

**CRANSTON PUBLIC SCHOOLS**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**CRANSTON PUBLIC SCHOOLS**

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**INDEPENDENT AUDITORS' REPORT**

To the Superintendent &  
Members of the School Committee  
Cranston Public Schools  
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 Cranston Public Schools (a department of the City of Cranston, Rhode Island) as of and for the year ended June 30, 2009, which collectively comprises the School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cranston Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the funds of the Cranston Public Schools and do not purport to, and do not, present fairly the financial position of the City of Cranston, Rhode Island as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Cranston Public Schools as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information and supplementary pension and other post employment benefit information on pages 27 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 them.

Boston

Newton

Taunton

Concord

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cranston Public School's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements 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.



Providence, Rhode Island  
December 28, 2009

**CRANSTON PUBLIC SCHOOLS**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 666	\$ 205,602	\$ 206,268
Miscellaneous receivables	2,371,824	92,846	2,464,670
Prepaid expenses		24,384	24,384
Advance deposits - medical	812,000		812,000
Due from:			
Other governments		1,096,137	1,096,137
Other funds	2,124,469	360,677	2,485,146
Other assets	863		863
<b>TOTAL ASSETS</b>	<b>\$ 5,309,822</b>	<b>\$ 1,779,646</b>	<b>\$ 7,089,468</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,454,348	\$ 35,369	\$ 1,489,717
Due to other funds	409,331	1,083,838	1,493,169
Due to City of Cranston	9,586,247		9,586,247
IBNR claims	1,093,640		1,093,640
Deferred revenues		195,563	195,563
Other liabilities	1,012,616		1,012,616
<b>TOTAL LIABILITIES</b>	<b>13,556,182</b>	<b>1,314,770</b>	<b>14,870,952</b>
<b>FUND BALANCES:</b>			
Reserved for encumbrances	578,058		578,058
Reserved for Article 18	51,243		51,243
Unreserved			
Undesignated	(8,875,661)	464,876	(8,410,785)
<b>TOTAL FUND BALANCES</b>	<b>(8,246,360)</b>	<b>464,876</b>	<b>(7,781,484)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,309,822</b>	<b>\$ 1,779,646</b>	<b>\$ 7,089,468</b>

**CRANSTON PUBLIC SCHOOLS**

**Statement of Revenues, Expenditures, Other Financing Sources, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2009**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
State aid	\$ 30,563,022	\$ 1,508,866	\$ 32,071,888
Federal thru State	1,838,467	-	1,838,467
Tuition	1,932,450	873,279	2,805,729
Other revenues	5,133,051	154,475	5,287,526
State fiscal stabilization funds	2,090,303		2,090,303
Federal, State and private grants		9,128,539	9,128,539
Pension contributions	6,661,428		6,661,428
<b>TOTAL REVENUES</b>	<b>48,218,721</b>	<b>11,665,159</b>	<b>59,883,880</b>
<b>CURRENT EXPENDITURES:</b>			
Salaries	81,543,454	6,437,956	87,981,410
Employee benefits	35,024,690	2,650,726	37,675,416
Purchased services	10,277,205	1,297,335	11,574,540
Supplies and materials	4,020,683	507,459	4,528,142
Capital outlay	534,707	202,715	737,422
Other	205,846	114,190	320,036
Pension contribution	6,661,428		6,661,428
<b>TOTAL CURRENT EXPENDITURES</b>	<b>138,268,013</b>	<b>11,210,381</b>	<b>149,478,394</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES</b>	<b>(90,049,292)</b>	<b>454,778</b>	<b>(89,594,514)</b>
<b>OTHER FINANCING SOURCES:</b>			
Transfers from City of Cranston	86,413,637		86,413,637
<b>NET OTHER FINANCING SOURCES</b>	<b>86,413,637</b>		<b>86,413,637</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<b>(3,635,655)</b>	<b>454,778</b>	<b>(3,180,877)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>(4,610,704)</b>	<b>10,098</b>	<b>(4,600,606)</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ (8,246,359)</b>	<b>\$ 464,876</b>	<b>\$ (7,781,483)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CRANSTON PUBLIC SCHOOLS**

**Statement of Net Assets  
Proprietary Fund  
June 30, 2009**

	<u>Enterprise Fund</u>
	<u>School Lunch</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 259,664
Receivables, net	2,407
Due from other funds	
Inventory	41,326
Due from other governments	117,462
<b>Total Current Assets</b>	<b>420,859</b>
<b>Noncurrent Assets:</b>	
Net capital assets	33,917
<b>Total Noncurrent Assets</b>	<b>33,917</b>
<b>TOTAL ASSETS</b>	<b>454,776</b>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts payable	110,081
Due to General Fund	991,978
Current portion of compensated absences	3,955
<b>Total Current Liabilities</b>	<b>1,106,014</b>
<b>Noncurrent Liabilities:</b>	
Long-term portion of compensated absences	35,591
<b>TOTAL LIABILITIES</b>	<b>1,141,605</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	33,917
Unrestricted	(720,746)
<b>TOTAL NET ASSETS</b>	<b>\$ (686,829)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CRANSTON PUBLIC SCHOOLS**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
Year Ended June 30, 2009**

