

LLOYD W. GRANOFF
Chairman

VINCENT A. CIANCI, JR.
Mayor



Providence Public Buildings Authority
"Building Pride in Providence"

January 27, 1994

Mr. James A. Petrocinelli
President of City Council
Office of City Council, City Hall
Providence, RI 02903

Dear Mr. Petrocinelli:

We are pleased to transmit to you our Annual Report for fiscal 92-93. The City Council's focus on improving conditions in the neighborhoods of the City has produced a year of significant accomplishments.

Elementary schools have been expanded at the M. L. King School, the Mary E. Fogarty School, Reservoir Avenue School, and construction has begun on the Laurel Hill Avenue School. The Veazie Street School is increasingly becoming a training center for teachers, both within and outside of the school.

Through the Municipal Rehabilitation project we have been able to improve the lighting at the Port of Providence, redevelop the Cabral Recreation Center, and currently have underway the expansion and renovation of the City Dog Pound. The successful Plains of Africa project at the Roger Williams Park Zoo has become a regional destination point.

Through the cooperative leadership of the Mayor and City Council, we have begun a series of neighborhood projects, which include the completed Neutaconkanut Recreation Center and the upcoming construction of the West End Recreation Center and the Mt. Hope Recreation Center. Construction has already begun on a new home for Providence Head Start in the former Berkshire Street School.

Mr. James A. Petrocinelli

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January 27, 1994

In conclusion, this has been a year in which the PPBA has been able to successfully implement an important series of projects cooperatively developed by the administration and the City Council.

We appreciate the opportunity you have afforded us to serve the people of Providence.

Sincerely,

Lloyd W. Granoff

Lloyd W. Granoff
Chairman

IN CITY COUNCIL

FEB 17 1994

READ

**WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.**

Michael R. Clement
CLERK



Peat Marwick

Certified Public Accountants

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City
of Providence)

Financial Statements

June 30, 1993

(With Independent Auditors' Report Thereon)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City
of Providence)

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Certified Public Accountants

600 Fleet Center
50 Kennedy Plaza
Providence, RI 02903-9605

INDEPENDENT AUDITORS' REPORT

Board of Directors
Providence Public Buildings Authority:

We have audited the financial statements of the Providence Public Buildings Authority ("the Authority") as of and for the year ended June 30, 1993, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Providence Public Buildings Authority at June 30, 1993, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the Authority established a general fixed assets account group as of June 30, 1993.

KPMG Peat Marwick

September 24, 1993



Member Firm of
Klynveld Peat Marwick Goerdeler

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Balance Sheet

June 30, 1993 (with comparative totals for June 30, 1992)

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Totals</u> <u>(memorandum only)</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>General Long-term Obligations</u>	<u>General Fixed Assets</u>	<u>1993</u>	<u>1992</u>
<u>Assets and Other Debits</u>						
Cash and cash equivalents (note 2)	\$ 114,021	2,140,941	-	-	2,254,962	6,325,232
Investments (note 2)	5,455,891	10,411,916	-	-	15,867,807	12,650,328
Property, plant and equipment (note 3)				32,749,793	32,749,793	-
Amount to be provided for retirement of general long-term obligations	-	-	51,860,000	-	51,860,000	52,740,000
Total assets and other debits	\$ <u>5,569,912</u>	<u>12,552,857</u>	<u>51,860,000</u>	<u>32,749,793</u>	<u>102,732,562</u>	<u>71,715,560</u>
<u>Liabilities and Fund Balances (Deficits)</u>						
Public Building Authority general revenue bonds payable (notes 4, 5 and 9)	\$ -	-	51,860,000	-	51,860,000	48,590,000
Bond anticipation notes payable (notes 6, 7 and 8)	1,328,000	12,142,000	-	-	13,470,000	10,430,157
Accrued legal contingencies (note 10)	-	2,831,286	-	-	2,831,286	6,691,250
Due to the City of Providence	-	295,788	-	-	295,788	589,809
Accrued expenditures	<u>16,562</u>	<u>359,098</u>	<u>-</u>	<u>-</u>	<u>375,660</u>	<u>881,308</u>
Total liabilities	<u>1,344,562</u>	<u>15,628,172</u>	<u>51,860,000</u>	<u>-</u>	<u>68,832,734</u>	<u>67,182,524</u>
Fund balances (deficits):						
Investment in general fixed assets				32,749,793	32,749,793	-
Reserved for debt service	3,487,572	-	-	-	3,487,572	3,703,389
Unreserved	<u>737,778</u>	<u>(3,075,315)</u>	<u>-</u>	<u>-</u>	<u>(2,337,537)</u>	<u>829,647</u>
Total fund balances (deficits)	<u>4,225,350</u>	<u>(3,075,315)</u>	<u>-</u>	<u>32,749,793</u>	<u>33,899,828</u>	<u>4,533,036</u>
Total liabilities and fund balances (deficits)	\$ <u>5,569,912</u>	<u>12,552,857</u>	<u>51,860,000</u>	<u>32,749,793</u>	<u>102,732,562</u>	<u>71,715,560</u>

