

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF CRANSTON,

RHODE ISLAND

FOR THE YEAR ENDED

JUNE 30, 2007

PREPARED BY:
DEPARTMENT OF FINANCE

CORSINO DELGADO, CTP, FINANCE DIRECTOR

CITY OF CRANSTON, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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Introductory Section

December 27, 2007

Honorable Mayor Michael T. Napolitano
and Members of the Cranston City Council
Cranston, Rhode Island

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Cranston, Rhode Island for the year ended June 30, 2007. The report includes the independent auditors' report as required by Rhode Island Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

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

Kostin, Ruffkess & Company, LLC, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Rhode Island, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cranston, Rhode Island for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Cranston's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). MD&A complement this letter of transmittal and should be read in conjunction with it. MD&A immediately follows the independent auditors report.

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

PROFILE OF THE CITY OF CRANSTON

The City was established as a City in 1754 and incorporated as a City in 1910. With a population of 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.

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.

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

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

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.

LOCAL ECONOMY

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.

LOCAL ECONOMY (CONTINUED)

Unemployment

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

	<u>Annualized</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City of Cranston.....	5.2%	5.0%	4.4%	4.0%	4.2%	4.6%	5.0%	5.8%	5.2%	5.1%
State of Rhode Island	5.1	4.9	4.1	4.1	4.4	5.1	5.3	5.2	5.0	5.1
United States.....	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6

Source: Rhode Island Department of Labor and Training.

LONG-TERM FINANCIAL PLANNING

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

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

Industrial Park

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

Chapel View Shopping Center

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

LONG-TERM FINANCIAL PLANNING (CONTINUED)

Recent Development Initiatives

Cranston Parkade - The long awaited redevelopment of the 77-acre former Narragansett Brewery property is completed. The Brewery Parkade has over 400,000 square feet of retail shopping area including such well-known retailers as Lowe's, Kmart, A.J. Wright, Super Stop & Shop, and several smaller stores. Phase II, the office development phase, has begun with a new 120,000 square foot complex to house the Katherine Gibbs School, which opened in January 2004 and accommodates over 1,500 attending students. National restaurant chain, Texas Roadhouse, constructed what has become a very successful facility. The developers completed a new state-of-the art Police Headquarters and Municipal Court for the City of Cranston in June of 2007. Additional office buildings are currently in the planning stages and seven acres of additional open space has been added with the razing of the former Trolley Barn, which was part of the original Brewery Site. This substantial and visible economic redevelopment effort along Route 10 is proving to be a catalyst for the redevelopment of other nearby former industrial sites.

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

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

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

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

Relevant Financial Policies

The City's financial policies have been applied consistently with the prior year and had no notable current year effect on the financial statements. There were no developments at the State level that impacted the current year financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cranston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

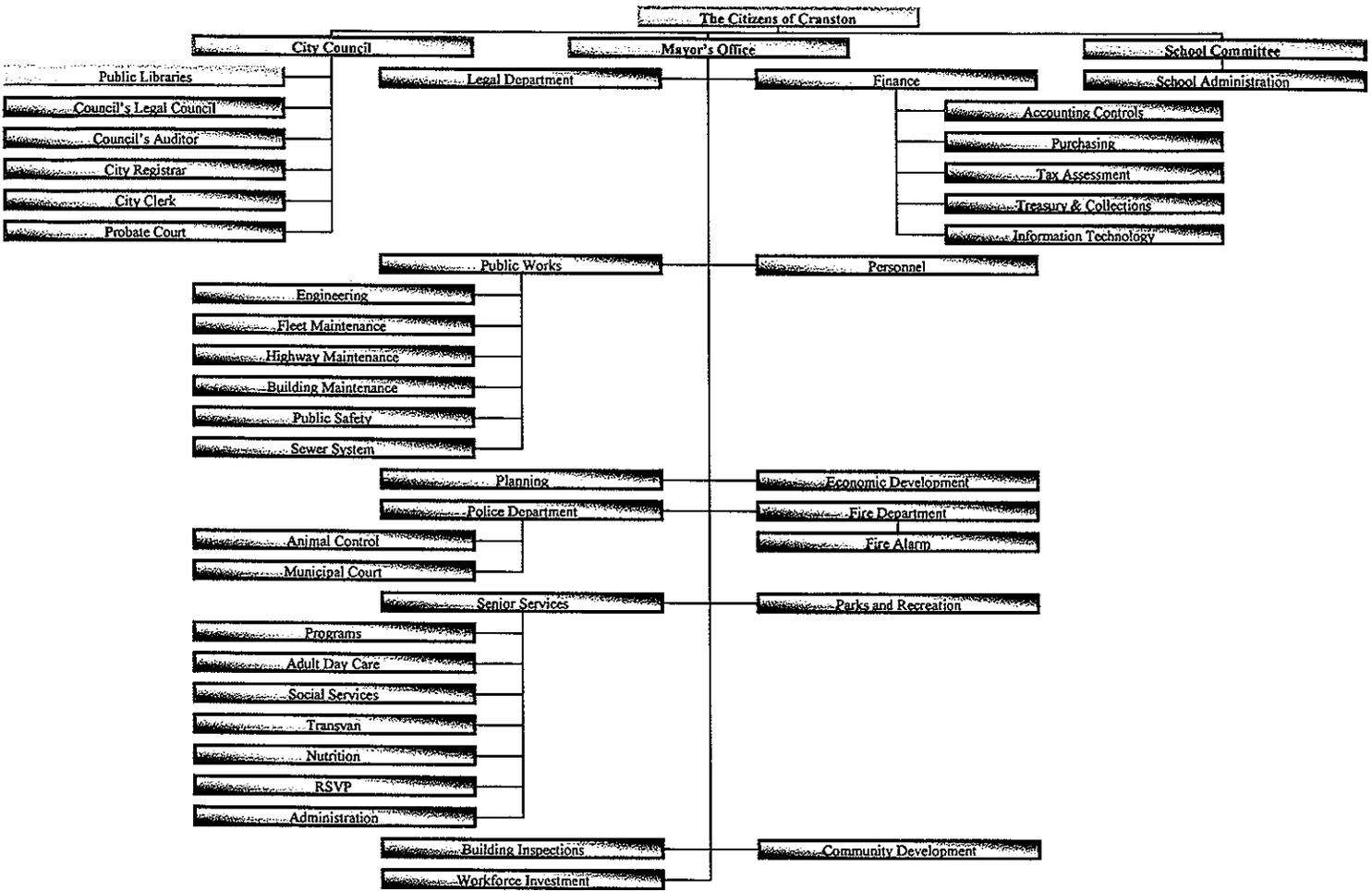
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Sincerely,

Corsino Delgado, CTP
Director of Finance



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

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

- Mayoral Appointments:**
1. Parks & Rec. Adv. Brd.
 2. Redevelopment Agency
 3. Historic District Comm.
 4. Industrial Dev. Comm.
 5. Investment Committee

CITY OF CRANSTON, RHODE ISLAND

PRINCIPAL OFFICIALS
JUNE 30, 2007

MAYOR

Michael T. Napolitano

FINANCE DEPARTMENT

Corsino Delgado, CTP, Finance Director

Michael Igoe, CPA - City Controller

Frank Smith - Tax Assessor

Donald Gray, Jr. - City Treasurer

Mark Marchesi - Purchasing Agent

William Aguiar - Information Technology Manager

CITY COUNCIL

Aram G. Garabedian - Council President

Paula B. McFarland - Council Vice President

John E. Lanni, Jr.

Anthony J. Lupino

Terence Livingston

Emilio L. Navarro

Maria A. Bucci

Richard D. Santamaria

Jeffrey P. 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, 2006

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.



Carin E. Perry

President

Jeffrey R. Emer

Executive Director

Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Finance
City of Cranston, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis, Schedule of Funding Progress - Cranston Retirement and OPEB Systems and budgetary comparison information on pages 11 through 25 and pages 70 through 72, respectively, are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City of Cranston, Rhode Island
Page Two

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

New London, Connecticut
December 27, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

As management of the City of Cranston, Rhode Island, we offer readers of the City of Cranston's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007.

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

Financial Highlights

- The City's total net assets decreased by \$7.1 million (or 38.7%). The governmental net assets decreased by \$8.1 million (or 40.0%) and the business-type net assets increased by \$1.0 million (or 2.6%).
- The governmental activities revenue increased \$8.0 million (or 3.4%) and the net results from activities decreased by \$10.6 million. In 2007, the results of activities produced a decrease in net assets of \$8.1 million and in 2006, the results of activities produced an increase in net assets of \$2.5 million.
- The business-type activities revenue decreased by \$2.9 million (or 12.4%) and the net results from activities decreased by \$3.2 million (or 76.2%). In 2007, the results of activities produced an increase in business-type net assets of \$1.0 million, while in 2006, the results of activities produced an increase of \$4.2 million in business-type net assets.
- The General Fund (the primary operating fund) reflected on a current financial resource basis reports a decrease in fund balance of \$1.3 million (or 6.4%), compared to an increase of \$0.3 million in the prior year.
- The City's Total Debt decreased by \$6.2 million. The decrease is due to the scheduled repayment of outstanding debt.

Overview of the Basic Financial Statements

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

Government Wide Financial Statements:

Reporting the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, finance, public safety, public works, public library, parks and recreation, education, social services and interest expense.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

The City maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund, both of which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the 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 adopts an annual budget for its General Fund and School Department. A budgetary comparison statement has been provided for the for each of them as required supplementary information to demonstrate compliance with this budget.

Proprietary fund. The City maintains four proprietary funds. The City charges customers for the services it provides-whether to outside customers or to other units of the City-these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide services for the City's other programs and activities-such as the Insurance and Risk Management Fund Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The City uses an internal service fund to account for certain self-insured risks. Because these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The data for the internal service fund is provided in Exhibits F, G, and H of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other post employment benefits to its employees. Additional the budgetary compliance schedules are presented for the General fund and the School Department. Required supplementary information can be found following the notes.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

Reporting the City's Most Significant Funds (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

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

Condensed Statement of Net Assets

As of June 30
(In Millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<i>Assets:</i>						
Current and other assets.....	\$ 64.8	\$ 83.9	\$ 10.9	\$ 13.5	\$ 75.7	\$ 97.4
Capital assets	112.3	102.8	70.6	71.5	182.9	174.3
Total assets	177.1	186.7	81.5	85.0	258.6	271.7
<i>Liabilities:</i>						
Long-term liabilities						
outstanding	176.2	188.9	5.6	11.6	181.8	200.5
Other liabilities	29.2	18.0	36.3	34.8	63.6	52.8
Total liabilities	205.4	206.9	41.9	46.4	245.4	253.3
<i>Net assets:</i>						
Invested in capital assets,						
net of debt.....	28.5	12.9	63.8	62.8	92.3	75.7
Restricted.....	2.5	9.5	1.0	4.2	3.5	13.7
Unrestricted	(59.3)	(42.6)	(25.2)	(28.4)	(84.5)	(71.0)
Total net assets	\$ (28.3)	\$ (20.2)	\$ 39.6	\$ 38.6	\$ 11.3	\$ 18.4

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 total assets at June 30, 2007, exceed liabilities by \$11.3 million. Of the net assets, \$(84.5) million are Unrestricted Net Assets. The City's net assets are comprised of \$(28.3) million from governmental activities and \$39.6 million from business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Net Assets (Continued)

Invested in capital assets, net of related debt comprises \$92.3 and \$75.7 million of net assets at June 30, 2007 and 2006, respectively. This category reflects the total invested in capital assets (vehicles, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The second category of net assets, Restricted Net Assets, represents net assets that are subject to external restriction on how they may be used. Restricted Net Assets totaled \$2.5 million for governmental activities and \$1.0 million for business-type activities. These consisted predominantly of construction commitments for existing capital projects of \$2.3 million in governmental activities and \$0.4 million in business-type activities. Additionally, in business-type activities, these restrictions consisted of cash reserves required by bond agreement totaling \$0.5 million.

Normal Impacts

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

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

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

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

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

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

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

Governmental Activities-Condensed Statements of Net Assets

The major component of the "Current and Other Assets" category is cash and cash equivalents" of \$31.1 million. This category is also comprised of "Investments" of \$15.7 million. Cash and cash equivalents increased \$8.7 million due to investments being liquidated for operating purposes. Investments decreased by \$28.3 million due to the investment in fixed assets and transfers to operating cash accounts.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities-Condensed Statements of Net Assets (Continued)

June 30, 2007 (Continued)

The long-term liabilities outstanding at fiscal year end was \$176.2 million, of which \$86.0 million consisted of general obligation bonds, leases payable, and certificates of participation. The proceeds from these obligations were used to fund various capital projects (such as school construction and playground construction and improvements).

Total net assets at June 30, 2007 was comprised of unrestricted net assets of \$(59.3) million with the balance consisting of "Restricted" of \$2.5 million and "Invested in Capital Assets Net of Related Debt" of \$28.5 million.

Business-Type Activities-Condensed Statements of Net Assets

For business-type activities, such as the Sewer Enterprise Fund, there are two major components of current and other assets. Cash and cash equivalents" of \$4.5 million were available to support the current operations of the Enterprise Funds. The remaining balance of Current and other assets, \$6.4 million, consists primarily of receivables totaling \$3.3 million, a lease payment receivable of \$3.2 million and restricted cash of \$0.5 million.

Long-term liabilities of \$10.5 million represents amounts due for general obligation bonds used to finance the capital operations of the Sewer Plant as well as SRF (state revolving fund) loan from Rhode Island Clean Water Finance Agency. Other liabilities" consisted primarily of unearned revenue" of \$28.8 million and \$2.5 million of accounts payable, and \$0.4 million of other miscellaneous payables.

Invested in capital assets, net of related debt is the major component of net assets for business-type activities at a total of \$63.8 million. As stated above, in the government-wide analysis of the Statement of Net Assets, the total of \$1.0 million is for restricted net assets". The balance of \$(25.0) 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, 2007 and 2006.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services.....	\$ 16.8	\$ 17.2	\$19.1	\$20.1	\$35.9	\$ 37.3
Operating grants and contributions.	55.0	51.7	1.1	1.1	56.1	52.8
Capital grants and contributions	0.7	0.1		2.0	0.7	2.1
General Revenues:						
Property taxes	162.0	159.0			162.0	159.0
Grants and contributions not restricted to specific programs	5.5	5.6			5.5	5.6
Unrestricted investment earnings ...	3.9	2.3	0.2	0.1	4.1	2.5
Total revenues	243.9	235.9	20.4	23.3	264.3	259.3

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Program Expenses:						
General government.....	14.7	10.0			14.7	10.0
Public safety	69.8	66.1			69.8	66.1
Public works	13.1	12.4			13.1	12.4
Education	140.0	128.5			140.0	128.5
Parks and recreation.....	2.6	2.4			2.6	2.4
Libraries.....	3.1	2.8			3.1	2.8
Senior services.....	2.9	2.6			2.9	2.6
Other			3.2	2.9	3.2	2.9
Community development.....	1.9	2.0			1.9	2.0
Sewer			16.2	16.2	16.2	16.2
Interest and other costs	3.9	6.6			3.9	6.6
Total expenses	252.0	233.4	19.4	19.1	271.4	252.6
Change in net assets	(8.1)	2.5	1.0	4.2	(7.1)	6.7
Net assets – July 1, (as restated)	(20.2)	(22.7)	38.6	34.4	18.4	11.7
Net assets – June 30	\$(28.3)	\$(20.2)	\$39.6	\$38.6	\$ 11.3	\$ 18.4

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

General revenues include all revenues not required to be reported as program revenue". The other general revenues" of \$171.4 and \$166.9 million includes \$162.0 and \$159.0 million in property taxes for the years ended June 30, 2007 and 2006, respectively.

Program expenses" are presented in the Condensed Statement of Activities by function and total \$252.0 and \$233.4 million (including interest on long-term debt) for the fiscal years June 30, 2007 and 2006.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

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 charges for services. In fiscal years 2007 and 2006, the City generated \$19.1 and \$20.1 million, respectively, in charges for services.

The City reports the total amount of expenses for business-type activities as \$19.4 and \$19.1 million, as restated, for the fiscal years ended June 30, 2007 and 2006, respectively.

Financial Analysis of City's Funds

Governmental Funds

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

Combined fund balances for the Governmental Funds was \$35.2 million. Fund balance was comprised of \$32.7 million unreserved fund balances and \$2.5 million reserved fund balances. Under the modified-accrual basis for Fund Financial Statements, the emphasis is on accounting for current financial resources of the City. Assets of \$60.8 million include primarily \$30.0 million in "Cash and Cash Equivalents", \$15.7 million in "Investments", \$2.4 million in "Taxes Receivable", \$7.0 million in "Interfund Receivables", \$2.2 million "Due From Other Governments" and the remaining \$3.5 million in "Loans" and "Other Current Assets". Liabilities of \$25.6 million consisted of \$7.3 million in "Accounts Payable", \$1.2 million in "Due to Other Funds", \$7.5 million in "Unearned Income and Other", \$7.0 million of "Claims Payable" and \$2.6 million of other miscellaneous liabilities.

