and 18.16% for fire personnel. The City's contribution rate for general employees was 0%.

**Annual Pension Cost**

For 2005, the City's annual pension cost of \$1,727,555 was equal to its required contribution. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) protected salary increases of 4.25% to 10.25% for City employees and 5 to 15% for police and fire, (c) 3.0% per year cost-of-living adjustments, and (d) inflation rate of 3%. The actuarial value of DEPP assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period.

**SCHEDULE OF CONTRIBUTIONS FROM THE CITY**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
<b><u>General Employees</u></b>			
2003	\$ -0-	\$ -0-	100%
2004	\$ -0-	\$ -0-	100%
2005	\$ -0-	\$ -0-	100%
<b><u>Police</u></b>			
2003	\$ 525,658	\$525,658	100%
2004	\$ 620,067	\$620,067	100%
2005	\$ 731,118	\$731,118	100%
<b><u>Fire</u></b>			
2003	\$ 759,883	\$ 759,883	100%
2004	\$ 899,623	\$ 899,623	100%
2005	\$ 996,437	\$ 996,437	100%

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**12. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**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 Employees Retirement System of the State of Rhode Island ("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 report 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 relating 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%

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**12. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Funding Policy**

Rhode Island general laws set the contribution rates for participating State employees at 9.5 % of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute and contributed \$5,371,312, \$4,695,431, and \$4,012,636 for fiscal years 2005, 2004, and 2003, respectively. There was no net pension obligation at June 30, 2005. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1989 over 27 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. Both employers and employees contribute 1% of the first \$9,600 of salary for survivor benefits. In addition, the School District is required to contribute .7% for post-retirement health benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. Mortality - 1994 Group Annuity Mortality Table with mortality for disabled persons set equal to the age 65 under the 1971 Group Annuity Mortality Table.
- B. Investment return - 8.25 percent, compounded annually.
- C. Salary increase - Salaries will increase at a rate of 4.25 – 13.25 percent, compounded annually.
- D. Retirement age - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- E. Cost of living adjustments – 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. This resulted in contributions paid by the State on behalf of the School Department of \$3,384,592 for the fiscal year ended June 30, 2005.

(CONTINUED)

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**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**12. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**(d) National (Industrial) Pension Fund**

***Plan Description***

Upon the date of hire, all School Department bus drivers are eligible to participate in the National (Industrial) Pension Fund, a cost-sharing multi-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 thirty 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, 20006.

***Funding Policy***

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

***Annual Pension Cost***

The School Department was required to contribute and contributed \$68,689, \$67,918, and \$62,845 for fiscal years 2005, 2004 and 2003, respectively. The Pension Fund through its last actuarial study dated January 1, 2003, used the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), and (b) future benefit accruals of one person credit per year.

**13. 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, 2005 expenditures of \$1,762,972 for Policemen and \$1,117,105 for Firemen were recognized for post-employment health care. During the year ended June 30, 2005, 109 police and 101 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, expenditures of \$7,010 for Policemen and \$7,562 for Firemen were recognized for post-employment life insurance. During the year ended June 30, 2005, 137 police and 141 fire retirees received benefits under this plan.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**13. POST-EMPLOYMENT BENEFITS (Continued)**

In addition, the Cranston Public Schools pays 100% of the cost of individual health care insurance and dental insurance benefits for all retired eligible employees until the employee reaches the age of 65. No benefits are paid for employees retiring prior to 1988. The School funds post employment benefits on a pay as you go basis. Expenditures for the benefits described above for the year ended June 30, 2005 were \$1,830,527, which consisted of \$1,729,597 for health insurance benefits and \$100,930 for dental insurance benefits. During the year ended June 30, 2005, 326 retirees received benefits under this plan.

**14. COMMITMENTS AND CONTINGENCIES**

**Contingencies**

The City participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of City officials, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying basic financial statements.

As of June 30, 2005 the City had commitments of \$4,390,931 related to unfinished projects, of which \$3,538,713 is associated with the Sewer.

**15. DEPOSITS AND INVESTMENTS**

Cash, cash equivalents and investments are separately held by several of the City's funds.

**(a) Cash and Cash Equivalents**

**Deposits**

The carrying amount of the City's cash and cash equivalents at June 30, 2005 was \$51,231,979 (including Fiduciary Funds) while the bank balance was \$51,837,575. Of the bank balance, \$486,139 was covered by federal depository insurance, and the entire amount of \$51,837,575 was collateralized.

**Reconciliation to Government-wide Statement of Net Assets:**

Unrestricted cash, including time deposits .....	\$50,649,194
Restricted cash .....	582,785
Less: Fiduciary funds including time deposits (not included in the government-wide statement) .....	(2,280,179)
<b>Total cash and cash equivalents on A-1 .....</b>	<b><u>\$48,951,800</u></b>

**Investments**

At June 30, 2005 the City's investments totaled \$30,407,495(including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds – Fixed income index .....	\$ 1,580,751	n/a	n/a	n/a
Mutual Funds – Strategic Bond .....	1,583,250	n/a	n/a	n/a
Guaranteed investment contracts .....	18,988,261	n/a	n/a	AA+
Mutual Funds –Equity.....	8,238,196	n/a	n/a	n/a
Certificates of deposit.....	<u>17,037</u>			
Total.....	\$30,407,495			

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**15. DEPOSITS AND INVESTMENTS (Continued)**

***Interest Rate Risk***

As noted above, the City's investments are held primarily in guaranteed investment contracts, common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

***Concentration of Credit Risk***

At June 30, 2005 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although the investments were held in guaranteed investment contracts, common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of financial institution failure, the City's deposits and/or investments may not be returned. The City does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the City. Additionally, the City's deposit policy requires that deposits be placed in financial institutions that are FDIC insured up to \$100,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$100,000.

**16. OPERATING TRANSFERS**

	Transfers <u>Out</u>	Transfers <u>In</u>
<b><u>Major Funds:</u></b>		
General Fund .....	\$79,162,431	\$9,694,858
School Department .....		74,506,740
<b><u>Non-Major Funds:</u></b>		
Special Revenue Funds.....	<u>9,694,858</u>	<u>4,655,691</u>
<b>Total .....</b>	<b><u>\$88,857,289</u></b>	<b><u>\$88,857,289</u></b>

(CONTINUED)



**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**17. 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 Healthmate and Blue Cross - Blue Shield of Rhode Island (BC/BS). The City's program is a self-insured program with BC/BS acting as a third-party agent for the City in the payment of the various claim plans used by the City.

The City's Finance Department administers the self-insured program and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island, United Health Care of New England, and Delta Dental (Plan Administrators). The City of Cranston is billed weekly by the plan administrators for hospital covered charges, surgical/medical payments, major medical payments, prescription drug payments and other mental health/substance abuse services.

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.

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**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**17. RISK MANAGEMENT (Continued)**

Changes in the self-insurance liability for the fiscal years ended June 30, 2005 and June 30, 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Beginning of year.....	\$2,733,325	\$2,895,026
Add: incurred claims .....	29,166,782	25,051,917
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health and life.....	25,388,435	22,557,626
Other claims.....	<u>3,454,778</u>	<u>2,655,992</u>
End of year .....	<u>\$3,056,894</u>	<u>\$2,733,325</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.

**18. LEASE AND SALE OF ASSETS**

**(a) Wastewater Treatment Facility**

On March 7, 1997, the City 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 the 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").

On September 11, 1997, the Company paid the City a one-time payment (the "Contract Payment") on the Commencement Date (the date on which the Company takes over operations) as consideration for the lease. The Contract Payment of \$48.0 million represents a prepayment of the lease payments due to the City over the next 25 years. This Contract Payment is "earned" over the life of the lease rather than at the time of receipt. Accordingly, a deferred revenue has been established in the Sewer Enterprise Fund which will be amortized into income on a straight-line basis over the life of the lease (25 years).

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**18. LEASE AND SALE OF ASSETS (Continued)**

**(a) Wastewater Treatment Facility (Continued)**

During the term of the Agreement, the City will pay the Company a Service Fee, which will be calculated based on definitive components and amounts, as adjusted in accordance with guidelines established in the Agreement. The Service Fee will generally be fixed at the beginning of each fiscal year to enable the City to establish an accurate budget. During 2005, the City paid service fees totaling \$12 million. The City also recognized 4% of the Contract Payment (\$1.9 million) as an offset to this expense.

In December 2001, the City restructured the Wastewater System Treatment Facility lease and service agreements bringing \$8.29 million in revenue to the City, upgrading the facility to comply with the new strict environmental standards, and streamlining management of the facility. The City extended the contract by five years, to expire in 2027.

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.

In order to meet new rigorous environmental standards that have gone into effect over the last year, US Filter will make system modifications and other capital improvements over the next seven years. The City will fund the improvements with low interest loans and Pawtuxet River Authority grants. US Filter and the City will adopt performance guarantees for the improved multiple hearth furnace and other new system modifications that will improve water quality and air emissions. As a result, US Filter will be responsible for making these improvements and for receiving approval from appropriate state and federal regulatory agencies. In addition, the Company will be responsible for all fines imposed for failing to meet the performance standards that will be set for each project.

The partnership will provide clarity as to various responsibilities and costs relating to unresolved matters in the first contract. Such issues include the Marina Pump-out Station, Cranston Commons and sewage back up into basements. Under the agreement, US Filter will take responsibility for the Marina Pump-out Station, and for receiving and maintaining the sewage system in Cranston Commons. Additionally, if a sewer backs up into any basement in the City and the backup occurs within the City sewer line during the initial five years of the contract, US Filter will bear two-thirds of the clean up cost, the City one-third of the cost. After the sewage is completely inspected and cleaned, US Filter will pay 100% of all basement cleanup costs, unless they are caused by uncontrollable circumstances. Also, US Filter will be a part of the review process for new additions to the sewage system.

**(b) Water System**

On September 25, 1996, the City Council agreed to sell and convey the water system to the City of Providence through the Providence Water Supply Board (Providence). The water system is accounted for in the General Fund. It was agreed that the purchase price for the water system would be \$10. The City transferred all facilities, pumping stations, storage reservoir, pipes, mains, valves, connections, hydrants, machinery, equipment, and other appurtenances; together with all water rights of the City in connection with the system; the business of supplying water to users in the City; all franchises, easements, rights of way, all contract rights, all real property, inventory and related assets.

Providence agreed to make payments on the City's outstanding bond indebtedness which financed improvements to the water system. The payments include interest and principal payments beginning on the date of the contract through July 1, 2005.