	<u>Enterprise Fund</u>
	<u>School Lunch</u>
<b>OPERATING REVENUES:</b>	
Charges for usage and service	\$ 1,201,727
Miscellaneous	20,877
<b>Total Operating Revenues</b>	<u>1,222,604</u>
<b>OPERATING EXPENSES:</b>	
Operations	1,509,390
Personnel	1,371,827
Depreciation	19,650
<b>Total Operating Expenses</b>	<u>2,900,867</u>
<b>OPERATING LOSS</b>	<u>(1,678,263)</u>
<b>NON-OPERATING REVENUES:</b>	
Investment income	933
Grants	1,300,849
<b>Net Non-operating Revenues</b>	<u>1,301,782</u>
<b>Change in net assets</b>	(376,481)
<b>Net assets - beginning of year</b>	<u>(310,348)</u>
<b>Net assets - end of year</b>	<u>\$ (686,829)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CRANSTON PUBLIC SCHOOLS**

**Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2009**

	<u>Enterprise Fund</u>
	<u>School Lunch</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 1,221,993
Cash paid to suppliers	(1,395,154)
Cash paid to employees	(1,361,772)
Cash paid for other operating expenses	(61,873)
<b>Net cash used for operating activities</b>	<u>(1,596,806)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Non-operating grants received	1,262,891
Transfers - change in interfund balances	447,229
<b>Net cash provided by noncapital financing activities</b>	<u>1,710,120</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(1,697)
<b>Net cash used for capital financing activities</b>	<u>(1,697)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on investments	933
<b>Net cash provided by investing activities</b>	<u>933</u>
<b>Net increase in cash and cash equivalents</b>	112,550
<b>Cash and cash equivalents at beginning of year</b>	<u>147,114</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 259,664</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (1,678,263)
Adjustments to reconcile:	
Depreciation	19,650
Decrease in accounts receivable	(610)
Increase in inventory	916
Increase in accounts payable	51,446
Increase in accrued expenses	10,055
<b>Net cash used for operating activities</b>	<u>\$ (1,596,806)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CRANSTON PUBLIC SCHOOLS****Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009**

	Private Purpose Trust	Agency Funds
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 21,369	\$ 504,665
Investments	104,188	1,500
<b>TOTAL ASSETS</b>	<b>125,557</b>	<b>506,165</b>
<b>LIABILITIES:</b>		
Deposits held in custody for others	-	506,165
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>506,165</b>
<b>NET ASSETS:</b>		
Reserved per trust agreements	125,557	-
<b>TOTAL NET ASSETS</b>	<b>\$ 125,557</b>	<b>\$ -</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CRANSTON PUBLIC SCHOOLS****Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2009**


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	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Contributions and fundraising	\$ 2,740
Interest income	2,340
<b>Total additions</b>	<u>5,080</u>
<b>DEDUCTIONS:</b>	
Awards	7,281
<b>Total deductions</b>	<u>7,281</u>
<b>Change in net assets</b>	(2,201)
<b>Net assets - beginning of year</b>	127,758
<b>Net assets - end of year</b>	<u>\$ 125,557</u>

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SEE NOTES TO FINANCIAL STATEMENTS.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements conform with generally accepted accounting principles for local governmental units. The Cranston Public Schools (the School) is a department of the City of Cranston, Rhode Island. Those funds and activities which are administered by the School are included herein.

***Reporting Entity***

The School's financial statements include all funds over which the School exercises significant oversight responsibility or management control. Oversight responsibility is determined upon the basis of the School's participation with each entity in the following areas: financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. There are no component units combined with the oversight unit reporting entity for financial presentation purposes.

***Basis of Presentation***

***Fund Financial Statements***

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

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

The funds of the financial reporting entity are described below:

***Governmental Fund Types***

**General Fund**

This fund is used to account for all unrestricted resources available to operate Cranston Public Schools. Revenues are principally from City of Cranston appropriations, State of Rhode Island operating aid, and nonresident tuitions. Expenditures from this fund are under the budgetary control of the Cranston School Committee.

**Special Revenue Funds**

Special revenue funds are used to account for revenues restricted for specific educational purposes. The special revenue funds are used to account for grants-in-aid and related expenditures resulting from Federal, state and local government funded programs.

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**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

***Proprietary Fund***

The Enterprise Fund is used to account for funds similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues of the Proprietary Funds consist of customer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Funds are considered non-operating sources of revenue.

***Fiduciary Funds***

**Agency Funds**

Agency funds are used to account for assets received and held by the School in its capacity as agent for individuals, private organizations, and other governmental units and funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The School has one agency fund – Student Activity Funds.