See accompanying notes to financial statements.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 1993 (with comparative totals for the year ended June 30, 1992)

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(memorandum only)</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>1993</u>	<u>1992</u>
Revenues:				
Interest income	\$ 269,854	310,881	580,735	865,739
Rental income (note 9)	3,209,954	-	3,209,954	3,322,798
Gate and fund raising income (note 1)	654,341	-	654,341	922,397
Miscellaneous income	<u>61,032</u>	<u>3,990</u>	<u>65,022</u>	<u>26,941</u>
Total revenues	<u>4,195,181</u>	<u>314,871</u>	<u>4,510,052</u>	<u>5,137,875</u>
Expenditures:				
Debt service	5,141,602	94,600	5,236,202	4,395,175
Capital expenditures	1,401	6,015,260	6,016,661	12,517,981
Litigation, accounting and other professional fees	85,863	228,977	314,840	269,352
Bond issuance	169,032	20,899	189,931	199,432
Administration	46,620	33,763	80,383	123,296
Reduction of accrued legal contingencies (note 10)	-	(3,859,964)	(3,859,964)	-
Total expenditures	<u>5,444,518</u>	<u>2,533,535</u>	<u>7,978,053</u>	<u>17,505,236</u>
Deficiency of revenues under expenditures	<u>(1,249,337)</u>	<u>(2,218,664)</u>	<u>(3,468,001)</u>	<u>(12,367,361)</u>
Other financing sources (uses):				
Proceeds from bond anticipation note (note 6)	-	-	-	4,150,050
Refunding of bond anticipation note with general revenue bonds	85,000	-	85,000	13,100,000
Operating transfer	<u>851,702</u>	<u>(851,702)</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>936,702</u>	<u>(851,702)</u>	<u>85,000</u>	<u>17,250,050</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	<u>(312,635)</u>	<u>(3,070,366)</u>	<u>(3,383,001)</u>	<u>4,882,689</u>
Fund balance (deficit) at beginning of year	<u>4,537,985</u>	<u>(4,949)</u>	<u>4,533,036</u>	<u>(349,653)</u>
Fund balance (deficit) at end of year	<u>\$ 4,225,350</u>	<u>(3,075,315)</u>	<u>1,150,035</u>	<u>4,533,036</u>

See accompanying notes to financial statements.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements

June 30, 1993 and 1992

(1) Summary of Significant Accounting Policies

(a) Business Purpose and General Information

The Providence Public Buildings Authority ("the Authority") was created by an act of the Rhode Island General Assembly and was empowered by resolution of the Providence City Council on August 13, 1987, and by resolution of the Public Finance Board, created under Section 42-10.1-1 of the General Laws of Rhode Island, on February 12, 1988. Under the act, the Authority constitutes a body politic and corporate having a distinct legal existence from the City of Providence, Rhode Island ("the City"). However, for financial reporting purposes, the Authority is a component unit of the City and, as such, the financial statements of the Authority will be included in the City's general purpose financial statements.

The purpose of the Authority is to acquire, construct, maintain, renovate, repair and operate public facilities and public equipment through the use of public financing, for lease to the City in order to provide for the conduct of the executive, legislative and judicial functions of government. The Authority is obligated to pay the principal and interest on any financing solely from the rents, revenues, and receipts derived under the lease agreements with the City or from receipts on the disposition of the assets being financed. The Authority's administrative expenses are paid on an annual basis by the lessee in the form of additional rent.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units.

