

***CENTRAL FALLS DETENTION
FACILITY CORPORATION
FINANCIAL STATEMENTS***

*For the Years Ended
December 31, 2014 and 2013*

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FACILITY CORPORATION
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Independent Auditor's Report

To the Board of Directors
Central Falls Detention Facility Corporation
Central Falls, Rhode Island

We have audited the accompanying financial statements of the Central Falls Detention Facility Corporation (CFDFC), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise CFDFC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of CFDFC, as of December 31, 2014 and 2013, and the respective changes in its financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Going Concern

The accompanying financial statements have been prepared assuming that CFDFC will continue as a going concern. As discussed in Note 20 to the financial statements, CFDFC has incurred significant losses in 2014 and 2013, a deficit net position has been reported as of December 31, 2014 and 2013, and CFDFC is in default on its bond trust indenture agreement. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also discussed in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CFDFC's basic financial statements. The schedule of changes in net position, the combining schedule of net position as of December 31, 2014, the combining schedule of revenues, expenses and changes in net position for the year ended December 31, 2014, the combining schedule of net position as of December 31, 2013, and the combining schedule of revenues, expenses and changes in net position for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of changes in net position, the combining schedule of net position as of December 31, 2014, the combining schedule of revenues, expenses and changes in net position for the year ended December 31, 2014, the combining schedule of net position as of December 31, 2013 and the combining schedule of revenues, expenses and changes in net position for the year ended December 31, 2013 are the responsibility of management and were derived from and relate directly to the

underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in net position, the combining schedule of net position as of December 31, 2014, the combining schedule of revenues, expenses and changes in net position for the year ended December 31, 2014, the combining schedule of net position as of December 31, 2013 and the combining schedule of revenues, expenses and changes in net position for the year ended December 31, 2013 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015 on our consideration of CFDFC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFDFC's internal control over financial reporting and compliance.



Warwick, Rhode Island
May 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Central Falls Detention Facility Corporation (Corporation) is a special purpose corporation established pursuant to Rhode Island General Laws to address the need for additional criminal detention bed space and to promote economic development for the State of Rhode Island. The Corporation was established as an instrumentality and agency of the City of Central Falls, with separate legal existence from the City. The Corporation is governed by the board of directors which consists of five positions appointed by the Mayor of Central Falls, the host City.

Our discussion and analysis of the Corporation's financial performance provides an overview of the Corporation's financial activities for the fiscal year ended December 31, 2014. Please review it in conjunction with the Corporation's basic financial statements, enclosed herein.

FINANCIAL HIGHLIGHTS

- The Facility had approximately 504 detainees as the Average Daily Population for the fiscal year.
- The Coverage Ratio for the year was 0.28
- Per diem rate of \$101.76 remained constant for 2014.
- The Corporation's change in net position was a deficit of \$7,252,687.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation's annual financial statements consist of three parts - *management's discussion and analysis, the basic financial statements, and supplementary information.*

The basic financial statements report information about the self-supporting activities of the Corporation. The basic financial statements include a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Corporation's financial health. The Statement of Net Position includes all of the Corporation's assets and liabilities, using the accrual basis of accounting, as well as indicating which assets can be utilized for general purposes and which are restricted as a result of bond covenants. The Statement of Revenues, Expenses and Changes in Net Position reports all the revenues and expenses during the period indicated. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

FINANCIAL SUMMARY

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$8,028,204	\$6,411,497	\$8,336,811
Net capital assets	65,065,006	67,189,363	69,527,245
Other noncurrent assets	21,000	5,346,082	6,718,588
	<u>73,114,210</u>	<u>78,946,942</u>	<u>84,582,644</u>
Total Assets			
Liabilities:			
Current liabilities including current portions of bonds, capital lease payable, and term loan	2,166,144	6,419,093	6,978,673
Accrued interest payable	5,047,463	0	0
Detainee Funds	888	195,318	172,032
Capital lease, less current portion	245,627	300,504	360,988
Bonds payable, less current portion	97,300,000	96,420,000	98,150,000
Incentive bonus liability	362,306	321,904	285,917
	<u>105,122,428</u>	<u>103,656,819</u>	<u>105,947,610</u>
Total Liabilities			
Deferred Inflows of Resources	<u>475,307</u>	<u>520,961</u>	<u>563,513</u>
Net Position:			
Net investment in capital assets	(30,011,260)	(25,996,542)	(23,966,879)
Unrestricted	(2,472,265)	765,704	2,038,400
	<u>(\$32,483,525)</u>	<u>(\$25,230,838)</u>	<u>(\$21,928,479)</u>
Total Net Position			

FINANCIAL OPERATIONS HIGHLIGHTS

The Corporation's overall operating results for the fiscal year 2014 decreased from the operating results of 2013 and 2012. A condensed summary of the operating results is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue:			
Contract services	\$18,706,846	\$21,298,569	\$23,037,243
Transportation	535,510	693,162	619,406
Telephone	121,490	686,992	623,962
Commissary	228,576	249,874	246,169
Other	74,918	17,351	17,855
Total operating revenues	<u>19,667,340</u>	<u>22,945,948</u>	<u>24,544,635</u>
Operating expenses:			
Salaries and fringe benefits	11,969,721	11,940,907	12,012,444
Depreciation and amortization	2,548,434	2,564,174	3,065,713
Building and utility costs	1,599,060	1,272,611	1,301,700
Inmate care	1,483,700	1,572,867	1,615,468
Other direct and administrative costs	1,745,421	1,903,717	1,666,813
Insurance	577,401	584,174	525,524
Total operating expenses	<u>19,923,737</u>	<u>19,838,450</u>	<u>20,187,662</u>
Operating income (loss)	<u>(256,397)</u>	<u>3,107,498</u>	<u>4,356,973</u>
Non-operating revenues (expenses):			
Interest income	172,869	313,965	323,037
Gain on settlement of litigation	0	474,086	
Gain on disposal of capital assets	10,857	3,700	
Other non-operating income	3,863	42,784	
Interest expense	<u>(7,183,879)</u>	<u>(7,244,392)</u>	<u>(7,389,041)</u>
Change in net position	<u>(\$7,252,687)</u>	<u>(\$3,302,359)</u>	<u>(\$2,709,031)</u>
Ending net position	<u>(\$32,483,525)</u>	<u>(\$25,230,838)</u>	<u>(\$21,928,479)</u>

Per diem rate remained constant during 2014.

DEBT ADMINISTRATION

The Corporation issued bonds of \$106.4 million in June 2005. This issue refinanced the 1998 debt, replaced the January 2005 interim-debt, and provided the necessary funds to construct the expanded facility, pay interest for a two year period, establish a debt service reserve fund, and pay for the costs of issuance.

Under the terms of the Agreement, the Corporation will transfer funds from its General Revenue Account to the Debt Service Payment Fund on a monthly basis with bondholders receiving payments for interest on a semi-annual basis and payments of principal on an annual basis. The Corporation also agreed to fund, from net operating revenues, a \$2 million Supplemental Reserve Fund. (50% of net operating revenues are transferred to the Supplemental Reserve Fund until the Fund reaches \$2 million. The remainder is transferred to an Operating Reserve Account.) The Supplemental Reserve Fund may be used for capital expenses and for debt service payments in the event that insufficient funds are deposited to the Debt Service Payment Fund. During 2009 all such funds were depleted to meet various operating expenses throughout the year.