**Private Purpose Trust Funds**

Private-Purpose trust funds are used to account for resources legally held in trust for use by parties outside of the School Department and can not be used at the School Department's discretion or to support the School Department's general operations. The net assets of this fund are utilized for scholarships. The School Department is not required preserve any portion of the net assets. The School Department has ten Private Purpose Trusts: Leslie Carter Scholarship Fund, John Christy Scholarship Fund, Exterior Beautification Fund, Rhonda Beth Goldstein Fund, Ella M.W. McCanna Fund, MDS Memorial Fund, Dawn C. Rotz Scholarship Fund, August Saccoccio Fund, Edward P. & Helen Sawin Scholarship Fund, and Esther Gleckman Blacher Fund.

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

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

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General fund:	See above for description
Proprietary fund:	School lunch

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(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Major and Non-Major Funds (Continued)**

**Non-major:**

Special Revenue: Title V, IDEA Part B, Title I, Vocational Training for Adults, 21<sup>st</sup> Century, Title III, Perkins Long Term Plan, Perkins Long Term Extended, Perkins FCCLA, Immigrant Assistance, 21<sup>st</sup> Century Learning Community, Primes Grant, E2T2 MCI, Immigrant Assistance Grant, Passport to Safety, Title IV, Primes Year 2, School Support Plan Grant, RI Skills USA-VICA, Title II A, IDEA Section 619, LEA Stabilization Fund, WIA Title II, Orchard Farms Legislative, Cranston West Legislative, Cranston East Band Legislative, Glen Hills Legislative, Gladstone Legislative, Promising Practices, Child Opportunity Zone, Arts Talk, Legislative Smothy Grant, HIPPIY- Kindergarten Plus, LT Arlington, Legislative Oaklawn, LT Peters, Legislative Technology Stadium, Legislative Technology Stone Hill, LT Western Hills, UCOA Conversion, Woodbridge Legislative, RI-CACTC Repair Grant, World of Work, ECC Legislative, RI Fresh Fruit- Vegetable Program, Highway Safety Grant, Amgen, Cranston Public Schools Energy Program, UCOA Implementation- Charter, Macy Foundation, RI Foundation West, Can We Talk RI, Cranston COZ, COZ 4H Club, RI Foundation Merrick Fund, Professional Development Park View, Champlin East, Kidventure, Joan Montaquila Grant, CCAP- CAS & YVP Task Force, Feinstein Grants, Math Foundations, Cranston Transition Program (Norwood), Springboard Initiative, Donors Program, Target Fund, Celebration of Diversity (RIPEP), Pet Therapy- West, VSA Arts- Horton, Lowes Educational Fund- Bain, VSA Arts- Hope Highlands, Rhode Island College Foundation, RIPEP- Connecting Families, C.A.S.IT. Fund, Cranston Pat Program, RIPEP- Summer Bridge, Cranston Community Development, USTA NE Tennis Grant, Joseph H. Allard Grant, RI Foundation- Project Lift, NAMM Foundation High School Musical, RIPRN-PIRC- Project School Connect, Coldwater Creek Fund, RI Jumpstart Coalition, Trust Safety Enrichment Grant, ECC Donors Program, and Charter School.

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

***Measurement Focus***

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

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

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

Federal and state grants and state aid are susceptible to accrual. Charges for services and miscellaneous revenues are recorded as revenues when earned if it can be reasonably determined or when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in certain governmental funds. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles.

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

***Proprietary Activity Accounting and Financial Reporting***

The School Department has elected to apply to its proprietary fund accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

***Cash and Cash Equivalents***

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the School's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the amount which is guaranteed by FDIC. Under the Temporary Liquidity Guarantee Program, non-interest bearing transaction accounts in participating FDIC-insured institutions will be fully guaranteed. This program will last through June 30, 2010.

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

***Investments***

The School Department invests in various types of investments, which are stated at fair value.

***Accounts Receivable***

In the fund financial statements, material receivables in the governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received.

***Inventory***

Inventory in the Proprietary fund is recorded at the lower of cost or market value on the first-in, first out (FIFO) basis. Inventory consists primarily of food and supplies. Inventory maintained in the governmental funds is recorded as expenditures at the time of purchase.

***Property, Plant and Equipment***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets for governmental fund operations are presented in the City's basic financial statements. Fixed assets used in proprietary fund operations are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

In the proprietary fund operations, depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

***Compensated Absences***

Under the terms of various contracts and agreements, certain School employees are granted vacation and sick leave in varying amounts based on length of service. The School's policy is to recognize the cost of vacation and sick leave for the governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid vested vacation and sick time ("compensated absences") relating to governmental employees is recognized as a long-term debt in the government-wide financial statements in the City of Cranston's basic financial statements, and amounted to \$1,621,721 for governmental activities and \$38,046 for business-type activities at June 30, 2009.

***Deferred Revenue***

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statement and revenue is recognized.

***Use of Estimates***

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

***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***Recently Issued Accounting Standards***

The following are recently issued governmental accounting standards which will be implemented by the Cranston School Department in future years:

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Department's fiscal year ending June 30, 2010
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Department's fiscal year ending June 30, 2011

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

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**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Recently Issued Accounting Standards (Continued)**

During the fiscal year ended June 30, 2009, the School Department implemented the following governmental accounting standards:

- ✓ GASB Statement No. 49 – Accounting and Financial Reporting by Pollution Remediation Obligations, effective for the Department’s fiscal year ending June 30, 2009.