(CONCLUDED)

**CITY OF CRANSTON, RHODE ISLAND****POLICE AND FIRE EMPLOYEES' RETIREMENT SYSTEM****REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)****SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>July 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2003	\$17,960,000	\$218,407,000	\$200,447,000	8.2%	\$ 9,596,000	2089%
2004	\$27,622,000	\$242,850,000	\$215,228,000	11.4%	\$ 9,446,000	2279%
2005	\$31,641,000	\$252,222,000	\$220,581,000	12.5%	\$7,879,000	2800%

**SCHEDULE OF CONTRIBUTIONS FROM THE CITY**

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Amount <u>Contributed</u>	Percentage <u>Contributed</u>
1996.....	\$13,733,262	\$ 7,343,643	54%
1997.....	\$16,940,010	\$ 7,182,962	42%
1998.....	\$16,940,010	\$ 8,124,186	48%
1999.....	\$16,029,154	\$ 8,241,549	51%
2000.....	\$16,012,994	\$10,149,365	63%
2001.....	\$16,012,994	\$12,610,513	79%
2002.....	\$18,996,538	\$ 9,482,990	50%
2003.....	\$24,945,408	\$14,950,000	60%
2004.....	\$21,877,449	\$23,876,568	109%
2005.....	\$22,147,958	\$20,024,158	90%

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**  
**POLICE AND FIRE EMPLOYEES' RETIREMENT SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

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**NOTES TO SCHEDULES**

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2005
Actuarial cost method	Attained Age Normal method
Amortization method	Approximate level percent of payroll - open
Remaining amortization period	28 years
Asset valuation method	5-year moving average of market values
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	3% annually
Cost-of-living adjustments	3 % annually

(CONTINUED)

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**CITY OF CRANSTON, RHODE ISLAND**  
**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	(Overfunded) Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
<b><u>General Employees</u></b>						
2002	\$115,259,090	\$91,029,401	\$(24,229,689)	126.6%	\$23,440,036	(103)%
2003	\$110,439,637	\$92,892,158	\$(17,547,479)	118.9%	\$21,675,306	(81)%
2004	\$106,967,754	\$97,050,042	\$(9,917,712)	110.2%	\$23,035,308	(43)%
<b><u>Police Units</u></b>						
2002	\$4,343,311	\$5,155,337	\$812,026	84.2%	\$2,942,792	28%
2003	\$5,260,034	\$8,047,991	\$2,787,957	65.4%	\$3,695,706	75%
2004	\$6,440,242	\$9,491,992	\$3,051,750	67.8%	\$4,327,084	71%
<b><u>Fire Units</u></b>						
2002	\$7,870,598	\$10,697,631	\$2,827,033	73.6%	\$5,061,806	56%
2003	\$9,511,014	\$13,143,435	\$3,632,421	72.4%	\$5,722,530	64%
2004	\$11,599,490	\$17,852,641	\$6,253,151	65.0%	\$6,481,038	97%

**NOTES TO SCHEDULES**

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	3 year market value of assets
Actuarial assumptions:	
Investment rate of return	8.25%, compounded annually
Projected salary increases	4.25 - 9% City and 5-15.5% Police and Fire
Cost-of-living adjustments	3.0% not compounded
Inflation	3.0% annually

(CONCLUDED)

**CITY OF CRANSTON, RHODE ISLAND****E-2****Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)  
Budget and Actual  
(Unaudited)****General Fund  
Year Ended June 30, 2005**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
General property taxes	\$ 144,762,148	\$ 145,763,521	\$ 146,788,715	\$ 1,025,194
Intergovernmental	16,035,765	16,819,122	16,772,592	(46,530)
Licenses and permits	3,063,067	3,071,567	3,630,513	558,946
Fines and forfeitures	1,364,065	1,664,065	1,680,163	16,098
Investment income	180,000	700,000	839,532	139,532
Departmental	2,060,308	2,060,308	2,194,673	134,365
Education	36,210,677	36,723,207	36,723,207	0
Other	3,069,477	5,719,477	6,002,726	283,249
<b>Total Revenues</b>	<b>206,745,507</b>	<b>212,521,267</b>	<b>214,632,121</b>	<b>2,110,854</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Executive	509,781	509,781	496,219	13,562
City Council	255,663	255,663	190,038	65,625
Law	567,279	567,279	1,037,880	(470,601)
City Clerk	1,069,854	1,444,854	1,377,531	67,323
Probate Court	19,339	19,339	19,116	223
Municipal Court	322,374	322,374	233,165	89,209
Board of Canvassers	279,847	279,847	275,861	3,986
City Planning	357,157	394,157	387,031	7,126
Economic Development	172,095	172,095	134,347	37,748
Finance	5,163,802	5,161,754	5,058,052	103,702
Fire	31,841,413	32,071,770	32,366,847	(295,077)
Inspections	820,352	820,352	781,462	38,890
Police	25,505,690	25,949,690	25,304,243	645,447
Public works	12,432,124	12,504,124	12,576,555	(72,431)
Parks and recreation	1,949,916	1,949,916	1,944,451	5,465
Public libraries	2,651,570	2,651,570	2,651,570	0
Community Grants	140,500	140,500	140,500	0
Senior services	2,517,913	2,517,913	2,396,441	121,472
Municipal Debt	9,200,697	11,327,768	10,327,767	1,000,001
Boards and Commissions	18,690	18,690	17,877	813
Harbor Master	2,692	2,692	2,660	32
Sealer of Weights and Measures	2,692	2,692	(83)	2,775
Rescue Fund	306,500	2,206,500	2,080,068	126,432
Education	110,637,567	111,229,947	111,229,947	0
<b>Total Expenditures</b>	<b>206,745,507</b>	<b>212,521,267</b>	<b>211,029,545</b>	<b>1,491,721</b>
<b>Excess of revenues over expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$ 3,602,576</b>	<b>\$ 3,602,576</b>

Less: Change in 60 day collections (101,273)

Net increase in Unreserved Fund Balance \$ 3,501,303

**CITY OF CRANSTON, RHODE ISLAND**

**Schedule of Revenues, Expenditures and Other Financing Sources (Non-GAAP Budgetary Basis)**  
**Budget and Actual**  
**(Unaudited)**

**Cranston Public Schools Unrestricted Fund**  
**Year Ended June 30, 2005**

	Originally Adopted <u>Budget</u>	Final Approved <u>Budget</u>	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues:</b>				
State Aid	\$ 32,516,677	\$ 33,029,207	\$ 33,029,207	
Federal Thru State	1,750,000	1,906,582	1,905,238	\$ (1,344)
Tuition	1,793,000	1,839,929	1,839,930	1
Carryover		271,556	271,556	
Miscellaneous	129,000	257,685	258,679	994
<b>Total revenues</b>	<u>36,188,677</u>	<u>37,304,959</u>	<u>37,304,610</u>	<u>(349)</u>
<b>Expenditures:</b>				
Education	110,637,567	111,811,699	111,815,400	(3,701)
<b>Total expenditures</b>	<u>110,637,567</u>	<u>111,811,699</u>	<u>111,815,400</u>	<u>(3,701)</u>
<b>Excess of expenditures over revenues</b>	(74,448,890)	(74,506,740)	(74,510,790)	(4,050)
<b>Other financing sources :</b>				
Operating transfer from City of Cranston	74,448,890	74,506,740	74,506,740	0
<b>Excess of revenues over expenditures and other financing sources</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,050)</u>	<u>\$ (4,050)</u>
Less: decrease in encumbrances			(320,822)	
Less: carryover of prior year surplus			(271,556)	
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses (GAAP basis)</b>			<u>\$ (596,428)</u>	



**CITY OF CRANSTON, RHODE ISLAND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2005**

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***Budgetary to GAAP Basis Reconciliation***

The following reconciliation summarizes the difference for the City's General Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2005:

Excess revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) .....	\$3,602,576
Less: change in 60 day collections .....	<u>(101,273)</u>
Net change in fund balances (GAAP) .....	<u>\$3,501,303</u>

The following reconciliation summarizes the difference for the School's Unrestricted Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2005:

Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) .....	\$(4,050)
Use of accumulated fund balance .....	(271,556)
Current year encumbrances .....	292,902
Prior year encumbrances .....	<u>(613,724)</u>
Net change in fund balances (GAAP) .....	<u>\$(596,428)</u>

The adjustment necessary to reconcile actual revenues and expenditures reported on a budgetary basis to actual revenues and expenditures reported in accordance with generally accepted accounting principles are as follows for the Schools' Unrestricted Fund:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Statement of Revenues and Expenditures – Budgetary Basis (E-3) .....	\$111,811,350	\$111,815,400
On-behalf pension contribution by State of Rhode Island .....	3,384,592	3,384,592
Re-appropriated fund balance .....	(271,556)	
Current year encumbrances .....		(292,902)
Prior year encumbrances .....		<u>613,724</u>
Statement of Revenues and Expenditures -GAAP Basis (B-2) ...	<u>\$114,924,386</u>	<u>\$115,520,814</u>

**CITY OF CRANSTON, RHODE ISLAND**

**NON-MAJOR 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.

The following are activities of the City:

***School Restricted Grants*** - These funds account for education programs financed with grants from private parties and the federal and state government, which are restricted as governed by the grant agreement.

***Budget Stabilization*** – This fund established to elevate request made in FY05 budget. Ordinance specified items that could be appropriated.

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

***Connetta Park*** - This fund accounts for revenues received from the Federal Government for a loan under Section 108 of the CDA Act of 1974. The funds are restricted for use for the Connetta Mobile Home Park to preserve low and moderate income housing.

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

***Emergency Management*** – This fund accounts for revenues received from the federal and state government in the preparedness for a state of emergency.

***DARE Program*** - This fund accounts for funds received from the State of Rhode Island to administer Substance Abuse Programs to young students throughout the City.

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

***Substance Abuse Prevention*** - This fund accounts for funds received from state and local contributions for the prevention of drug abuse.

***Fire Grants/Donations*** – This fund accounts for grants and donations received by the fire department. The proceeds are expended on either designated or undesignated projects based on the source of the funds.

***Police Grants/Donations*** – This fund accounts for grants and donations received by the police department. The proceeds are expended on either designated or undesignated projects based on the source of the funds.

***Fall Harvest Festival*** - This fund accounts for the revenue and expenditures for the annual Fall Harvest Festival sponsored by the City.

***Snow and Ice Insurance*** – This fund accounts for emergency disbursements related to extremely harsh winters.

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

***Parks and Recreation*** - This fund accounts for funds received from registration and user fees for recreational fields and activities.

***Special Grants and Projects*** – This fund was established to account for grants received to fund projects for the Fire Alarm Department.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NON-MAJOR GOVERNMENTAL FUNDS**

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***Inaugural Committee*** – This fund accounts for the activity of the Mayor's inaugural reception.

***Public Facilities Management Foundation*** – This fund accounts for unanticipated expenditures related to the Public Facilities Management Foundation.

***Fire Revolving Loan Fund*** – This fund accounts for the loans granted to low-income individuals interested in becoming certified as EMT's.

***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.

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

***Juvenile Hearing Board*** - This fund accounts for funds received from fines levied by the Juvenile Hearing Board.

***Police Homeland Security*** – This fund is used to track grants received by the police department relating to homeland security.

***Police Federal Forfeiture – Just.***– This fund accounts for revenues received through Federal forfeitures and related expenses.

***Police Evidence*** – This fund accounts for assets seized through police investigations.

***Police Surplus Revolving*** – This fund accounts for activities associated with police arrests.

***Police State Seizure*** – This fund accounts for activities associated with evidence seized in State related investigations.

***Police Federal Forfeiture – Treas.*** – This fund accounts for revenues received through Federal forfeitures and related expenses.

***Police Block Grant*** – This fund accounts for block grants received by the police department.

***Training Academy Maintenance*** – This fund accounts for activities related to the operations of the police training academy.