(b) Fund Accounting

Basis of Presentation - In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts of the Authority 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 established and operated in accordance with activities or objectives specified.

The following fund types and account group are used by the Authority:

Governmental Fund Types - Governmental funds are used to account for all of the Authority's general activities. The acquisition, use and balances of the Authority's expendable financial resources and the related liabilities are accounted for through governmental funds. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheets. 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.

(Continued)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund is used to account for revenues and expenditures for the acquisition or construction and renovations of the Authority's projects (see note 2).

Account Groups

General Long-term Obligations and General Fixed Assets - These groups are used to account for all long-term obligations, primarily bonds payable, and general fixed assets of the Authority.

(c) Basis of Accounting

The financial statements of the Authority have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

(d) Interest Income

Interest earned on investments is recognized as income in the fund in which the investments are held.

(e) Investments

Investments, principally cash and cash equivalents, are recorded at cost which approximates market value.

(f) Property, Plant and Equipment

Property, plant and equipment are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets in the general fixed asset account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

(g) Comparative Total Data

Comparative total data for the current and prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. The total data is the aggregate of the fund types and account group. No consolidating or other eliminating entries were made in arriving at the totals. Thus, they do not represent consolidated information and are for informational purposes only. Certain 1992 total data was reclassified in order to conform to the 1993 presentation.

(h) Gate and Fundraising Income

Gate and fundraising income relate to gate receipts for admission to the zoo less any permitted expense of the zoo.

(2) Cash, Cash Equivalents and Investments

Market value of cash equivalents for all fund types approximates carrying value. Cash and cash equivalents are comprised of principal cash, income cash and Fleet Money Market accounts.

Deposits. At fiscal year end June 30, 1993, the carrying amount and bank balance of the Authority's deposits was \$2,254,962, of which \$316,225 was covered by federal depository insurance and \$1,938,737 was uninsured.

Investments. The Authority's investments consist of Galaxy Government Funds (a pooled investment or mutual fund), U.S. Treasury Bills, bank investment contracts, which are summarized below. The Authority's investment alternatives are limited to the types of investments permitted by the various bond documents. The Authority's investments at year end are categorized below to give an indication of the level of risk assumed by the Authority. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Bank Investment Contracts	\$ 6,364,321	-	-	6,364,321	6,364,321
U.S. Treasury Bills	<u>2,955,161</u>	<u>-</u>	<u>-</u>	<u>2,955,161</u>	<u>3,038,377</u>
Totals	\$ <u>9,319,482</u>	<u>-</u>	<u>-</u>	9,319,482	9,402,698
Money Market Mutual Fund				<u>6,548,325</u>	<u>6,548,325</u>
Total investments				\$ <u>15,867,807</u>	<u>15,951,023</u>

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

(3) Property, Plant and Equipment

The Authority established a general fixed asset account group, as of June 30, 1993. The following is a summary:

Land	\$ 826,832
Buildings and improvements	<u>31,922,961</u>
	<u>\$ 32,749,793</u>

(4) General Revenue Bonds Series A and Series B

In December 1990, the Authority sold \$22,295,000 1990 Series A General Revenue Bonds and \$14,105,000 1990 Series B General Revenue Bonds. These bonds, which have interest rates ranging from 5.80% to 7.10% and mature through 2010, are secured by a pledge of lease rentals to be received from the City pursuant to a lease agreement relating to projects financed by the Authority and leased to the City (see note 9).

The proceeds from Bond Issue Series A were used to refund certain bond anticipation notes issued to finance the Scituate Reservoir Project, to capitalize interest, to pay costs of issuance and to finance the debt service reserve fund. The 1990 Series B Bonds were issued to provide funds which were used to effect the advance refunding of the 1988 Series A School Administration Building and School Buildings Project General Revenue Bonds. A payment of \$13,289,000, which represents the present value of the adjusted cash receipts from the 1988 Series A bonds, was placed in an escrow account for future debt service requirements.