**2. BUDGETARY DATA**

The budget of the School's General Fund is prepared annually and submitted to the School Committee for approval. The amount of the annual transfer from the City's General Fund to the School's General Fund (which is the School's General Fund's most significant revenue source) is ultimately determined through the adoption of the City budget. The school budget as approved by the School Committee must be submitted to the Mayor on March 1. It is the responsibility of the Mayor to submit a proposed budget of the General Fund (including the amount to be transferred to the School's General Fund) to the City Council on April 1. The City Council may review and revise the Mayor's budget. The City Council must adopt a recommended General Fund budget no later than May 15. Public hearings are conducted on the recommended budget, and the final General Fund budget is legally enacted through an ordinance at the City Council Meeting. Once the budget is adopted, the School Committee has the authority to amend budget line items.

The actual combined revenues and expenditures of the School's General Fund included in the Statement of Revenues and Expenditures (Non-GAAP Budgetary Basis) - Budget and Actual are adjusted to reflect the budgetary basis of accounting which differs from generally accepted accounting principles in that encumbrances are considered to be expenditures for budgetary purposes.

The adjustments necessary to reconcile actual revenues and expenditures reported on a budgetary basis to actual revenues and expenditures reported in accordance with generally accepted accounting principles are as follows:

	<u>Revenues And Transfers</u>	<u>Expenditures</u>
Statement of Revenues and Expenditures – Budgetary Basis (D-1)	\$37,273,021	\$127,250,127
On behalf pension contribution by State of Rhode Island .....	6,661,428	6,661,428
Carryover .....	(76,911)	
Revenue/Expenditure pass-thru.....	4,361,183	4,334,071
Current year encumbrances .....		(550,839)
Prior year encumbrances .....		<u>573,226</u>
Statement of Revenues and Expenditures - GAAP basis (A-2).....	<u>\$48,218,721</u>	<u>\$138,268,013</u>

**3. CASH AND INVESTMENTS**

**Deposits**

At June 30, 2009, the carrying amount of the School's deposits was \$991,300 and the bank balance was \$1,344,893. The funds are on deposit in institutions covered by federal depository insurance. The amount covered by insurance is determined on a City-wide basis.

All deposits are held by the School Department in its own name.

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance 6/30/2008	Increases	Decreases	Balance 6/30/2009
<b>Governmental Activities:</b>				
<b>Other capital assets:</b>				
Modular buildings	\$ 814,719	\$ -	\$ -	\$ 814,719
Vehicles	2,193,487	80,000	(34,286)	2,239,201
Machinery and equipment	1,042,707	18,420	-	1,061,127
<b>Total other capital assets at historical cost</b>	<b>4,050,913</b>	<b>98,420</b>	<b>(34,286)</b>	<b>4,115,047</b>
Less: accumulated depreciation for:				
Modular buildings	583,860	69,082	-	652,942
Vehicles	1,250,187	213,893	(34,286)	1,429,794
Machinery and equipment	907,115	43,248	-	950,363
<b>Total accumulated depreciation</b>	<b>2,741,162</b>	<b>326,223</b>	<b>(34,286)</b>	<b>3,033,099</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,309,751</b>	<b>\$ (227,803)</b>	<b>\$ -</b>	<b>\$ 1,081,948</b>
<b>Business-type activities:</b>				
<b>Other capital assets:</b>				
Vehicles	\$ 20,089	\$ -	\$ -	\$ 20,089
Furniture	682	-	-	682
Machinery and equipment	303,995	1,697	-	305,692
<b>Total other capital assets at historical cost</b>	<b>324,766</b>	<b>1,697</b>	<b>-</b>	<b>326,463</b>
Less: accumulated depreciation for:				
Vehicles	7,533	1,674	-	9,207
Furniture	682	-	-	682
Machinery and equipment	264,681	17,976	-	282,657
<b>Total accumulated depreciation</b>	<b>272,896</b>	<b>19,650</b>	<b>-</b>	<b>292,546</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 51,870</b>	<b>\$ (17,953)</b>	<b>\$ -</b>	<b>\$ 33,917</b>

Depreciation expense was charged to the following function on the City's government-wide financial statements:

<b>Governmental activities:</b>	
Education .....	<u>\$326,223</u>
<b>Total governmental activities depreciation expense .....</b>	<b><u>\$326,223</u></b>

Depreciation expense was charged to the following fund on the School's Statement of Revenues, Expenses and Changes in Net Assets (Schedule B-2):

<b>Business-type activities:</b>	
Lunch fund .....	<u>\$ 19,650</u>
<b>Total business-type activities depreciation expense .....</b>	<b><u>\$ 19,650</u></b>

The above Governmental Fund information is not included in the fund financial statements of the Cranston School Department. This information is included in the Government-Wide Financial Statements of the City.