***Public Libraries*** – This fund accounts for contributions received to establish trust funds for the City's public libraries. The contributions received and interest income earned are to be used to purchase books and other educational materials for the public libraries.

***Cemetery Trust Fund*** – This fund was established to account for contributions received to establish trust funds for the care of individual cemetery plots.

***School Trusts*** – These funds account for contributions to establish scholarship funds.

***Charter School*** – This fund accounts for revenues and expenditures related to a charter school which teaches trades to high school students.

(CONTINUED)

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**CITY OF CRANSTON, RHODE ISLAND**

**NON-MAJOR GOVERNMENTAL FUNDS**

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**Vocational Training Adults** – This fund accounts for revenues and expenditures related to vocational training among adults.

**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

**Special Fire Duty** – This fund was established to account for the receipt of fees for special duty firemen and the related reimbursement to the General Fund.

**Special Police Duty** – This fund was established to account for the receipt of fees for special police duty officers and the related reimbursement to the General Fund.

**Cranston Senior Games** – This fund accounts for activities related to Senior Games Days.

**Donations – Animal Shelter** – This fund was established to account for contributions made to the Cranston Animal Shelter to be used for animal shelter operations.

**Historical Records** – This fund accounts for the receipt of fees associated with the copying of records and the related expense to preserve those records.

**Ice Rink** – This fund was established to account for any surplus or deficit accumulated by the Cranston Memorial Ice Rink.

**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.

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

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**NON-MAJOR GOVERNMENTAL FUNDS**

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**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.

(CONCLUDED)

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**CITY OF CRANSTON, RHODE ISLAND**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds						
	School Restricted Federal Grants	School Restricted State Grants	School Restricted Private Grants	Budget Stabilization	Hospital Stabilization	Connetta Park	Community Development Block Grant
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 941	\$ 788	\$ 12,864	\$ 566,676	\$ 1,653,510	\$ 11,240	
Investments							
Receivables:							
Loans						136,631	\$ 1,095,835
Other	47	20	2,158				
Prepaid items							
Due from:							
Other funds	12,513			3,011,221	1,481,191		
Other governments	815,607	2,100					
<b>TOTAL ASSETS</b>	<b>\$ 829,108</b>	<b>\$ 2,908</b>	<b>\$ 15,022</b>	<b>\$ 3,577,897</b>	<b>\$ 3,134,701</b>	<b>\$ 147,871</b>	<b>\$ 1,095,835</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 114,528						\$ 10,049
Accrued payroll							3,259
Retainage payable							
Due to other funds	714,040	\$ 2,895					26,255
Unearned revenues	540	13	\$ 15,022			\$ 136,631	1,095,835
Other liabilities						165,000	
<b>TOTAL LIABILITIES</b>	<b>829,108</b>	<b>2,908</b>	<b>15,022</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>301,631</b>	<b>1,135,398</b>
<b>FUND BALANCES:</b>							
Reserved per trust agreements							
Reserved for prepaid items							
Unreserved, reported in:							
Special revenue funds				3,577,897	3,134,701	(153,760)	(39,563)
Capital project funds							
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,577,897</b>	<b>3,134,701</b>	<b>(153,760)</b>	<b>(39,563)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 829,108</b>	<b>\$ 2,908</b>	<b>\$ 15,022</b>	<b>\$ 3,577,897</b>	<b>\$ 3,134,701</b>	<b>\$ 147,871</b>	<b>\$ 1,095,835</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND****Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds					
	Emergency Management	DARE Program	Restitution	Substance Abuse Prevention	Fire Grants/ Donations	Police Grants/ Donations
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 82,068	\$ 2,327	\$ 91,299	\$ 75,450	\$ 4,250	
Investments						
Receivables:						
Loans						
Other						
Prepaid items						
Due from:						
Other funds	5,349					\$ 743
Other governments				5,893		
<b>TOTAL ASSETS</b>	<b>\$ 87,417</b>	<b>\$ 2,327</b>	<b>\$ 91,299</b>	<b>\$ 81,343</b>	<b>\$ 4,250</b>	<b>\$ 743</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 2,297			\$ 2,686		
Accrued payroll	472			915		
Retainage payable						
Due to other funds				14,250	\$ 743	
Unearned revenues						
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>2,769</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>17,851</b>	<b>743</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>						
Reserved per trust agreements						
Reserved for prepaid items						
Unreserved, reported in:						
Special revenue funds	84,648	2,327	91,299	63,492	3,507	743
Capital project funds						
<b>TOTAL FUND BALANCES</b>	<b>84,648</b>	<b>2,327</b>	<b>91,299</b>	<b>63,492</b>	<b>3,507</b>	<b>743</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 87,417</b>	<b>\$ 2,327</b>	<b>\$ 91,299</b>	<b>\$ 81,343</b>	<b>\$ 4,250</b>	<b>\$ 743</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND****Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds						Public Facilities Management Foundation
	Fall Harvest Festival	Snow and Ice Insurance	Excise Tax Phase-out	Parks and Recreation	Special Grants and Projects	Inaugural Committee	
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 11,250	\$ 287,449	\$ 5,394		\$ 508	\$ 513	\$ 13,468
Investments							
Receivables:							
Loans							
Other							
Prepaid items							
Due from:							
Other funds							
Other governments							
<b>TOTAL ASSETS</b>	<b>\$ 11,250</b>	<b>\$ 287,449</b>	<b>\$ 5,394</b>	<b>\$0</b>	<b>\$ 508</b>	<b>\$ 513</b>	<b>\$ 13,468</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable							
Accrued payroll							
Retainage payable							
Due to other funds							
Unearned revenues							
Other liabilities							
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>							
Reserved per trust agreements							
Reserved for prepaid items							
Unreserved, reported in:							
Special revenue funds	11,250	287,449	5,394		508	513	13,468
Capital project funds							
<b>TOTAL FUND BALANCES</b>	<b>11,250</b>	<b>287,449</b>	<b>5,394</b>	<b>0</b>	<b>508</b>	<b>513</b>	<b>13,468</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,250</b>	<b>\$ 287,449</b>	<b>\$ 5,394</b>	<b>\$0</b>	<b>\$ 508</b>	<b>\$ 513</b>	<b>\$ 13,468</b>

(CONTINUED)



**CITY OF CRANSTON, RHODE ISLAND****Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds					
	Fire Revolving Loan Fund	Economic Development Revolving Loan	Capital Facilities Development Impact Fees	Juvenile Hearing Board	Police Home Land Security	Police Federal Forfeiture-Just.
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 20,415	\$ 739,823	\$ 2,945,839	\$ 5,468	\$ 128,048	\$ 80,201
Investments						
Receivables:						
Loans		737,413				
Other						
Prepaid items						
Due from:						
Other funds						
Other governments						
<b>TOTAL ASSETS</b>	<b>\$ 20,415</b>	<b>\$ 1,477,236</b>	<b>\$ 2,945,839</b>	<b>\$ 5,468</b>	<b>\$ 128,048</b>	<b>\$ 80,201</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable			\$ 11,031		\$ 11,959	\$ 199
Accrued payroll						
Retainage payable						
Due to other funds						
Unearned revenues		\$ 737,413			114,596	
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>737,413</b>	<b>11,031</b>	<b>\$ 0</b>	<b>126,555</b>	<b>199</b>
<b>FUND BALANCES:</b>						
Reserved per trust agreements						
Reserved for prepaid items						
Unreserved, reported in:						
Special revenue funds	20,415	739,823	2,934,808	5,468	1,493	80,002
Capital project funds						
<b>TOTAL FUND BALANCES</b>	<b>20,415</b>	<b>739,823</b>	<b>2,934,808</b>	<b>5,468</b>	<b>1,493</b>	<b>80,002</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 20,415</b>	<b>\$ 1,477,236</b>	<b>\$ 2,945,839</b>	<b>\$ 5,468</b>	<b>\$ 128,048</b>	<b>\$ 80,201</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND*****Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005***

	Special Revenue Funds					
	Police Evidence	Police Surplus Revolving	Police State Seizure	Police Federal Forfeiture-Treas.	Police Block Grant	Training Academy Maintenance
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 181,634	\$ 5,764	\$ 91,906	\$ 135,215	\$ 38,137	\$ 40,327
Investments						
Receivables:						
Loans						
Other						
Prepaid items						
Due from:						
Other funds						
Other governments						
<b>TOTAL ASSETS</b>	<b>\$ 181,634</b>	<b>\$ 5,764</b>	<b>\$ 91,906</b>	<b>\$ 135,215</b>	<b>\$ 38,137</b>	<b>\$ 40,327</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable			\$ 2,909			
Accrued payroll						
Retainage payable						
Due to other funds						
Unearned revenues						
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>2,909</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>						
Reserved per trust agreements						
Reserved for prepaid items						
Unreserved, reported in:						
Special revenue funds	181,634	5,764	88,997	135,215	38,137	40,327
Capital project funds						
<b>TOTAL FUND BALANCES</b>	<b>181,634</b>	<b>5,764</b>	<b>88,997</b>	<b>135,215</b>	<b>38,137</b>	<b>40,327</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 181,634</b>	<b>\$ 5,764</b>	<b>\$ 91,906</b>	<b>\$ 135,215</b>	<b>\$ 38,137</b>	<b>\$ 40,327</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND****Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds					
	Public Libraries	Cemetery Trust Fund	School Trusts	Charter School	Vocational Training Adults	WIA Job Development
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 207,254	\$ 10,656	\$ 118,795	\$ 797	\$ 25,309	\$ 53,859
Investments						
Receivables:						
Loans						
Other				59,803		
Prepaid items				19,856		
Due from:						
Other funds						
Other governments						
<b>TOTAL ASSETS</b>	<b>\$ 207,254</b>	<b>\$ 10,656</b>	<b>\$ 118,795</b>	<b>\$ 80,456</b>	<b>\$ 25,309</b>	<b>\$ 53,859</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 5,132			\$ 18,479		\$ 10,983
Accrued payroll						3,709
Retainage payable						
Due to other funds	178			56,834		16,168
Unearned revenues						
Other liabilities						
<b>TOTAL LIABILITIES</b>	<b>5,310</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>75,313</b>	<b>\$ 0</b>	<b>30,860</b>
<b>FUND BALANCES:</b>						
Reserved per trust agreements			118,795			
Reserved for prepaid items				19,856		
Unreserved, reported in:						
Special revenue funds	201,944	10,656		(14,713)	25,309	22,999
Capital project funds						
<b>TOTAL FUND BALANCES</b>	<b>201,944</b>	<b>10,656</b>	<b>118,795</b>	<b>5,143</b>	<b>25,309</b>	<b>22,999</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 207,254</b>	<b>\$ 10,656</b>	<b>\$ 118,795</b>	<b>\$ 80,456</b>	<b>\$ 25,309</b>	<b>\$ 53,859</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds					
	RSVP	Multipurpose Center	Adult Day Care	Senior Service Special Project	Special Fire Duty	Special Police Duty
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 25,792	\$ 22,340	\$ 11,434	\$ 133,262	\$ 12,909	\$ 47,863
Investments		15,537				
Receivables:						
Loans						
Other						150,793
Prepaid items						
Due from:						
Other funds						
Other governments						
<b>TOTAL ASSETS</b>	<u>\$ 25,792</u>	<u>\$ 37,877</u>	<u>\$ 11,434</u>	<u>\$ 133,262</u>	<u>\$ 12,909</u>	<u>\$ 198,656</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 238	\$ 345	\$ 561	\$ 846	\$ 201	
Accrued payroll						\$ 4,620
Retainage payable						
Due to other funds					2,465	106,429
Unearned revenues						
Other liabilities						
<b>TOTAL LIABILITIES</b>	<u>238</u>	<u>345</u>	<u>561</u>	<u>846</u>	<u>2,666</u>	<u>111,049</u>
<b>FUND BALANCES:</b>						
Reserved per trust agreements						
Reserved for prepaid items						
Unreserved, reported in:						
Special revenue funds	25,554	37,532	10,873	132,416	10,243	87,607
Capital project funds						
<b>TOTAL FUND BALANCES</b>	<u>25,554</u>	<u>37,532</u>	<u>10,873</u>	<u>132,416</u>	<u>10,243</u>	<u>87,607</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 25,792</u>	<u>\$ 37,877</u>	<u>\$ 11,434</u>	<u>\$ 133,262</u>	<u>\$ 12,909</u>	<u>\$ 198,656</u>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND****Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	Special Revenue Funds				Capital Project Funds		
	Cranston Senior Games	Donations - Animal Shelter	Historical Records	Ice Rink	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 18,846	\$ 29,095	\$ 321,090	\$ 21,626	\$ 524,067	\$ 243,085	\$ 56,993
Investments							
Receivables:							
Loans							
Other							
Prepaid items							
Due from:							
Other funds							
Other governments							
<b>TOTAL ASSETS</b>	<b>\$ 18,846</b>	<b>\$ 29,095</b>	<b>\$ 321,090</b>	<b>\$ 21,626</b>	<b>\$ 524,067</b>	<b>\$ 243,085</b>	<b>\$ 56,993</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>LIABILITIES:</b>							
Accounts payable		\$ 3,696	\$ 2,527		\$ 517,428	\$ 19,500	
Accrued payroll							
Retainage payable					230,290		
Due to other funds							
Unearned revenues							
Other liabilities				\$ 21,626			
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>3,696</b>	<b>2,527</b>	<b>21,626</b>	<b>747,718</b>	<b>19,500</b>	<b>\$ 0</b>
<b>FUND BALANCES:</b>							
Reserved per trust agreements							
Reserved for prepaid items							
Unreserved, reported in:							
Special revenue funds	18,846	25,399	318,563				
Capital project funds					(223,651)	223,585	56,993
<b>TOTAL FUND BALANCES</b>	<b>18,846</b>	<b>25,399</b>	<b>318,563</b>	<b>0</b>	<b>(223,651)</b>	<b>223,585</b>	<b>56,993</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,846</b>	<b>\$ 29,095</b>	<b>\$ 321,090</b>	<b>\$ 21,626</b>	<b>\$ 524,067</b>	<b>\$ 243,085</b>	<b>\$ 56,993</b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2005**