The annual principal and interest payments required to amortize the 1990 Series A General Revenue Bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/94	\$ 620,000	1,452,955	2,072,955
6/30/95	660,000	1,414,060	2,074,060
6/30/96	705,000	1,371,734	2,076,734
6/30/97	750,000	1,325,702	2,075,702
6/30/98	805,000	1,275,540	2,080,540
6/30/99	865,000	1,220,832	2,085,832
6/30/00	915,000	1,161,635	2,076,635
6/30/01	980,000	1,097,663	2,077,663
6/30/02	1,050,000	1,028,117	2,078,117
6/30/03	1,125,000	952,517	2,077,517
6/30/04	1,205,000	870,365	2,075,365
6/30/05	1,300,000	780,463	2,080,463

(Continued)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/06	1,395,000	682,769	2,077,769
6/30/07	1,515,000	577,281	2,092,281
6/30/08	1,610,000	464,000	2,074,000
6/30/09	1,735,000	342,744	2,077,744
6/30/10	1,860,000	212,425	2,072,425
6/30/11	<u>2,000,000</u>	<u>72,500</u>	<u>2,072,500</u>
Total	\$ <u>21,095,000</u>	<u>16,303,302</u>	<u>37,398,302</u>

The annual principal and interest payments required to amortize the 1990 Series B General Revenue Bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/94	\$ 400,000	924,768	1,324,768
6/30/95	425,000	899,699	1,324,699
6/30/96	450,000	872,568	1,322,568
6/30/97	480,000	843,144	1,323,144
6/30/98	510,000	811,210	1,321,210
6/30/99	540,000	776,815	1,316,815
6/30/00	585,000	739,397	1,324,397
6/30/01	625,000	698,550	1,323,550
6/30/02	670,000	654,185	1,324,185
6/30/03	715,000	606,045	1,321,045
6/30/04	770,000	553,685	1,323,685
6/30/05	825,000	496,444	1,321,444
6/30/06	890,000	434,275	1,324,275
6/30/07	940,000	367,937	1,307,937
6/30/08	1,030,000	296,525	1,326,525
6/30/09	1,105,000	219,131	1,324,131
6/30/10	1,190,000	135,938	1,325,938
6/30/11	<u>1,280,000</u>	<u>46,400</u>	<u>1,326,400</u>
	\$ <u>13,430,000</u>	<u>10,376,716</u>	<u>23,806,716</u>

The Authority was in compliance with all significant bond covenants as of and for the year ended June 30, 1993.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

(5) General Revenue Bonds, Series 1991

In December 1991, the Authority sold \$13,100,000 1991 Series General Revenue Bonds. These bonds, which have interest rates ranging from 6.90% to 7.75% and mature through 2011, are secured by a pledge of lease rentals to be received from the City pursuant to a lease agreement relating to projects financed by the Authority and leased to the City (see note 9).

The proceeds from the Series 1991 Bond Issue were used to repay a line of credit evidenced by the Authority's \$4,000,000 Taxable Bond Anticipation Notes, 1991 Series 8, issued to finance the initial costs of renovating the Veazie Street School Project and the Modular Classrooms Project, to pay the remaining costs of the Series 1991 Projects, to fund a Debt Service Reserve Fund, to pay costs of issuance, and to provide for capitalized interest.

The annual principal and interest payments required to amortize the 1991 Series General Revenue Bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/94	\$ 370,000	942,440	1,312,440
6/30/95	390,000	912,990	1,302,990
6/30/96	410,000	881,990	1,291,990
6/30/97	435,000	849,246	1,284,246
6/30/98	460,000	815,140	1,275,140
6/30/99	490,000	779,515	1,269,515
6/30/00	525,000	741,453	1,266,453
6/30/01	555,000	702,617	1,257,617
6/30/02	595,000	662,645	1,257,645
6/30/03	635,000	619,436	1,254,436
6/30/04	680,000	572,913	1,252,913
6/30/05	730,000	522,675	1,252,675
6/30/06	780,000	468,498	1,248,498
6/30/07	835,000	410,149	1,245,149
6/30/08	900,000	347,255	1,247,255
6/30/09	965,000	279,408	1,244,408
6/30/10	1,035,000	206,408	1,241,408
6/30/11	1,115,000	127,933	1,242,933
6/30/12	<u>1,195,000</u>	<u>43,618</u>	<u>1,238,618</u>
	<u>\$ 13,100,000</u>	<u>10,886,329</u>	<u>23,986,329</u>

The Authority was in compliance with all significant bond covenants as of and for the year ended June 30, 1993.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

(6) Project Revenue Bonds 1992 Series A

In July, 1992, the Authority sold \$4,235,000 1992 Series A Project Revenue Bonds. These bonds, which have an interest rate of 5% and mature 1993 through 1997, are secured by a pledge of lease rentals to be received from the City pursuant to a lease agreement relating to projects financed by the Authority and leased to the City (see note 9).