Governmental Funds (Continued)

Condensed Balance Sheet

As of June 30
(In Millions)

	General Fund		School Department		Total Major Funds	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Current and other assets.....	\$32.1	\$37.5	\$4.3	\$5.2	\$36.4	\$42.7
Total assets	32.1	37.5	4.3	5.2	36.4	42.7
Liabilities:						
Other liabilities	13.5	17.6	3.7	3.7	17.2	21.3
Total liabilities	13.5	17.6	3.7	3.7	17.2	21.3
Fund Balance:						
Reserved	0.2		0.1	0.4	0.3	0.4
Unreserved.....	18.5	19.9	0.5	1.1	19.0	21.0
Total fund balance	\$18.7	\$19.9	\$0.6	\$1.5	\$19.3	\$21.4

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

General Fund - Condensed Balance Sheet

June 30, 2007

The General Fund's total assets of \$32.1 million consists primarily of \$7.6 million in cash and cash equivalents", \$15.7 million of investments", \$2.4 million of taxes receivable and \$4.7 million of "intergovernmental

Total liabilities for the General Fund were \$13.5 million. Accounts payable" amounted to \$1.4 million, \$5.2 million represent unearned Income, claims payable of \$5.0 million, and \$1.9 million in other interest and liabilities.

The City's fund balance was \$18.7 million, at June 30, 2007. Of that, \$18.5 million was unreserved.

School Department - Condensed Balance Sheet

The School Department's total assets were \$4.3 million. The majority of that consisted of \$0.9 million in cash and cash equivalents, \$1.7 million in other receivables", \$0.7 million of advance deposits", and \$1.0 of due from other funds.

Liabilities for the School Department totaled \$3.7 million. The majority of that consisted of accounts payable" of \$1.5 million and other liabilities of \$2.2 million. The School Department had fund balance of \$0.6 million. This was comprised of \$0.1 million reserved fund balance and a balance of \$0.5 million in unreserved fund balance of which \$0.4 million has been designated for specific purposes. For the prior fiscal year, unreserved fund balance" was \$1.0 million and reserved fund balance" was \$0.5 million, a decrease of \$0.5 million and \$0.4 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, 2007 and 2006. The major funds for the City of Cranston are the "General Fund" and the "School Department."

The fund reporting format, also presented on a functional basis, presented in "Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances" presents all revenue types followed by the expenses for the City. However, for the fund financial statements, the City reports only current year capital expenditures and does not report depreciation on capital assets and reports principal payments on long-term liabilities only as current year expenditure and not the related long-term liability as within the Government-Wide Financial Statements. The major source of revenues comes from the "General Property Taxes" of \$147.2 and \$146.0 million, respectively. Total revenues for all governmental funds for the years ending June 30, 2007 and 2006 were \$242.7 and \$234.6 million, respectively. For the Governmental Funds, the total expenditures for the years ending June 30, 2007 and 2006 were \$266.1 and \$234.4 million, respectively. For the year ended June 30, 2007, General Fund revenues exceeded expenditures by \$69.3 million before other financing sources (uses).

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

	Year Ended June 30 (In Millions)				Total Major Governmental	
	General Fund		School Department		2007	2006
	2007	2006	2007	2006		
Revenues:						
General Revenues:						
Property taxes	\$147.2	\$146.0			\$147.2	\$146.0
Intergovernmental.....	9.9	10.0	\$42.7	\$ 39.8	52.6	49.8
Charges for services.....	11.4	7.9	2.1	2.0	13.5	9.9
Investment income.....	3.1	1.5			3.1	1.5
Other	0.2	4.5	0.3	0.2	0.5	4.7
Total revenues	171.8	169.9	45.1	42.0	216.9	211.9
Expenditures:						
Current:						
General government.....	10.5	7.9			10.5	7.9
Public safety	63.3	58.9			63.3	58.9
Public works	12.5	12.5			12.5	12.5
Education			130.5	120.5	130.5	120.5
Parks and recreation.....	2.0	2.1			2.0	2.1
Public libraries	3.0	2.8			3.0	2.8
Senior services	2.8	2.5			2.7	2.5
Other	0.2	0.1			0.2	0.1
Debt Service:						
Principal.....	4.5	3.8			4.5	3.8
Interest and other costs	3.7	5.7			3.7	5.7
Capital:						
Capital expenditures						
Total expenditures	102.5	96.3	130.5	120.5	232.9	216.8
Excess (deficiency) of revenues over expenditures before other financing sources (uses).....	69.3	73.6	(85.4)	(78.5)	(16.1)	(4.9)
Other Financing Sources (Uses):						
Transfers in	13.9	10.7	84.5	79.0	98.4	89.7
Transfers out	(84.5)	(84.0)			(84.0)	(84.0)
Net other financing sources (uses) ..	(70.6)	(73.3)	84.5	79.0	13.9	5.7
Net change in fund balances	(1.3)	0.3	(0.9)	0.5	(2.1)	0.8
Fund balance July 1	19.9	19.6	1.5	1.0	21.4	20.6
Fund balance June 30	\$ 18.6	\$ 19.9	\$ 0.6	\$ 1.5	\$ 19.3	\$ 21.4

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

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

The City's General Fund had revenues of \$171.8 million for the fiscal year ended June 30, 2007. This was comprised of \$147.2 million in "General Property Taxes", \$9.9 million of "Intergovernmental" revenues, \$11.4 million in "Charges for Services", \$3.1 million in "Investment Income", and \$0.2 million in "Other" revenue.

Expenditures for the General Fund for fiscal year ended June 30, 2007 were \$102.5 million. These expenditures consisted of \$10.5 million in General Government expenditures, \$63.3 million of "Public Safety" expenditures, \$12.5 million of "Public Works" expenditures, \$2.0 million of "Parks and Recreation" expenditures, \$3.0 million of "Public Libraries" expenditures, \$2.7 million of "Senior Services" expenditures, \$0.2 million of "Other" expenditures, \$4.5 million of "Debt Service Principal" expenditures, and \$3.7 million of "Interest and Other Costs".

In addition to general operating expenses, the "General Fund" also had "Net Other Financing Uses" of \$(70.6) million. This was composed of \$(84.5) million transfer to the "School Department". This also included \$13.9 million in "Transfers In" from "Other Governmental Funds" for excise tax phase-out.

The net change in fund balances was \$(1.3) million for the fiscal year ended June 30, 2007. This was primarily due to the following:

- Increase in Charges for Services of \$3.5 million and an increase in investment income of \$1.6 million offset a decrease in Other revenue of \$4.3 million.
- Increase of \$2.6 million in General Government Expenditures relating to the recording of claims payable and an increase in Public Safety of \$4.4 million relating to increased labor costs as well as the cost associated with moving to a new police facility.
- Increase in Debt Service Expenditures of \$0.7 million due to primarily to an additional principal payment from the General Obligation Bond issued in June 2006.

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

The "School Department" had revenues for the year ended June 30, 2007 of \$45.1 million. This was derived from \$42.7 million of "Intergovernmental" revenues and \$2.4 million of "Other" revenues.

Expenditures for the "School Department" totaled \$130.5 million. This entire amount represents expenditures related to "Education".

In addition to general operating revenues, the "School Department" also received \$84.5 million of "Other Financing Sources" in the form of "Transfers In" from the "General Fund".

The "Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses" was \$(0.9) million for the fiscal year ended June 30, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Proprietary Funds

The Proprietary Funds consist of the Sewer Fund, the Public Facilities Management Foundation, the School Lunch Program, and the Internal Service Funds. The major source of revenues consists of "Charges for Usage and Service" of \$18.4 million. Total operating revenues were \$19.5 million. Total operating expenses for the year ending June 30, 2007, for the Proprietary Funds were \$19.9 million. The "Contract Payments" of \$13.1 million for sewer privatization comprise the majority of the expenses. Net "Non-Operating Revenues" for the year ending June 30, 2007 were \$1.1 million. The Proprietary Funds ended fiscal year 2007 with \$0.4 million more in expenditures than revenues. Net Assets "Invested in Capital Assets, Net of Related Debt" was \$63.8 million at June 30, 2007. Unrestricted Net Assets were \$(24.3) million at June 30, 2007, compared to \$(24.6) million at June 30, 2006, as restated, an increase of \$0.3 million or 1.2%.

Analysis of Significant Budget Variations in the General Fund

For the year ended June 30, 2007, the General Fund Revenues were less than budget projections by \$(2.9) million or 1.3%. General Fund Expenditures were less than the budget by \$1.5 million or 0.7%. This resulted in \$1.4 million of negative variance from revenues in excess of expenditures in the General Fund for the year ending June 30, 2007.

Significant revenue variances include:

- Property taxes – Unfavorable variance of \$1.5 million due to a change in calculating the assessed value of motor vehicles values for budget purposes.
- Intergovernmental – Favorable variance of \$0.9 million due to an increase in excise tax phase-out payments from the State of Rhode Island related to the change in calculating the assessed value of motor vehicles values.
- Investment Income – Favorable variance of \$3.4 million mainly due to a policy change related to recording bond and other special revenue fund investment income in the General Fund.

Significant expenditure variances include:

- Law – Unfavorable variance of \$3.6 million due mainly to \$4.0 million charged for required claims payable.
- Rescue Fund – Favorable variance of \$2.7 million due to expenditures recorded in conjunction with the City's residents' third party rescue fee runs.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The City of Cranston’s investment in capital assets for its governmental and business-type activities as of June 30, 2007 and 2006, as restated, amounted to \$182.9 and \$174.3 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)
(As Restated)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Land.....	\$ 11.1	\$ 11.1	\$ 0.3	\$ 0.4	\$ 11.4	\$ 11.5
Construction in progress.....	5.0		1.1	5.8	6.1	5.8
Land improvements.....	10.9	9.5	0.3	0.3	11.2	9.8
Buildings.....	62.5	59.1			62.5	59.1
Motor vehicles.....	14.9	14.4			14.9	14.4
Equipment.....	9.3	7.8	1.0	1.0	10.3	8.8
Infrastructure.....	82.2	81.6			82.2	81.6
Leasehold improvements.....			0.1	0.1	0.1	0.1
Sewer lines.....			46.6	46.5	46.6	46.5
Treatment and pumping plant.....			81.1	74.9	81.1	74.9
Total assets.....	195.9	183.5	130.5	129.0	326.4	312.5
Less: accumulated depreciation	(83.7)	(80.7)	(59.9)	(57.5)	(143.6)	(138.2)
Net capital assets.....	\$112.2	\$ 102.8	\$ 70.6	\$ 71.5	\$182.8	\$ 174.3

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2007 were \$326.4 million less accumulated depreciation of \$143.6 million for a net investment in capital assets of \$182.8 million.

Governmental Activities:

Major capital asset additions during the fiscal year ended June 30, 2007 included the following:

- \$5.0 million of construction in progress for a media center at Cranston High School East.
- \$3.4 million for various building upgrades related to fire code issues.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Capital Assets (Continued)

Business-Type Activities:

Major capital asset additions during the fiscal year ended June 30, 2007 included the following:

- \$6.1 million of treatment and pumping plant equipment.

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

Long-Term Liabilities

As of June 30, 2007, the governmental activities had total long-term obligations of \$183.7 million. Of that, \$82.2 million related to bonded debt guaranteed by the City's assets. The City currently has \$3.8 million in leases payable. The business-type activities had total long-term debt of \$10.5 million. Of that, \$7.0 million related to State Revolving Loans (SRF) from Rhode Island Clean Water Finance Agency and \$3.5 million related to Certificates of Participation that relate to the Public Facilities Management Foundation. The (SRF) funds are available for projects related to clean water. The \$3.5 million of Certificates of Participation relate to acquisition and improvements of the Public Works Facility. See Note III.F.1. for further explanation of outstanding debt.

Based on an actuarial valuation completed as of July 1, 2007, the liability for unpaid pension contributions decreased by \$1.1 million from \$88.6 million at June 30, 2006 to \$87.56 million at June 30, 2007..

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

Debt Outstanding

For the year ending June 30, 2007, the City had \$96.4 million in debt (bonds, notes, etc.) outstanding compared to the \$102.6 million at June 30, 2006, net decrease of \$6.2 million 6.0% (considering debt retirement and new issues). The key factor for this decrease was \$6.0 million in principal payments made during fiscal year 2007.

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

	<u>2007</u>	<u>2006</u>
<i>Governmental:</i>		
General obligation bonds.....	\$ 82.1	\$86.6
Capital lease.....	3.8	4.4
<i>Subtotal</i>	<u>85.9</u>	<u>91.0</u>
<i>Business-type:</i>		
Sewer revolving loans.....	7.0	7.8
Certificates of participation	3.5	3.8
<i>Subtotal</i>	<u>10.5</u>	<u>11.6</u>
<i>Total</i>	<u>\$96.4</u>	<u>\$102.6</u>

Principal payments of \$4.2 million and \$1.1 million were made in the governmental and business-type activities, respectively, during fiscal year 2007.

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

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 \$257 million based on taxable property as of December 31, 2005, of approximately \$8.6 billion. On June 30, 2007, the City had \$79.5 million of debt outstanding that is outside the 3% debt limit.

The City's bond ratings are as follows:

- Standard & Poor's : "A-"
- Fitch Ratings: "BBB"
- Moody's Investors Service : "Baa1"

Economic Factors and Next Year's Budget and Rates

- As noted previously, the Fiscal Year 2008 operating budget was passed by a majority vote of the City Council. Property tax collections were assumed to be collected at 98.1% of the current levy.
- The City budgeted approximately \$19.9 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

Basic Financial Statements

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash.....	\$ 31,095,949	\$ 3,945,172	\$ 35,041,121
Investments.....	15,716,342		15,716,342
Receivables:			
Property taxes.....	2,136,825		2,136,825
Sewer assessments and user fees, net.....		1,067,747	1,067,747
Intergovernmental.....	7,022,834	1,922,202	8,945,036
Loans.....	2,210,882		2,210,882
Other.....	1,115,871	316,491	1,432,362
Prepays.....	753,073		753,073
Bond issue costs - current.....	188,460	23,629	212,089
Internal balances.....	337,083	(337,084)	-
Other.....		41,820	41,820
Total current assets.....	60,577,319	6,979,977	67,557,296
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash.....		515,865	515,865
Receivables (net):			
Property taxes.....	1,972,453		1,972,453
Other.....		3,195,000	3,195,000
OPEB asset.....	176,411		176,411
Other assets.....		500	500
Bond issue costs - noncurrent.....	2,078,826	176,380	2,255,206
Total receivables and other assets.....	4,227,690	3,371,880	7,599,570
Capital assets (net of accumulated depreciation):			
Land.....	11,051,635	342,712	11,394,347
Construction in progress.....	5,031,380	1,116,978	6,148,358
Land improvements.....	4,838,423	86,472	4,924,895
Buildings and leasehold improvements.....	30,515,439	97,221	30,612,660
Sewer service to customers.....		36,712	36,712
Treatment and pumping plant.....		49,072,717	49,072,717
Vehicles.....	4,267,040	14,229	4,281,269
Machinery, equipment and furniture.....	2,437,502	87,359	2,524,861
Infrastructure.....	54,118,246	19,780,282	73,898,528
Total net capital assets (net of accumulated depreciation).....	112,259,665	70,634,682	182,894,347
Total noncurrent assets.....	116,487,355	74,522,427	191,009,782
TOTAL ASSETS.....	177,064,674	81,502,404	258,567,078

(Continued)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	\$ 7,350,175	\$ 2,496,483	\$ 9,846,658
Accrued liabilities.....	336,982		336,982
Accrued payroll.....	837,702	11,141	848,843
Accrued interest payable.....	1,224,562	52,759	1,277,321
Retainage payable.....	461,500		461,500
Unearned revenue.....	3,288,345	1,938,920	5,227,265
Claims payable.....	8,158,240		8,158,240
Long-term liabilities due within one year.....	7,538,308	1,121,071	8,659,379
Total current liabilities.....	29,195,814	5,620,374	34,816,188
Noncurrent liabilities:			
Unearned revenue.....		26,880,000	26,880,000
Long-term liabilities due in more than one year.....	176,163,080	9,424,087	185,587,167
Total noncurrent liabilities.....	176,163,080	36,304,087	212,467,167
TOTAL LIABILITIES.....	205,358,894	41,924,461	247,283,355
NET ASSETS			
Invested in capital assets, net of related debt.....	28,499,098	63,828,596	92,327,694
Restricted for:			
Commitments.....	2,275,746	438,175	2,713,921
Debt service.....		515,865	515,865
Other purposes.....	254,684		254,684
Unrestricted.....	(59,323,748)	(25,204,693)	(84,528,441)
TOTAL NET ASSETS.....	\$ (28,294,220)	\$ 39,577,943	\$ 11,283,723

(Concluded)