	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	
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 310,640	\$ 221,436	\$ 46,312	\$ 510,525	\$ 138,586	\$ 10,345,343
Investments						15,537
Receivables:						
Loans						1,969,879
Other						212,821
Prepaid items						19,856
Due from:						
Other funds						4,511,017
Other governments						823,600
<b>TOTAL ASSETS</b>	<b>\$ 310,640</b>	<b>\$ 221,436</b>	<b>\$ 46,312</b>	<b>\$ 510,525</b>	<b>\$ 138,586</b>	<b>\$ 17,898,053</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 300			\$ 10,000		\$ 745,894
Accrued payroll						12,975
Retainage payable		\$ 25,918		10,000		266,208
Due to other funds						940,257
Unearned revenues						2,100,050
Other liabilities						186,626
<b>TOTAL LIABILITIES</b>	<b>300</b>	<b>25,918</b>	<b>\$ 0</b>	<b>20,000</b>	<b>\$ 0</b>	<b>4,252,010</b>
<b>FUND BALANCES:</b>						
Reserved per trust agreements						118,795
Reserved for prepaid items						19,856
Unreserved, reported in:						
Special revenue funds						12,269,184
Capital project funds	310,340	195,518	46,312	490,525	138,586	1,238,208
<b>TOTAL FUND BALANCES</b>	<b>310,340</b>	<b>195,518</b>	<b>46,312</b>	<b>490,525</b>	<b>138,586</b>	<b>13,646,043</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 310,640</b>	<b>\$ 221,436</b>	<b>\$ 46,312</b>	<b>\$ 510,525</b>	<b>\$ 138,586</b>	<b>\$ 17,898,053</b>

(CONCLUDED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds						
	School Restricted Federal Grants	School Restricted State Grants	School Restricted Private Grants	Budget Stabilization	Hospital Stabilization	Connetta Park	Community Development Block Grant
<b>REVENUES:</b>							
Intergovernmental	\$ 6,806,319	\$ 49,126					\$ 1,602,450
Investment income				\$ 11,678	\$ 26,921		
Other			\$ 74,413			\$ 27,030	
<b>TOTAL REVENUES</b>	<b>6,806,319</b>	<b>49,126</b>	<b>74,413</b>	<b>11,678</b>	<b>26,921</b>	<b>27,030</b>	<b>1,602,450</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government				136,207		13,242	
Public safety				151,529			
Education	6,806,319	49,126	74,413				
Parks and recreation							
Public libraries							
Senior services							
Community development							1,606,187
<b>Debt service:</b>							
Interest and other costs							
<b>Capital:</b>							
Capital expenditures							
<b>TOTAL EXPENDITURES</b>	<b>6,806,319</b>	<b>49,126</b>	<b>74,413</b>	<b>287,736</b>	<b>0</b>	<b>13,242</b>	<b>1,606,187</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(276,058)</b>	<b>26,921</b>	<b>13,788</b>	<b>(3,737)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Issuance of refunding bond							
Bond premium							
Extinguishment of long-term debt through advanced refunding							
Transfers in				3,174,500	1,481,191		
Transfers out							
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,174,500</b>	<b>1,481,191</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,898,442</b>	<b>1,508,112</b>	<b>13,788</b>	<b>(3,737)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>679,455</b>	<b>1,626,589</b>	<b>(167,548)</b>	<b>(35,826)</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,577,897</b>	<b>\$ 3,134,701</b>	<b>\$ (153,760)</b>	<b>\$ (39,563)</b>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds					
	Emergency Management	DARE Program	Restitution	Substance Abuse Prevention	Fire Grants/ Donations	Police Grants/ Donations
<b>REVENUES:</b>						
Intergovernmental	\$ 73,111			\$ 64,202		
Investment income	6,645	\$ 46	\$ 1,808		\$ 335	
Other		500			45	\$ 743
<b>TOTAL REVENUES</b>	<b>79,756</b>	<b>546</b>	<b>1,808</b>	<b>64,202</b>	<b>380</b>	<b>743</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government				77,770		
Public safety	95,324					
Education						
Parks and recreation						
Public libraries						
Senior services						
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital expenditures	292,212				24,000	
<b>TOTAL EXPENDITURES</b>	<b>387,536</b>	<b>0</b>	<b>0</b>	<b>77,770</b>	<b>24,000</b>	<b>0</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(307,780)</b>	<b>546</b>	<b>1,808</b>	<b>(13,568)</b>	<b>(23,620)</b>	<b>743</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of refunding bond						
Bond premium						
Extinguishment of long-term debt through advanced refunding						
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>(307,780)</b>	<b>546</b>	<b>1,808</b>	<b>(13,568)</b>	<b>(23,620)</b>	<b>743</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>392,428</b>	<b>1,781</b>	<b>89,491</b>	<b>77,060</b>	<b>27,127</b>	<b>0</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 84,648</b>	<b>\$ 2,327</b>	<b>\$ 91,299</b>	<b>\$ 63,492</b>	<b>\$ 3,507</b>	<b>\$ 743</b>

(CONTINUED)



CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds						
	Fall Harvest Festival	Snow and Ice Insurance	Excise Tax Phase-out	Parks and Recreation	Special Grants and Projects	Inaugural Committee	Public Facilities Management Foundation
<b>REVENUES:</b>							
Intergovernmental			\$ 9,485,111				
Investment income	\$ 297	\$ 5,693	3,641	\$ 2,096	\$ 10	\$ 16	\$ 267
Other							
<b>TOTAL REVENUES</b>	<u>297</u>	<u>5,693</u>	<u>9,488,752</u>	<u>2,096</u>	<u>10</u>	<u>16</u>	<u>267</u>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	14,006					659	
Public safety							
Education							
Parks and recreation				930			
Public libraries							
Senior services							
Community development							
<b>Debt service:</b>							
Interest and other costs							
<b>Capital:</b>							
Capital expenditures							
<b>TOTAL EXPENDITURES</b>	<u>14,006</u>	<u>0</u>	<u>0</u>	<u>930</u>	<u>0</u>	<u>659</u>	<u>0</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(13,709)</u>	<u>5,693</u>	<u>9,488,752</u>	<u>1,166</u>	<u>10</u>	<u>(643)</u>	<u>267</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Issuance of refunding bond							
Bond premium							
Extinguishment of long-term debt through advanced refunding							
Transfers in							
Transfers out			(9,485,111)	(209,747)			
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>0</u>	<u>(9,485,111)</u>	<u>(209,747)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<u>(13,709)</u>	<u>5,693</u>	<u>3,641</u>	<u>(208,581)</u>	<u>10</u>	<u>(643)</u>	<u>267</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>24,959</u>	<u>281,756</u>	<u>1,753</u>	<u>208,581</u>	<u>498</u>	<u>1,156</u>	<u>13,201</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 11,250</u>	<u>\$ 287,449</u>	<u>\$ 5,394</u>	<u>\$ 0</u>	<u>\$ 508</u>	<u>\$ 513</u>	<u>\$ 13,468</u>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds					
	Fire Revolving Loan Fund	Economic Development Revolving Loan	Capital Facilities Development Impact Fees	Juvenile Hearing Board	Police Home Land Security	Police Federal Forfeiture-Just.
<b>REVENUES:</b>						
Intergovernmental					\$ 342,051	
Investment income	\$ 405	\$ 58,284	\$ 58,805	\$ 107	3,569	\$ 1,599
Other		73,733	190,422	513		1,890
<b>TOTAL REVENUES</b>	<b>405</b>	<b>132,017</b>	<b>249,227</b>	<b>620</b>	<b>345,620</b>	<b>3,489</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government			120,143	33	345,620	
Public safety						5,825
Education						
Parks and recreation						
Public libraries						
Senior services						
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital expenditures						
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>120,143</b>	<b>33</b>	<b>345,620</b>	<b>5,825</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>405</b>	<b>132,017</b>	<b>129,084</b>	<b>587</b>	<b>0</b>	<b>(2,336)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of refunding bond						
Bond premium						
Extinguishment of long-term debt through advanced refunding						
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>405</b>	<b>132,017</b>	<b>129,084</b>	<b>587</b>	<b>0</b>	<b>(2,336)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>20,010</b>	<b>607,806</b>	<b>2,805,724</b>	<b>4,881</b>	<b>1,493</b>	<b>82,338</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 20,415</b>	<b>\$ 739,823</b>	<b>\$ 2,934,808</b>	<b>\$ 5,468</b>	<b>\$ 1,493</b>	<b>\$ 80,002</b>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds					
	Police Evidence	Police Surplus Revolving	Police State Seizure	Police Federal Forfeiture-Treas	Police Block Grant	Training Academy Maintenance
<b>REVENUES:</b>						
Intergovernmental						
Investment income	\$ 3,860	\$ 114	\$ 2,685	\$ 2,677	\$ 755	\$ 690
Other	45,162		27,895			11,854
<b>TOTAL REVENUES</b>	<b>49,022</b>	<b>114</b>	<b>30,580</b>	<b>2,677</b>	<b>755</b>	<b>12,544</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						
Public safety	52,443		29,621			2,100
Education						
Parks and recreation						
Public libraries						
Senior services						
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital expenditures	10,500		63,300			
<b>TOTAL EXPENDITURES</b>	<b>62,943</b>	<b>0</b>	<b>92,921</b>	<b>0</b>	<b>0</b>	<b>2,100</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(13,921)</b>	<b>114</b>	<b>(62,341)</b>	<b>2,677</b>	<b>755</b>	<b>10,444</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of refunding bond						
Bond premium						
Extinguishment of long-term debt through advanced refunding						
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>(13,921)</b>	<b>114</b>	<b>(62,341)</b>	<b>2,677</b>	<b>755</b>	<b>10,444</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>195,555</b>	<b>5,650</b>	<b>151,338</b>	<b>132,538</b>	<b>37,382</b>	<b>29,883</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 181,634</b>	<b>\$ 5,764</b>	<b>\$ 88,997</b>	<b>\$ 135,215</b>	<b>\$ 38,137</b>	<b>\$ 40,327</b>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds					
	Public Libraries	Cemetery Trust Fund	School Trusts	Charter School	Vocational Training Adults	WIA Job Development
<b>REVENUES:</b>						
Intergovernmental				\$ 555,838		\$ 269,904
Investment income	\$ 4,229	\$ 212	\$ 9,634			1,182
Other	73,732			46,656	\$ 55,638	
<b>TOTAL REVENUES</b>	<b>77,961</b>	<b>212</b>	<b>9,634</b>	<b>602,494</b>	<b>55,638</b>	<b>271,086</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government		150				283,122
Public safety						
Education			8,902	625,426	30,632	
Parks and recreation						
Public libraries	39,370					
Senior services						
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital expenditures	36,131					
<b>TOTAL EXPENDITURES</b>	<b>75,501</b>	<b>150</b>	<b>8,902</b>	<b>625,426</b>	<b>30,632</b>	<b>283,122</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>2,460</b>	<b>62</b>	<b>732</b>	<b>(22,932)</b>	<b>25,006</b>	<b>(12,036)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of refunding bond						
Bond premium						
Extinguishment of long-term debt through advanced refunding						
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>2,460</b>	<b>62</b>	<b>732</b>	<b>(22,932)</b>	<b>25,006</b>	<b>(12,036)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>199,484</b>	<b>10,594</b>	<b>118,063</b>	<b>28,075</b>	<b>303</b>	<b>35,035</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 201,944</b>	<b>\$ 10,656</b>	<b>\$ 118,795</b>	<b>\$ 5,143</b>	<b>\$ 25,309</b>	<b>\$ 22,999</b>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds					
	RSVP	Multipurpose Center	Adult Day Care	Senior Service Special Project	Special Fire Duty	Special Police Duty
<b>REVENUES:</b>						
Intergovernmental						
Investment income	\$ 467	\$ 790	\$ 194	\$ 2,669	\$ 293	\$ 1,035
Other	12,834	5,856	3,638	13,137	37,808	830,123
<b>TOTAL REVENUES</b>	<b>13,301</b>	<b>6,646</b>	<b>3,832</b>	<b>15,806</b>	<b>38,101</b>	<b>831,158</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						
Public safety					42,804	900,758
Education						
Parks and recreation						
Public libraries						
Senior services	9,795	3,328	581	20,479		
Community development						
<b>Debt service:</b>						
Interest and other costs						
<b>Capital:</b>						
Capital expenditures						
<b>TOTAL EXPENDITURES</b>	<b>9,795</b>	<b>3,328</b>	<b>581</b>	<b>20,479</b>	<b>42,804</b>	<b>900,758</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>3,506</b>	<b>3,318</b>	<b>3,251</b>	<b>(4,673)</b>	<b>(4,703)</b>	<b>(69,600)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of refunding bond						
Bond premium						
Extinguishment of long-term debt through advanced refunding						
Transfers in						
Transfers out						
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>3,506</b>	<b>3,318</b>	<b>3,251</b>	<b>(4,673)</b>	<b>(4,703)</b>	<b>(69,600)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>22,048</b>	<b>34,214</b>	<b>7,622</b>	<b>137,089</b>	<b>14,946</b>	<b>157,207</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 25,554</b>	<b>\$ 37,532</b>	<b>\$ 10,873</b>	<b>\$ 132,416</b>	<b>\$ 10,243</b>	<b>\$ 87,607</b>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	Special Revenue Funds				Capital Project Funds		
	Cranston Senior Games	Donations - Animal Shelter	Historical Records	Ice Rink	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
<b>REVENUES:</b>							
Intergovernmental			\$ 185,765				
Investment income	\$ 528	\$ 601	4,866		\$ 11,324	\$ 4,843	\$ 1,146
Other	23,746	6,364					
<b>TOTAL REVENUES</b>	<b>24,274</b>	<b>6,965</b>	<b>190,631</b>	<b>\$0</b>	<b>11,324</b>	<b>4,843</b>	<b>1,146</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government			22,394				
Public safety		12,216					
Education							
Parks and recreation							
Public libraries							
Senior services	56,146						
Community development							
<b>Debt service:</b>							
Interest and other costs					1,581,017	192,295	24,245
<b>Capital:</b>							
Capital expenditures					624,409	39,007	
<b>TOTAL EXPENDITURES</b>	<b>56,146</b>	<b>12,216</b>	<b>22,394</b>	<b>0</b>	<b>2,205,426</b>	<b>231,302</b>	<b>24,245</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(31,872)</b>	<b>(5,251)</b>	<b>168,237</b>	<b>0</b>	<b>(2,194,102)</b>	<b>(226,459)</b>	<b>(23,099)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Issuance of refunding bond					14,336,946	1,767,029	202,830
Bond premium					1,243,951	152,990	17,838
Extinguishment of long-term debt through advanced refunding					(13,999,880)	(1,727,724)	(196,423)
Transfers in							
Transfers out							
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,581,017</b>	<b>192,295</b>	<b>24,245</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>(31,872)</b>	<b>(5,251)</b>	<b>168,237</b>	<b>0</b>	<b>(613,085)</b>	<b>(34,164)</b>	<b>1,146</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>50,718</b>	<b>30,650</b>	<b>150,326</b>	<b>0</b>	<b>389,434</b>	<b>257,749</b>	<b>55,847</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 18,846</b>	<b>\$ 25,399</b>	<b>\$ 318,563</b>	<b>\$0</b>	<b>\$ (223,651)</b>	<b>\$ 223,585</b>	<b>\$ 56,993</b>

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2005**

	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	
<b>REVENUES:</b>						
Intergovernmental						\$ 19,433,877
Investment income	\$ 6,328	\$ 5,142	\$ 2,894	\$ 10,858	\$ 2,744	264,982
Other						1,563,732
<b>TOTAL REVENUES</b>	<b>6,328</b>	<b>5,142</b>	<b>2,894</b>	<b>10,858</b>	<b>2,744</b>	<b>21,262,591</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government						1,013,346
Public safety						1,292,620
Education						7,594,818
Parks and recreation						930
Public libraries						39,370
Senior services						90,329
Community development						1,606,187
<b>Debt service:</b>						
Interest and other costs	313,710	321,783	25,257			2,458,307
<b>Capital:</b>						
Capital expenditures	41,835	220,000	121,657	204,632		1,677,683
<b>TOTAL EXPENDITURES</b>	<b>355,545</b>	<b>541,783</b>	<b>146,914</b>	<b>204,632</b>	<b>0</b>	<b>15,773,590</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(349,217)</b>	<b>(536,641)</b>	<b>(144,020)</b>	<b>(193,774)</b>	<b>2,744</b>	<b>5,489,001</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of refunding bond	2,869,857	2,872,496	230,842			22,280,000
Bond premium	248,651	249,873	20,004			1,933,307
Extinguishment of long-term debt through advanced refunding	(2,804,798)	(2,800,586)	(225,589)			(21,755,000)
Transfers in						4,655,691
Transfers out						(9,694,858)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>313,710</b>	<b>321,783</b>	<b>25,257</b>	<b>0</b>	<b>0</b>	<b>(2,580,860)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OTHER FINANCING USES</b>	<b>(35,507)</b>	<b>(214,858)</b>	<b>(118,763)</b>	<b>(193,774)</b>	<b>2,744</b>	<b>2,908,141</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>345,847</b>	<b>410,376</b>	<b>165,075</b>	<b>684,299</b>	<b>135,842</b>	<b>10,737,902</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 310,340</b>	<b>\$ 195,518</b>	<b>\$ 46,312</b>	<b>\$ 490,525</b>	<b>\$ 138,586</b>	<b>\$ 13,646,043</b>
						(CONCLUDED)

**CITY OF CRANSTON, RHODE ISLAND**

**AGENCY FUNDS**

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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.



**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2005**

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Unclaimed Estates in Probate Court</u></b>				
<b>ASSET</b>				
Cash	\$ 70,650	\$ 73,357	\$ 2,069	\$ 141,938
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 70,650	\$ 73,357	\$ 2,069	\$ 141,938
<b><u>Performance Bonds</u></b>				
<b>ASSET</b>				
Cash	\$ 297,157	\$ 65,660	\$ 25,352	\$ 337,465
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 297,157	\$ 65,660	\$ 25,352	\$ 337,465
<b><u>Student Activity Funds</u></b>				
<b>ASSET</b>				
Cash	\$ 516,403	\$ 1,895,005	\$ 1,863,853	\$ 547,555
Investments	1,500	20	20	1,500
Total Assets	\$ 517,903	\$ 1,895,025	\$ 1,863,873	\$ 549,055
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 517,903	\$ 1,895,025	\$ 1,863,873	\$ 549,055
<b><u>TOTALS</u></b>				
<b>ASSET</b>				
Cash	\$ 884,210	\$ 2,034,022	\$ 1,891,274	\$ 1,026,958
Investments	1,500	20	20	1,500
Total Assets	\$ 885,710	\$ 2,034,042	\$ 1,891,294	\$ 1,028,458
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 885,710	\$ 2,034,042	\$ 1,891,294	\$ 1,028,458

**CITY OF CRANSTON, RHODE ISLAND**

H-1

**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)**  
**Budget and Actual**  
**Non-major funds**  
**(Unaudited)**  
**Year Ended June 30, 2005**