The proceeds from the bonds were used to repay \$4,150,000 Revenue Bond Anticipation Notes, 1991 Series 2, issued to fund the Roger Williams Park Zoo "Plains of Africa Exhibit" Project, to pay the remaining costs of the project, to fund a Debt Service Reserve Fund, and to pay costs of issuance.

The annual principal and interest payments required to amortize the 1992 Series A bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/94	\$ 180,000	207,250	387,250
6/30/95	190,000	198,000	388,000
6/30/96	200,000	188,250	388,250
6/30/97	215,000	177,875	392,875
6/30/98	<u>3,450,000</u>	<u>86,250</u>	<u>3,536,250</u>
	<u>\$ 4,235,000</u>	<u>857,625</u>	<u>5,092,625</u>

The Authority was in compliance with all significant bond covenants as of and for the year ended June 30, 1993.

(7) Revenue Bond Anticipation Notes, 1993, Series 1

The \$6,710,000 Scituate Reservoir II Project Revenue Bond Anticipation Notes, 1993, Series I, dated March 18, 1993 and due March 17, 1994 have an interest rate that ranges from 3.31% to 3.70%.

(8) Revenue Bond Anticipation Notes, 1993, Series 2

The \$6,760,000 Communities Facilities Projects Revenue Bond Anticipation Notes, 1993, Series 2 dated May 15, 1993 and due May 15, 1996, have an interest rate of 4.5%.

(9) Leases

The Authority leases certain properties to the City of Providence under the following terms: (The first four leases are incorporated into the consolidated lease agreement entered into under the \$36,400,000 Revenue Bonds.)

a) **School Administration Building and School Buildings Project Lease**

The premises to which this lease pertains were acquired and/or renovated by the Authority with the proceeds from the \$13,000,000 1988 Series A General Revenue Bonds. The lease term commenced on December 15, 1988 and terminates on September 15, 2010.

(Continued)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY
(A Component Unit of the City of Providence)

Notes to Financial Statements, Continued

Notes 4, 5 and 6 present the estimated future minimum lease payments required for bond principal retirement and interest to be received from the City. However, to the extent that the principal and interest payments were provided for from the proceeds of the bonds, the City is not required to make lease payments to the Authority.

The Authority is a component unit of the City. As such, all long-term lease obligations and the related fixed assets of the Authority are included in the City's long-term debt and general fixed assets (if presented) groups of accounts.

(10) Accrued Legal Contingencies

The Authority received an adverse decision dated May 23, 1991 by the Superior Court of the State of Rhode Island in an action brought by certain landowners against the Authority for damages sustained as a consequence of the Authority's condemnation of certain land surrounding the reservoir located in Scituate, Rhode Island. The judgment amounted to \$9,797,200 plus interest, of which \$2,637,500 of principal had been paid into an escrow account on January 4, 1991 and another \$2,637,500 of principal was deposited on May 23, 1991. The Authority filed an appeal of the decision with the Rhode Island Supreme Court. On July 14, 1992, the Supreme Court of the State of Rhode Island sustained the Authority's appeal, reversed and vacated the judgment previously entered and ordered a new hearing to determine the value of the land. The accrued legal contingencies at June 30, 1993 includes the landowners' expert's opinion of the value of the property (less amounts paid in escrow) plus accrued interest at 12% per annum on the unpaid principal balance through June 30, 1993, which resulted in a reduction of the accrued legal contingencies totaling \$3,859,964. The case has been retried in the Superior Court, and the Authority is awaiting a decision from the trial justice who presided over the retrial. Acceptance of the position presented by the Authority during the retrial would result in a gain contingency to the Authority.

The Authority is involved in other litigation and various legal matters which are being defended and handled in the ordinary course of business. None of these matters are expected to result in outcomes having a material adverse effect on the Authority's financial position.