EXHIBIT B

CITY OF CRANSTON, RHODE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUES (EXPENSES) AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General government.....	\$ 14,667,120	\$ 8,725,161	\$ 3,008,035	\$ 194,183	\$ (2,933,924)	\$ -	\$ (2,933,924)
Public safety.....	69,816,686	3,131,896		200,270	(66,490,607)		(66,490,607)
Public works.....	13,111,503	166,623			(12,744,610)		(12,744,610)
Education.....	139,954,890	3,069,830	50,333,642		(86,551,418)		(86,551,418)
Parks and recreation.....	2,617,354	229,801		300,000	(2,087,553)		(2,087,553)
Public libraries.....	3,142,534	85,000	35,313		(3,022,221)		(3,022,221)
Senior services.....	2,913,263	1,442,583			(1,470,680)		(1,470,680)
Community development.....	1,901,604		1,629,249		(272,355)		(272,355)
Interest expense.....	3,873,139				(3,873,139)		(3,873,139)
TOTAL GOVERNMENTAL ACTIVITIES.....	251,998,093	16,850,894	55,006,239	694,453	(179,446,507)	-	(179,446,507)
BUSINESS-TYPE ACTIVITIES:							
Sewer fund.....	16,233,984	17,259,536				1,025,552	1,025,552
Public facilities management foundation.....	270,154	256,199				(13,955)	(13,955)
School lunch fund.....	2,957,021	1,586,519	1,170,646			(199,856)	(199,856)
TOTAL BUSINESS-TYPE ACTIVITIES.....	19,461,159	19,102,254	1,170,646	-	-	811,741	811,741
TOTALS.....	\$ 271,459,252	\$ 35,953,148	\$ 56,176,885	\$ 694,453	\$ (179,446,507)	\$ 811,741	\$ (178,634,766)
GENERAL REVENUES:							
Property taxes.....					\$ 162,010,764	\$ -	\$ 162,010,764
Grants and contributions not restricted to specific programs.....					5,473,326		5,473,326
Investment income.....					3,851,161	188,091	4,039,252
TOTAL GENERAL REVENUES.....					171,335,251	188,091	171,523,342
CHANGE IN NET ASSETS.....					(8,111,256)	999,832	(7,111,424)
NET ASSETS - JULY 1, 2006 (AS RESTATED).....					(20,182,964)	38,578,111	18,395,147
NET ASSETS - JUNE 30, 2007.....					\$ (28,294,220)	\$ 39,577,943	\$ 11,283,723

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

CITY OF CRANSTON, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash	\$ 7,620,586	\$ 869,505	\$ 21,460,330	\$ 29,950,421
Investments.....	15,699,484		16,858	15,716,342
Receivables:				
Taxes, net.....	2,372,551			2,372,551
Intergovernmental.....	4,729,687	1,697,048	596,099	7,022,834
Loans.....			2,210,882	2,210,882
Other.....	365,225		46,149	411,374
Prepays.....		1,206	22,567	23,773
Advance deposits - hospitalization.....		729,300		729,300
Due from other funds.....	1,337,598	1,008,762		2,346,360
TOTAL ASSETS.....	\$ 32,125,131	\$ 4,305,821	\$ 24,352,885	\$ 60,783,837
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable.....	\$ 1,358,386	\$ 1,516,308	\$ 4,460,678	\$ 7,335,372
Accrued payroll.....	826,983		9,546	836,529
Accrued liabilities.....	201,982			201,982
Retainage payable.....			461,500	461,500
Due to other funds.....		227,529	1,014,077	1,241,606
Unearned revenue.....	5,208,551		2,317,396	7,525,947
Claims payable.....	5,865,296	1,963,396		7,828,692
Other liabilities.....			135,000	135,000
TOTAL LIABILITIES.....	13,461,198	3,707,233	8,398,197	25,566,628
FUND BALANCES:				
Reserved for:				
Encumbrances.....	170,709			170,709
Literacy.....		10,165		10,165
Commitments.....			2,275,746	2,275,746
Prepaid items.....			22,567	22,567
Article 18.....		51,243		51,243
Unreserved:				
Designated for health care.....		250,000		250,000
Designated for subsequent year expenditures.....		200,000		200,000
Undesignated.....	18,493,224			18,493,224
Unreserved:				
Special revenue funds.....		87,180	8,318,159	8,405,339
Capital project funds.....			5,338,216	5,338,216
TOTAL FUND BALANCES.....	18,663,933	598,588	15,954,688	35,217,209
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 32,125,131	\$ 4,305,821	\$ 24,352,885	\$ 60,783,837

(Continued)

CITY OF CRANSTON, RHODE ISLAND

RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

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

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1).....	\$	35,217,209
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning capital assets and current additions.....		116,830,401
Depreciation expense.....		(4,663,259)
Disposal of capital assets.....		92,523
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:		
Property tax, interest and lien accrual, (net).....		1,736,727
Property tax receivable - accrual basis change.....		4,237,602
Bond issue costs.....		2,267,286
OPEB asset.....		176,411
INTERNAL SERVICE FUND IS USED BY MANAGEMENT TO CHARGE THE COST OF SELF-INSURANCE TO INDIVIDUAL DEPARTMENTS:		
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.....		736,830
SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Bonds and notes payable.....		(82,185,025)
Leases payable.....		(3,842,828)
Compensated absences.....		(9,722,401)
Deferred salary.....		(349,214)
Net pension obligation.....		(87,541,920)
Claims and judgements.....		(60,000)
Accrued interest payable.....		(1,224,562)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>(28,294,220)</u>

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL FUND	SCHOOL DEPARTMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
General property taxes.....	\$ 147,243,054	\$	\$	\$ 147,243,054
Intergovernmental.....	9,881,615	42,659,961	22,435,428	74,977,004
Charges for services.....	11,382,349	2,122,198	2,628,776	16,133,323
Investment income.....	3,062,769		572,427	3,635,196
Other.....	248,991	294,501	134,752	678,244
TOTAL REVENUES	171,818,778	45,076,660	25,771,383	242,666,821
EXPENDITURES:				
Current:				
General government.....	10,487,807		939,846	11,427,653
Public safety.....	63,324,615		4,529,668	67,854,283
Public works.....	12,544,966			12,544,966
Education.....		130,504,771	9,053,548	139,558,319
Parks and recreation.....	1,992,756		523,392	2,516,148
Public libraries.....	3,009,186		30,016	3,039,202
Senior services.....	2,749,941		102,454	2,852,395
Community development.....			1,916,946	1,916,946
Other.....	175,183			175,183
Debt Service:				
Principal.....	4,520,000			4,520,000
Interest and other costs.....	3,702,943		16,493	3,719,436
Capital Outlay:				
Capital expenditures.....			15,970,638	15,970,638
TOTAL EXPENDITURES	102,507,397	130,504,771	33,083,001	266,095,169
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE:	69,311,381	(85,428,111)	(7,311,618)	(23,428,348)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	13,938,045	84,513,637	83,139	98,534,821
Transfers out.....	(84,517,776)		(14,017,045)	(98,534,821)
NET OTHER FINANCING SOURCES (USES)	(70,579,731)	84,513,637	(13,933,906)	-
NET CHANGE IN FUND BALANCES	(1,268,350)	(914,474)	(21,245,524)	(23,428,348)
FUND BALANCES - JULY 1, 2006	19,932,283	1,513,062	37,200,212	58,645,557
FUND BALANCES - JUNE 30, 2007	\$ 18,663,933	\$ 598,588	\$ 15,954,688	\$ 35,217,209

EXHIBIT E

CITY OF CRANSTON, RHODE ISLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... \$ (23,428,348)

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

Capital outlay..... 13,980,851
Depreciation expense..... (4,663,259)

Total..... 9,317,592

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. In the Statement of Activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold..... 92,523

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

Decrease in property tax receivable - accrual basis change..... 555,633
Increase in property tax interest and lien revenue..... 448,417

Total 1,004,050

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

Debt issued or incurred:
Bonds and capital lease..... (114,811)
Principal repayments:
General obligation bonds..... 4,220,000
Capital lease..... 708,819

Total 4,814,008

EXHIBIT E

CITY OF CRANSTON, RHODE ISLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

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

Compensated absences and deferred salary.....	(825,368)
Net pension obligation.....	1,013,794
Net OPEB asset.....	176,411
Amortization of bond issuance costs.....	(188,460)
Amortization of bond premium.....	150,351
Accrued interest payable.....	<u>34,756</u>
Total	<u>361,484</u>
Internal Service Funds are used by management to charge costs of medical insurance and property insurance deductibles to individual departments.....	<u>(338,179)</u>
The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	<u>65,614</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u>\$ (8,111,256)</u>

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS		NONMAJOR	TOTALS	INTERNAL SERVICE FUND
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	SCHOOL LUNCH PROGRAM		
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 3,851,710	\$	\$ 93,462	\$ 3,945,172	\$ 1,145,527
Inventory.....			41,820	41,820	
Receivables:					
Sewer assessments and user fees, net.....	1,067,747			1,067,747	
Other.....			1,491	1,491	
Capital lease.....		315,000		315,000	
Intergovernmental.....	1,845,451		76,751	1,922,202	
Bond issuance costs.....	7,554	16,075		23,629	
Total Current Assets	6,772,462	331,075	213,524	7,317,061	1,145,527
Noncurrent Assets:					
Restricted cash.....		515,865		515,865	
Capital lease receivable.....		3,195,000		3,195,000	
Bond issuance costs.....	47,783	128,597		176,380	
Other assets.....		500		500	
Subtotal Noncurrent Assets	47,783	3,839,962	-	3,887,745	-
Capital Assets:					
Capital assets, net of accumulated depreciation.....	70,460,102	106,776	67,804	70,634,682	
Total Noncurrent Assets	70,507,885	3,946,738	67,804	74,522,427	-
TOTAL ASSETS	77,280,347	4,277,813	281,328	81,839,488	1,145,527
LIABILITIES					
Current Liabilities:					
Accounts payable.....	2,483,224		13,259	2,496,483	14,803
Accrued payroll.....	1,081		10,060	11,141	1,173
Accrued interest.....	23,402	29,357		52,759	
Due to other funds.....	53,302		283,782	337,084	63,173
Claims payable.....				-	329,548
Unearned revenue.....	1,938,920			1,938,920	
Bonds, notes payable and compensated absences.....	803,165	315,000	2,906	1,121,071	
Total Current Liabilities	5,303,094	344,357	310,007	5,957,458	408,697
Noncurrent Liabilities:					
Unearned revenue.....	26,880,000			26,880,000	
Bonds, notes payable and compensated absences.....	6,228,087	3,169,843	26,157	9,424,087	
Total Noncurrent Liabilities	33,108,087	3,169,843	26,157	36,304,087	-
TOTAL LIABILITIES	38,411,181	3,514,200	336,164	42,261,545	408,697
NET ASSETS					
Invested in capital assets, net of related debt.....	63,484,187	276,605	67,804	63,828,596	
Restricted:					
Commitments.....	438,175			438,175	
Debt service.....		515,865		515,865	
Unrestricted.....	(25,053,196)	(28,857)	(122,640)	(25,204,693)	736,830
TOTAL NET ASSETS	\$ 38,869,166	\$ 763,613	\$ (54,836)	\$ 39,577,943	\$ 736,830

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

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM	TOTALS	INTERNAL SERVICE FUND
OPERATING REVENUES:					
Charges for usage and service.....	\$ 16,607,722	\$ 33,000	\$ 1,425,229	\$ 18,065,951	\$ 300,000
Miscellaneous.....	651,814	223,199	161,290	1,036,303	77,632
TOTAL OPERATING REVENUES.....	17,259,536	256,199	1,586,519	19,102,254	377,632
OPERATING EXPENSES:					
Operations.....	667,854	55,617	1,587,117	2,310,588	616,895
Personnel.....	70,015		1,345,646	1,415,661	75,237
Claims.....					23,679
Contract payments.....	13,083,805			13,083,805	
Depreciation.....	2,334,588	12,110	24,258	2,370,956	
TOTAL OPERATING EXPENSES.....	16,156,262	67,727	2,957,021	19,181,010	715,811
OPERATING INCOME (LOSS).....	1,103,274	188,472	(1,370,502)	(78,756)	(338,179)
NONOPERATING REVENUES (EXPENSES):					
Interest expense.....	(70,169)	(186,352)		(256,521)	
Investment income.....	161,227	24,795	2,069	188,091	65,614
Amortization.....	(7,553)	(16,075)		(23,628)	
Grants.....			1,170,646	1,170,646	
NET NONOPERATING REVENUES (EXPENSES).....	83,505	(177,632)	1,172,715	1,078,588	65,614
CHANGE IN NET ASSETS.....	1,186,779	10,840	(197,787)	999,832	(272,565)
NET ASSETS - JULY 1, 2006 (AS RESTATED).....	37,682,387	752,773	142,951	38,578,111	1,009,395
NET ASSETS - JUNE 30, 2007.....	\$ 38,869,166	\$ 763,613	\$ (54,836)	\$ 39,577,943	\$ 736,830

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	SEWER	PUBLIC FACILITIES MANAGEMENT FOUNDATION	NONMAJOR SCHOOL LUNCH PROGRAM	TOTALS	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers.....	\$ 15,676,577	\$ 256,199	\$ 1,588,055	\$ 17,520,831	\$ 377,633
Cash paid to suppliers.....	(13,083,805)		(1,719,575)	(14,803,380)	
Cash paid to employees.....	(69,943)		(1,327,790)	(1,397,733)	(75,463)
Cash paid for claims.....					(216,031)
Cash paid for other operating expenses.....	(1,368,100)	(55,617)		(1,423,717)	(608,360)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	1,154,729	200,582	(1,459,310)	(103,999)	(522,220)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Nonoperating grants received.....			1,185,179	1,185,179	
Change in interfund loans.....	(45,782)		283,872	238,090	86,331
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	(45,782)	-	1,469,051	1,423,269	86,331
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets.....	(1,502,491)	(30,684)	(17,175)	(1,550,350)	
Collection of capital lease payment.....		300,000		300,000	
Principal paid on bonds.....	(801,932)	(300,000)		(1,101,932)	
Interest paid on bonds.....	(70,488)	(183,452)		(253,940)	
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,374,911)	(214,136)	(17,175)	(2,606,222)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Income from investments.....	161,227	24,795	2,069		65,614
NET INCREASE (DECREASE) IN CASH.....	(1,104,737)	11,241	(5,365)	(1,098,861)	(370,275)
CASH - JULY 1, 2006 (INCLUDING RESTRICTED CASH).....	4,956,447	504,624	98,827	5,559,898	1,515,803
CASH - JUNE 30, 2007 (INCLUDING RESTRICTED CASH).....	\$ 3,851,710	\$ 515,865	\$ 93,462	\$ 4,461,037	\$ 1,145,527
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 1,103,274	\$ 188,472	\$ (1,370,502)	\$ (78,756)	\$ (338,179)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation.....	2,334,589	12,110	24,258	2,370,957	
(Increase) decrease in accounts receivable.....	(205,043)			(205,043)	
Decrease in inventory.....			(6,783)	(6,783)	
(Increase) decrease in intergovernmental receivables.....	1,160,435		1,536	1,161,971	
Increase (decrease) in accounts payable.....	(700,246)		(125,675)	(825,921)	8,536
Increase (decrease) in accrued payroll.....	72		10,060	10,132	(226)
Increase (decrease) in prepaid assessments.....	(618,352)			(618,352)	
Decrease in claims payable.....				-	(192,351)
Decrease in unearned revenue.....	(1,920,000)			(1,920,000)	
Decrease in compensated absences.....			7,796	7,796	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,154,729	\$ 200,582	\$ (1,459,310)	\$ (103,999)	\$ (522,220)

CITY OF CRANSTON, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	PENSION TRUST FUND	OPEB TRUST FUND	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS:				
Cash and cash equivalents.....	\$ 2,076,236	\$ 876,409	\$ 2,038	\$ 1,210,344
Investments:				
Guaranteed Investment Contracts.....	2,288,355			
Real Estate Investment Trust.....	2,429,033			
Equity Mutual Funds.....	36,598,233			
Money Market Mutual Funds.....	1,712,047			
Bond Mutual Funds.....	6,257,380			
Total Investments.....	49,285,048	-	-	-
Accrued interest receivable.....	10,418			
TOTAL ASSETS.....	51,371,702	876,409	2,038	1,210,344
LIABILITIES:				
Accounts payable.....		45,885		
Deposits held in custody for others.....				1,210,344
Due to other funds.....		702,854	1,643	
TOTAL LIABILITIES.....	-	748,739	1,643	1,210,344
NET ASSETS HELD IN TRUST FOR PENSION AND OPEB BENEFITS AND OTHER PURPOSES.....	\$ 51,371,702	\$ 127,670	\$ 395	\$ -

CITY OF CRANSTON, RHODE ISLANDSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	PENSION TRUST FUND	OPEB TRUST FUND	PRIVATE PURPOSE TRUST FUND
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 21,723,021	\$ 3,544,988	\$
Plan member contributions.....	698,341	147,188	
Other.....			7,831
Total contributions.....	22,421,362	3,692,176	7,831
Investment income:			
Interest and dividends.....	171,813	9,972	
Net appreciation in the fair value of investments.....	6,943,584		
Total investment income.....	7,115,397	9,972	-
TOTAL ADDITIONS.....	29,536,759	3,702,148	7,831
DEDUCTIONS:			
Benefits.....	17,780,098	3,559,046	7,100
Administrative expenses.....	316,070	15,432	
TOTAL DEDUCTIONS.....	18,096,168	3,574,478	7,100
CHANGE IN NET ASSETS.....	11,440,591	127,670	731
NET ASSETS - JULY 1, 2006.....	39,931,111	-	(336)
NET ASSETS - JUNE 30, 2007.....	\$ 51,371,702	\$ 127,670	\$ 395

CITY OF CRANSTON, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007HISTORY AND ORGANIZATION

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.

The *Capital Project Funds* account for the acquisition of capital assets or construction of major capital projects other than those financed by proprietary funds.

The *Internal Service Fund*, a proprietary type fund, is used to account for claims made against the City.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The *OPEB Trust Fund* accumulates resources for future retiree health benefits and retiree life insurance benefits for eligible teachers and police and fire retirees.