In August 2007, the Corporation entered into an Investment Agreement with The Bank of New York as the Trustee under the Indenture of Trust, dated June 1, 2005 and AIG Matched Funding Corporation. The Trustee received \$750,000 in immediately available funds which represent the prepayment of interest that would otherwise accrue on the Debt Service Fund Investment during the term of the Agreement. The Trustee shall invest with AIG on or prior to the fifth Business Day of each month. AIG will repay the principal on the investment prior to the debt service payment. Subsequent to the agreement of August of 2007, the aforesaid agreement was thus amended on April 30, 2009 to reflect the Bank of New York Mellon Trust Company, N.A. (as successor to the Bank of New York Trust Company, N.A.) as trustee (the "Trustee"), and AIG Matched Funding Corporation (AIGMFC). This Agreement is through January 2023. Subsequent to the agreement of August of 2007, the aforesaid agreement was thus amended on May 26, 2011 to reflect US Bank as successor to the Bank of New York Mellon Trust Company, N.A. and AIG Matched Funding Corporation.

The Corporation also entered into a long term purchase agreement for adjacent properties. This agreement will culminate with the properties being owned by the Corporation by 2020.

ECONOMIC AND OTHER FACTORS

The Corporation continues to exist to serve federal and regional law enforcement agencies for the purpose of providing housing for individuals who are in the custody of the United States Marshals Service and the Mashantucket Pequot Tribal National. In 2013, the facility entered into an agreement with the United States Naval Submarine Base in Groton, CT. to house navy personnel who have been placed in the custody of the General Court-Martial Convening Authority (GCMC) for the US Navy Mid-Atlantic Region Commander. Based on the stated economic factors and other external environmental impacts, the operating agreements are limited

by certain financing covenants. The Corporation's overall financial health is dependent on the Average Daily Population of detainees from these agencies.

On June 13, 2014, the Corporation petitioned RI Superior Court and obtained the appointment of a temporary receiver to conduct the business of the Corporation. The Corporation's Bond Trustee objected to the receivership petition. The Corporation, Bond Trustee, and temporary receiver engaged in settlement discussions and on July 30, 2014, RI Superior Court terminated the temporary receivership and entered a temporary order appointing a Keeper. On September 22, 2014, a final hearing was held and RI Superior Court entered an order appointing a Keeper. The Keeper is authorized, empowered, and directed to assume the powers of the Corporation to operate in the ordinary course of business. The Keeper is vested with all the authority of the Corporation's Board of Directors and has the power to negotiate and consummate on behalf of the Corporation the terms and conditions of a defeasance of bonds pursuant to the indenture, including the power to confirm and ratify in writing such agreements. As part of the court order, the Bond Trustee agreed to forbear from exercising further remedies under the indenture based on the occurrence and/or continuance of events of default. The court order shall terminate, and the powers of the Keeper shall terminate, upon the earlier of (a) consummation of a defeasance of bonds, (b) June 30, 2015, or (c) further order of RI Superior Court. On March 30, 2015, the RI Superior Court terminated the order appointing the Keeper.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Warden Brian K. Murphy, Chief Executive Officer/Warden at 950 High Street, Central Falls, Rhode Island 02863.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Statements of Net Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 400,890	\$ 323,532
Cash - detainee account	888	195,318
Restricted cash and cash equivalents	2,429,546	2,038,158
Restricted investments	676,640	1,556,046
Restricted interest receivable	53,390	108,088
Accounts receivable	1,539,979	1,891,063
Prepaid expenses	406,219	299,292
Restricted special reserve held by trustee	2,520,652	-
	8,028,204	6,411,497
Noncurrent assets:		
Restricted investments	-	5,325,082
Prepaid expenses	21,000	21,000
Capital assets:		
Land	2,394,534	2,394,534
Land improvements	1,454,424	1,454,424
Buildings and improvements	84,457,588	84,231,016
Furniture	825,432	825,432
Equipment	5,072,073	4,870,330
Vehicles	312,018	389,297
Software	61,060	61,060
	94,577,129	94,226,093
Less: accumulated depreciation	(29,512,123)	(27,036,730)
Total capital assets	65,065,006	67,189,363
	65,086,006	72,535,445
Total assets	73,114,210	78,946,942

(Continued)

See accompanying notes to the financial statements.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Statements of Net Position (Continued)
December 31, 2014 and 2013

	2014	2013
LIABILITIES		
Current liabilities:		
Accounts payable	462,723	331,417
Accrued interest payable	919,752	3,277,571
Accrued expenses	713,417	690,922
Current portion of capital leases payable	51,292	60,484
Current portion of bonds payable	-	1,730,000
Term loan	-	300,000
Detainee funds	888	195,318
Other current liabilities	18,960	28,699
	2,167,032	6,614,411
Noncurrent liabilities:		
Accrued interest payable	5,047,463	-
Capital leases payable, less current portion	245,627	300,504
Bonds payable, less current portion	97,300,000	96,420,000
Incentive bonus liability	362,306	321,904
	102,955,396	97,042,408
	105,122,428	103,656,819
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	475,307	520,961
	475,307	520,961
NET POSITION		
Net investment in capital assets	(30,011,260)	(25,996,542)
Unrestricted	(2,472,265)	765,704
	\$ (32,483,525)	\$ (25,230,838)

See accompanying notes to the financial statements.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
Contract services	\$ 18,706,846	\$ 21,298,569
Transportation	535,510	693,162
Telephone	121,490	686,992
Commissary	228,576	249,874
Other	74,918	17,351
Total operating revenues	19,667,340	22,945,948
Operating expenses:		
Salaries and fringe benefits	11,969,721	11,940,907
Depreciation and amortization	2,548,434	2,564,174
Building and utility costs	1,599,060	1,272,611
Inmate care	1,483,700	1,572,867
Other direct and administrative costs	1,745,421	1,903,717
Insurance	577,401	584,174
Total operating expenses	19,923,737	19,838,450
Operating income (loss)	(256,397)	3,107,498
Non-operating revenues (expenses):		
Interest income	172,869	313,965
Gain on settlement of litigation	-	474,086
Gain on disposal of capital assets	10,857	3,700
Other non-operating income	3,863	42,784
Interest expense	(7,183,879)	(7,244,392)
Total non-operating revenues (expenses)	(6,996,290)	(6,409,857)
Change in net position	(7,252,687)	(3,302,359)
Total net position - beginning of year, restated	(25,230,838)	(21,928,479)
Total net position - end of year	\$ (32,483,525)	\$ (25,230,838)

See accompanying notes to the financial statements.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
<i>Cash flows from operating activities:</i>		
Cash received from customers	\$ 20,018,424	\$ 24,051,189
Cash paid employees for services	(11,988,391)	(11,830,273)
Cash paid to suppliers for goods and services	(5,345,914)	(5,643,457)
Other receipts	10,904	1,383,478
Other payments	(205,334)	(1,360,192)
<i>Net cash provided by operating activities</i>	2,489,689	6,600,745
<i>Cash flows from noncapital financing activities</i>		
Term loan paid	(300,000)	-
Finance charges paid	(10,680)	(9,232)
<i>Net cash used for noncapital financing activities</i>	(310,680)	(9,232)
<i>Cash flows from capital and related financing activities</i>		
Acquisition and construction of capital assets	(428,315)	(226,292)
Disposal of capital assets	15,096	3,700
Cash received from trustee restricted special reserve	499,997	-
Interest paid on long-term debt	(3,579,028)	(7,227,958)
Principal paid on long-term debt	(914,069)	(1,680,724)
<i>Net cash used for capital and related financing activities</i>	(4,406,319)	(9,131,274)
<i>Cash flows from investing activities</i>		
Interest and dividends on investments	181,913	284,864
Sales of investments	7,404,271	11,205,870
Purchases of investments	(5,045,520)	(7,737,242)
Interest paid on investments	(39,038)	(6,931)
<i>Net cash provided by investing activities</i>	2,501,626	3,746,561
<i>Net increase in cash and cash equivalents</i>	274,316	1,206,800
<i>Cash and cash equivalents, beginning of year</i>	2,557,008	1,350,208
<i>Cash and cash equivalents, end of year</i>	\$ 2,831,324	\$ 2,557,008
<i>Noncash capital and related financing activities:</i>		
Trustee setoff of debt service and reserve investments	\$ (3,845,737)	\$ -
Trustee payment of interest on bonds	825,088	-