<b>Community Development Block Grant</b>				
	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
Program Income	\$ 400,000	\$ 400,000	\$ 303,848	\$ (96,152)
Federal Grants	1,266,000	1,266,000	1,298,602	32,602
<b>Total Revenues</b>	<b>1,666,000</b>	<b>1,666,000</b>	<b>1,602,450</b>	<b>(63,550)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Program Activities	1,666,000	1,666,000	1,606,187	59,813
<b>Total Expenditures</b>	<b>1,666,000</b>	<b>1,666,000</b>	<b>1,606,187</b>	<b>59,813</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$ (3,737)</b>	<b>\$ (3,737)</b>
<b>Substance Abuse Prevention Grant</b>				
	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
Program Income	\$ 86,494	\$ 86,494	\$ 64,202	\$ (22,292)
<b>Total Revenues</b>	<b>86,494</b>	<b>86,494</b>	<b>64,202</b>	<b>(22,292)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Program Activities	86,494	86,494	77,770	8,724
<b>Total Expenditures</b>	<b>86,494</b>	<b>86,494</b>	<b>77,770</b>	<b>8,724</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$ (13,568)</b>	<b>\$ (13,568)</b>
<b>Workforce Investment Act</b>				
	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES:</b>				
Program Income	\$ 287,473	\$ 287,473	\$ 271,086	\$ (16,387)
<b>Total Revenues</b>	<b>287,473</b>	<b>287,473</b>	<b>271,086</b>	<b>(16,387)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Program Activities	287,473	287,473	283,122	4,351
<b>Total Expenditures</b>	<b>287,473</b>	<b>287,473</b>	<b>283,122</b>	<b>4,351</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$ (12,036)</b>	<b>\$ (12,036)</b>

THE CITY OF  
CRANSTON, RHODE ISLAND

**STATISTICAL SECTION**

**TABLE 1****CITY OF CRANSTON, RHODE ISLAND****GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION****LAST TEN FISCAL YEARS (1)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General government	\$ 10,222,585	\$ 9,173,000	\$ 12,714,754	\$ 10,061,207	\$ 8,154,772
Public safety	\$ 59,779,344	\$ 57,502,834	\$ 48,209,827	\$ 43,597,698	\$ 42,976,586
Public works	\$ 12,242,411	\$ 11,130,019	\$ 8,243,944	\$ 8,400,200	\$ 8,374,354
Human resources					
Education	\$ 123,115,632	\$ 114,916,387	\$ 114,225,766	\$ 105,030,656	\$ 98,363,576
Parks and recreation	\$ 1,945,381	\$ 1,730,551	\$ 1,775,134		
Public libraries	\$ 2,690,940	\$ 2,659,809	\$ 2,658,217		
Senior services	\$ 2,486,770	\$ 2,503,444	\$ 2,883,992		
Community development	\$ 1,606,187	\$ 1,273,293	\$ 1,293,739		
Other	\$ 771,881	\$ 470,759	\$ 8,142,700	\$ 9,787,400	\$ 10,382,250
Capital outlay	\$ 1,977,655	\$ 4,452,313	\$ 10,414,157	\$ 7,065,558	\$ 8,875,169
Debt service	\$ 7,141,218	\$ 5,339,688	\$ 7,993,840	\$ 8,559,924	\$ 6,557,665
TOTAL	<u>\$ 223,980,004</u>	<u>\$ 211,152,097</u>	<u>\$ 218,556,070</u>	<u>\$ 192,502,643</u>	<u>\$ 183,684,372</u>

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds and Capital Project Funds after elimination of transfer between these funds.

(CONTINUED)

**TABLE 1**

**CITY OF CRANSTON, RHODE ISLAND**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**

**LAST TEN FISCAL YEARS (1)**

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
General government	\$ 5,331,000	\$ 5,864,000	\$ 4,780,000	\$ 4,838,019	\$ 4,740,491
Public safety	\$ 37,229,000	\$ 33,665,000	\$ 33,084,000	\$ 33,473,435	\$ 32,154,303
Public works	\$ 9,394,000	\$ 9,335,000	\$ 9,116,000	\$ 8,972,035	\$ 10,359,437
Human resources				\$ 3,713,132	\$ 6,502,292
Education	\$ 91,703,000	\$ 86,306,000	\$ 82,476,000	\$ 77,666,426	\$ 72,501,208
Parks and recreation					
Public libraries					
Senior services					
Community development					
Other	\$ 15,949,000	\$ 10,321,000	\$ 9,636,000	\$ 2,278,319	\$ 1,297,095
Capital outlay	\$ 9,102,000	\$ 7,185,000	\$ 4,658,000	\$ 3,190,832	\$ 9,844,826
Debt service	\$ 7,864,000	\$ 7,519,000	\$ 7,839,000	\$ 7,966,007	\$ 7,717,613
TOTAL	<u>\$ 176,572,000</u>	<u>\$ 160,195,000</u>	<u>\$ 151,589,000</u>	<u>\$ 142,098,205</u>	<u>\$ 145,117,265</u>

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds and Capital Project Funds after elimination of transfer between these funds.

(CONCLUDED)

**TABLE 2**

**CITY OF CRANSTON, RHODE ISLAND**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE**

**LAST TEN FISCAL YEARS (1)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Property taxes	\$ 146,687,442	\$ 142,444,687	\$ 130,881,284	\$ 108,564,553	\$ 103,540,505
Intergovernmental revenue	\$ 61,446,056	\$ 59,413,263	\$ 55,200,184	\$ 52,692,416	\$ 47,639,030
Licenses and permits	\$ 3,630,513	\$ 3,196,325	\$ 2,127,280	\$ 1,688,575	\$ 1,595,317
Fines and interest on late payments	\$ 1,680,163	\$ 1,727,841	\$ 1,168,927	\$ 1,244,372	\$ 1,142,520
Interest on investments	\$ 1,104,514	\$ 449,364	\$ 346,950	\$ 327,699	\$ 826,411
Departmental	\$ 2,194,673	\$ 2,191,986	\$ 3,111,410		
Other revenues	\$ 13,049,659	\$ 18,247,736	\$ 20,182,135	\$ 18,971,771	\$ 11,665,144
<b>TOTAL</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>

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Property taxes	\$ 102,322,000	\$ 100,353,000	\$ 101,933,000	\$ 103,913,843	\$ 96,078,359
Intergovernmental revenue	\$ 46,612,000	\$ 37,457,000	\$ 35,591,000	\$ 30,308,681	\$ 31,061,300
Licenses and permits	\$ 1,255,000	\$ 1,445,000	\$ 794,000	\$ 1,169,493	\$ 1,129,534
Fines and interest on late payments	\$ 938,000	\$ 4,255,000	\$ 855,000	\$ 844,831	\$ 681,635
Interest on investments	\$ 1,462,000	\$ 1,214,000	\$ 1,188,000	\$ 702,165	\$ 685,248
Departmental					
Other revenues	\$ 12,508,000	\$ 13,043,000	\$ 5,946,000	\$ 5,148,852	\$ 3,552,171
	<b>\$ 165,097,000</b>	<b>\$ 157,767,000</b>	<b>\$ 146,307,000</b>	<b>\$ 142,087,865</b>	<b>\$ 133,188,247</b>

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

**TABLE 3**

**CITY OF CRANSTON, RHODE ISLAND**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Net Adjusted Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collected</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
1995/1996	\$ 94,132,535	\$ 91,923,725	97.65%	\$ 1,175,089	\$ 93,098,814	98.90%
1996/1997	\$ 104,639,207	\$ 99,602,209	95.19%	\$ 1,534,032	\$ 101,136,241	96.65%
1997/1998	\$ 101,361,559	\$ 98,451,001	97.13%	\$ 425,804	\$ 98,876,805	97.55%
1998/1999	\$ 102,041,174	\$ 98,913,349	96.93%	\$ 1,158,764	\$ 100,072,113	98.07%
1999/2000	\$ 102,313,877	\$ 98,472,257	96.25%	\$ 3,152,504	\$ 101,624,761	99.33%
2000/2001	\$ 101,763,544	\$ 100,124,698	98.39%	\$ 1,763,463	\$ 101,888,161	100.12%
2001/2002	\$ 105,644,501	\$ 102,588,301	97.11%	\$ 679,912	\$ 103,268,213	97.75%
2002/2003 (1)	\$ 129,179,767	\$ 125,690,321	97.30%	\$ 1,541,416	\$ 127,231,737	98.49%
2003/2004	\$ 136,756,194	\$ 135,075,140	98.77%	\$ 3,223,007	\$ 138,298,147	101.13%
2004/2005	\$ 142,694,201	\$ 140,405,075	98.40%	\$ 1,250,029	\$ 141,655,104	99.27%

(1) Includes the 2002 supplemental tax roll.

**TABLE 4****CITY OF CRANSTON, RHODE ISLAND****ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
"UNAUDITED"****LAST TEN FISCAL YEARS (1)**

<u>Fiscal Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>		<u>Ratio of Total Assessed to Total Estimated Actual Value</u>
	<u>Assessed Value (1)</u>	<u>Estimated Actual Value</u>	<u>Assessed Value (1)</u>	<u>Estimated Actual Value</u>	<u>Assessed Value (1)</u>	<u>Estimated Actual Value</u>	
1995/1996	\$ 1,781,168,600	\$ 3,390,320,849	\$ 538,506,745	\$ 538,506,745	\$ 2,319,675,345	\$ 3,928,827,594	0.590
1996/1997	\$ 3,313,203,200	\$ 3,435,523,796	\$ 535,912,971	\$ 535,912,971	\$ 3,849,116,171	\$ 3,971,436,767	0.969
1997/1998	\$ 3,331,921,000	\$ 3,551,412,288	\$ 551,792,451	\$ 551,792,451	\$ 3,883,713,451	\$ 4,103,204,739	0.947
1998/1999	\$ 3,349,781,100	\$ 3,793,282,852	\$ 587,224,419	\$ 587,224,419	\$ 3,937,005,519	\$ 4,380,507,271	0.899
1999/2000	\$ 3,387,033,100	\$ 4,354,329,990	\$ 672,320,596	\$ 672,320,596	\$ 4,059,353,696	\$ 5,026,650,586	0.808
2000/2001	\$ 3,425,766,400	\$ 4,720,107,081	\$ 670,265,695	\$ 670,265,695	\$ 4,096,032,095	\$ 5,390,372,776	0.760
2001/2002	\$ 3,471,476,900	\$ 4,770,268,926	\$ 726,632,739	\$ 726,632,739	\$ 4,198,109,639	\$ 5,496,901,665	0.764
2002/2003	\$ 3,526,107,500	\$ 4,822,036,230	\$ 763,362,568	\$ 763,362,568	\$ 4,289,470,068	\$ 5,585,398,798	0.768
2003/2004	\$ 5,050,532,200	\$ 5,357,818,034	\$ 787,898,647	\$ 787,898,647	\$ 5,838,430,847	\$ 6,145,716,681	0.950
2004/2005	\$ 5,103,333,900	\$ 5,613,667,290	\$ 794,638,753	\$ 794,638,753	\$ 5,897,972,653	\$ 6,408,306,043	0.920