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

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

The City's pension funds are invested in accordance with the plans investment policy, the City has agreements with the investment advisors, who manage the investment portfolios and have full authority for the investment and reinvestment of pension fund assets.

Investments for the City are reported at fair value.

2. Receivables and Payables

a. Interfunds

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

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, and sewer use are shown net of an allowance for uncollectibles. Allowance percentages range from 5 to 100% of outstanding receivable balances at June 30, 2007, and are calculated upon prior collection history.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

b. Property Taxes and Other Receivables (Continued)

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out (FIFO) method of valuation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are accounted for using the consumption method.

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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

8. Fund Equity and Net Assets

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Equity and Net Assets (Continued)

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

9. Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

The level of budgetary control for the General Fund (that is, the level at which expenditures cannot legally exceed appropriations) is fixed by resolution 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. Amendments to the budget during the year totaled \$538,621, which were funded by increased revenue estimates.

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

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

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

B. Budget - GAAP Reconciliation

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

	<u>GENERAL FUND</u>		<u>SCHOOL DEPARTMENT FUND</u>		
	<u>EXPENDITURES</u>	<u>FUND BALANCE</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE</u>
BALANCE, BUDGETARY BASIS					
JUNE 30, 2007	\$ 225,380,923	\$ 18,493,224	\$ 39,897,605	\$ 124,913,161	\$ 598,588
Expenditures accounted for on the budgetary basis associated with Education funds	(122,702,817)				
Encumbrances outstanding at June 30, 2006 liquidated during the year ended June 30, 2007 ...				412,555	
Encumbrances outstanding at June 30, 2007 charged to budgetary expenditures	(170,709)	170,709			
State Teachers' Retirement on-behalf payment			5,179,055	5,179,055	
BALANCE, GAAP BASIS - JUNE 30, 2007	<u>\$ 102,507,397</u>	<u>\$ 18,663,933</u>	<u>\$ 45,076,660</u>	<u>\$ 130,504,771</u>	<u>\$ 598,588</u>

C. Capital Projects Authorizations

The following is a summary of projects recorded in the Capital Projects Fund at June 30, 2007:

PROJECT NAME	PROJECT AUTHORIZATION	CURRENT YEAR		CUMULATIVE EXPENDITURES	BALANCE JUNE 30, 2007
		EXPENDITURES	EXPENDITURES		
GOVERNMENTAL FUNDS:					
School bond fund	\$ 17,918,772	\$ 7,735,110		\$ 13,750,569	\$ 4,168,203
Police and Fire bond fund	8,901,166	2,469,128		6,869,447	2,031,719
Public building bond fund	1,680,000	650,945		1,096,181	583,819
Recreation bond fund	4,153,932	1,280,722		3,356,600	797,332
Highway bond fund	4,710,674	2,481,107		4,484,959	225,715
Storm drains bond fund	496,893	267,823		496,800	93
Neighborhood infrastructure fund	1,531,223	40,789		1,326,051	205,172
Open space bond fund	481,090			336,760	144,330
ENTERPRISE FUNDS:					
Sewer System Project	1,266,575	828,400		828,400	438,175

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

D. Deficit Fund Balance

During the year ended June 30, 2007, the City had a deficit fund balance in the following funds:

Nonmajor Governmental Funds

Community Development Block Grant.....	\$ 115,557
Storm Drains Bond Fund.....	11,318

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

III. DETAILED NOTES

A. Cash and Investments

1. Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires that deposits be placed in financial institutions that are FDIC insured up to \$100,000 and rated "well capitalized" on the institution's most recent audited financial statements/SEC filings, if deposits exceed \$100,000. As of June 30, 2007, the City's bank balance of \$53,605,499 was insured and collateralized as follows:

Insured	\$ 450,707
Collateralized:	
Collateral held by the pledging banks' trust departments, not in the City's name	<u>53,154,792</u>
Total amount subject to custodial credit risk.....	<u>\$ 53,605,499</u>

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

At June 30, 2007, the City's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)		
		N/A	LESS THAN 1	1-5 YEARS
Mutual Funds:				
Equity Mutual Funds.....	\$ 36,598,233	\$ 36,598,233	\$	\$
Bond Mutual Funds.....	6,257,380			6,257,380
Money Market Mutual Funds.....	1,712,047		1,712,047	
Real Estate Investment Trust.....	2,429,033	2,429,033		
Certificates of Deposit.....	15,716,342		15,716,342	
Guaranteed Investment Contracts	<u>2,288,355</u>		<u>2,288,355</u>	
TOTAL	<u>\$ 65,001,390</u>	<u>\$ 39,027,266</u>	<u>\$ 19,716,744</u>	<u>\$ 6,257,380</u>

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

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

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

III. DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

The City's investments subject to credit risk had average ratings by Standard & Poor's as follows:

<u>AVERAGE RATING</u>	<u>MONEY MARKET MUTUAL FUNDS</u>	<u>GUARANTEED INVESTMENT CONTRACTS</u>	<u>BOND MUTUAL FUNDS</u>
Unrated.....	\$ 1,712,047	\$ 2,288,355	\$ 6,257,380

Custodial credit risk - The City does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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

	<u>TOTAL</u>	<u>LESS INSURED AMOUNTS</u>	<u>AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK</u>
Guaranteed Investment Contracts	\$ 2,288,355	\$ 500,000	\$ 1,728,355
Real Estate Investment Trust	2,429,033	500,000	1,929,033
Total	\$ 4,717,388	\$ 1,000,000	\$ 3,657,388

B. Receivables

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

	<u>PROPERTY TAXES</u>			
	<u>TAXES</u>	<u>INTEREST & PENALTIES</u>	<u>TOTAL</u>	
Current Portion	\$ 1,233,727	\$ 903,098	\$ 2,136,825	
Long-term Portion	\$ 4,229,824	\$ 1,574,200	\$ 5,804,024	
Less Allowance for Uncollectibles	(3,091,000)	(740,571)	(3,831,571)	
Net Long-term Portion.....	\$ 1,138,824	\$ 833,629	\$ 1,972,453	
Total Receivable	\$ 2,372,551	\$ 1,736,727	\$ 4,109,278	
	<u>CONNETTA PARK LOAN</u>	<u>ECONOMIC DEVELOPMENT LOANS</u>	<u>CDBG LOANS</u>	<u>TOTAL</u>
Gross Receivable.....	\$ 105,392	\$ 874,287	\$ 1,231,203	\$ 2,210,882

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

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

	<u>SEWER USE CHARGES</u>
Gross Receivable.....	\$ 1,448,747
Less Allowance for Uncollectibles.....	<u>(381,000)</u>
Net Receivable	<u>\$ 1,067,747</u>

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

DEFERRED REVENUE:

Delinquent property taxes receivable (general fund)	\$ 4,237,602
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UNEARNED REVENUE:

Advance tax collections	881,375
Unearned developer security deposits	89,574
Grant draw-downs prior to meeting all eligibility requirements.....	2,312,360
Unearned charges for services	<u>5,036</u>

TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS.....	<u>\$ 7,525,947</u>
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Sewer	<u>\$ 1,938,920</u>
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CITY OF CRANSTON, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	BALANCE JULY 1, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
<u>Governmental Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land.....	\$ 11,062,827	\$	\$ (11,192)	\$ 11,051,635
Construction in progress.....		5,031,380		5,031,380
Total Capital Assets, not being Depreciated.....	11,062,827	5,031,380	(11,192)	16,083,015
<u>Capital Assets, being Depreciated:</u>				
Land improvements.....	9,458,614	1,477,424		10,936,038
Buildings.....	59,121,582	3,371,812		62,493,394
Machinery and equipment.....	2,653,079	812,643	(8,378)	3,457,344
Office furniture and equipment.....	5,151,755	765,104	(51,324)	5,865,535
Vehicles.....	14,418,660	1,966,254	(1,534,790)	14,850,124
Infrastructure.....	81,676,306	556,234		82,232,540
Total Capital Assets, being Depreciated.....	172,479,996	8,949,471	(1,594,492)	179,834,975
Total Capital Assets.....	183,542,823	13,980,851	(1,605,684)	195,917,990
<u>Less Accumulated Depreciation for:</u>				
Land improvements.....	5,552,647	544,968		6,097,615
Buildings.....	30,829,376	1,148,579		31,977,955
Machinery and equipment.....	1,645,855	238,493	(8,378)	1,875,970
Office furniture and equipment.....	4,930,903	152,369	(73,865)	5,009,407
Vehicles.....	10,892,235	1,287,042	(1,596,193)	10,583,084
Infrastructure.....	26,842,257	1,291,808	(19,771)	28,114,294
Total Accumulated Depreciation.....	80,693,273	4,663,259	(1,698,207)	83,658,325
Total Capital Assets, being Depreciated, net.....	91,786,723	4,286,212	103,715	96,176,650
Governmental Activities Capital Assets, net.....	\$102,849,550	\$ 9,317,592	\$ 92,523	\$112,259,665
<u>Business-Type Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land.....	\$ 342,712	\$	\$	\$ 342,712
Construction in progress.....	5,756,558	276,128	(4,915,708)	1,116,978
Total Capital Assets, not being Depreciated.....	6,099,270	276,128	(4,915,708)	1,459,690
<u>Capital Assets, being Depreciated:</u>				
Land improvements.....	266,795			266,795
Leasehold improvements.....	83,476	30,684		114,160
Collection systems.....	46,507,472	46,341		46,553,813
Treatment and pumping plant.....	74,969,244	6,095,733		81,064,977
Machinery and equipment.....	1,052,420	17,175	(18,370)	1,051,225
Total Capital Assets, being Depreciated.....	122,879,407	6,189,933	(18,370)	129,050,970
Total Capital Assets.....	128,978,677	6,466,061	(4,934,078)	130,510,660
<u>Less Accumulated Depreciation for:</u>				
Land improvements.....	166,983	13,340		180,323
Leasehold improvements.....	6,649	10,290		16,939
Collection systems.....	26,135,343	638,188		26,773,531
Treatment and pumping plant.....	30,314,015	1,678,245		31,992,260
Machinery and equipment.....	900,402	30,893	(18,370)	912,925
Total Accumulated Depreciation.....	57,523,392	2,370,956	(18,370)	59,875,978
Total Capital Assets, being Depreciated, net.....	65,356,015	3,818,977	-	69,174,992
Business-Type Capital Assets, net.....	\$ 71,455,285	\$ 4,095,105	\$ (4,915,708)	\$ 70,634,682

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

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities:

General government	\$2,681,119
Public safety	686,065
Public works	728,884
Education.....	384,357
Parks and recreation	112,241
Public libraries.....	23,547
Senior services.....	<u>47,046</u>
Total Depreciation Expense - Governmental Activities	<u>\$4,663,259</u>

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

Business-Type Activities:

Sewer	\$2,334,588
Public facilities management foundation	12,110
School lunch.....	<u>24,258</u>
Total Depreciation Expense - Business-Type Activities	<u>\$2,370,956</u>

Construction Commitments

The City has active construction projects as of June 30, 2007. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>
Governmental Activities:	
School construction.....	\$ 2,229,246
Playgrounds	<u>46,500</u>
Total	<u>\$ 2,275,746</u>
Business-Type Activities:	
Sewer Plainfield Pike project.....	<u>\$ 438,175</u>

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

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

1. Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2007 is as follows:

	CORRESPONDING FUND	DUE FROM	DUE TO
<u>MAJOR FUNDS:</u>			
<u>GENERAL FUND:</u>			
School unrestricted fund.....	N/A	\$ 227,529	\$
Budget Stabilization	N/A	33,702	
Community Development Fund.....	N/A	24,590	
Public Service Funds.....	N/A	192,812	
Capital Facilities Impact Fund	N/A	2,019	
WIA Job Development Fund	N/A	34,802	
Police and Fire Bond Fund.....	N/A	1,172	
Private Purpose Trust Funds	N/A	1,643	
OPEB Trust Fund.....	N/A	702,854	
Internal Service Fund	N/A	63,173	
Sewer fund.....	N/A	53,302	
TOTAL GENERAL FUND.....		1,337,598	-
<u>SCHOOL SPECIAL REVENUE</u>			
<u>UNRESTRICTED:</u>			
General Fund	N/A		227,529
School Lunch Fund	N/A	283,782	
Restricted School Funds.....	N/A	724,980	
TOTAL SCHOOL SPECIAL REVENUE UNRESTRICTED.....		1,008,762	227,529
<u>SEWER:</u>			
General Fund	N/A		53,302
<u>NONMAJOR FUNDS:</u>			
Restricted School Funds.....	School Unrestricted Fund		724,980
Budget Stabilization Fund.....	General Fund		33,702
Community Development Block Grant Fund	General Fund		24,590
Public Service Funds.....	General Fund		192,812
Capital Facilities Impact Fund	General Fund		2,019
WIA Job Development Fund	General Fund		34,802
Police and Fire Bond Fund.....	General Fund		1,172
TOTAL NONMAJOR FUNDS.....		-	1,014,077
<u>ENTERPRISE FUND:</u>			
School Lunch Fund	School Unrestricted Fund		283,782
<u>INTERNAL SERVICE FUND:</u>			
Insurance Risk Management Fund.....	General Fund		63,173
<u>FIDUCIARY FUNDS:</u>			
OPEB Trust Fund.....	General Fund		702,854
Private Purpose Trust Education Scholarships.....	General Fund		1,643
TOTAL FIDUCIARY FUNDS.....		-	704,497
GRAND TOTAL.....		\$ 2,346,360	\$ 2,346,360

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

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

1. Interfund Payables and Receivables (Continued)

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

2. Interfund Transfers

A summary of interfund transfers as of June 30, 2007 is as follows:

	<u>CORRESPONDING FUND</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL FUND:			
Excise Tax Phase Out Fund.....	N/A	\$ 12,438,045	\$
School Unrestricted Fund.....	N/A		84,513,637
Budget Stabilization Fund.....	N/A	1,500,000	
Police and Fire Bond Fund.....	N/A		4,139
TOTAL GENERAL FUND.....		<u>13,938,045</u>	<u>84,517,776</u>
SCHOOL UNRESTRICTED:			
General Fund.....	N/A	<u>84,513,637</u>	
NONMAJOR FUNDS:			
Budget Stabilization Fund.....	General Fund		1,500,000
Public Service Fund.....	Police and Fire Bond Fund		79,000
Police and Fire Bond Fund.....	General Fund	4,139	
Police and Fire Bond Fund.....	Public Service Fund	79,000	
Excise Tax Phase Out Fund.....	General Fund		<u>12,438,045</u>
TOTAL NONMAJOR FUNDS.....		<u>83,139</u>	<u>14,017,045</u>
GRAND TOTAL		<u>\$ 98,534,821</u>	<u>\$ 98,534,821</u>

E. Short-Term Obligations - Bond Anticipation Notes

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

Short-term obligation activity for the year ended June 30, 2007 was as follows:

<u>TYPE OF OBLIGATION</u>	<u>BALANCE JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE JUNE 30, 2007</u>
Bond Anticipation Note.....	<u>\$ 1,300,000</u>	<u>\$ -</u>	<u>\$ 1,300,000</u>	<u>\$ -</u>

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

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations

1. Summary of Changes

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

Governmental Activities:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007	CURRENT PORTION
GENERAL OBLIGATION:									
Public improvement	\$ 17,540,000	06/15/98	07/15/18	4.4-6.0%	\$ 2,185,000	\$	\$ 585,000	\$ 1,600,000	\$ 780,000
Public improvement	16,115,000	11/15/99	11/15/19	4.5-5.45%	2,425,000		325,000	2,100,000	660,000
Refunding	13,320,000	12/01/00	07/01/15	4.5-5.5%	8,615,000		955,000	7,660,000	960,000
Public improvement	27,050,000	02/15/04	02/15/24	2.0-5.0%	24,340,000		1,355,000	22,985,000	1,355,000
Advance refunding	22,280,000	05/13/05	07/15/19	3.0-5.0%	22,220,000		5,000	22,215,000	105,000
Public improvements	23,900,000	6/14/06	4/1/2026	4.0-5.0%	23,900,000		995,000	22,905,000	805,000
Total General Obligation Bonds.....					83,685,000	-	4,220,000	79,465,000	4,665,000
Bond Premiums.....					2,870,376		150,351	2,720,025	
TOTAL BONDS AND RELATED LIABILITIES					86,555,376	-	4,370,351	82,185,025	4,665,000
LEASES PAYABLE:									
Public Facilities Management									
Foundation Lease	5,130,000	11/01/00	11/01/15	4.75 - 5.25%	3,810,000		300,000	3,510,000	315,000
Modular buildings.	138,599	07/30/01	06/30/06	5.25%	2,621		2,621	-	-
Musical Instruments	114,811	10/16/06	12/01/10	7.81%		114,811	25,658	89,153	19,840
Modular buildings.	189,573	09/01/02	09/01/07	4.85%	49,097		41,912	7,185	7,185
Telephone equipment	95,484	08/01/02	08/01/07	0.0%	20,688		19,097	1,591	1,591
School buses	420,000	12/15/02	12/15/07	3.84%	96,666		96,666	-	-
Vehicle - trucks.....	1,478,889	10/31/01	10/31/07	5.4%	457,764		222,865	234,899	234,899
Total Leases Payable.....					4,436,836	114,811	708,819	3,842,828	578,515
TOTAL BONDS AND NOTES AND RELATED LIABILITIES					90,992,212	114,811	5,079,170	86,027,853	5,243,515
COMPENSATED ABSENCES					8,876,783	4,069,279	3,223,661	9,722,401	2,229,872
DEFERRED SALARY					369,464		20,250	349,214	34,921
NET PENSION OBLIGATION.....					88,555,714		1,013,794	87,541,920	
CLAIMS AND JUDGMENTS.....					60,000			60,000	30,000
TOTAL LONG-TERM OBLIGATIONS					\$ 188,854,173	\$ 4,184,090	\$ 9,336,875	\$ 183,701,388	\$ 7,538,308

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

Capital assets obtained from capital leases totaled \$2,437,356.