(Continued)

See accompanying notes to the financial statements.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2014 and 2013

	2014	2013
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>		
Operating income (loss)	\$ (256,397)	\$ 3,107,498
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,548,434	2,564,174
Other non-operating income	3,863	42,784
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	351,084	1,105,241
(Increase) decrease in prepaid expenses	(106,927)	(82,699)
Increase (decrease) in accounts payable	131,306	(218,478)
Increase (decrease) in accrued expenses	22,495	54,602
Increase (decrease) in detainee funds	(194,430)	23,286
Increase (decrease) in other liabilities	(9,739)	4,337
	\$ 2,489,689	\$ 6,600,745

See accompanying notes to the financial statements.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 1 – ORGANIZATION

The Central Falls Detention Facility Corporation (the "Corporation") was created on August 5, 1991 under the provisions of Chapter 421 of the 1991 Public Laws of Rhode Island for the purpose of acquiring land and constructing, managing and operating a detention facility in the City of Central Falls, Rhode Island. The Corporation is an instrumentality and agency of the City of Central Falls, but has a distinct legal existence from the City. Operations commenced November 22, 1993. Revenues are derived from contractual arrangements with Federal agencies for the housing of detainees.

The facility is constructed and operated in accordance with the Adult Local Detention Facilities (Fourth Edition) published by the American Correctional Association (the "ACA Standards"). The ACA Standards meet or exceed applicable federal and state correctional standards.

The facility consists of twelve housing units, one dormitory with a rated capacity of 54 detainees, and ten multiple occupancy units with an aggregate rated capacity of 746 detainees. "Rated capacity" is the number of prisoners a unit is expected to hold. Twenty-eight nonrated beds in the units specified above are designed to cover peaking and to be used for classification purposes and are not counted to determine the operating capacity of the facility. "Peaking" means those times when the total detainee population exceeds the average detainee population. Standard practice in the design of detention and other incarceration facilities includes nonrated beds for peaking to compensate for those times when the detainee population is lower than average for the facility. In addition, federal agencies require the classification of certain detainees, such as certain immigration detainees, and their separation from other detainees for security purposes.

The facility also includes twenty-four administrative segregation beds to be used for disciplinary purposes, twenty-four protective custody beds and four medical beds. Use of these beds is restricted to their designated purpose.

In addition to the housing units described above, the facility contains general, security and administrative zones and provides areas for public and visitor reception, detainee intake/release, holding cells and staff support facilities. The facility provides medical, commissary, recreational and other necessary services for detainees. The detainees' support and service zones provide areas for outdoor recreational activities, indoor assemblies and medical assistance. The facility can also accommodate vocational and educational training through its classrooms and multi-purpose rooms.

On June 13, 2014, the Corporation petitioned RI Superior Court and obtained the appointment of a temporary receiver to conduct the business of the Corporation. The Corporation's Bond Trustee objected to the receivership petition. The Corporation, Bond Trustee, and temporary receiver engaged in settlement discussions and on July 30, 2014, RI Superior Court terminated the temporary receivership and entered a temporary order appointing a Keeper. On September

CENTRAL FALLS DETENTION FACILITY CORPORATION
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22, 2014, a final hearing was held and RI Superior Court entered an order appointing a Keeper. The Keeper is authorized, empowered, and directed to assume the powers of the Corporation to operate in the ordinary course of business. The Keeper is vested with all the authority of the Corporation's Board of Directors and has the power to negotiate and consummate on behalf of the Corporation the terms and conditions of a defeasance of bonds pursuant to the indenture, including the power to confirm and ratify in writing such agreements. As part of the court order, the Bond Trustee agreed to forbear from exercising further remedies under the indenture based on the occurrence and/or continuance of events of default. The court order shall terminate, and the powers of the Keeper shall terminate, upon the earlier of (a) consummation of a defeasance of bonds, (b) June 30, 2015, or (c) further order of RI Superior Court. On March 30, 2015, the RI Superior Court terminated the order appointing the Keeper.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental proprietary fund types ("enterprise funds"). An enterprise fund is intended to be self-sustaining, recovering its operating and financing costs from the generation of revenues through customer charges. The financial statements of the Corporation have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, all assets and liabilities associated with operations are included on the statements of net position, revenues are recorded when earned and expenses at the time liabilities are incurred.

Basis of Presentation

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in accordance with the principles of "Fund Accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the Corporation's Trust Indenture. The Corporation's financial statements are presented as the combined total of all the Corporation's funds. Combining supplemental schedules are presented for purposes of additional analysis.

The seven funds used by the Corporation are as follows:

Revenue Fund - All service fees and other revenue derived from the operation of the Corporation are collected and deposited into the Revenue Fund.

Operation and Maintenance Fund - Reflects the operating and maintenance costs of the Corporation.

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Debt Service Fund - Maintains monies and investments in trust to be applied by the trustee solely to principal (including sinking fund installments) and interest on the Bonds.

Reserve Fund - Maintains monies and investments in trust to be applied by the trustee solely for the payment of the principal (including sinking fund installments) and interest on the Bonds, if the Debt Service Fund is deficient.

Capital Improvement Fund - Maintains monies for the Corporation's capital improvements and capital assets.

Operational Reserve Fund - Maintains monies to remedy any deficiencies in the Debt Service Fund, to finance capital expenditures and to fund operation and maintenance costs and local impact fees.

Contingency Reserve Fund - Used to fund deficiencies in other funds, but may not be used to pay local impact fees.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents are considered to be all highly liquid investments (including restricted assets) purchased with a maturity of three months or less.

Investments

Investments are recorded at fair value.

Restricted Cash and Cash Equivalents and Investments

In accordance with the Trust Indenture, the Corporation has established certain separate restricted cash equivalent and investment accounts. Amounts payable from restricted cash and cash equivalents and investments are included in the Statement of Net Position as accounts payable, accrued interest payable, accrued expenses and current and long-term portions of bonds payable.

Receivables

Contract services and transportation fees are billed to customers as they are incurred on a monthly basis.

Capital Assets

Capital assets are valued at cost. Land is not depreciated. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets as follows:

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Building and improvements	7-40 years
Furniture and equipment	5-10 years
Vehicles	5-7 years
Software	3 years

Detainee Funds

The facility maintains detainee funds in a trust capacity in a separate financial management system that permits detainee support from family members and allows purchase of assorted items through the facility commissary. Detainee Funds are reflected on the statement of net position as an asset with a corresponding liability. Effective January 2014, detainee funds are maintained by a service provider.

Operating Revenues and Expenses

Operating revenues and expenses for the Corporation are those that result from the housing of detainees and related activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

GASB 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68 is required for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding the application of the transition provisions of GASB 68.

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At this time, Management believes that implementation of these new pronouncements will not have a material effect on the financial statements.

NOTE 3 – RESTATEMENTS AND RECLASSIFICATIONS

Assets and net position as of December 31, 2012 have been restated to reflect adjustments related the retroactive application of GASB 65, “Items Previously Reported as Assets and Liabilities,” in 2013.

The effect of the restatement on assets, net position and expenses for the year ended December 31, 2012 are as follows:

	<i>Before</i>		
	<u>Restatement</u>	<u>Adjustment</u>	<u>Restated</u>
Bond issue costs, net	\$ 2,561,998	\$(2,561,998)	\$ -
Net position	(19,366,481)	(2,561,998)	(21,928,479)
Depreciation and amortization	3,179,579	(113,866)	3,065,713

Deferred revenue as of December 31, 2012 has been reclassified to deferred inflows of resources as required by GASB 65.