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**5. INTERFUND BALANCES**

Individual interfund receivable and payable balances at June 30, 2009 are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<b>General Fund</b>	\$ 2,124,469	\$ 409,331
<b>Special Revenue Funds:</b>		
Federal Grants	-	957,183
State Grants		126,655
Private Grants	3,830	-
Charter School	356,848	
<b>Total special revenue funds</b>	<u>360,678</u>	<u>1,083,838</u>
<b>Enterprise Funds:</b>		
School Lunch	-	991,978
<b>Total</b>	<u>\$ 2,485,147</u>	<u>\$ 2,485,147</u>

**6. PENSION PLANS**

**(a) Municipal Employees' Retirement System**

**Plan Description**

All full-time non-teacher School Department employees are eligible to participate in the Municipal Employees' Retirement System of the State of Rhode Island (the "System"), an agent multiple employer plan. Employees who retire at or after age 58 with 10 years of credited service or at any age after 30 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is 2% of final average salary per year of credited service with a maximum benefit of 75% of final average salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pays. The System 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.

**Funding Policy**

Covered employees are required to contribute 6% of their salary to the plan and an additional 1% cost-of-living provision. The School Department is required to contribute the remaining amounts necessary to fund the System. 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.

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**6. PENSION PLANS (Continued)**

**(a) Municipal Employees' Retirement System (Continued)**

**Annual Pension Cost**

For 2009, the School Department's annual pension cost of \$876,374 for MERS was equal to its required contribution. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.5% to 8.5% for School Department employees, (c) 3.0% per year cost of living adjustments, and (d) inflation rate of 3%. The actuarial value of DEPP assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$876,374	\$100%	\$0
6/30/2008	\$770,412	\$100%	\$0
6/30/2007	\$442,112	\$100%	\$0

**Schedule of Funding Progress (1)**

<u>Actuarial Valuation Date (2) June 30,</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>(Overfunded) Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2008	\$129,012,096	\$120,962,612	\$(8,049,484)	106.7%	\$26,974,527	(29.8)%

- (1) The Schedule of Funding Progress is presented on a City-wide basis which includes the Cranston Public Schools.
- (2) The Actuarial Valuation Dates are presented for the most recent years of available information provided by the State of Rhode Island.

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

***Plan Description***

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

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**6. PENSION PLANS (Continued)**

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

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, or title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

**Schedule A Benefits:** 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%

Benefit accrual rates: The percentage accrual a Schedule A member has earned as of September 30, 2009 will be frozen. Future accruals will be earned under Schedule B. The member's benefit will be based on the sum of these credits, multiplied by his/her Final Average Salary.

**Schedule B Benefits:** Classified employees who were hired after July 1, 2005, or 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%

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2008 which can be found at [www.ersri.org](http://www.ersri.org).

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**6. PENSION PLANS (Continued)**

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

**Funding Policy**

Rhode Island General Laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both 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. The School Department contributions made for the years ended June 30, 2009, 2008, and 2007 are listed under contributions below and were equal to the required contributions for each year.

The employer contribution rates for ERSRI are determined actuarially. Separate rates are determined for State Employees and for Teachers. Due to the adoption of Article 7 SUB A, the rates from this valuation will be effective for the three year period beginning July 1, 2008 and ending June 30, 2011. The rate consists of two pieces: the normal cost rate and the amortization rate. The normal cost rate is the Employer's Entry Age normal cost, expressed as a percent of pay. The amortization rate is the contribution required to amortize the unfunded actuarial liability over 21 years as a level percent of pay. For the Teachers, the State of Rhode Island pays 40% of the rate, adjusted so that the State pays the entire amortization charge for the 1990/91 and 1991/92 deferrals, and the city employing the Teacher pays the balance. The School Department was required to contribute 14.86%, 13.04%, and 11.62% for all full-time employees for fiscal years 2009, 2008 and 2007, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability.

A variety of significant actuarial assumptions are used and these assumptions are summarized below:

VALUATION DATE .....	JUNE 30, 2008
ACTUARIAL COST METHOD.....	ENTRY AGE NORMAL
AMORTIZATION METHOD.....	LEVEL PERCENT OF PAYROLL – CLOSED
EQUIVALENT SINGLE REMAINING AMORTIZATION PERIOD .....	22 YEARS
ASSET VALUATION METHOD.....	5 YEAR SMOOTHED MARKET
ACTUARIAL ASSUMPTIONS:	
Investment Rate of Return .....	8.25%
Inflation .....	3%
Cost of Living Adjustments .....	Schedule A members – 3% compounded, Schedule B members – 2.5%
PROJECTED SALARY INCREASES:	
Teachers.....	4.5 – 13.25%
MORTALITY .....	1994 Group Annuity Mortality Table with mortality for disable persons set equal to the age 65 under the PBGC Table Via and Va.

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**6. PENSION PLANS (Continued)**

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

**Funding Policy (Continued)**

RETIREMENT AGE ..... Teachers are assumed to retire at the later of age 61 or completion of the service requirements. Article 7 establishes a minimum retirement age of 62 for all future hires, but this age must not be less than under prior law.