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

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

Business-Type Activities:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007	CURRENT PORTION
ENTERPRISE FUNDS									
SEWER:									
RI Clean Water.....	\$ 3,242,000	09/01/93	09/01/15	3.0%	\$ 1,621,000	\$	\$ 162,100	\$ 1,458,900	\$ 162,100
RI Clean Water.....	700,000	08/25/99	09/01/157	3.0%	498,184		43,832	454,352	45,065
RI Clean Water.....	2,000,000	11/13/03	09/01/27	0.0%	1,900,000		100,000	1,800,000	100,000
RI Clean Water.....	3,400,000	12/30/04	09/01/11	0.0%	2,914,000		486,000	2,428,000	486,000
RI Clean Water.....	900,000	09/01/05	09/01257	3.0%	900,000		10,000	890,000	10,000
TOTAL SEWER.....					7,833,184	-	801,932	7,031,252	803,165
PUBLIC FACILITIES MANAGEMENT FOUNDATION:									
Certificates of participation.....	5,130,000	11/01/00	11/01/15	4.75-5.25%	3,810,000		300,000	3,510,000	315,000
Certification of participation unamortized discount.....					(30,494)		(5,337)	(25,157)	
TOTAL BONDS AND RELATED LIABILITIES.....					11,612,690	-	1,096,595	10,516,095	1,118,165
COMPENSATED ABSENCES.....					19,767	7,796		27,563	2,756
DEFERRED SALARY.....					1,500			1,500	150
TOTAL ENTERPRISE FUNDS.....					\$ 11,633,957	\$ 7,796	\$ 1,096,595	\$ 10,545,158	\$ 1,121,071

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

YEAR ENDING JUNE 30,	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			
	GENERAL OBLIGATION DEBT		LEASES PAYABLE		CERTIFICATES OF PARTICIPATION		CLEAN WATER BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2008	\$ 4,665,000	\$ 3,601,907	\$ 578,515	\$ 188,155	\$ 315,000	\$ 168,462	\$ 803,165	\$ 100,986
2009	4,780,000	3,416,785	356,390	158,032	335,000	152,618	804,433	91,737
2010	4,885,000	3,223,537	373,061	139,795	350,000	136,053	805,736	82,449
2011	5,005,000	3,017,573	389,862	120,652	365,000	118,710	807,076	73,119
2012	5,135,000	2,793,139	385,000	100,143	385,000	100,143	806,454	63,752
2013-2017	25,925,000	10,352,958	1,760,000	188,803	1,760,000	188,802	1,604,388	148,287
2018-2022	19,845,000	4,552,170					800,000	54,445
2023-2025	9,225,000	952,650					600,000	12,378
TOTALS	\$ 79,465,000	\$ 31,910,719	\$ 3,842,828	\$ 895,580	\$ 3,510,000	\$ 864,788	\$ 7,031,252	\$ 627,153

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

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

2. Statutory Debt Limitations

Debt Limit

Except as explained below, under Rhode Island law the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. There is currently no outstanding debt of the City subject to the 3% debt limit. The current 3% debt limit of the City is \$257 million based on taxable property as of December 31, 2005, of approximately \$8.6 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, 2007, the City had \$79,465,000 of debt outstanding, none of which is subject to the 3% debt limit.

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

3. Prior Year Debt Refundings

During the fiscal year ending 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 new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2007, \$21,180,000 of bonds outstanding are considered defeased.

4. Authorized/Unissued Bonds

The amount of authorized, unissued bonds is as follows:

General purposes	\$ 14,990,022
Schools	<u>9,816,228</u>
TOTAL	<u>\$ 24,806,250</u>

5. Deferred Salary

Deferred salary represents an agreement Cranston Public Schools made with the teachers union in 1992. Under the agreement any teacher who was employed by the school system prior to and inclusive of the 1991-1992 school year is eligible, upon departure from the Cranston Public School system, for a stipend. The amount of the stipend is based on the salary step held by the teacher during the 1991-1992 school year. The deferral, not to exceed \$1,500 per teacher will be paid in a lump sum upon each teacher's separation from service. In the event a teacher dies while in the employ of the Cranston Public Schools the benefit will be paid to the teacher's estate. As of June 30, 2007, there were 277 teachers eligible for the benefit, with an outstanding balance of \$349,214.

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

IV. OTHER INFORMATION

A. Risk Management

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

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

The City of Cranston contributes to a separate account an amount per covered employee which would otherwise have been paid to an insurance carrier. These amounts are determined by an independent third party consultant hired by the City of Cranston who works with the provider to examine past experience and determine an adequate amount for each type of plan offered by the City. Factors considered by the plan administrator include the amount of claims paid during the previous year, claims administration costs and projected insurance industry inflation rates. The City of Cranston, including Cranston Public Schools, incurred approximately \$30 million for fiscal year 2007 under this plan.

The claims liabilities reported in the general and school department funds are related to the self-insurance program and are based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported (IBNR) be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation, and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop-loss insurance" from 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 Claims Committee (an internal service fund) to account for and finance its uninsured risks of loss.

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

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

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Changes in the self-insurance liability for the fiscal years ended June 30, 2007 and June 30, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
July 1.....	\$ 3,345,795	\$ 3,056,894
Add: incurred claims.....	33,970,653	30,007,423
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health and life.....	28,781,177	26,052,374
Other claims.....	<u>377,031</u>	<u>3,666,148</u>
June 30.....	<u>\$ 8,158,240</u>	<u>\$ 3,345,795</u>

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

B. Lease of Wastewater Treatment Facility

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

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

At June 30, 2007, the balance of unearned revenue related to this was \$28,800,000, which is comprised of a short-term portion of \$1,920,000 and a long-term portion of \$26,880,000.

During the term of the agreement, the City pays the Company a service fee, which is calculated based on definitive components and amounts, as adjusted in accordance with guidelines established in the agreement. The service fee is generally fixed at the beginning of each fiscal year. During 2007, the City paid service fees totaling \$13.1 million. The City also recognized 4% of the lease payment (\$1,920,000) as revenue for the year ended June 30, 2007.

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

IV. OTHER INFORMATION (CONTINUED)

C. Commitments and Litigation

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

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

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

D. Employee Retirement Systems

Summary

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

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

a. Summary of Significant Accounting Policies and Plan Asset Matters

(i) Basis of Accounting

PFERS' financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contract requirements and investment income is recognized when earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the plan.

(ii) Valuation of Investments

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

b. Classes of Employees Covered

As of July 1, 2007, the plans' membership consists of:

	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Retirees, disability retirees and beneficiaries receiving benefits	216	191	407
Active plan members vested	60	37	97
Active plan members non vested	-	-	-
TOTALS	<u>276</u>	<u>228</u>	<u>504</u>

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

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

c. Benefit Provisions

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

Contributions

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

d. Schedule of Employer Contributions

<u>PERIOD ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
June 30, 2002	\$18,996,537	\$ 9,482,990	50%
June 30, 2003	24,945,408	14,949,999	60%
June 30, 2004	21,877,449	23,876,569	109%
June 30, 2005	22,147,958	20,024,158	90%
June 30, 2006	21,723,021	21,339,876	98%
June 30, 2007	21,723,021	21,723,021	100%

e. Actuarial Assumptions

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

VALUATION DATE.....	JULY 1, 2007
ACTUARIAL COST METHOD	ATTAINED AGE NORMAL
ASSET VALUATION METHOD.....	FAIR VALUE
ACTUARIAL ASSUMPTIONS:	
Investment Rate of Return.....	8%

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

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

e. Actuarial Assumptions (Continued)

PROJECTED SALARY INCREASES:

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

AMORTIZATION METHOD OPEN
 LEVEL DOLLAR

REMAINING AMORTIZATION PERIOD..... 26 YEARS

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

The changes in the net pension obligation of PFERS as of June 30, 2007, were as follows:

Annual required contribution	\$ 21,723,021
Interest on net pension obligation	7,084,457
Adjustments to ARC.....	(8,098,251)
Annual pension cost	20,709,227
Contribution made	(21,723,021)
Change in net pension obligation.....	(1,013,794)
Net pension obligation - July 1, 2006	<u>88,555,714</u>
Net pension obligation - June 30, 2007.....	<u>\$ 87,541,920</u>

g. Three Year Trend Information

YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
2007	\$20,709,227	100%	\$87,541,920
2006	20,788,384	100%	88,555,714
2005	21,303,175	100%	89,107,206

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

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

a. Plan Description

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

b. Funding Policy

Covered employees are required by Rhode Island General Law Section 45-21-41 to contribute 6% of their salary to the plan and contribute an additional 1% for a cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal cost and, where applicable, a payment to amortize the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized as a level percent of payroll over a close period of 30 years measured from June 30, 1999. Police contribute 10% and fire personnel are required to contribute 11.5% of their salary with the excess contribution (1.5%) offsetting the City's required contribution. For 2007, the City's contribution rate for police personnel was 17.14% and 19.10% for fire personnel, resulting in a net contribution by the City for fire personnel of 17.60%.

c. Contributions

The City's contribution rate for general employees was 3.14%.

<u>YEAR ENDED JUNE30,</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
<u>General Employees</u>			
2005	\$ -	\$ -	100%
2006	9,541	9,541	100%
2007	395,156	395,156	100%
<u>Police</u>			
2005	\$731,118	\$731,118	100%
2006	823,426	823,426	100%
2007	1,024,180	1,024,180	100%
<u>Fire</u>			
2005	\$996,437	\$996,437	100%
2006	952,013	952,013	100%
2007	1,247,321	1,247,321	100%

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

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

a. Plan Description

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

Classified employees who retire at or after age 60 with 10 years of credited service on or before July 1, 2005, or at any age with 28 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 80% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. The percent of earnings related to each year of credited service is as follows:

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

For classified employees who were hired after July 1, 2005, or for current employees with less than 10 years of contributory services on or before July 1, 2005, who attain at least 10 years of credited service, will become entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 75% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. An unreduced retirement benefit becomes available at age 65 and 10 years of service; actuarially reduced retirement benefits become available at age 55 and 20 years of service. The percent of earnings related to each year of credited service is as follows:

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1 - 10	1.60%
11 - 20	1.80%
21 - 25	2.00%
26 -30	2.25%
31 -37	2.50%

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

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

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

b. Funding Policy

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

c. Contributions

The School Department's required contributions and actual contributions made for the years ended June 30, 2007, 2006, and 2005 were as follows:

PERIOD ENDED JUNE 30.	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
2005	\$5,371,312	\$5,371,312	100%
2006	6,163,913	6,163,913	100%
2007	7,951,182	7,951,182	100%

4. National (Industrial) Pension Plan

a. Plan Description

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

b. Funding Policy

Covered employees are not required to contribute to the Plan. For Fiscal Year ended June 30, 2007, the City was required to contribute \$.97 per hour, and the School Department was required to contribute \$.48 per hour for each hour worked by the employees to the Plan.

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

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement Systems (Continued)

4. National (Industrial) Pension Plan (Continued)

c. Contributions

Contributions for the past three years were as follows:

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
<u>City</u>			
2005	\$ 160,312	\$ 160,312	100%
2006	132,843	132,843	100%
2007	139,661	139,661	100%
<u>School Department</u>			
2005	\$ 68,689	\$ 68,689	100%
2006	70,905	70,905	100%
2007	85,540	85,540	100%

5. New England Teamsters & Trucking Industry Pension Plan

a. Plan Description

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

b. Funding Policy

Covered employees are currently not required to contribute to the Plan. For the Fiscal Year ended June 30, 2007, the City was required to contribute \$.55 per hour for each hour worked by the employees to the Plan.

c. Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
2005	\$106,045	\$106,045	100%
2006	160,662	160,662	100%
2007	165,352	165,352	100%

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

IV. OTHER INFORMATION (CONTINUED)

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

1. Plan Description

The City maintains and administers a single-employer OPEB benefit plan that covers all public safety employees. The plan provides health benefits and life insurance benefits to eligible retired police and fire employees and their beneficiaries. The plan's provisions may be amended by the City and the Trustees of the plan. The trust is accounted for as an OPEB trust fund in the City's financial statements.

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

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

b. Valuation of Investments

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

c. Classes of Employees Covered

As of July 1, 2006 (date of the last actuarial valuation) membership data was as follows:

Active employees	713
Inactive Employees:	
Retirees	220
Spouses	173
Retiree (Life only)	<u>117</u>
Total plan members	<u>849</u>

3. Funding Policy

The City established an Irrevocable Trust Agreement (OPEB Trust) effective July 1, 2006, and has started to pre-fund OPEB liabilities. The City pays certain medical premiums for a retiree and certain dependents until they reach the age of 65 years unless they are not covered by Medicare benefits, in that case, coverage continues for life. If a firefighter dies before reaching normal retirement age, the City pays for the benefit of the firefighter's family, if any, the full cost of family medical coverage (as in effect at the time of the firefighter's death) until the firefighter's normal retirement date. In addition, the City pays the premium for life insurance for its retirees having a coverage amount of \$17,000.

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

IV. OTHER INFORMATION (CONTINUED)

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

4. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer and employees who elect dependent coverage (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 3,515,765
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	3,515,765
Contributions made	<u>3,692,176</u>
Decrease in net OPEB obligation	176,411
Net OPEB asset - July 1, 2006	-
Net OPEB asset - June 30, 2007	<u>\$ 176,411</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/07	\$ 3,515,765	105%	\$ 176,411

5. Funded Status and Funding Progress

Actuarial accrued liability (AAL)	\$47,222,807
Actuarial value of plan assets	<u>127,670</u>
Unfunded actuarial accrued liability (UAAL)	47,095,137
Funded ratio (actuarial value of plan assets/AAL)	0.3%
Covered payroll (active plan members)	n/a
UAAL as a percentage of covered payroll	n/a

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

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

IV. OTHER INFORMATION (CONTINUED)

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

6. Actuarial Methods and Assumptions

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

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

The projected unit credit cost method was used in the July 1, 2007 actuarial valuation. Actuarial assumptions included an 8.0% investment rate of return (net of administrative expenses). Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. The City does use other assets to pay the liabilities on a pay-as-you-go basis at the present time. The actuarial assumptions for healthcare cost trend is growth of 6% for 2007 and declining by 1% per year until 5% is reached. The 5% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period.

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

The Cranston Public Schools pay 100% of the cost of individual health care insurance and dental insurance benefits for all retired eligible employees retiring before September 1, 2005 until the employee reaches the age of 65. Cost shares have been negotiated for teachers (5% of plan cost) and administrators (10% of plan cost) retiring after September 1, 2005. No benefits are paid for employees retiring prior to 1988.

The School Department funds post retirement benefits on a pay as you go basis. Expenditures for the benefits described above for the year ended June 30, 2007 were \$2,140,722 which consisted of \$2,020,739 for health insurance benefits and \$119,983 for dental insurance benefits. During the year ended June 30, 2007, 343 retirees received benefits under this plan.

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

IV. OTHER INFORMATION (CONTINUED)

G. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the City's teachers to the Employees' Retirement System of the State of Rhode Island was \$5,179,055.

H. Subsequent Events

On October 4, 2007, the City issued General Obligation Bond Anticipation Notes in the amount of \$6,740,000, at 4.0% interest maturing on October 2, 2008. These notes were issued to pay off a \$1,500,000 claim against the City and to fund various capital projects.