NOTE 4 – CASH AND CASH EQUIVALENTS

The Corporation’s cash deposits are in one financial institution. The carrying value of cash deposits, investments and petty cash funds reported on the Statement of Net Position as “cash and cash equivalents” are as follows:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2014</u>	<u>2013</u>
Cash deposits	\$ 400,278	\$ 517,350
Restricted cash equivalents	2,429,546	2,038,158
Petty cash	1,500	1,500
<i>Total cash and cash equivalents</i>	<u><u>\$2,831,324</u></u>	<u><u>\$2,557,008</u></u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Corporation will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Corporation does not have a formal policy for custodial credit risk. The bank balance of the Corporation’s cash deposits was \$401,013 as of December 31, 2014 and \$674,753 as of December 31, 2013. As of

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December 31, 2014 and 2013, the bank balances of \$151,013 and \$424,753, respectively, were exposed to custodial credit risk as follows:

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
Insured (Federal depository insurance funds)	\$250,000	\$250,000
Uninsured and uncollateralized	151,013	424,753
<i>Total bank balance</i>	<u>401,013</u>	<u>674,753</u>

NOTE 5 – INTEREST RECEIVABLE

The Corporation earns interest on the balance held in the Reserve Fund. Interest is paid semi-annually in January and July. The interest receivable relates to the interest earned in the six months prior to year end, paid in the following month.

NOTE 6 – INVESTMENTS

The Corporation does not have a formal investment policy related to interest rate risk, credit risk, concentration of credit risk or custodial credit risk. The Corporation is limited to the permitted investments included in its trust indenture agreement.

The Corporation had the following investments as of December 31, 2014:

<i>Investment</i>	<i>Maturity</i>	<i>Rating (Moody's)</i>	<i>Fair Value</i>	<i>% of Total Investments</i>
AIG guaranteed investment contract	01/15/2023	Unrated	\$676,640	22%
US Bank money market funds	N/A	P-1	2,429,546	78%
			<u>\$3,106,186</u>	<u>100%</u>

The Corporation had the following investments as of December 31, 2013:

<i>Investment</i>	<i>Maturity</i>	<i>Rating (Moody's)</i>	<i>Fair Value</i>	<i>% of Total Investments</i>
AIG guaranteed investment contract	01/15/2023	Unrated	\$1,556,046	17%
Ixis guaranteed investment contract	07/15/2035	Unrated	5,325,082	60%
US Bank money market funds	N/A	P-1	2,038,158	23%
			<u>\$8,919,286</u>	<u>100%</u>

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Money market funds are reported as cash equivalents in the financial statements as of December 31, 2014 and 2013. Custodial credit risk does not apply to the types of investments held by the Corporation as of December 31, 2014 and 2013.

NOTE 7 – RESTRICTED SPECIAL RESERVE HELD BY TRUSTEE

On June 13, 2014, the Bond Trustee transferred \$3,845,737 in restricted debt service and reserve fund investments to the special reserve account. These actions were taken under, among other authority, Sections 11.2 and 11.3 of the Trust Indenture and rights of set off under Rhode Island law. The following is a summary of the special reserve activity for the year ended December 31, 2014:

Transfer of investments to special reserve	\$3,845,737
Partial interest payment to bondholders	(825,088)
Transfer to restricted fees and expense account	(499,997)
Restricted special reserve – December 31, 2014	<u>\$2,520,652</u>

NOTE 8 – LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2014 consisted of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 98,150,000	\$ -	\$ 850,000	\$ 97,300,000	\$ -
Capital leases payable	360,988	-	64,069	296,919	51,292
Incentive bonus liability	321,904	40,402	-	362,306	-
Total long-term liabilities	<u>\$ 98,832,892</u>	<u>\$40,402</u>	<u>\$ 914,069</u>	<u>\$ 97,959,225</u>	<u>\$ 51,292</u>

Long-term liabilities at December 31, 2013 consisted of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 99,765,000	\$ -	\$ 1,615,000	\$ 98,150,000	\$ 1,730,000
Capital leases payable	426,711	-	65,723	360,988	60,484
Incentive bonus liability	285,917	35,987	-	321,904	-
Total long-term liabilities	<u>\$ 100,477,628</u>	<u>\$35,987</u>	<u>\$ 1,680,723</u>	<u>\$ 98,832,892</u>	<u>\$ 1,790,484</u>

Bonds Payable

The Corporation issued \$106,380,000 of Series 2005A Bonds on June 1, 2005 to advance refund certain outstanding revenue bonds and to finance expansion and capital improvements to its facility. The outstanding revenue bonds were defeased by placing approximately \$34,886,000 from the 2005A Bonds into an irrevocable trust to provide for all future debt service payments on

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these bonds. Accordingly, the trust account assets and the outstanding liability for the defeased bonds are not recognized in these financial statements.

The Series 2005A Bonds bear a fixed rate ranging from 6% to 7.25% and mature serially through July 15, 2035. Bonds with aggregate principal of \$5,680,000 bearing interest at 6.75% matured January 15, 2013, and the remaining balance of \$98,970,000 with interest at 7.25% will mature July 15, 2035.

All of the Bonds are subject to mandatory redemption at a Redemption Price of 100% of each Bond, or portion thereof, plus interest accrued through the redemption date. Redemption of the Bonds maturing January 15, 2013 commenced July 15, 2009 and for the Bonds maturing July 15, 2035 commenced July 15, 2013.

Bonds maturing after July 15, 2015 are subject to redemption at the option of the Corporation on any date beginning July 15, 2015 at redemption rates of 103% decreasing to 100% as of July 15, 2018 and thereafter, including interest accrued through the redemption date.

The following presents the original debt service and sinking fund requirements to maturity as of December 31, 2014:

<u><i>Year Ending December 31,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2015	\$ 1,860,000	\$ 6,957,463	\$ 8,817,463
2016	1,995,000	6,820,075	8,815,075
2017	2,145,000	6,672,719	8,817,719
2018	2,305,000	6,514,488	8,819,488
2019	2,475,000	6,344,294	8,819,294
2020-2024	15,385,000	28,698,039	44,083,039
2025-2029	21,985,000	22,114,314	44,099,314
2030-2034	31,395,000	12,711,065	44,106,065
2035	16,875,000	1,085,688	17,960,688
	<u>\$ 96,420,000</u>	<u>\$ 97,918,145</u>	<u>\$ 194,338,145</u>

On July 15, 2014, the Corporation defaulted on its debt service payment. No principal payment was made and only a partial interest payment of \$825,088 was made. Interest on the principal balance of \$97,300,000 has continued to accrue at 7.25% per year. The above debt service and sinking fund requirements to maturity does not reflect payments that are in default or additional interest that has or will accrue as a result of payment defaults.

As of December 31, 2014, accrued interest payable of \$5,967,215 has been included in the Statement of Net Position as follows:

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Interest accrued on bonds payable	\$5,940,280
Other interest payable	26,935
Total accrued interest payable	<u>\$5,967,215</u>

Under the terms of the Trust Indenture, funds may be withdrawn from the Reserve Fund to meet debt service payments when the balances in the Operational Reserve and Contingency Reserve Funds are insufficient to meet these payments. Any funds withdrawn from the Reserve Fund must be replenished to the reserve requirement within 60 days of the draw. On January 18, 2011, January 17, 2012, July 15, 2013 and January 28, 2014, funds were withdrawn from the Reserve Fund and have not been replenished to the reserve requirement as of December 31, 2014.