POST-RETIREMENT BENEFIT INCREASE .. For members with at least 10 years of contributory service as of June 2005 and for all members receiving a disability benefit, the post-retirement benefit increases are equal to 3% by statute. They are not a function of the actual increases in the cost of living. For members with less than 10 years of contributory service as of June 30, 2005, members receive a compound increase each year equal to the increase in the CPI, but limited to 3%. This limit lowers the expected increases granted in each year below the inflation assumption of 3%. The assumed average increase received for this group of employees is 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2009, actuarial required contributions were 25.03% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 10.17% of non-federally reimbursable payrolls totaling \$65,817,361 for the year ended June 30, 2009, which has been included as revenues and expenditures in the School Department's unrestricted fund. The School Department contributed the remaining 14.86% of the required 25.03%.

The School Department does not have any investments on related party investments with the State Plan. The School Department's (employer) contribution represented 6.2% of total (employer) contributions required of all participating entities for the fiscal year ended June 30, 2008 (latest available information).

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School District has determined that there is and has been no net pension obligation or assets related to the Plan.

**Contributions**

The School Department's required contributions and actual contributions made for the years ended June 30, 2009, 2008, and 2007 were as follows:

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
6/30/2007	\$ 7,951,182	\$ 7,951,182	100%
6/30/2008	9,374,331	9,374,331	100%
6/30/2009	7,671,187	7,671,187	100%

(CONTINUED)

**6. PENSION PLANS (Continued)**

**(c) National (Industrial) Pension Fund**

**Plan Description**

Upon the date of hire, all School Department bus drivers are eligible to participate in the National (Industrial) Pension Fund, a cost-sharing multi-employer defined benefit pension plan. The plan also provides the following types of pensions which pay benefits to a retired participant during their lifetime and thereafter pay benefits to the participant's surviving spouse or other beneficiary: husband-and-wife pension, survivor's option pension, and 120 certain payments option pension. The Plan also provides for a widow/widower's pension. Employees who retire at or after age 62 with at least 5 years of pension credit and have earned at least one of the years of pension credit during the period that their employer is contributing to the pension fund are eligible for benefits through the regular pension that is payable monthly for life. The retirement benefit is determined by the highest contribution rate at which the employee earned pension credit and the years of pension credits they have earned (up to a maximum of thirty years of pension credits). The plan also provides death and disability benefits. Benefits are established by the Board of Trustees of the Pension Fund. Financial statements for the Plan can be obtained by contacting the Laborers' National (Industrial) Pension Fund, 905 16<sup>th</sup> Street, N.W., Washington, DC, 20006.

**Funding Policy**

Covered employees are not required to contribute to the Plan. The School Department is required to contribute \$0.54 for each hour worked by the employees to the Plan.

**Annual Pension Cost**

The School Department was required to contribute and contributed \$82,672, \$92,833, and \$85,540 for fiscal years ended 2009, 2008, and 2007, respectively.

**7. COMMITMENTS AND CONTINGENCIES**

The School Department has received grants from various Federal and State agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. School officials are of the opinion that such disallowances, if any, would be immaterial.

**8. OTHER POSTEMPLOYMENT BENEFITS**

The Cranston Public Schools pay 100% of the cost of individual health care insurance and dental insurance benefits for all retired eligible employees until the employee reaches the age of 65. Cost shares have been negotiated for teachers (5% of plan cost) and administrators (10% of plan cost) retiring after September 1, 2005 until the employee reaches the age of 65. Administrators retiring on and after July 1, 2008 are responsible for a 20% cost share of their benefits. No benefits are paid for employees retiring prior to 1988.

The School Department funds post employment benefits on a pay as you go basis. Expenditures for the benefits described above for the year ended June 30, 2009 were \$2,288,090. During the year ended June 30, 2009, 358 retirees received benefits under this plan.

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(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**9. LONG-TERM LIABILITIES**

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

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
<b>Long-term debt:</b>					
Leases payable	\$ 69,313	\$ -	\$ (21,390)	\$ 47,923	\$ 26,804
<b>Total long-term debt</b>	<u>69,313</u>	<u>-</u>	<u>(21,390)</u>	<u>47,923</u>	<u>26,804</u>
<b>Other long-term liabilities</b>					
Accrued compensated absences	1,646,754		(25,033)	1,621,721	162,172
Deferred salary	295,974	-	(38,402)	257,572	25,757
<b>Total other long-term liabilities</b>	<u>1,942,728</u>	<u>-</u>	<u>(63,435)</u>	<u>1,879,293</u>	<u>187,929</u>
<b>Governmental Activities:</b>					
Total long-term liabilities:	<u>\$ 2,012,041</u>	<u>\$ -</u>	<u>\$ (84,825)</u>	<u>\$ 1,927,216</u>	<u>\$ 214,733</u>
<b>Business-type activities:</b>					
<b>Other long-term liabilities:</b>					
Accrued compensated absences	\$ 27,991	\$ 10,055	\$ -	\$ 38,046	\$ 3,805
Deferred Salary	1,500	-	-	1,500	150
<b>Total Business-type activities long-term debt</b>	<u>\$ 29,491</u>	<u>\$ 10,055</u>	<u>\$ -</u>	<u>\$ 39,546</u>	<u>\$ 3,955</u>

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

Long-term liabilities of the governmental activities of the School Department are presented in the City's basic financial statements.