I. Restatements

Government-Wide Financial Statements:

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

	<u>BUSINESS-TYPE ACTIVITIES</u>
Net assets, June 30, 2006, as previously reported	\$ 36,175,800
Adjustment to record prior year sewer fund receivable	1,541,215
Adjustment to record prior year unrecorded fixed asset additions in sewer fund	<u>861,096</u>
Net assets, July 1, 2006, as restated	<u>\$ 38,578,111</u>
 <u>Sewer Fund</u>	
Net assets, June 30, 2006, as previously reported	\$ 35,280,056
Adjustment to record prior year sewer fund receivable	1,541,215
Adjustment to record prior year unrecorded fixed asset additions in sewer fund	<u>861,096</u>
Net assets, July 1, 2006, as restated	<u>\$ 37,682,367</u>

**Required
Supplementary
Information**

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
General property taxes.....	\$ 148,758,292	\$ 148,758,292	\$ 147,243,054	\$ (1,515,238)
Intergovernmental	21,160,473	21,435,073	22,319,660	884,587
Charges for Services:				
Licenses and permits.....	4,444,505	4,469,505	3,713,314	(756,191)
Fines and forfeitures.....	1,575,000	1,575,000	1,565,791	(9,209)
Departmental.....	9,448,014	9,498,014	6,103,244	(3,394,770)
Investment income.....	1,253,172	1,253,172	3,062,769	1,809,597
Education.....	39,357,420	39,685,041	39,685,041	-
Other.....	349,175	210,575	248,991	38,416
TOTAL REVENUES.....	226,346,051	226,884,672	223,941,864	(2,942,808)
EXPENDITURES:				
Current:				
Executive.....	530,360	530,360	514,240	16,120
City Council.....	268,583	268,583	224,437	44,146
Law.....	462,300	462,300	4,069,701	(3,607,401)
Personnel.....	207,863	207,863	207,691	172
City Clerk.....	1,708,201	1,558,201	1,366,428	191,773
Probate Court.....	19,339	19,339	18,996	343
Municipal Court.....	310,563	310,563	256,033	54,530
Board of Canvassers.....	414,980	414,980	357,929	57,051
City Planning.....	353,323	353,323	331,417	21,906
Economic Development.....	296,349	296,349	175,920	120,429
Finance.....	3,966,705	3,966,705	3,652,966	313,739
Fire.....	24,680,588	24,816,588	24,614,281	202,307
Inspections.....	960,026	985,026	943,339	41,687
Police.....	17,709,396	17,859,396	17,819,154	40,242
Public works.....	13,237,052	13,237,052	12,894,372	342,680
Parks and recreation.....	1,994,835	1,994,835	1,992,756	2,079
Public libraries.....	3,009,186	3,009,186	3,009,186	-
Community Grants.....	140,500	140,500	140,500	-
Senior services.....	2,714,201	2,764,201	2,749,941	14,260
Municipal Debt.....	7,001,383	7,001,383	6,034,994	966,389
Long-Term Debt.....	19,172,439	19,172,439	19,172,439	-
Boards and Commissions.....	41,940	41,940	29,672	12,268
Harbor Master.....	5,691	5,691	5,011	680
Sealer of Weights and Measures.....	2,691	2,691	-	2,691
Rescue Fund.....	3,266,500	3,266,500	600,842	2,665,658
Education.....	123,871,057	124,198,678	124,198,678	-
TOTAL EXPENDITURES.....	226,346,051	226,884,672	225,380,923	1,503,749
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	(1,439,059)	\$ (1,439,059)
FUND BALANCE - JULY 1, 2006.....			19,932,283	
FUND BALANCE - JUNE 30, 2007.....			<u>\$ 18,493,224</u>	

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND - SCHOOL UNRESTRICTED
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
State aid.....	\$ 35,580,911	\$ 35,580,911	\$ 35,580,906	\$ (5)
Federal through State.....	1,900,000	1,900,000	1,900,000	-
Tuition.....	1,895,130	2,101,382	2,122,198	20,816
Miscellaneous.....	309,000	318,085	294,501	(23,584)
TOTAL REVENUES.....	39,685,041	39,900,378	39,897,605	(2,773)
EXPENDITURES:				
Salaries.....	80,067,522	80,441,234	80,500,150	(58,916)
Employee benefits.....	29,773,361	30,247,892	30,169,397	78,495
Purchased services.....	9,555,402	9,157,439	8,997,330	160,109
Supplies and materials.....	4,512,746	4,433,877	4,518,975	(85,098)
Capital outlay.....	597,829	539,864	534,771	5,093
Other.....	223,297	189,577	192,538	(2,961)
TOTAL EXPENDITURES.....	124,730,157	125,009,883	124,913,161	96,722
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..	(85,045,116)	(85,109,505)	(85,015,556)	93,949
OTHER FINANCING SOURCES:				
Transfers in City of Cranston.....	84,513,637	84,513,637	84,513,637	-
APPROPRIATION OF FUND BALANCE	531,479	595,868		595,868
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	(501,919)	\$ (501,919)
FUND BALANCE - JULY 1, 2006.....			1,100,507	
FUND BALANCE - JUNE 30, 2007.....			\$ 598,588	

CITY OF CRANSTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CRANSTON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

POLICE AND FIRE PLAN											
ACTUARIAL VALUATION DATE JULY1,	A		B		(A-B)		(A/B)		C		[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
	ACTUARIAL VALUE OF ASSETS	\$	ACTUARILLY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	\$	OVER (UNDER) FUNDED AAL	\$	FUNDED AAL RATIO	COVERED PAYROLL	\$		
2002	19,237,000	\$	256,292,000	\$	(237,055,000)	7.5%	10,654,000	\$	(2,225.0%)		
2003	17,960,000		218,407,000		(200,447,000)	8.2%	9,596,000		(2,088.9%)		
2004	27,622,000		242,850,000		(215,228,000)	11.4%	9,446,000		(2,278.5%)		
2005	31,641,000		252,222,000		(220,581,000)	12.5%	7,879,000		(2,799.6%)		
2006	39,606,000		257,475,000		(217,869,000)	15.4%	7,013,000		(3,106.6%)		
2007	51,372,000		259,643,000		(208,271,000)	19.8%	6,678,000		(3,118.8%)		

PUBLIC SAFETY OPEB TRUST PLAN											
ACTUARIAL VALUATION DATE JULY1,	A		B		(A-B)		(A/B)		C		[(B-A)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
	ACTUARIAL VALUE OF ASSETS	\$	ACTUARILLY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	\$	OVER (UNDER) FUNDED AAL	\$	FUNDED AAL RATIO	COVERED PAYROLL	\$		
2007	127,670	\$	47,222,807	\$	0.3%	47,095,137	\$	N/A		N/A	

Supplemental Schedules

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Budget Stabilization - This fund was established to create a reserve to offset significant budget fluctuations in the General Fund from year to year (ordinance specifies items that can be appropriated).

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

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

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

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

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

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

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

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

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

Special Revenue Funds (Continued)

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

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

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

RSVP
Multipurpose Center
Adult Day Care
Senior Service Special Project

Capital Project Funds

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

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

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

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

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

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

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

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

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

SCHEDULE 1
(1 of 4)

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds				
	Education	Budget Stabilization	Hospital Stabilization	Community Development Block Grant	Public Service
ASSETS:					
Cash and cash equivalents	\$ 415,110	\$ 1,390,779	\$ 2,119,839	\$	\$ 797,161
Investments					
Receivables:					
Intergovernmental	596,099			1,231,203	
Loans					46,065
Other	84				
Prepays	22,567				
TOTAL ASSETS	\$ 1,033,860	\$ 1,390,779	\$ 2,119,839	\$ 1,231,203	\$ 843,226
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 102,616	\$ 93,838	\$	\$ 86,491	\$ 2,837
Accrued payroll				4,476	
Retainage payable					
Due to other funds	724,980	33,702		24,590	192,812
Unearned revenues	101,478			1,231,203	546
Other liabilities					
TOTAL LIABILITIES	929,074	127,540	-	1,346,760	196,195
FUND BALANCES:					
Reserved for commitments					
Reserved for prepaid items	22,567				
Unreserved, reported in:					
Special revenue funds	82,219	1,263,239	2,119,839	(115,557)	647,031
Capital project funds					
TOTAL FUND BALANCES	104,786	1,263,239	2,119,839	(115,557)	647,031
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,033,860	\$ 1,390,779	\$ 2,119,839	\$ 1,231,203	\$ 843,226

(Continued)

CITY OF CRANSTON, RHODE ISLAND

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds						Economic Development Revolving Loan
	Restitution	Cultural Services	Public Works	Excise Tax Phase-out	Governmental Special Revenue Funds		
ASSETS:							
Cash and cash equivalents	\$ 90,848	\$ 235,610	\$ 268,731	\$ 4,172	\$ 680,253	\$ 744,615	
Investments							
Receivables:							
Intergovernmental							
Loans					105,392	874,287	
Other							
Prepays							
TOTAL ASSETS	\$ 90,848	\$ 235,610	\$ 268,731	\$ 4,172	\$ 785,645	\$ 1,618,902	
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable		\$ 1,950	\$	\$	\$ 5,557	\$	
Accrued payroll							
Retainage payable							
Due to other funds					105,392	874,287	
Unearned revenues					135,000		
Other liabilities							
TOTAL LIABILITIES	-	1,950	-	-	245,949	874,287	
FUND BALANCES:							
Reserved for commitments							
Reserved for prepaid items							
Unreserved, reported in:							
Special revenue funds	90,848	233,660	268,731	4,172	539,696	744,615	
Capital project funds							
TOTAL FUND BALANCES	90,848	233,660	268,731	4,172	539,696	744,615	
TOTAL LIABILITIES AND FUND BALANCES	\$ 90,848	\$ 235,610	\$ 268,731	\$ 4,172	\$ 785,645	\$ 1,618,902	

CITY OF CRANSTON, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds			Capital Project Funds		
	Capital Facilities Development Impact Fees	WIA Job Development	Senior Services	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund
ASSETS:						
Cash and cash equivalents	\$ 2,195,695	\$ 72,613	\$ 289,406	\$ 6,240,446	\$ 3,282,183	\$ 583,819
Investments			16,858			
Receivables:						
Intergovernmental						
Loans						
Other						
Prepays						
TOTAL ASSETS	\$ 2,195,695	\$ 72,613	\$ 306,264	\$ 6,240,446	\$ 3,282,183	\$ 583,819
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 74,061	\$ 462	\$ 14,002	\$ 2,193,762	\$ 1,249,292	\$ -
Accrued payroll		5,070				
Retainage payable				330,695		
Due to other funds	2,019	34,802			1,172	
Unearned revenues	4,490					
Other liabilities						
TOTAL LIABILITIES	80,570	40,334	14,002	2,524,457	1,250,464	-
FUND BALANCES:						
Reserved for commitments						
Reserved for prepaid items				2,229,246		
Unreserved, reported in:						
Special revenue funds	2,115,125	32,279	292,262	1,486,743	2,031,719	583,819
Capital project funds						
TOTAL FUND BALANCES	2,115,125	32,279	292,262	3,715,989	2,031,719	583,819
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,195,695	\$ 72,613	\$ 306,264	\$ 6,240,446	\$ 3,282,183	\$ 583,819

CITY OF CRANSTON, RHODE ISLAND

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Capital Project Funds					Total Nonmajor Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Neighborhood Infrastructure Bond Fund	Open Space Bond Fund	
ASSETS:						
Cash and cash equivalents	\$ 941,886	\$ 577,274	\$ 153,391	\$ 232,169	\$ 144,330	\$ 21,460,330
Investments						16,858
Receivables:						
Intergovernmental						596,099
Loans						2,210,882
Other						46,149
Prepays						22,567
TOTAL ASSETS	\$ 941,886	\$ 577,274	\$ 153,391	\$ 232,169	\$ 144,330	\$ 24,352,885
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 144,554	\$ 337,958	\$ 153,298	\$	\$	\$ 4,460,678
Accrued payroll						9,546
Retainage payable	65,099	54,295	11,411			461,500
Due to other funds						1,014,077
Unearned revenues						2,317,396
Other liabilities						135,000
TOTAL LIABILITIES	209,653	392,253	164,709	-	-	8,398,197
FUND BALANCES:						
Reserved for commitments	46,500					2,275,746
Reserved for prepaid items						22,567
Unreserved, reported in:						
Special revenue funds	685,733	185,021	(11,318)	232,169	144,330	8,318,159
Capital project funds	732,233	185,021	(11,318)	232,169	144,330	5,338,216
TOTAL FUND BALANCES	1,466,466	370,042	(22,636)	464,338	288,660	15,954,688
TOTAL LIABILITIES AND FUND BALANCES	\$ 941,886	\$ 577,274	\$ 153,391	\$ 232,169	\$ 144,330	\$ 24,352,885

CITY OF CRANSTON, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds				
	Education	Budget Stabilization	Hospital Stabilization	Community Development Block Grant	Public Service
REVENUES:					
Intergovernmental	\$ 7,673,681	\$	\$	\$ 1,629,249	\$ 101,363
Charges for services	525,606				938,433
Investment income	2,949			233,765	41,337
Other	127,525				
TOTAL REVENUES	8,329,761	-	-	1,863,014	1,081,133
EXPENDITURES:					
Current:					
General government		168,330			
Public safety		119,608	3,000,000		1,193,705
Education	8,344,670	708,878			
Parks and recreation					
Public libraries					
Senior services					
Community development				1,916,946	
Debt service:					
Interest and other costs					
Capital:					
Capital expenditures		545,014			
TOTAL EXPENDITURES	8,344,670	1,541,830	3,000,000	1,916,946	1,193,705
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,909)	(1,541,830)	(3,000,000)	(53,932)	(112,572)
OTHER FINANCING SOURCES (USES):					
Transfers in		(1,500,000)			(79,000)
Transfers out					
NET OTHER FINANCING SOURCES (USES)	-	(1,500,000)	-	-	(79,000)
NET CHANGE IN FUND BALANCES	(14,909)	(3,041,830)	(3,000,000)	(53,932)	(191,572)
FUND BALANCES - JULY 1, 2006	119,695	4,305,069	5,119,839	(61,625)	838,603
FUND BALANCES - JUNE 30, 2007	\$ 104,786	\$ 1,263,239	\$ 2,119,839	\$ (115,557)	\$ 647,031

CITY OF CRANSTON, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds						Economic Development Revolving Loan
	Restitution	Cultural Services	Public Works	Excise Tax Phase-out	Special Revenue Funds	Governmental	
REVENUES:							
Intergovernmental							
Charges for services		36,963		12,438,045	181,159		147,120
Investment income	4,805	11,887	15,319	4,283	30,220		77,690
Other							
TOTAL REVENUES	4,805	48,850	15,319	12,442,328	211,379		224,810
EXPENDITURES:							
Current:							
General government	9,040		59,976	8,783	55,559		107,365
Public safety							
Education							
Parks and recreation		15,768					
Public libraries		30,016					
Senior services							
Community development							
Debt service:							
Interest and other costs							
Capital:							
Capital expenditures							
TOTAL EXPENDITURES	9,040	45,784	59,976	8,783	55,559		107,365
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,235)	3,066	(44,657)	12,433,545	155,820		117,445
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out				(12,438,045)			
NET OTHER FINANCING SOURCES (USES)	-	-	-	(12,438,045)	-		-
NET CHANGE IN FUND BALANCES	(4,235)	3,066	(44,657)	(4,500)	155,820		117,445
FUND BALANCES - JULY 1, 2006	95,083	230,594	313,388	8,672	383,876		627,170
FUND BALANCES - JUNE 30, 2007	\$ 90,848	\$ 233,660	\$ 268,731	\$ 4,172	\$ 539,696		\$ 744,615

CITY OF CRANSTON, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds				Capital Project Funds			
	Capital Facilities Development Impact Fees	WIA Job Development	Senior Services	School Bond Fund	Police and Fire Bond Fund	Public Building Bond Fund		
REVENUES:								
Intergovernmental Charges for services	\$ 380,808	\$ 312,519	\$ 106,168	\$ -	\$ 92,820	\$ -		
Investment income	134,330	2,099	13,743					
Other								
TOTAL REVENUES	515,138	314,618	119,911	-	92,820	-		
EXPENDITURES:								
Current:								
General government	205,229	325,564						
Public safety	216,355							
Education								
Parks and recreation	507,624							
Public libraries								
Senior services			102,454					
Community development								
Debt service:								
Interest and other costs							12,687	
Capital:								
Capital expenditures	500,000			7,735,110	2,469,128	650,945		
TOTAL EXPENDITURES	1,429,208	325,564	102,454	7,735,110	2,481,815	650,945		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(914,070)	(10,946)	17,457	(7,735,110)	(2,388,995)	(650,945)		
OTHER FINANCING SOURCES (USES):								
Transfers in							83,139	
Transfers out								
NET OTHER FINANCING SOURCES (USES)	-	-	-	-	83,139	-		
NET CHANGE IN FUND BALANCES	(914,070)	(10,946)	17,457	(7,735,110)	(2,305,856)	(650,945)		
FUND BALANCES - JULY 1, 2006	3,029,195	43,225	274,805	11,451,099	4,337,575	1,234,764		
FUND BALANCES - JUNE 30, 2007	\$ 2,115,125	\$ 32,279	\$ 292,262	\$ 3,715,989	\$ 2,031,719	\$ 583,819		

SCHEDULE 2
(4 of 4)

CITY OF CRANSTON, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Capital Project Funds				Total Non-Major Governmental Funds
	Recreation Bond Fund	Highway Bond Fund	Storm Drains Bond Fund	Neighborhood Infrastructure Bond Fund	
REVENUES:					
Intergovernmental	\$ 300,000	\$	\$	\$ 200,270	\$ 22,435,428
Charges for services					2,628,776
Investment income				7,227	572,427
Other					134,752
TOTAL REVENUES	300,000	-	-	207,497	25,771,383
EXPENDITURES:					
Current:					
General government					939,846
Public safety					4,529,668
Education					9,053,548
Parks and recreation					523,392
Public libraries					30,016
Senior services					102,454
Community development					1,916,946
Debt service:					
Interest and other costs	3,806				16,493
Capital:					
Capital expenditures	1,280,722	2,481,107	267,823	40,789	15,970,638
TOTAL EXPENDITURES	1,284,528	2,481,107	267,823	40,789	33,083,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(984,528)	(2,481,107)	(267,823)	166,708	(7,311,618)
OTHER FINANCING SOURCES (USES):					
Transfers in					83,139
Transfers out					(14,017,045)
NET OTHER FINANCING SOURCES (USES)	-	-	-	-	(13,933,906)
NET CHANGE IN FUND BALANCES	(984,528)	(2,481,107)	(267,823)	166,708	(21,245,524)
FUND BALANCES - JULY 1, 2006	1,716,761	2,666,128	256,505	65,461	37,200,212
FUND BALANCES - JUNE 30, 2007	\$ 732,233	\$ 185,021	\$ (11,318)	\$ 232,169	\$ 15,954,688

(Concluded)

CITY OF CRANSTON, RHODE ISLAND

NONMAJOR BUDGETARY FUNDS
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET BASIS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

COMMUNITY DEVELOPMENT BLOCK GRANT

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Program Income	\$ 160,000	\$ 160,000	\$ 233,765	\$ 73,765
Federal Grants	1,077,951	1,077,951	1,629,249	551,298
Total Revenues	1,237,951	1,237,951	1,863,014	625,063
EXPENDITURES:				
Current:				
Program Activities	1,237,951	1,237,951	1,916,946	(678,995)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ (53,932)	\$ (53,932)

WORKFORCE INVESTMENT ACT

	ORIGINALLY ADOPTED BUDGET	FINAL APPROVED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Program Income	\$ 325,378	\$ 325,378	\$ 312,519	\$ (12,859)
Investment Income			2,099	2,099
Total Revenues	325,378	325,378	314,618	(10,760)
EXPENDITURES:				
Current:				
Program Activities	325,378	325,378	325,564	186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ (10,946)	\$ (10,946)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Funds

A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Postemployment Healthcare Trust Fund

This fund is used to account for postemployment benefits for public safety employees.