Capital Leases Payable

Amortization of assets acquired under capital leases is included in depreciation and amortization for the years ended December 31, 2014 and 2013. Capital leases for land, equipment and vehicles are included in the Statement of Net Position as follows:

Land	\$ 625,000
Equipment	30,322
Vehicles	63,580
	<u>\$ 718,902</u>

As of December 31, 2014, future minimum rental commitments under capital leases are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 68,658
2016	65,015
2017	65,015
2018	65,015
2019	65,015
2020	21,672
Total future minimum rental payments	<u>350,390</u>
Less: interest portion of payments	53,471
Present value of minimum lease payments	<u>\$ 296,919</u>

Incentive Bonus Liability

In 2008, as stipulated in the Indenture of Trust, the Corporation engaged a consultant to advise on the operations and management of the facility. The consultant also served as the Corporation's Executive Director. The consultant's agreement addressed required additional

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compensation as incentives for meeting certain goals. This agreement was terminated by the Corporation in April 2009 and payment of the accrued incentive liability is currently subject to litigation. Management is unable to determine how much, if any, or when this liability will be liquidated other than that payment is unlikely to occur during the fiscal year 2015. Accordingly, the accrued incentive is classified as a non-current liability. Interest is recorded on the outstanding balance at 12% per annum.

Interest Expense

Total interest costs incurred during the years ended December 31, 2014 and 2013 were \$7,183,879 and \$7,244,392, respectively.

NOTE 9 – TERM LOAN

The Corporation has an outstanding unsecured term loan with a former management company. The original loan amount of \$3,500,000 required monthly payments of \$85,445, including interest at 8%, with a balloon payment of \$586,364 due June 1, 2011, which the Corporation did not make. As of December 31, 2013, the Corporation was in litigation regarding this obligation. Subsequently, a settlement agreement dated April 10, 2014 was signed that requires the Corporation to pay the former management company \$300,000 in 6 installments of \$50,000, with the first payment to be made on April 15, 2014 and the remaining payments due on the first of each month beginning May 1, 2014. As of December 31, 2014 and 2013, \$0 and \$300,000, respectively, is included in current liabilities on the Statement of Net Position. The settlement of the litigation resulted in a gain of \$474,086, which has been reported in the statement of revenues, expenses and changes in net position for the year ended December 31, 2013 as a non-operating revenue.

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NOTE 10 – DEFERRED INFLOWS OF RESOURCES

The Corporation received advanced funding of future interest income to be earned on its Debt Service Fund guaranteed investment contract. Income is recognized based on the principal payments of the underlying debt.

The following is the estimated annual recognition of interest income:

<u>Year Ending December 31,</u>	
2015	\$ 49,034
2016	52,649
2017	56,593
2018	60,794
2019	65,251
Thereafter	<u>190,986</u>
	<u>\$475,307</u>

NOTE 11 – OPERATING LEASES

As of December 31, 2014, the Corporation is committed for the lease of land, office equipment and a vehicle. The leases are considered operating leases. Rental expenses for the years ended December 31, 2014 and 2013 amounted to approximately \$76,553 and \$61,312, respectively.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 81,632
2016	81,313
2017	77,809
2018	77,809
2019	74,807
2020	<u>13,929</u>
	<u>\$ 407,299</u>

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NOTE 12 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2014:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>
Nondepreciable assets:				
Land	\$ 2,394,534	\$ -	\$ -	\$ 2,394,534
<i>Total nondepreciable assets</i>	<u>2,394,534</u>	<u>-</u>	<u>-</u>	<u>2,394,534</u>
Depreciable assets:				
Land improvements	1,454,424	-	-	1,454,424
Buildings and improvements	84,231,016	226,572	-	84,457,588
Furniture	825,432	-	-	825,432
Equipment	4,870,330	201,743	-	5,072,073
Vehicles	389,297	-	77,279	312,018
Software	61,060	-	-	61,060
<i>Total depreciable assets</i>	<u>91,831,559</u>	<u>428,315</u>	<u>77,279</u>	<u>92,182,595</u>
Less accumulated depreciation for:				
Land improvements	614,153	91,969	-	706,122
Buildings and improvements	20,719,890	2,160,372	-	22,880,262
Furniture	747,921	74,765	-	822,686
Equipment	4,523,761	209,393	-	4,733,154
Vehicles	370,223	11,656	73,040	308,839
Software	60,782	278	-	61,060
<i>Total accumulated depreciation</i>	<u>27,036,730</u>	<u>2,548,433</u>	<u>73,040</u>	<u>29,512,123</u>
<i>Total capital assets, net</i>	<u><u>\$67,189,363</u></u>	<u><u>\$(2,120,118)</u></u>	<u><u>\$ 4,239</u></u>	<u><u>\$ 65,065,006</u></u>

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The following is a summary of capital asset activity for the year ended December 31, 2013:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>
Nondepreciable assets:				
Land	\$ 2,394,534	\$ -	\$ -	\$ 2,394,534
Construction on progress	75,740	32,460	108,200	-
<i>Total nondepreciable assets</i>	<u>2,470,274</u>	<u>32,460</u>	<u>108,200</u>	<u>2,394,534</u>
Depreciable assets:				
Land improvements	1,454,424	-	-	1,454,424
Buildings and improvements	84,061,271	169,745	-	84,231,016
Furniture	825,432	-	-	825,432
Equipment	4,744,379	132,287	6,336	4,870,330
Vehicles	389,297	-	-	389,297
Software	61,060	-	-	61,060
<i>Total depreciable assets</i>	<u>91,535,863</u>	<u>302,032</u>	<u>6,336</u>	<u>91,831,559</u>
Less accumulated depreciation for:				
Land improvements	522,184	91,969	-	614,153
Buildings and improvements	18,575,806	2,144,084	-	20,719,890
Furniture	656,581	91,340	-	747,921
Equipment	4,307,699	222,398	6,336	4,523,761
Vehicles	357,507	12,716	-	370,223
Software	59,115	1,667	-	60,782
<i>Total accumulated depreciation</i>	<u>24,478,892</u>	<u>2,564,174</u>	<u>6,336</u>	<u>27,036,730</u>
<i>Total capital assets, net</i>	<u>\$69,527,245</u>	<u>\$(2,229,682)</u>	<u>\$108,200</u>	<u>\$ 67,189,363</u>

NOTE 13 – COMPENSATED ABSENCES

Employees are granted vacation and other time off in varying amounts based on years of service with the Corporation. At termination of service, an employee is paid accumulated unused vacation leave. Included in accrued expenses at December 31, 2014 and 2013 was approximately \$227,000 and \$256,000, respectively, representing unused vacation leave valued at current pay rates.

NOTE 14 – NET POSITION

Net investment in capital assets is intended to reflect the portion of net position that is associated with nonliquid capital assets less outstanding capital asset related debt.

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NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

See Note 8 – Incentive Bonus Liability and Note 9 – Term Loan for contingencies that have been accrued by the Corporation as of December 31, 2014 and 2013.

In the ordinary course of operations, the Corporation is a party to various other claims, legal actions and complaints. It is the opinion of the Corporation's management and legal counsel that these matters are not anticipated to have a material financial impact on the financial statements.

City of Central Falls - Impact Fee

The Corporation from time to time may pay an impact fee to the City of Central Falls; however, it is not a requirement and is subordinate to all other debt obligations of the Central Falls Detention Facility Corporation.

NOTE 16 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Corporation purchases commercial insurance for property damage, general liability, errors and omissions and worker's compensation. Effective August 1, 2014, the automobile liability policy limit decreased from \$1,000,000 to \$550,000 and the excess liability policy limit decreased from \$5,000,000 to \$4,000,000. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 17 – CONCENTRATION RISK

The facility provides housing for inmates and detainees to the United States Marshals Service in the New England area and also in unrelated jurisdictions from time-to-time. The Corporation's per diem rate was \$101.76 per day plus all reimbursable costs for 2014 and 2013.