**(b) Debt Maturity**

Debt service requirements at June 30, 2009 were as follows:

Year Ended <u>June 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>Leases Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2010.....	\$23,061	\$3,743
2011.....	24,862	1,942
<b>Total.....</b>	<u>\$47,923</u>	<u>\$5,685</u>

Total interest expense paid on general long-term debt for the year ended June 30, 2009 was approximately \$5,414.

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**10. RISK MANAGEMENT**

Cranston Public Schools is exposed to various risks of loss related to employee health benefits. Prior to September, 1992, all health coverages including R.I. Blue Cross/Blue Shield, Harvard Community Health Plan, and United Health Plan were premium funded. On September 1, 1992, Cranston Public Schools changed its coverage with R.I. Blue Cross/Blue Shield only to a self-insured financial arrangement. Since 1992, United Health Plan and Delta Dental have also been added to the self-insured program.

The Cranston School Department administers the self-insured program and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island, United Healthcare and Delta Dental (Plan Administrators). Cranston Public Schools is billed weekly by the plan administrator for hospital covered charges, surgical/medical payments, major medical payments, prescription drug payments, and other mental health/substance abuse and dental services.

Cranston Public Schools contributes to a separate account an amount per covered employee which would otherwise have been paid to an insurance carrier. These amounts are determined by the Cranston Public Schools based upon recommendations made by the plan administrator. Factors considered by the plan administrator include the amount of claims paid during the previous year, claims administration costs, and projected insurance industry inflation rates.

In order to avoid catastrophic losses, the School "reinsures" the program by purchasing insurance known as "stop-loss insurance" from BCS through Blue Cross/Blue Shield of RI and United Healthcare Services for United Healthcare. Under the individual stop-loss insurance the School 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 the stop loss coverage.

**11. FUND EQUITY**

**(a) Reservations:**

Reserved fund balances in the General Fund at June 30, 2009 are as follows:

Reserved for encumbrances.....	\$578,058
Reserved for Article 18 .....	<u>51,243</u>
<b>Total</b> .....	<b><u>\$629,301</u></b>

**(b) Deficits:**

During the year ended June 30, 2009, the School Department had a deficit in the following funds:

General Fund.....	\$8,246,359
School Lunch Fund.....	686,829

The deficits will be eliminated through future intergovernmental grant receipts or interfund contributions.

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**12. LEASE COMMITMENTS**

The School Department's operating lease consists of leased equipment. Operating lease expenditures for the fiscal year ended June 30, 2009 were \$295,401.

As of June 30, 2009, future minimum rental expenditures under the operating leases are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Governmental</u> <u>Fund Types</u>
2010 .....	293,537
2011 .....	292,605
2012 .....	<u>292,605</u>
Total .....	<u>\$878,747</u>

(CONCLUDED)

**REQUIRED SUPPLEMENTARY INFORMATION**

**CRANSTON PUBLIC SCHOOLS**

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

**General Fund  
Year Ended June 30, 2009**

	Originally Adopted Budget	Revisions Increase (Decrease)	Final Approved Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
State Aid	\$ 35,475,911	\$ -	\$ 35,475,911	\$ 30,558,540	\$ (4,917,371)
Federal Thru State	1,500,000	100,000	1,600,000	1,789,299	189,299
Tuition	1,662,500	200,000	1,862,500	1,932,450	69,950
Carryover	-	76,911	76,911	76,911	-
State Fiscal Stabilization Funds	-	-	-	2,090,303	2,090,303
Miscellaneous	288,000	1,067,054	1,355,054	825,518	(529,536)
<b>Total revenues</b>	<b>38,926,411</b>	<b>1,443,965</b>	<b>40,370,376</b>	<b>37,273,021</b>	<b>(3,097,355)</b>
<b>Expenditures:</b>					
Salaries	82,366,902	(4,585,804)	77,781,098	80,933,898	(3,152,800)
Employee benefits	34,490,840	(380,301)	34,110,539	31,399,409	2,711,130
Purchased services	9,648,582	(485,666)	9,162,916	10,155,818	(992,902)
Supplies and materials	5,383,044	(487,717)	4,895,327	3,990,172	905,155
Capital outlay	720,865	(79,848)	641,017	578,264	62,753
Other	200,497	(7,371)	193,126	192,566	560
<b>Total expenditures</b>	<b>132,810,730</b>	<b>(6,026,707)</b>	<b>126,784,023</b>	<b>127,250,127</b>	<b>(466,104)</b>
<b>Excess of expenditures over revenues</b>	<b>(93,884,319)</b>	<b>7,470,672</b>	<b>(86,413,647)</b>	<b>(89,977,106)</b>	<b>(3,563,459)</b>
<b>Other financing sources :</b>					
Operating transfer from City of Cranston	93,884,319	(7,470,672)	86,413,647	86,413,637	(10)
<b>Total other financing sources</b>	<b>93,884,319</b>	<b>(7,470,672)</b>	<b>86,413,647</b>	<b>86,413,637</b>	<b>(10)</b>
<b>Excess of revenues over expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,563,469)</b>	<b>\$ (3,563,469)</b>