Private-Purpose Trust Funds

A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds

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

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

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

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

CITY OF CRANSTON, RHODE ISLAND

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
ASSETS				
CASH:				
Unclaimed estates in probate	\$ 142,977	\$ 55,775	\$ 53,795	\$ 144,957
Performance bonds	338,304	513,138	388,351	463,091
Student activity funds	537,361	1,900,754	1,835,819	602,296
TOTAL ASSETS	\$ 1,018,642	\$ 2,469,667	\$ 2,277,965	\$ 1,210,344
LIABILITIES				
DEPOSITS HELD IN CUSTODY FOR OTHERS:				
Unclaimed estates in probate	\$ 142,977	\$ 55,775	\$ 53,795	\$ 144,957
Performance bonds	338,304	513,138	388,351	463,091
Student activity funds	537,361	1,900,754	1,835,819	602,296
TOTAL LIABILITIES	\$ 1,018,642	\$ 2,469,667	\$ 2,277,965	\$ 1,210,344

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

SCHEDULE 5

CITY OF CRANSTON, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2007

	LAND	LAND IMPROVEMENTS	BUILDINGS	MACHINERY AND EQUIPMENT	VEHICLES	INFRASTRUCTURE	TOTAL
General government.....	\$ 11,051,635	\$ 10,936,038	\$ 62,109,104	\$ 724,289	\$ 620,002	\$ 82,232,540	\$ 167,673,608
Public safety.....				2,935,403	8,227,288		11,162,691
Public works.....				667,313	3,754,987		4,422,300
Education.....			5,415,670	177,170	1,366,866		6,959,706
Parks and recreation.....				1,125,457	500,328		1,625,785
Public libraries.....				3,594,907	10,093		3,605,000
Senior services.....				98,340	370,560		468,900
TOTAL.....	\$ 11,051,635	\$ 10,936,038	\$ 67,524,774	\$ 9,322,879	\$ 14,850,124	\$ 82,232,540	\$ 195,917,990

CITY OF CRANSTON, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2007**

	BALANCE JULY 1, 2006	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2007
General government.....	\$ 162,279,329	\$ 5,746,019	\$ 351,740	\$ 167,673,608
Public safety.....	9,644,645	1,858,293	340,247	11,162,691
Public works.....	4,061,466	1,176,056	815,222	4,422,300
Education.....	1,857,698	5,200,483	98,475	6,959,706
Parks and recreation.....	1,625,785			1,625,785
Public libraries.....	3,605,000			3,605,000
Senior services.....	468,900			468,900
TOTAL CAPITAL ASSETS	\$ 183,542,823	\$ 13,980,851	\$ 1,605,684	\$ 195,917,990

Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

FINANCIAL TRENDS (TABLES 1 - 4)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY (TABLES 5 - 7)

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY (TABLES 8 - 11)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION (TABLES 12 - 13)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION (TABLES 14 - 16)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CRANSTON, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
		(AS RESTATED)				
Governmental activities:						
Invested in capital assets, net of related debt	\$ 28,499,098	\$ 12,863,084	\$ 36,731,439	\$ 36,571,258	\$ 65,847,258	\$ (35,603,725)
Restricted	2,530,430	9,468,021			621,085	5,963,118
Unrestricted	(59,323,748)	(42,514,069)	(60,538,517)	(67,245,897)	(127,626,157)	(132,708,572)
Total Governmental activities	(28,294,220)	(20,182,964)	(23,807,078)	(30,674,639)	(61,157,814)	(162,349,179)
Business-type activities:						
Invested in capital assets, net of related debt	63,828,596	63,684,992	61,785,287	61,892,799	61,013,636	61,364,446
Restricted	954,040	504,624	500,267	500,267	820,751	819,358
Unrestricted	(25,204,693)	(24,602,130)	(27,861,982)	(30,724,644)	(29,490,872)	(39,125,642)
Total Business-type activities	39,577,943	39,587,486	34,423,572	31,668,422	32,343,515	23,058,162
Total City:						
Invested in capital assets, net of related debt	92,327,694	76,548,076	98,516,726	98,464,057	126,860,894	25,760,721
Restricted	3,484,470	9,972,645	500,267	500,267	1,441,836	6,782,476
Unrestricted	(84,528,441)	(67,116,199)	(88,400,499)	(97,970,541)	(157,117,029)	(171,834,214)
Total City	\$ 11,283,723	\$ 19,404,522	\$ 10,616,494	\$ 993,783	\$ (28,814,299)	\$ (139,291,017)

TABLE 2
(1 of 3)

CITY OF CRANSTON, RHODE ISLAND

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

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
		(AS RESTATED)				
EXPENSES:						
Governmental activities:						
General government	\$ 14,667,120	\$ 10,038,244	\$ 15,849,140	\$ 12,264,371	\$ 14,054,259	\$ 11,315,504
Public safety	69,816,686	66,103,904	61,212,863	58,737,753	48,600,836	54,311,983
Public works	13,111,503	12,353,799	12,500,813	11,556,583	8,428,595	8,492,030
Education	139,954,890	128,470,859	123,345,770	115,118,837	114,486,888	104,666,500
Parks and recreation	2,617,354	2,384,414	2,059,016	1,848,297	1,801,404	2,007,121
Public libraries	3,142,534	2,824,696	2,761,476	2,790,619	2,662,535	2,559,200
Senior services	2,913,263	2,611,039	2,564,049	2,564,641	2,959,335	3,040,382
Community development	1,901,604	1,962,445	1,606,187	1,273,293	1,293,739	1,459,680
Interest expense	3,873,139	6,672,049	3,203,381	2,254,851	5,169,683	3,476,705
Total Governmental activities	251,998,093	233,421,449	225,102,695	208,409,245	199,457,274	191,329,105
Business-type activities:						
Sewer	16,233,984	16,221,383	15,052,454	15,612,521	13,553,258	15,305,821
Public Facilities Management Foundation	270,154	275,798	309,662	78,078	357,990	324,228
Water						18,608
School lunch	2,957,021	2,688,143	2,586,402	2,488,766	2,547,767	2,393,349
Total Business-type activities	19,461,159	19,185,324	17,948,518	18,179,365	16,459,015	18,042,006
Total City expenses	271,459,252	252,606,773	243,051,213	226,588,610	215,916,289	209,371,111

(Continued)

TABLE 2
(2 of 3)

CITY OF CRANSTON, RHODE ISLAND

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
	(AS RESTATED)					
PROGRAM REVENUES:						
Governmental activities:						
Charges for services:						
General government	\$ 8,725,161	\$ 9,339,781	\$ 10,094,738	\$ 14,279,624	\$ 7,167,456	\$ 3,835,199
Public safety	3,131,896	3,364,334	3,250,181	2,930,328	1,138,141	2,531,055
Public works	166,623	124,564	79,485	110,771		
Education	3,069,830	2,719,123		2,267,150	2,992,832	4,598,157
Parks and recreation	229,801	192,971	218,346	214,878		
Public libraries	85,000	82,500	179,232	124,987		
Senior services	1,442,583	1,392,072	1,264,135	1,461,805		
Other activities					3,622,184	1,126,311
Operating grants and contributions	55,006,239	51,704,145	53,592,333	49,494,352	46,172,804	45,397,783
Capital grants and contributions	694,453	114,596	342,051			243,949
Total Governmental activities program revenues	72,551,586	69,034,086	69,020,501	70,883,895	61,093,417	57,732,454
Business-type activities:						
Charges for services:						
Sewer	17,259,536	18,411,799	16,133,909	16,456,479	17,478,196	16,053,597
Public Facilities Management Foundation	256,199	247,419	304,306	45,000	319,699	452,161
Water						3,118
School lunch	1,586,519	1,417,343	1,490,280	1,483,555	1,571,470	1,536,637
Operating grants and contributions	1,170,646	1,101,082	1,036,970	939,419	911,614	886,491
Capital grants and contributions		2,030,980	836,249			
Total Business-type activities program revenues	20,272,900	23,208,623	19,801,714	18,924,453	20,280,979	18,932,004
Total City revenues	92,824,486	92,242,709	88,822,215	89,808,348	81,374,396	76,664,458
Net (expenses) revenues:						
Governmental activities	(179,446,507)	(164,387,363)	(156,082,194)	(137,525,350)	(138,363,857)	(133,596,651)
Business-type activities	811,741	4,023,299	1,853,196	745,088	3,821,964	889,998
Total City net expense	(178,634,766)	(160,364,064)	(154,228,998)	(136,780,262)	(134,541,893)	(132,706,653)

(Continued)

TABLE 2
(3 of 3)

CITY OF CRANSTON, RHODE ISLAND

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

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
	(AS RESTATED)					
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:						
Governmental activities:						
General Revenues:						
Property taxes and other	\$ 162,010,764	\$ 158,960,204	\$ 158,547,041	\$ 155,870,057	\$ 140,791,381	\$ 118,179,277
Grants and contributions not restricted to specific programs	5,473,326	5,599,200				
State revenue sharing			3,199,670	3,293,868	2,898,349	2,662,371
Unrestricted investment earnings	3,851,161	2,323,533	1,203,044	477,653	346,950	327,699
Miscellaneous						4,908,858
Transfers				1,450,000	(495,919)	
Total Governmental activities	171,335,251	166,882,937	162,949,755	161,091,578	143,540,761	126,078,205
Business-type activities:						
Unrestricted investment earnings	188,091	131,240	253,271	29,819	49,403	119,581
Transfers				(1,450,000)	495,919	
Total Business-type activities	188,091	131,240	253,271	(1,420,181)	545,322	119,581
Total City	171,523,342	167,014,177	163,203,026	159,671,397	144,086,083	126,197,786
CHANGE IN NET ASSETS:						
Governmental activities	(8,111,256)	2,495,574	6,867,561	23,566,228	5,176,904	(7,518,446)
Business-type activities	999,832	4,154,539	2,106,467	(675,093)	4,367,286	1,009,579
Total City change in net assets	\$ (7,111,424)	\$ 6,650,113	\$ 8,974,028	\$ 22,891,135	\$ 9,544,190	\$ (6,508,867)

(Concluded)

TABLE 3

CITY OF CRANSTON, RHODE ISLAND

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

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
General Fund:						
Reserved	\$ 170,709	\$	\$	\$	\$ 211,806	\$ 3,027,829
Unreserved	18,493,224	19,932,283	19,599,361	16,098,058	5,465,068	(4,454,508)
Total General Fund	18,663,933	19,932,283	19,599,361	16,098,058	5,676,874	(1,426,679)
All Other Governmental Funds:						
Reserved	2,359,721	9,468,021	449,705	770,552	409,279	2,935,289
Unreserved, designated	450,000	900,000	667,588	942,942	(4,193,715)	(2,871,535)
Unreserved, reported in:						
Special revenue funds	8,405,339	15,449,182	12,269,184	8,155,009	4,423,779	5,948,959
Capital project funds	5,338,216	12,896,071	1,238,208	2,444,469	(21,667,080)	(12,308,135)
Total All Other Governmental Funds	16,553,276	38,713,274	14,624,685	12,312,972	(21,027,737)	(6,295,422)
GRAND TOTAL	\$ 35,217,209	\$ 58,645,557	\$ 34,224,046	\$ 28,411,030	\$ (15,350,863)	\$ (7,722,101)

TABLE 4

CITY OF CRANSTON, RHODE ISLAND
 CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS (1)
 (UNAUDITED)

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues:										
Property taxes	\$ 147,243,054	\$ 145,906,925	\$ 146,687,442	\$ 142,444,687	\$ 130,881,284	\$ 108,564,553	\$ 103,540,305	\$ 102,322,000	\$ 100,353,000	\$ 101,933,000
Intergovernmental revenue	74,977,004	69,768,119	61,446,056	59,413,263	55,200,184	52,692,416	47,639,030	46,612,000	37,457,000	35,591,000
Charges for services	16,133,323	14,460,130	3,630,513	3,196,325	2,127,280	1,688,575	1,595,317	1,255,000	1,445,000	794,000
Licenses and permits			1,680,163	1,727,841	1,168,927	1,244,372	1,142,520	938,000	4,255,000	855,000
Fines and interest on late payments	3,635,196	2,111,701	1,104,514	449,364	346,950	327,699	826,411	1,462,000	1,214,000	1,188,000
Investment income			2,194,673	2,191,986	3,111,410					
Departmental	678,244	2,352,465	13,049,659	18,247,736	20,182,135	18,971,771	11,665,144	12,508,000	13,043,000	5,946,000
Other revenues										
Total revenues	242,666,821	234,599,340	229,793,020	227,671,202	213,018,170	183,489,386	166,408,927	165,097,000	157,767,000	146,307,000
Expenditures:										
Current:										
General government	11,427,653	9,237,728	10,222,585	9,173,000	12,714,754	10,061,207	8,154,772	5,331,000	5,864,000	4,780,000
Public safety	67,854,283	61,030,024	59,779,344	57,502,834	48,209,827	43,597,698	42,976,586	37,229,000	33,665,000	33,084,000
Public works	12,544,966	12,486,760	12,242,411	11,130,019	8,243,944	8,400,200	8,374,354	9,394,000	9,335,000	9,116,000
Human resources										
Education	139,558,319	128,541,976	123,115,632	114,916,387	114,225,766	105,030,656	98,363,576	91,703,000	86,306,000	82,476,000
Parks and recreation	2,516,148	2,347,676	1,945,381	1,730,551	1,775,134					
Public libraries	3,039,202	2,822,353	2,690,940	2,659,809	2,658,217					
Senior services	2,852,395	2,576,829	2,486,770	2,503,444	2,883,992					
Community development	1,916,946	1,974,504	1,606,187	1,273,293	1,293,739					
Other	175,183	156,257	771,881	470,759	8,142,700	9,787,400	10,382,250	15,949,000	10,321,000	9,636,000
Capital outlay	15,970,638	3,229,249	1,977,655	4,452,313	10,414,157	7,065,558	8,875,169	9,102,000	7,185,000	4,658,000
Debt service	8,239,436	9,948,447	9,599,525	5,339,688	7,993,840	8,539,924	6,557,665	7,864,000	7,519,000	7,839,000
Total expenditures	266,095,169	234,351,803	226,438,311	211,152,097	218,556,070	192,502,643	183,684,372	176,572,000	160,195,000	151,589,000
Excess of revenues over expenditures	(23,428,348)	247,537	3,354,709	16,519,105	(5,537,900)	(9,013,257)	(17,275,445)	(11,475,000)	(2,428,000)	(5,282,000)
Other financing sources (uses):										
Issuance of debt		23,900,000	22,280,000	27,050,000			13,320,000	15,023,000		17,540,000
Bond premium		273,974	1,933,307	877,652						
Proceeds from leasing					705,057	2,521,436				
Transfers in	98,534,821	94,700,327	88,857,289	86,467,243	70,382,293	68,211,228	55,535,987	54,482,000	51,829,000	55,401,000
Repayment of debt to escrow agent			(21,755,000)				(13,141,029)			
Transfers out	(98,534,821)	(94,700,327)	(88,857,289)	(87,473,612)	(73,178,212)	(68,211,228)	(55,535,987)	(54,482,000)	(51,829,000)	(50,326,000)
Net other financing sources (uses)	-	24,173,974	2,458,307	26,921,283	(2,090,862)	2,521,436	178,971	15,023,000	-	22,615,000
Net change in fund balances	\$(23,428,348)	\$ 24,421,511	\$ 5,813,016	\$ 43,440,388	\$ (7,628,762)	\$ (6,491,821)	\$ (17,096,474)	\$ 3,548,000	\$ (2,428,000)	\$ 17,333,000
Debt service as a percentage of noncapital expenditures	3.3%	4.3%	4.3%	2.6%	3.8%	4.6%	3.8%	4.7%	4.9%	5.3%