This intergovernmental agreement is subject to the contracting authority of the United States Marshals Service under federal law. Accordingly, it is subject to the annual appropriation of federal funds and is limited to an annual term, which automatically renews for 90 days if not terminated in writing by either party. There can be no assurance that the federal government will continue to appropriate funds for per diem payments in amounts sufficient to enable the Corporation to continue to operate the facility and to provide the Corporation with funds to make principal and interest payments on bonds.

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In addition, the federal government is not obligated to house any minimum or particular numbers of federal pretrial detainees at the facility. Accordingly, there can be no assurance as to the actual number of federal pretrial detainees that will be housed at the facility. Consequently, the level of funds, if any, that will be available to the Corporation under the agreement, is not guaranteed.

The following United States Marshals Districts accounted for approximately 97.8% of operating revenue in 2014:

<u>District</u>	<u>Annual Revenue</u>	<u>% of Operating Revenue</u>	<u>A/R Balance December 31, 2014</u>
Massachusetts	\$ 8,050,539	43.0%	\$ 685,564
Connecticut	8,008,817	42.8%	644,372
Rhode Island	2,250,117	12.0%	146,031
	<u>\$ 18,309,473</u>	<u>97.8%</u>	<u>\$1,475,967</u>

NOTE 18 – RETIREMENT PLAN

The Corporation administers the CFDFC 401(k) plan, a defined contribution plan covering all employees who are at least 21 years of age. The plan has no minimum service requirement. Plan provisions and contribution requirements are established in the plan agreement and may be amended by the adoption of an amended agreement. Employees may contribute up to the maximum amount allowed by the Internal Revenue Code. The Corporation matches 50% of employee contributions or up to 6% of the employee’s compensation. Employee contributions to the plan totaled \$403,231 and \$339,728 for the years ended December 31, 2014 and 2013, respectively. Employer contributions to the plan totaled \$147,379 and \$130,338 for the years ended December 2014 and 2013, respectively.

NOTE 19 – SUBSEQUENT EVENTS

A. On March 30, 2015, the Corporation, Bond Trustee, and the City of Central Falls entered into a forbearance agreement that has an outside termination date of January 16, 2019, and provides for, among other things, the following:

- The Bond Trustee will forbear from exercising the rights and remedies available to it under the Trust Indenture and applicable law as a result of existing and continuing events of default.
- The Corporation is authorized to pay the City of Central Falls \$100,000 on July 15, 2015 and to pay \$16,666.66 on August 15, 2015 and on the 15th day of each month thereafter up to an aggregate amount of \$800,000 during the term of the agreement. These payments are to be made from revenues to the extent there are

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funds available subsequent to the payment of the operation and maintenance expenses of the Corporation.

- The Corporation is subject to additional reporting requirements to the Bond Trustee and must employ an independent efficiencies consultant to audit and evaluate operational efficiencies and revenue growth opportunities.
- Dismissal of the Keeper proceedings.
- Dismissal of the Fink litigation with the City of Central Falls.

B. On March 30, 2015, the RI Superior Court terminated the order appointing the Keeper.

C. The Corporation did not pay the January 15, 2015 principal payment due on its bonds and only paid a portion of the interest payment due.

NOTE 20 – GOING CONCERN CONSIDERATIONS

See Note 1 – Organization and Note 19 – Subsequent Events related to the Corporation’s temporary receivership and keepership. Also, as of December 31, 2014, the Corporation is in default on its bond trust indenture agreement as related to the payment of debt service, reserve fund, coverage ratio and monthly payments to the debt service fund. The Corporation has also incurred significant losses consecutively in 2014 and 2013 and continues to report a deficit net position. This default along with the consecutive losses raises substantial doubt about the Corporation’s ability to continue as a going concern.

Management continues to aggressively market the facility to agencies throughout the northeast that are in need of detention facilities. Their efforts resulted in the acquisition of a two-year contract in October 2011 to house naval detainees from the US Naval Submarine Base in Groton, Connecticut. This contract was renewed in October, 2013 for one year with the option to renew the contract for two additional years.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern; however, the above conditions raise substantial doubt about the Corporation’s ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Corporation be unable to continue as a going concern.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Schedule of Changes in Net Position
For the Years Ended December 31, 2014 and 2013

	<i>Net Investment in Capital Assets</i>	<i>Unrestricted</i>	<i>Total</i>
	<u> </u>	<u> </u>	<u> </u>
<i>Balance, December 31, 2012, as restated</i>	\$ (23,966,879)	\$ 2,038,400	\$ (21,928,479)
Change in net position for 2013	<u>(2,029,663)</u>	<u>(1,272,696)</u>	<u>(3,302,359)</u>
<i>Balance, December 31, 2013</i>	(25,996,542)	765,704	(25,230,838)
Change in net position for 2014	<u>(4,014,718)</u>	<u>(3,237,969)</u>	<u>(7,252,687)</u>
<i>Balance, December 31, 2014</i>	<u><u>\$ (30,011,260)</u></u>	<u><u>\$ (2,472,265)</u></u>	<u><u>\$ (32,483,525)</u></u>

CENTRAL FALLS DETENTION FACILITY CORPORATION
Combining Schedule of Net Position
 December 31, 2014

	<i>Revenue Fund</i>	<i>Operation and Maintenance Fund</i>	<i>Debt Service Fund</i>	<i>Reserve Fund</i>	<i>Capital Improvement Fund</i>	<i>Operational Reserve Fund</i>	<i>Contingency Reserve Fund</i>	<i>Total</i>
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ -	\$ 400,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,890
Cash - detainee account	-	888	-	-	-	-	-	888
Restricted cash and cash equivalents	2,067,606	296,847	-	65,089	4	-	-	2,429,546
Restricted investments	-	-	676,640	-	-	-	-	676,640
Restricted interest receivable	-	-	-	53,390	-	-	-	53,390
Accounts receivable	1,539,979	-	-	-	-	-	-	1,539,979
Prepaid expenses	-	406,219	-	-	-	-	-	406,219
Restricted special reserve held by trustee	-	-	-	2,520,652	-	-	-	2,520,652
Total current assets	3,607,585	1,104,844	676,640	2,639,131	4	-	-	8,028,204
Noncurrent assets:								
Restricted investments	-	-	-	-	-	-	-	-
Prepaid expenses	-	21,000	-	-	-	-	-	21,000
Capital assets:								
Land	-	-	-	-	2,394,534	-	-	2,394,534
Land improvements	-	-	-	-	1,454,424	-	-	1,454,424
Buildings and improvements	-	-	-	-	84,457,588	-	-	84,457,588
Furniture	-	-	-	-	825,432	-	-	825,432
Equipment	-	-	-	-	5,072,073	-	-	5,072,073
Vehicles	-	-	-	-	312,018	-	-	312,018
Software	-	-	-	-	61,060	-	-	61,060
Less: Accumulated depreciation	-	-	-	-	(29,512,123)	-	-	(29,512,123)
Total capital assets	-	-	-	-	65,065,006	-	-	65,065,006
Total noncurrent assets	-	21,000	-	-	65,065,006	-	-	65,086,006
Total assets	3,607,585	1,125,844	676,640	2,639,131	65,065,010	-	-	73,114,210

(Continued)

CENTRAL FALLS DETENTION FACILITY CORPORATION
Combining Schedule of Net Position (Continued)
December 31, 2014