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



CITY OF CRANSTON, RHODE ISLAND

**PROPERTY TAX RATES**  
**(PER \$1,000 OF ASSESSED VALUE)**  
**"UNAUDITED"**

**LAST TEN FISCAL YEARS**


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Fiscal Year	Total Tax Rate
1996	\$ 42.44
<b>1997: (1)</b>	
Real and Tangible Property	\$ 32.09
Motor Vehicle	\$ 42.44
<b>1998:</b>	
Real and Tangible Property	\$ 31.74
Motor Vehicle	\$ 42.44
<b>1999:</b>	
Real and Tangible Property	\$ 31.74
Motor Vehicle	\$ 42.44
<b>2000:</b>	
Real and Tangible Property	\$ 31.74
Motor Vehicle	\$ 42.44
Inventory	\$ 28.57
<b>2001:</b>	
Real and Tangible Property	\$ 31.74
Motor Vehicle	\$ 42.44
Inventory	\$ 25.39
<b>2002:</b>	
Real and Tangible Property	\$ 32.59
Motor Vehicle	\$ 42.44
Inventory	\$ 22.22
<b>2003:</b>	
Real and Tangible Property	\$ 34.38
Motor Vehicle	\$ 42.44
Inventory	\$ 19.04
<b>2004: (2)</b>	
Real Property (1 - 5 units)	\$ 22.40
Real Property (6 units & up mix use and commercial industrial)	\$ 29.70
Tangible	\$ 33.60
Motor Vehicle	\$ 42.44
Inventory	\$ 15.86
<b>2005:</b>	
Real Property (1 - 5 units)	\$ 23.23
Real Property (6 units & up mix use and commercial industrial)	\$ 30.80
Tangible	\$ 34.84
Motor Vehicle	\$ 42.44
Inventory	\$ 12.70

(1) In 1997, the tax assessment was split for the first time (Property/Auto Rates)

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

**CITY OF CRANSTON, RHODE ISLAND****SEWER ASSESSMENTS AND USER FEES****LAST TEN FISCAL YEARS**

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<u>Fiscal Year</u>	<u>Current Year Collections</u>	<u>Total Outstanding Assessments at Fiscal Year-End</u>
1995/1996	\$ 11,358,843	\$ 10,568,257
1996/1997	\$ 9,221,738	\$ 8,759,792
1997/1998	\$ 8,468,711	\$ 9,384,000
1998/1999	\$ 9,470,811	\$ 9,698,000
1999/2000	\$ 9,263,343	\$ 9,383,000
2000/2001	\$ 8,955,046	\$ 10,121,805
2001/2002	\$ 9,913,090	\$ 14,619,610
2002/2003	\$ 13,492,532	\$ 14,867,201
2003/2004	\$ 13,984,828	\$ 13,331,693
2004/2005	\$ 13,052,451	\$ 13,972,190

CITY OF CRANSTON, RHODE ISLAND

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND  
NET BONDED DEBT PER CAPITA  
"UNAUDITED"**

**LAST TEN FISCAL YEARS**


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<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Debt Payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1996	76,060	\$ 2,218,013,615	\$ 59,080,000	\$ 16,147,957	\$ 42,932,043	1.94%	\$ 564.45
1997	76,060	\$ 3,163,479,271	\$ 52,090,000	\$ 13,644,090	\$ 38,445,910	1.22%	\$ 505.47
1998	76,060	\$ 3,088,024,688	\$ 54,895,000	\$ 7,806,000	\$ 47,089,000	1.52%	\$ 619.10
1999	76,060	\$ 3,102,955,930	\$ 48,631,000	\$ 6,344,000	\$ 42,287,000	1.36%	\$ 555.97
2000	79,267	\$ 3,122,426,294	\$ 57,810,599	\$ 4,094,101	\$ 53,716,498	1.72%	\$ 677.67
2001	79,267	\$ 3,126,572,610	\$ 53,670,598	\$ 2,817,056	\$ 50,853,542	1.63%	\$ 641.55
2002	79,267	\$ 3,179,154,030	\$ 47,294,954	\$ 1,196,800	\$ 46,098,154	1.45%	\$ 581.56
2003	79,267	\$ 3,653,492,596	\$ 42,360,593	\$ 335,437	\$ 42,025,156	1.15%	\$ 530.17
2004	79,267	\$ 5,457,318,545	\$ 66,360,000	\$ 0	\$ 66,360,000	1.22%	\$ 837.17
2005	79,267	\$ 5,516,738,658	\$ 63,340,000	\$ 0	\$ 63,340,000	1.15%	\$ 799.07

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(1) U.S. Department of Commerce, Bureau of Census 1990 and 2000.

(2) Net taxable assessed value.

CITY OF CRANSTON, RHODE ISLANDCOMPUTATION OF LEGAL DEBT MARGIN  
"UNAUDITED"

JUNE 30, 2005

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Assessed value	\$ 5,897,972,653
Less: exemptions	<u>(381,233,995)</u>
NET TOTAL TAXABLE ASSESSED VALUE	<u>\$ 5,516,738,658</u>
Debt limit - 3 percent of total assessed value	165,502,160
Amount of debt applicable to debt limit:	
Total bonded debt	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 165,502,160</u>

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

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

**CITY OF CRANSTON, RHODE ISLAND****COMPUTATION OF OVERLAPPING DEBT*****JUNE 30, 2005***

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The City of Cranston does not have any overlapping governmental units, and accordingly, does not have any overlapping debt.

CITY OF CRANSTON, RHODE ISLAND

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

**LAST TEN FISCAL YEARS**


---

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1996	\$ 4,674,391	\$ 2,463,947	\$ 7,138,338	\$ 145,117,265	0.0492
1997	\$ 4,486,133	\$ 2,541,819	\$ 7,027,952	\$ 142,098,205	0.0495
1998	\$ 4,469,000	\$ 2,303,000	\$ 6,772,000	\$ 151,589,000	0.0447
1999	\$ 4,802,000	\$ 2,391,000	\$ 7,193,000	\$ 160,195,000	0.0449
2000	\$ 4,686,000	\$ 3,178,000	\$ 7,864,000	\$ 176,572,000	0.0445
2001	\$ 3,882,956	\$ 2,674,709	\$ 6,557,665	\$ 183,684,372	0.0357
2002	\$ 4,995,383	\$ 3,142,611	\$ 8,137,994	\$ 192,502,643	0.0423
2003	\$ 4,398,667	\$ 2,829,796	\$ 7,228,463	\$ 218,556,070	0.0331
2004	\$ 2,954,563	\$ 2,385,125	\$ 5,339,688	\$ 211,152,097	0.0253
2005	\$ 3,820,000	\$ 3,321,218	\$ 7,141,218	\$ 223,980,004	0.0319

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**CITY OF CRANSTON, RHODE ISLAND****DEMOGRAPHIC STATISTICS  
"UNAUDITED"****LAST TEN FISCAL YEARS**


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<u>Fiscal Year</u>	<u>Population (3)</u>	<u>School Enrollment (1)</u>	<u>Unemployment Rate Percent (2)</u>
1995/1996	76,060	10,647	6.1%
1996/1997	76,060	10,716	5.2%
1997/1998	76,060	10,793	5.0%
1998/1999	76,060	10,785	4.4%
1999/2000	76,060	10,906	4.0%
2000/2001	79,267	11,042	4.2%
2001/2002	79,267	11,155	4.6%
2002/2003	79,267	11,269	5.0%
2003/2004	79,267	11,218	5.8%
2004/2005	79,267	11,102	5.2%

**Sources:**

- (1) Cranston School Department as of June 30th of each year.  
Numbers include resident students sent out.
- (2) Rhode Island Department of Labor and Training as of June 2005.
- (3) U.S. Department of Commerce, Bureau of the Census, 1990 and 2000.

CITY OF CRANSTON, RHODE ISLAND**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
"UNAUDITED"****LAST TEN FISCAL YEARS**

Fiscal Year	<u>Residential Construction (1)</u>		<u>Commercial Construction (1)</u>		Bank Deposits	<u>Property Value</u>			
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>		<u>Commercial</u>	<u>Taxable Residential</u>	<u>Nontaxable</u>	<u>Total</u>
1995/1996	91	9,560,300	17	3,412,408	\$ 1,266,376,000	594,949,200	2,718,254,000	531,391,100	3,844,594,300
1996/1997	128	14,070,900	7	1,407,549	\$ 1,429,888,000	574,358,118	2,714,112,100	552,491,000	3,840,961,218
1997/1998	139	14,711,000	19	3,370,716	\$ 1,385,658,000	604,764,500	2,727,156,500	552,491,000	3,884,412,000
1998/1999	214	19,325,000	14	2,985,240	\$ 1,412,541,000	616,740,300	2,733,040,800	547,300,100	3,897,081,200
1999/2000	195	18,858,850	15	3,278,950	\$ 1,506,793,000	620,593,200	2,766,439,900	553,531,300	3,940,564,400
2000/2001	155	15,561,924	18	15,249,029	\$ 1,473,138,000	632,494,700	2,793,271,700	553,317,200	3,979,083,600
2001/2002	135	15,413,309	6	185,000	\$ 1,556,605,000	649,643,700	2,821,833,200	557,235,100	4,028,712,000
2002/2003	110	13,791,112	8	1,154,321	\$ 1,851,456,000	673,966,950	2,852,140,550	563,338,900	4,089,446,400
2003/2004	147	22,765,867	8	3,587,100	\$ 1,927,830,000	929,951,300	4,120,580,900	737,841,100	5,788,373,300
2004/2005	150	17,263,547	10	6,006,925	\$ 1,985,209,000	950,396,900	4,152,937,000	741,300,400	5,844,634,300

(1) Information obtained from Building Official

(2) Source of data: FDIC Summary of Deposits



CITY OF CRANSTON, RHODE ISLANDPRINCIPAL TAXPAYERS  
"UNAUDITED"

JUNE 30, 2005

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<u>Taxpayer</u>	<u>Total Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Carpionato Alfred	\$ 60,392,924	1.02%
Gateway Woodside Inc.	\$ 55,391,602	0.94%
Picerne Properties	\$ 31,378,784	0.53%
Cox Communications Inc.	\$ 26,795,090	0.45%
Brewery Parkade	\$ 29,917,500	0.51%
Narragansett Electric	\$ 25,031,300	0.42%
New England Gas Company	\$ 17,915,030	0.30%
Lowe's	\$ 20,677,685	0.35%
Independence Park Property	\$ 18,143,400	0.31%
Providence Water	\$ 15,384,540	0.26%
	<hr/>	
Total	<u><u>\$ 301,027,855</u></u>	

**CITY OF CRANSTON, RHODE ISLAND****PRINCIPAL EMPLOYERS  
"UNAUDITED"****JUNE 30, 2005**


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<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
<u>Private Employers</u>		
Jan-Co	Restaurant	5,000
Swarovski Consumer Goods Ltd.	Jewelery/Crystal manufacturer	1,363
Citizens Bank	Bank	1,002
Taco, Inc.	Heating components	500
Ross-Simons of Warwick	Jewelery/Gift distribution	607
The Stop & Shop Co., Inc.	Supermarket Operator	400
Blackstone Valley Security	Security Guard Services	375
CranstonARC	Individualized Services	323
DB Kelly Associates	Security Guard Services	315
Thielsch Engineering Inc.	Consulting	300
Professional Security Services, Inc.	Security Guard Services	252
Wal Mart Stores, Inc.	Retail outlet	250
North Safety Products	Safety products	240
Pepsi	Soft drink manufacturer	221
Lowe's	Hardware	205
Cox Communications, Inc.	Cable, Telephone, and Internet	156
Tasca	Automotive	169
Shaw's Super Markets	Supermarket Operator	145
Trader Publishing Co.	Publishing	102
McLaughlin & Moran	Alcoholic beverage distributor	112
Cranston Print Works	Printing	115
		<hr/>
Total		<u>12,152</u>
<u>Public Installations</u>		
State of Rhode Island		3,927
City of Cranston		<u>2,202</u>
		<hr/>
Total		<u>6,129</u>