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**

**DEPARTMENT OF EDUCATION OPEB PLAN**

ACTUARIAL VALUATION DATE JULY1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARILLY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROL
2007	\$ -	\$ 25,950,366	\$(25,950,366)	0.0%	\$68,573,674	-37.84%
2008	-	35,821,039	(35,821,039)	0.0%	69,144,049	-51.81%

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**

ACTUARIAL VALUATION DATE JULY1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARILLY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROL
2002	\$ 115,259,090	\$ 91,029,401	\$ 24,229,689	126.6%	\$23,440,036	103.37%
2003	110,439,637	92,892,158	17,547,479	118.9%	21,675,306	80.96%
2004	106,967,754	97,050,042	9,917,712	110.2%	23,035,308	43.05%
2005	105,082,284	102,678,224	2,404,060	102.3%	23,531,717	10.22%
2006	108,693,423	107,772,769	920,654	100.9%	24,701,259	3.73%
2007	119,233,735	114,975,371	4,258,364	103.7%	26,200,633	16.25%
2008	129,012,096	120,962,612	8,049,484	106.7%	26,974,527	29.84%

(CONTINUED)

**CRANSTON PUBLIC SCHOOLS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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**DEPARTMENT OF EDUCATION OPEB PLAN**

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<b>YEAR ENDED JUNE 30,</b>	<b>ANNUAL REQUIRED CONTRIBUTION (ARC)</b>	<b>ACTUAL CONTRIBUTION</b>	<b>% OF ARC CONTRIBUTED</b>
2008	\$ 2,548,187	\$ 2,122,221	83%
2009	3,504,375	2,288,090	65%

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(CONCLUDED)

**OTHER SUPPLEMENTARY INFORMATION**

**CRANSTON PUBLIC SCHOOLS**  
**Balance Sheet**  
**Non-Major Funds**  
**June 30, 2009**

	<u>Federal Grants</u>	<u>State Grants</u>	<u>Private Grants</u>	<u>Charter School</u>	<u>Total Non-Major Government Funds</u>
<b>Assets</b>					
Cash and cash equivalents	13,703	8,834	182,956	109	205,602
Prepaid expenses				24,384	24,384
Accounts receivable			6,208	86,638	92,846
Intergovernmental receivable	975,747	120,390		-	1,096,137
Due from other funds			3,830	356,847	360,677
Due from City of Cranston					-
<b>Total Assets</b>	<b>989,450</b>	<b>129,224</b>	<b>192,994</b>	<b>467,978</b>	<b>1,779,646</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	32,267			3,102	35,369
Deferred revenue		2,569	192,994		195,563
Due to School District	957,183	126,655			1,083,838
Due to Other Funds					-
<b>Total liabilities</b>	<b>989,450</b>	<b>129,224</b>	<b>192,994</b>	<b>3,102</b>	<b>1,314,770</b>
<b>Fund Equity:</b>					
<b>Fund balances:</b>					
Reserved for encumbrances					-
Reserved for trust agreements					-
Reserved for literacy					-
Unreserved				464,876	464,876
<b>Total fund equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>464,876</b>	<b>464,876</b>
<b>Total Liabilities and Fund Equity</b>	<b>989,450</b>	<b>129,224</b>	<b>192,994</b>	<b>467,978</b>	<b>1,779,646</b>

(CONTINUED)

**Cranston Public Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Funds**  
**For the Year Ended June 30, 2009**

	<u>Federal Grants</u>	<u>State Grants</u>	<u>Private Grants</u>	<u>Charter School</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>					
State Aid				1,508,866	1,508,866
Federal thru State					-
Tuition				873,279	873,279
Federal, state, and private grants	8,390,358	549,096	189,085		9,128,539
Other revenues				154,475	154,475
<b>Total Revenues</b>	<b>8,390,358</b>	<b>549,096</b>	<b>189,085</b>	<b>2,536,620</b>	<b>11,665,159</b>
<b>Expenditures:</b>					
Salaries	5,092,204	335,271	35,482	974,999	6,437,956
Employee benefits	2,182,314	87,291	5,219	375,902	2,650,726
Purchased services	596,875	63,331	50,113	587,016	1,297,335
Supplies and materials	275,472	33,810	77,650	120,527	507,459
Capital outlay	134,890	25,377	20,236	22,212	202,715
Other	108,603	4,016	385	1,186	114,190
<b>Total expenditures</b>	<b>8,390,358</b>	<b>549,096</b>	<b>189,085</b>	<b>2,081,842</b>	<b>11,210,381</b>
<b>Excess of revenues over (under) expenditures before other financing of sources (uses)</b>	-	-	-	454,778	454,778
Fund Balance - Beginning	-	-	-	10,098	10,098
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ 464,876	\$ 464,876

(CONCLUDED)