	<i>Revenue Fund</i>	<i>Operation and Maintenance Fund</i>	<i>Debt Service Fund</i>	<i>Reserve Fund</i>	<i>Capital Improvement Fund</i>	<i>Operational Reserve Fund</i>	<i>Contingency Reserve Fund</i>	<i>Total</i>
LIABILITIES								
Current Liabilities:								
Accounts payable	-	462,723	-	-	-	-	-	462,723
Accrued interest payable	-	-	919,752	-	-	-	-	919,752
Accrued expenses	-	713,417	-	-	-	-	-	713,417
Current portion of capital leases payable	-	-	-	-	51,292	-	-	51,292
Current portion of bonds payable	-	-	-	-	-	-	-	-
Detainee funds	-	888	-	-	-	-	-	888
Other current liabilities	-	18,960	-	-	-	-	-	18,960
Total current liabilities	-	1,195,988	919,752	-	51,292	-	-	2,167,032
Noncurrent liabilities:								
Accrued interest payable	-	-	5,047,463	-	-	-	-	5,047,463
Capital leases payable, less current portion	-	-	-	-	245,627	-	-	245,627
Bonds payable, less current portion	-	-	-	2,520,652	94,779,348	-	-	97,300,000
Incentive bonus liability	-	362,306	-	-	-	-	-	362,306
Total noncurrent liabilities	-	362,306	5,047,463	2,520,652	95,024,975	-	-	102,955,396
Total liabilities	-	1,558,294	5,967,215	2,520,652	95,076,267	-	-	105,122,428
DEFERRED INFLOWS OF RESOURCES								
Unearned revenue	-	-	475,307	-	-	-	-	475,307
Total deferred inflows of resources	-	-	475,307	-	-	-	-	475,307
NET POSITION								
Net investment in capital assets	-	-	-	-	(30,011,260)	-	-	(30,011,260)
Unrestricted	3,607,585	(432,450)	(5,765,882)	118,479	3	-	-	(2,472,265)
Total net position	\$ 3,607,585	\$ (432,450)	\$ (5,765,882)	\$ 118,479	\$ (30,011,257)	\$ -	\$ -	\$ (32,483,525)

CENTRAL FALLS DETENTION FACILITY CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014

	<u>Revenue Fund</u>	<u>Operation and Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Operational Reserve Fund</u>	<u>Contingency Reserve Fund</u>	<u>Total</u>
Operating revenues:								
Contract services	\$ 18,706,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	18,706,846
Transportation	535,510	-	-	-	-	-	-	535,510
Telephone	121,490	-	-	-	-	-	-	121,490
Commissary	228,576	-	-	-	-	-	-	228,576
Other	74,918	-	-	-	-	-	-	74,918
Total operating revenues	<u>19,667,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,667,340</u>
Operating expenses:								
Salaries and fringe benefits	-	11,969,721	-	-	-	-	-	11,969,721
Depreciation and amortization	-	-	-	-	2,548,434	-	-	2,548,434
Building and utility costs	-	1,599,060	-	-	-	-	-	1,599,060
Inmate care	-	1,483,700	-	-	-	-	-	1,483,700
Other direct and administrative costs	-	1,745,421	-	-	-	-	-	1,745,421
Insurance	-	577,401	-	-	-	-	-	577,401
Total operating expense	<u>-</u>	<u>17,375,303</u>	<u>-</u>	<u>-</u>	<u>2,548,434</u>	<u>-</u>	<u>-</u>	<u>19,923,737</u>
Operating income (loss)	<u>19,667,340</u>	<u>(17,375,303)</u>	<u>-</u>	<u>-</u>	<u>(2,548,434)</u>	<u>-</u>	<u>-</u>	<u>(256,397)</u>
Non-operating revenues (expenses):								
Interest income	182	162	45,766	126,759	-	-	-	172,869
Gain on disposal of capital assets	-	-	-	-	10,857	-	-	10,857
Other non-operating income	-	3,863	-	-	-	-	-	3,863
Interest expense	-	(51,081)	(7,111,707)	-	(21,091)	-	-	(7,183,879)
Total non-operating revenues (expenses)	<u>182</u>	<u>(47,056)</u>	<u>(7,065,941)</u>	<u>126,759</u>	<u>(10,234)</u>	<u>-</u>	<u>-</u>	<u>(6,996,290)</u>
Income (loss) before transfers	<u>19,667,522</u>	<u>(17,422,359)</u>	<u>(7,065,941)</u>	<u>126,759</u>	<u>(2,558,668)</u>	<u>-</u>	<u>-</u>	<u>(7,252,687)</u>
Transfers in (out)	<u>(19,605,817)</u>	<u>17,635,690</u>	<u>3,542,545</u>	<u>(116,368)</u>	<u>(1,456,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	61,705	213,331	(3,523,396)	10,391	(4,014,718)	-	-	(7,252,687)
Total net position - beginning of year	<u>3,545,880</u>	<u>(645,781)</u>	<u>(2,242,486)</u>	<u>108,088</u>	<u>(25,996,539)</u>	<u>-</u>	<u>-</u>	<u>(25,230,838)</u>
Total net position - end of year	<u>\$ 3,607,585</u>	<u>\$ (432,450)</u>	<u>\$ (5,765,882)</u>	<u>\$ 118,479</u>	<u>\$ (30,011,257)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,483,525)</u>

CENTRAL FALLS DETENTION FACILITY CORPORATION
Combining Schedule of Net Position
December 31, 2013

	<i>Revenue Fund</i>	<i>Operation and Maintenance Fund</i>	<i>Debt Service Fund</i>	<i>Reserve Fund</i>	<i>Capital Improvement Fund</i>	<i>Operational Reserve Fund</i>	<i>Contingency Reserve Fund</i>	<i>Total</i>
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ -	\$ 323,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,532
Cash - detainee account	-	195,318	-	-	-	-	-	195,318
Restricted cash and cash equivalents	1,654,817	383,337	-	-	4	-	-	2,038,158
Restricted investments	-	-	1,556,046	-	-	-	-	1,556,046
Restricted interest receivable	-	-	-	108,088	-	-	-	108,088
Accounts receivable	1,891,063	-	-	-	-	-	-	1,891,063
Prepaid expenses	-	299,292	-	-	-	-	-	299,292
Total current assets	3,545,880	1,201,479	1,556,046	108,088	4	-	-	6,411,497
Noncurrent assets:								
Restricted investments	-	-	-	5,325,082	-	-	-	5,325,082
Prepaid expenses	-	21,000	-	-	-	-	-	21,000
Capital assets:								
Land	-	-	-	-	2,394,534	-	-	2,394,534
Land improvements	-	-	-	-	1,454,424	-	-	1,454,424
Buildings and improvements	-	-	-	-	84,231,016	-	-	84,231,016
Furniture	-	-	-	-	825,432	-	-	825,432
Equipment	-	-	-	-	4,870,330	-	-	4,870,330
Vehicles	-	-	-	-	389,297	-	-	389,297
Software	-	-	-	-	61,060	-	-	61,060
Less: Accumulated depreciation	-	-	-	-	(27,036,730)	-	-	(27,036,730)
Total capital assets	-	-	-	-	67,189,363	-	-	67,189,363
Total noncurrent assets	-	21,000	-	5,325,082	67,189,363	-	-	72,535,445
Total assets	3,545,880	1,222,479	1,556,046	5,433,170	67,189,367	-	-	78,946,942

(Continued)

CENTRAL FALLS DETENTION FACILITY CORPORATION
Combining Schedule of Net Position (Continued)
December 31, 2013