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

CITY OF CRANSTON, RHODE ISLAND

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

YEAR ENDED JUNE 30,	REAL PROPERTY				PERSONAL PROPERTY						TOTAL		RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE (1)	DIRECT TAX RATE	COMMERCIAL ASSESSED VALUE (2)	DIRECT TAX RATE	ASSESSED VALUE (1)	DIRECT TAX RATE TANGIBLE	DIRECT TAX RATE MOTOR VEHICLE	DIRECT TAX RATE INVENTORY	ESTIMATED ACTUAL VALUE	ASSESSED VALUE (1)	ESTIMATED ACTUAL VALUE		
1998	\$ 3,331,921,000	\$32	N/A	N/A	\$ 3,551,412,288	\$32	\$42	N/A	\$ 551,792,451	\$ 3,883,713,451	\$ 4,103,204,739	0.947	
1999	3,349,781,100	32	N/A	N/A	3,793,282,852	32	42	N/A	587,224,419	3,937,005,519	4,380,507,271	0.899	
2000	3,387,033,100	32	N/A	N/A	4,354,329,990	32	42	\$29	672,320,596	4,059,353,696	5,026,650,586	0.808	
2001	3,425,766,400	32	N/A	N/A	4,720,107,081	32	42	25	670,265,695	4,096,032,095	5,390,372,776	0.760	
2002	3,471,476,900	33	N/A	N/A	4,770,268,926	33	42	22	726,632,739	4,198,109,639	5,496,901,665	0.764	
2003	3,526,107,500	34	N/A	N/A	4,822,036,230	34	42	19	763,362,568	4,289,470,068	5,585,398,798	0.768	
2004	4,120,580,900	22	\$ 929,951,300	\$30	5,357,818,034	34	42	16	787,898,647	5,838,430,847	6,145,716,681	0.950	
2005	4,152,937,000	23	930,396,900	31	5,613,667,290	35	42	13	794,638,753	5,897,972,653	6,408,306,043	0.930	
2006	4,196,433,200	23	939,929,900	31	5,929,817,565	35	42	10	835,667,975	5,992,031,075	6,765,485,540	0.886	
2007	6,812,384,100	15	1,425,772,400	22	8,238,156,500	22	42	6	866,598,879	9,104,755,379	9,104,755,379	1.000	

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

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

TABLE 6

CITY OF CRANSTON, RHODE ISLAND

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

	GRAND LIST YEAR						
	2007 (1)		1998 (2)				
NAME	NATURE OF BUSINESS	ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (1)	ASSESSED VALUE	RANK	PERCENTAGE NET TAXABLE GRAND LIST (2)
Carpionato Alfred	Real Estate Management	\$ 90,534,415	1	1.51%	\$		
Gateway Woodside Inc.	Real Estate Management	81,932,887	2	1.37%			
Picorne Properties	Real Estate Management	65,928,342	3	1.10%	7,899,400	10	0.20%
Brewery Parkade	Real Estate Management	38,468,700	4	0.64%			
Cox Communications Inc.	Cable Communications	34,043,100	5	0.57%			
Naragansett Electric	Electric Utility	26,603,986	6	0.44%	20,419,620	2	0.52%
BFMIT II Cranston LLC	Real Estate Management	23,770,330	7	0.40%			
Lowes	Retail Hardware	23,525,793	8	0.39%			
Independence Park Property	Real Estate Management	18,842,000	9	0.31%			
New England Gas Company	Gas Utility	18,642,460	10	0.31%	13,980,091	3	0.36%
Flatley , Thomas J. d/b/a Flatley Company	Commercial Property				36,919,230	1	0.94%
Biram Woods LP	Real Estate				11,329,500	4	0.29%
Eppley Realty Co. - Stop & Shop	Real Estate				10,206,252	5	0.26%
RWF Inc. - Supervalue	Real Estate				8,941,719	6	0.23%
Pierson Street Associates	Real Estate				8,667,225	7	0.22%
Amalgamated Financial Equities	Individual Taxpayer				8,007,900	9	0.20%
TOTAL		\$ 422,292,013		7.04%	\$ 126,370,037		3.22%

Source: Town Assessor Department.

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

(2) Based on a net taxable Grand List of \$3,883,713,451.

TABLE 7

CITY OF CRANSTON, RHODE ISLAND

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

YEAR ENDED JUNE 30	TOTAL ADJUSTED TAX LEVY	NET CURRENT TAX COLLECTIONS	PERCENTAGE OF CURRENT TAXES COLLECTED	NET DELINQUENT COLLECTIONS CURRENT YEAR	TOTAL NET TAXES COLLECTED ALL YEARS	PERCENTAGE OF TOTAL TAX COLLECTED TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	PERCENTAGE OF DELINQUENT TAXES TO TOTAL TAX LEVY
1998	101,361,559	98,451,001	97.1%	2,134,519	100,585,520	99.2%	396,086	0.4%
1999	102,041,174	98,913,349	96.9%	2,145,436	101,058,785	99.0%	433,847	0.4%
2000	102,313,877	98,472,257	96.2%	1,296,883	99,769,140	97.5%	216,032	0.2%
2001	101,763,544	100,124,698	98.4%	255,772	100,380,470	98.6%	142,672	0.1%
2002	105,644,501	102,588,301	97.1%	1,002,995	103,591,296	98.1%	118,163	0.1%
2003	129,179,767	125,690,321	97.3%	1,290,827	126,981,148	98.3%	46,837	0.0%
2004	136,756,194	135,075,140	98.8%	995,206	136,070,346	99.5%	113,361	0.1%
2005	142,694,201	140,405,075	98.4%	1,192,228	141,597,303	99.2%	428,755	0.3%
2006	145,337,455	140,893,257	96.9%	1,248,872	142,142,129	97.8%	464,309	0.3%
2007	144,155,093	141,859,549	98.4%	-	141,859,549	98.4%	3,167,035	2.2%

Source: City's audit reports.

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

CITY OF CRANSTON, RHODE ISLAND

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

YEAR ENDED JUNE 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES			TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CLEAN WATER NOTES			
1998	\$ 47,089,000	\$ 1,500,000	\$ 48,589,000	\$ 7,806,000	\$	\$ 2,918,000	\$ 10,724,000	N/A	\$ 793
1999	42,287,000	1,520,000	43,807,000	6,344,000		2,756,000	9,100,000	N/A	705
2000	53,716,000	1,318,000	55,034,000	4,094,101		3,293,600	7,387,701	N/A	821
2001	50,853,542	7,106,668	57,960,210	2,817,056	5,130,000	3,131,500	11,078,556	N/A	869
2002	46,098,154	7,459,150	53,557,304	1,517,438	4,890,000	2,931,245	9,338,683	N/A	786
2003	42,025,156	7,065,400	49,090,556	335,437	4,640,000	2,729,916	7,705,353	N/A	701
2004	66,360,000	6,202,345	72,562,345		4,375,000	4,527,484	8,902,484	N/A	998
2005	63,340,000	5,322,425	68,662,425		4,100,000	7,723,917	11,823,917	N/A	982
2006	83,685,000	4,436,836	88,121,836		3,810,000	7,833,184	11,643,184	N/A	1,222
2007	79,465,000	3,842,828	83,307,828		3,510,000	7,031,252	10,541,252	N/A	1,152

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

N/A - Information not available

TABLE 9**CITY OF CRANSTON, RHODE ISLAND****RATIOS OF GENERAL DEBT OUTSTANDING
LAST TEN YEARS
(UNAUDITED)**

YEAR ENDED JUNE 30	GENERAL DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL		
1998	\$ 47,089,000	\$ 1,500,000	\$ 48,589,000	1.25%	\$ 649
1999	42,287,000	1,520,000	43,807,000	1.11%	584
2000	53,716,000	1,318,000	55,034,000	1.36%	724
2001	50,853,542	7,106,668	57,960,210	1.42%	730
2002	46,098,154	7,459,150	53,557,304	1.28%	669
2003	42,025,156	7,065,400	49,090,556	1.14%	606
2004	66,360,000	6,202,345	72,562,345	1.24%	889
2005	63,340,000	5,322,425	68,662,425	1.16%	837
2006	83,685,000	4,436,836	88,121,836	1.47%	1,080
2007	79,465,000	3,842,828	83,307,828	1.39%	1,022

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

CITY OF CRANSTON, RHODE ISLANDCOMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2007
(UNAUDITED)

Assessed value	\$ 9,104,755,379
Less: exemptions	<u>(535,392,088)</u>
NET TOTAL TAXABLE ASSESSED VALUE	<u>\$ 8,569,363,291</u>
Debt limit - 3 percent of total assessed value	\$ 257,080,899
Amount of debt applicable to debt limit:	
Total bonded debt	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 257,080,899</u>

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

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

TABLE 11CITY OF CRANSTON, RHODE ISLANDLEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

YEAR ENDED JUNE 30	DEBT LIMIT	NET DEBT APPLICABLE TO LIMIT	LEGAL DEBT MARGIN
1998	\$ 66,540,408	\$ -	\$ 66,540,408
1999	93,088,678	-	93,088,678
2000	93,672,789	-	93,672,789
2001	93,797,178	-	93,797,178
2002	95,374,621	-	95,374,621
2003	100,615,221	-	100,615,221
2004	166,419,556	-	166,419,556
2005	165,502,160	-	165,502,160
2006	168,212,526	-	168,212,526
2007	257,080,899	-	257,080,899

TABLE 12

CITY OF CRANSTON, RHODE ISLAND

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	(1) POPULATION	(5) PERSONAL INCOME	(2) PER CAPITA INCOME	(1) MEDIAN AGE	EDUCATION LEVEL IN YEARS OF SCHOOLING	(3) SCHOOL ENROLLMENT	(4) UNEMPLOYMENT PERCENTAGE
1998	74,831	N/A	15,922	39	N/A	10,793	5.0%
1999	75,009	N/A	15,922	39	N/A	10,785	4.4%
2000	76,060	N/A	15,922	39	N/A	10,906	4.0%
2001	79,426	N/A	21,978	39	N/A	11,042	4.2%
2002	80,052	N/A	21,978	39	N/A	11,155	4.6%
2003	81,005	N/A	21,978	39	N/A	11,269	5.0%
2004	81,617	N/A	21,978	39	N/A	11,218	5.8%
2005	81,990	N/A	21,978	39	N/A	11,102	5.2%
2006	81,614	N/A	21,978	39	N/A	11,018	5.5%
2007	81,479	N/A	21,978	39	N/A	10,911	4.9%

(1) Rhode Island Economic Development Corporation.

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

(3) Cranston School Department

(4) Rhode Island Department of Labor and Training.

N/A - Information not available

TABLE 13

CITY OF CRANSTON, RHODE ISLAND

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

EMPLOYER	2007			1998		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
State of Rhode Island	3,927	1	10.69%	3,370	1	9.65%
Jan-Co	3,500	2	9.53%	1,200	3	3.43%
City of Cranston	2,503	3	6.82%	2,000	2	5.73%
Qualified Resources	2,500	4	6.81%			
Citizens Bank	1,641	5	4.47%			
US Security Associates	500	6	1.36%			
Taco, Inc.	475	7	1.29%	500	6	1.43%
Swarovski Consumer Goods Ltd.	310	8	0.84%	450	7	1.29%
The Stop & Shop Co., Inc.	300	9	0.82%	225	17	0.64%
CranstonARC	300	10	0.82%			
Ross-Simons of Warwick	226	11	0.62%	600	9	1.72%
Pepsi	185	12	0.50%	185	14	0.53%
Swarovski Jewelry U.S. Ltd.				800	4	2.29%
Davol Square Partners				580	5	1.66%
Wetterau, Inc.				365	8	1.05%
North Safety Equipment (Siebe North, Inc.)				350	10	1.00%
TOTAL	16,367		44.57%	10,625		30.42%

SOURCE: State Department of Labor

CITY OF CRANSTON, RHODE ISLAND

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

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30			
	2007	2006	2005	2004
GENERAL GOVERNMENT:				
Mayor.....	7	7	7	7
City Council.....	2	2	2	2
Information Technology.....	8	8	7	7
Department of Personnel.....	3	3	4	4
City Clerk.....	9	9	9	9
Probate Court.....	1	1	1	1
Municipal Court.....	5	4	5	5
Board of Canvassers.....	6	6	6	6
City Planning.....	5	5	5	5
Economic Development.....	2	2	2	2
Finance.....	4	4	4	4
Division of Accounting & Control.....	5	5	4	4
Division of Assessment.....	9	9	9	9
Division of Contracts & Purchasing.....	4	4	5	5
Division of Treasury & Collection.....	7	7	7	7
POLICE:				
Officers.....	153	151	150	149
Civilians.....	30	30	32	30
Canine Control.....	5	5	5	5
Traffic Safety.....	4	4	5	5
FIRE:				
Chief.....	1	1	1	1
Uniformed.....	200	200	201	201
Civilians.....	7	7	6	6
INSPECTIONS.....	13	13	12	12
PUBLIC WORKS:				
Administration.....	4	4	5	5
Engineering.....	8	8	8	8
Highway.....	41	41	39	39
Building.....	26	26	26	26
Fleet Management.....	10	10	10	10
PARKS AND RECREATION.....	21	21	22	22
PUBLIC LIBRARIES.....	32	32	32	32
SENIOR SERVICES.....	32	32	32	32
COMMUNITY DEVELOPMENT.....	4	4	4	4
OTHER.....	9	10	11	11
EDUCATION.....	1,546	1,635	1,626	1,669
TOTAL.....	2,223	2,310	2,304	2,344

SOURCE: City Budget

TABLE 15

CITY OF CRANSTON, RHODE ISLAND

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FOUR YEARS
(UNAUDITED)

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30			
	2007	2006	2005	2004
<u>GOVERNMENTAL ACTIVITIES</u>				
PUBLIC SAFETY:				
Fire:				
Total incidents.....	13,980	11,872	12,144	12,019
Rescue/medical calls.....	10,148	10,706	10,973	10,721
Rescue/non-medical calls.....	3,832	1,166	1,171	1,298
Police:				
Number of calls.....	N/A	N/A	N/A	N/A
Total 911 calls received.....	N/A	N/A	N/A	N/A
Formal investigations.....	N/A	N/A	N/A	N/A
TOWN CLERK:				
Number of documents recorded.....	N/A	N/A	N/A	N/A
HEALTH AND WELFARE:				
Number of food service facilities inspections.....	N/A	N/A	N/A	N/A
New homes built.....	N/A	N/A	N/A	N/A
LAND USE:				
Total subdivisions approved.....	N/A	N/A	N/A	N/A
Total commercial applications approved.....	N/A	N/A	N/A	N/A
BUILDING:				
Residential permits issued.....	48	73	150	147
Commercial permits issued.....	19	19	8	10
Total permits.....	67	92	158	157
PUBLIC WORKS:				
Highway department				
Streets (miles)				
Paved Town roads.....	315	315	313	313
Paved State roads.....	64	64	64	64
Private roads.....	N/A	N/A	N/A	N/A
Roads under construction (maintained				
by Town	N/A	N/A	N/A	N/A
Sidewalks (miles)	N/A	N/A	N/A	N/A
Water department				
Water mains (miles).....	N/A	N/A	N/A	N/A
Fire hydrants.....	1,903	1,914	2,156	1,850
Storage capacity				
(thousands of gallons).....	N/A	N/A	N/A	N/A
EDUCATION:				
Enrollment:				
High School Grades 9-12.....	3,657	3,646	3,633	3,514
Middle School Grades 6-8.....	2,627	2,672	2,707	2,764
Elementary Schools Grades K-5.....	4,627	4,614	4,759	4,944

SOURCES: Various City Departments

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

N/A - Information not available

CITY OF CRANSTON, RHODE ISLAND

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

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30			
	2007	2006	2005	2004
<u>GOVERNMENTAL ACTIVITIES</u>				
PARKS AND RECREATION:				
Acreage (includes all open space)				
Parks and Public Squares.....	11	10	10	10
Marinas.....	3	3	3	3
Playgrounds.....	35	35	35	35
Walking tracks.....	8	7	7	7
Basketball courts.....	21	21	21	17
Tennis courts.....	24	24	24	24
Baseball fields.....	27	27	27	27
Softball fields.....	11	11	11	11
Other fields.....	22	22	22	22
Ice Rink.....	2	1	1	1
Stadium and Field House.....	1	1	1	1
PUBLIC SAFETY:				
Fire department:				
Fire stations.....	6	6	6	6
Fire alarm boxes.....	149	149	139	146
Fire hydrants.....	N/A	N/A	N/A	N/A
Police department:				
Stations.....	4	4	4	4
Animal Control Building.....	1	1	1	1
PUBLIC WORKS:				
Highway department:				
Streets (miles).....	N/A	N/A	N/A	N/A
Sidewalks (miles).....	N/A	N/A	N/A	N/A
PUBLIC LIBRARIES:				
Number of branches	6	6	6	6
EDUCATION:				
Number of High Schools.....	2	2	2	2
Number of Middle Schools.....	3	3	3	3
Number of Elementary Schools.....	17	18	19	19
Number of Charter Schools.....	1	1	1	1
Number of Adult Education Buildings.....	1	1	1	1
SENIOR SERVICES:				
Senior Citizens Center.....	1	1	1	1
COMMUNITY DEVELOPMENT:				
Number of loans issued.....	N/A	N/A	N/A	N/A
<u>BUSINESS TYPE ACTIVITIES</u>				
SEWER FUND				
Sewer mains (miles).....	N/A	N/A	N/A	N/A
Treatment capacity (thousands of gallons)....	N/A	N/A	N/A	N/A
Sewerage Disposal Plant.....	1	1	1	1
Pumping Stations.....	22	22	22	22

SOURCES: Various Town Departments

N/A - Information not available