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**CITY OF CRANSTON, RHODE ISLAND****TAX REVENUE BY SOURCE****LAST TEN FISCAL YEARS**

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<u>Fiscal Year</u>	<u>Operations</u>	<u>Debt Service</u>	<u>Total Taxes</u>
1995/1996	\$ 88,940,021	\$ 7,138,338	\$ 96,078,359
1996/1997	\$ 96,885,891	\$ 7,027,952	\$ 103,913,843
1997/1998	\$ 96,208,000	\$ 6,772,000	\$ 102,980,000
1998/1999	\$ 93,160,000	\$ 7,193,000	\$ 100,353,000
1999/2000	\$ 94,458,000	\$ 7,864,000	\$ 102,322,000
2000/2001	\$ 96,982,840	\$ 6,557,665	\$ 103,540,505
2001/2002	\$ 100,426,559	\$ 8,137,994	\$ 108,564,553
2002/2003	\$ 123,652,821	\$ 7,228,463	\$ 130,881,284
2003/2004	\$ 137,104,999	\$ 5,339,688	\$ 142,444,687
2004/2005	\$ 139,546,224	\$ 7,141,218	\$ 146,687,442

CITY OF CRANSTON, RHODE ISLANDMISCELLANEOUS STATISTICS  
"UNAUDITED"

JUNE 30, 2005

---

<u>City Incorporated</u>	1754
<u>City Incorporated</u>	1910
<u>Home Rule Charter Adopted</u>	1962
<u>Type of Government</u>	Strong Mayor/Council
<u>Fiscal Year Begins</u>	July 1

Population:Official U.S. Census

1900	13,343
1910	21,107
1920	29,407
1930	42,911
1940	47,085
1950	55,060
1960	66,766
1970	74,287
1980	71,992
1990	76,060
2000	79,267

<u>Area of Town</u>	28.71 Square Miles
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Miles of Roads:

Local paved	313
State paved	64

Municipal Employees:

Exclusive of Library, Police, Fire and Regular Education  
Part-Time

Construction (2004-2005)

Permits issued	4,663
Total Value	\$62,400,769

Fire Protection

Fire Stations - City owned	6
Employees: Uniformed	201
Civilian	7
Fire Alarm Boxes	139
Fire Hydrants	2,156

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDMISCELLANEOUS STATISTICS  
"UNAUDITED"

JUNE 30, 2005

Police Protection

Police Buildings	4
Animal Control Buildings	1
Employees: Law Enforcement	152
Civilian	30
Animal control	5

General Election (November 2, 2004)

Registered Voters	53,847
Number of Votes Cast	34,584
Percentage Voting	64%

Recreation

Parks and Public Squares	10
Playgrounds	35
Playfields and Major Recreation Facilities	6
Bandstand	1
Undeveloped Sites	
Municipal Tennis Courts	24
Municipal Swimming Pools:	
Outdoor	1
Indoor	0
Municipal Stadium	1
Ice Skating Areas:	
Outdoor	1
Indoor	1
In-Line Hockey Courts	1
Golf Courses	2
Marina	3
Ball Diamonds (INC RIPA):	
Hardball	27
Softball	11
Basketball Courts	
Outdoor	19
Indoor	2
Football Fields	2
Boat Launch	1
Soccer Fields	13
Lacrosse Fields	1
Walking tracks	7

(CONTINUED)

CITY OF CRANSTON, RHODE ISLANDMISCELLANEOUS STATISTICS  
"UNAUDITED"

JUNE 30, 2005

---

<u>Library</u>	
Branches	6
Employees:	
Regular	32
Part-time	112
<u>Education</u>	
Central Administrative Building	1
Special Services Building	1
Adult Education Building	1
Schools:	
High	2
Middle	3
Elementary	19
Charter School	1
<u>Students *</u>	
Pre-Kindergarten	587
Elementary (K-5)	4,130
Middle (6-8)	2,714
High (9-12)	<u>3,564</u>
Subtotal in our Schools	10,995
Resident Pupils Sent Out	<u>107</u>
Total Students	<u>11,102</u>
<u>Personnel ***</u>	
Administrative and Certified	51
Non-Certified (Administration)	25
Classroom Teachers	984
Paraprofessionals	166.5
Lunch Workers, Bus Drivers	151
Clerical	89.5
Operation and Maintenance	106
Bus Mechanics	3
Bus Monitors	19.5
Other Non-Certified	30

\* Enrollment as of June 2004

\*\* Special Education included in grade level

\*\*\* Totals as of June 2004 measured in FTE

(CONTINUED)

**MISCELLANEOUS STATISTICS**  
**"UNAUDITED"**

**JUNE 30, 2005**

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Municipal Buildings - (Excluding Library, Fire, Police and Education)

City Hall	1
City Hall Annex	1
Maintenance Garage	1
Senior Citizens Center	1
School Annex-City Offices	1
Sewerage Disposal Plant	1
Pumping Station	22
Water Station	0
C.A.P. Offices	1
Ice Rink	1
Stadium and Field House	1
Alzheimers Day Care Center	1

(CONCLUDED)

THE CITY OF  
CRANSTON, RHODE ISLAND

<b>SINGLE AUDIT SECTION</b>
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**CITY OF CRANSTON, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>
<b><i>U.S. Department of Agriculture</i></b>		
Pass through State Department of Education:		
National School Lunch Program	10.555	\$ 839,754
National School Breakfast Program	10.553	167,108
National School Milk Program	10.556	925
Food Distribution	10.550	121,163
<b><i>Total U.S. Department of Agriculture</i></b>		<b><i>1,128,950</i></b>
<b><i>U.S. Department of Housing and Urban Development</i></b>		
Direct Program:		
Community Development Block Grant	14.218	1,606,187
<b><i>Total U.S. Department of Housing and Urban Development</i></b>		<b><i>1,606,187</i></b>
<b><i>U.S. Department of Education</i></b>		
Pass through the State Department of Education:		
ABE Know/Now - Adult Education State Grant Program	84.002	181,490
Title I *	84.010	1,373,258
Special Education - IDEA	84.027	2,093,468
Special Education - Preschool incentive	84.173	79,613
Vocational Education *	84.048	427,646
Title III	84.365	56,793
Title V	84.298	95,257
Enhancing Education through Technology	84.000	143,421
Title II	84.367	722,194
Title II Technology	84.318	42,143
Title IV - Drug Free Schools	84.186	107,667
School Renovation*	84.352	169,820
Project Opportunity	93.561	147,019
Project Opportunity Case Management	93.561	119,179
RI Skills USA -VICA*	84.048	170,940
Charter School	84.282	290,000
Consortium Student Information	84.369	226,000
21st Century Community Learning	84.287	178,128
<b><i>Total U.S. Department of Education</i></b>		<b><i>6,624,036</i></b>

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>
<b><i>Federal Emergency Management</i></b>		
Pass through the State of Rhode Island:		
Disaster relief-City	83.544	184,434
Disaster relief-School	83.544	27,229
<b><i>Total Federal Emergency Management</i></b>		<b><i>211,663</i></b>
<b><i>U.S. Department of Homeland Security</i></b>		
Direct Programs		
Homeland security	97.044	60,621
Homeland security*	97.xx	110,357
Community response training*	97.xx	3,711
Emergency operations*	97.xx	46,947
Mitigation planning*	97.xx	309,290
Passed through the State of Rhode Island:		
Homeland security*	97.xx	345,620
<b><i>Total U. S. Department of Homeland Security</i></b>		<b><i>876,546</i></b>
<b><i>U.S. Department of Labor</i></b>		
Pass through the State of Rhode Island:		
School to Career	17.250	15,000
School to Guidance	17.250	5,000
WIA	17.250	11,614
<b><i>Total U.S. Department of Labor</i></b>		<b><i>31,614</i></b>
<b><i>U.S. Department of Health and Human Services</i></b>		
Pass through the State of Rhode Island:		
RSVP	94.002	114,963
SHIP Grant	93.xxx	8,510
<b><i>Total U.S. Department of Health and Human services</i></b>		<b><i>123,473</i></b>
<b><i>Total Expenditures of Federal Awards</i></b>		<b><i>\$ 10,602,469</i></b>

\* Denotes major program

(CONCLUDED)

**CITY OF CRANSTON, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2005**

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**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Cranston, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

**3. SCHOOL CAFETERIA PROGRAMS**

The City of Cranston's administration of the National School Lunch, School Breakfast, and School Milk programs is self operating. Program expenditures in the accompanying Schedule of Expenditures of Federal Awards represent federal reimbursements for meals provided during 2005.

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PRESCOTT · CHATELLIER  
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CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS & FINANCIAL ADVISORS

Two Charles Street, Providence, RI 02904  
401 421 2710 telephone 401 274 5230 facsimile  
www.yourcpafirm.com

**REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The City Council and School Committee  
City of Cranston, Rhode Island

**Compliance**

We have audited the compliance of the City of Cranston, Rhode Island with the types of compliance requirements described in the *US. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Cranston's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Cranston's management. Our responsibility is to express an opinion on the City of Cranston's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cranston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Cranston's compliance with those requirements.

In our opinion, the City of Cranston complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## INTERNAL CONTROL OVER COMPLIANCE

The management of the City of Cranston is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Cranston's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Cranston as of and for the year ended June 30, 2005, and have issued our report thereon dated November 19, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council, School Committee, other elected officials, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 2005

*David A. Chatterley-Fitzkeine & Wilkinson, LLP*



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**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The City Council and School Committee  
City of Cranston, Rhode Island

We have audited the financial statements of the City of Cranston, Rhode Island, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 19, 2005. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Cranston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Cranston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Cranston in a separate letter dated November 19, 2005.

This report is intended solely for the information and use of the Mayor, City Council, School Committee, other elected officials, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 2005

*James M. Chatellier, Mayor of Wilkerson, MA*



**CITY OF CRANSTON, RHODE ISLAND**

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005***

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**1. SUMMARY OF AUDITORS' RESULTS**

- (a) The independent auditors' report on the financial statements expressed an unqualified opinion.
- (b) Instances of noncompliance considered material to the financial statements were not disclosed by the audit.
- (c) No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.
- (d) The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
- (e) The audit did not disclose any findings required to be reported under Section 510 of OMB Circular A-133.
- (f) The City's major programs were:

<b><u>Names of Federal Program or Cluster</u></b>	<b><u>CFDA Number</u></b>
Vocational Education	84.048
Title I	84.010
Homeland security	97.xx

- (g) A threshold of \$318,074 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
- (h) The City qualifies as a low-risk auditee as that term is defined in OMB Circular A-133.

(CONTINUED)

**CITY OF CRANSTON, RHODE ISLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2005**

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There are no known but uncorrected findings and recommendations from prior audits that affect the current audit objective.