	<i>Revenue Fund</i>	<i>Operation and Maintenance Fund</i>	<i>Debt Service Fund</i>	<i>Reserve Fund</i>	<i>Capital Improvement Fund</i>	<i>Operational Reserve Fund</i>	<i>Contingency Reserve Fund</i>	<i>Total</i>
LIABILITIES								
Current Liabilities:								
Accounts payable	-	331,417	-	-	-	-	-	331,417
Accrued interest payable	-	-	3,277,571	-	-	-	-	3,277,571
Accrued expenses	-	690,922	-	-	-	-	-	690,922
Current portion of capital leases payable	-	-	-	-	60,484	-	-	60,484
Current portion of bonds payable	-	-	-	-	1,730,000	-	-	1,730,000
Term loan	-	300,000	-	-	-	-	-	300,000
Detainee funds	-	195,318	-	-	-	-	-	195,318
Other current liabilities	-	28,699	-	-	-	-	-	28,699
Total current liabilities	-	1,546,356	3,277,571	-	1,790,484	-	-	6,614,411
Noncurrent liabilities:								
Capital leases payable, less current portion	-	-	-	-	300,504	-	-	300,504
Bonds payable, less current portion	-	-	-	5,325,082	91,094,918	-	-	96,420,000
Incentive bonus liability	-	321,904	-	-	-	-	-	321,904
Total noncurrent liabilities	-	321,904	-	5,325,082	91,395,422	-	-	97,042,408
Total liabilities	-	1,868,260	3,277,571	5,325,082	93,185,906	-	-	103,656,819
DEFERRED INFLOWS OF RESOURCES								
Unearned revenue	-	-	520,961	-	-	-	-	520,961
Total deferred inflows of resources	-	-	520,961	-	-	-	-	520,961
NET POSITION								
Net investment in capital assets	-	-	-	-	(25,996,542)	-	-	(25,996,542)
Unrestricted	3,545,880	(645,781)	(2,242,486)	108,088	3	-	-	765,704
Total net position	\$ 3,545,880	\$ (645,781)	\$ (2,242,486)	\$ 108,088	\$ (25,996,539)	\$ -	\$ -	\$ (25,230,838)

CENTRAL FALLS DETENTION FACILITY CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

	<u>Revenue Fund</u>	<u>Operation and Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Operational Reserve Fund</u>	<u>Contingency Reserve Fund</u>	<u>Total</u>
Operating revenues:								
Contract services	\$ 21,298,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21,298,569
Transportation	693,162	-	-	-	-	-	-	693,162
Telephone	686,992	-	-	-	-	-	-	686,992
Commissary	249,874	-	-	-	-	-	-	249,874
Other	17,351	-	-	-	-	-	-	17,351
Total operating revenues	<u>22,945,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,945,948</u>
Operating expenses:								
Salaries and fringe benefits	-	11,940,907	-	-	-	-	-	11,940,907
Depreciation and amortization	-	-	-	-	2,564,174	-	-	2,564,174
Building and utility costs	-	1,272,611	-	-	-	-	-	1,272,611
Inmate care	-	1,572,867	-	-	-	-	-	1,572,867
Other direct and administrative costs	-	1,903,717	-	-	-	-	-	1,903,717
Insurance	-	584,174	-	-	-	-	-	584,174
Total operating expense	<u>-</u>	<u>17,274,276</u>	<u>-</u>	<u>-</u>	<u>2,564,174</u>	<u>-</u>	<u>-</u>	<u>19,838,450</u>
Operating income (loss)	<u>22,945,948</u>	<u>(17,274,276)</u>	<u>-</u>	<u>-</u>	<u>(2,564,174)</u>	<u>-</u>	<u>-</u>	<u>3,107,498</u>
Non-operating revenues (expenses):								
Interest income	295	95	42,614	270,961	-	-	-	313,965
Gain on settlement of litigation	-	474,086	-	-	-	-	-	474,086
Gain on disposal of capital assets	-	-	-	-	3,700	-	-	3,700
Other non-operating income	-	42,784	-	-	-	-	-	42,784
Interest expense	-	(45,220)	(7,173,371)	-	(25,801)	-	-	(7,244,392)
Total non-operating revenues (expenses)	<u>295</u>	<u>471,745</u>	<u>(7,130,757)</u>	<u>270,961</u>	<u>(22,101)</u>	<u>-</u>	<u>-</u>	<u>(6,409,857)</u>
Income (loss) before transfers	<u>22,946,243</u>	<u>(16,802,531)</u>	<u>(7,130,757)</u>	<u>270,961</u>	<u>(2,586,275)</u>	<u>-</u>	<u>-</u>	<u>(3,302,359)</u>
Transfers in (out)	<u>(23,454,832)</u>	<u>18,069,730</u>	<u>5,112,904</u>	<u>(284,412)</u>	<u>556,610</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(508,589)</u>	<u>1,267,199</u>	<u>(2,017,853)</u>	<u>(13,451)</u>	<u>(2,029,665)</u>	<u>-</u>	<u>-</u>	<u>(3,302,359)</u>
Total net position - beginning of year, restated	<u>4,054,469</u>	<u>(1,912,980)</u>	<u>(224,633)</u>	<u>121,539</u>	<u>(23,966,874)</u>	<u>-</u>	<u>-</u>	<u>(21,928,479)</u>
Total net position - end of year	<u>\$ 3,545,880</u>	<u>\$ (645,781)</u>	<u>\$ (2,242,486)</u>	<u>\$ 108,088</u>	<u>\$ (25,996,539)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,230,838)</u>

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

Independent Auditor's Report

To the Board of Directors
Central Falls Detention Facility Corporation
Central Falls, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Central Falls Detention Facility Corporation (CFDFC), as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise CFDFC's basic financial statements, and have issued our report thereon dated May 14, 2015. This report included an emphasis-of-matter paragraph because of uncertainty about CFDFC's ability to continue as a going concern for a reasonable period of time.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFDFC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-01.

CFDFC's Response to Findings

CFDFC's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. CFDFC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



Warwick, Rhode Island
May 14, 2015

CENTRAL FALLS DETENTION FACILITY CORPORATION
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-01 **Finding of Noncompliance** – CFDFC entered into a trust indenture agreement dated June 1, 2005 in connection with its 2005A series revenue refunding bonds. CFDFC is not in compliance with the trust indenture agreement as follows:

- Section 7.1 states that CFDFC must duly and punctually pay principal and interest on the bonds. CFDFC did not pay the July 15, 2014 principal payment due and only paid a portion of the interest payment due.
- Section 11.1 (viii) states that any draw on the reserve fund must be replenished to the reserve requirement within 60 days after the date of the draw. CFDFC made draws on the reserve fund on January 18, 2011, January 17, 2012, July 15, 2013 and January 28, 2014 that it did not replenish within 60 days after the date of the draw. Additionally, the balance of the reserve fund as of December 31, 2014 does not equal the reserve requirement.
- Section 7.14 states that CFDFC must maintain a coverage ratio, for any 12-month period, equal to not less than 1.20. The coverage ratio for the year ended December 31, 2014 was 0.28.
- Section 5.6 (b) and (c) requires CFDFC to make monthly payments equal to 1/6th of the next semi-annual debt service payment to the debt service fund. CFDFC did not make sufficient payments during 2014 resulting in a draw on the reserve fund on January 28, 2014 and nonpayment of the July 15, 2014 debt service.
- Section 11.1 (v) states that an event of default has occurred if CFDFC applies for or consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its assets that is unstayed or in effect for 60 consecutive days. On June 13, 2014, CFDFC petitioned RI Superior Court and obtained the appointment of a temporary receiver to conduct the business of CFDFC. The Bond Trustee objected to the receivership petition. The CFDFC, Bond Trustee, and temporary receiver engaged in settlement discussions and on July 30, 2014, RI Superior Court terminated the temporary receivership and entered a temporary order appointing a Keeper. On September 22, 2014, a final hearing was held and RI Superior Court entered an order appointing a Keeper. The order appointing the keeper remained in effect until March 30, 2015.

As a result of these instances of noncompliance, CFDFC is in default on its trust indenture agreement.

CENTRAL FALLS DETENTION FACILITY CORPORATION
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Management Response – Management continues to aggressively market the facility to agencies throughout the northeast that are in need of detention facilities. Their efforts resulted in renewed dialog with, and inspections by, ICE, and the exploration of potential re-entry programs with interested government agencies. These efforts are aimed at increasing the average daily population and revenues.