



Finance Department
"Building Pride In Providence"

February 28, 2003

Chairman Kevin Jackson
City Council Finance Committee
Providence City Hall
Providence, Rhode Island 02903

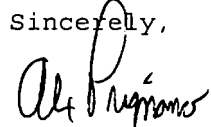
Dear Councilman Jackson;

I am sending you and members of the City Council a copy of the fiscal 2002 audit, prepared by KPMG.

The auditors, City Controller, and myself are available to discuss this report at the convenience of the Finance Committee. However, I would like to call your attention to page 10, which indicates the city had an operating undesignated surplus of \$1,005,000 for fiscal 2002, which now results in a cumulative surplus of \$8,328,000. As you are aware this is the city's 22nd consecutive operating surplus and that consistency in managing budgets has been positively noted by the rating agencies.

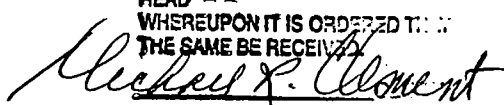
Also, this is the first year the City of Providence was required to issue financial statements that were GASB 34 compliant. I am pleased to report that the statements are compliant with the Governmental Accounting Standards Board's requirements and the total fund balance of the governmental accounts (general, school, school federal, capital projects and other non major governmental funds is \$129,104,000 as of June 30, 2002 and net assets are \$25,074,000. Please call me with any questions or comments you may have with the audit.

Sincerely,


Alex Prignano
Director of Finance

IN CITY COUNCIL
MAR 20 2003

READ --
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED



Cc City Council Members
Jim Lombardi, Internal Auditor

CITY OF PROVIDENCE, RHODE ISLAND

**Basic Financial Statements and
Required Supplementary and Other Financial Information**

June 30, 2002

(With Independent Auditors' Report Thereon)

CITY OF PROVIDENCE, RHODE ISLAND

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600 Fleet Center
50 Kennedy Plaza
Providence, RI 02903-2321

Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Providence, Rhode Island:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Providence Public Building Authority (PPBA), a major enterprise fund, which represents 10% and 15%, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to amounts included for the PPBA, and the related effects on the business-type activities, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 basic 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 and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2, the City of Providence has implemented the following Governmental Accounting Standards Board (GASB) Statements: Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

Management's Discussion and Analysis on pages 3 through 11, the budget to actual — budgetary basis schedules on pages 54 through 60, and the historical pension information on page 53 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining individual fund financial statements and schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2003, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

January 31, 2003

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

This Management's Discussion and Analysis of the City of Providence's Basic Financial Statements provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002.

Because the City has implemented new reporting standards for this fiscal year that contain significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets – The assets of the City's governmental activities exceeded its liabilities at fiscal year ending June 30, 2002 by \$25.1 million (presented as "total net assets" on page 12). Of this amount, a deficit of \$85.3 million was reported as "unrestricted net assets". The net investment in capital assets was \$53.0 million while \$57.3 million represented unspent debt proceeds (page 12). The assets of the City's business-type activities also exceed its liabilities by \$140.5 million. Of this amount, \$122.1 million (87%) represented the net investment in capital assets.

Changes in Net Assets (page 13) – The City's total net assets decreased by \$18.3 million in fiscal year 2002. Net assets of governmental activities decreased by \$28.9 million, while net assets of the business-type activities increased by \$10.6 million.

Fund Highlights:

Governmental Funds – Fund Balances (page 14) – As of the close of fiscal year 2002, the City's governmental funds reported a combined ending fund balance of \$129.1 million, an increase of \$25.7 million over the prior year. Of the total fund balance reported, \$57.5 million represents the "unreserved fund balances" of which \$10.2 million has been designated for use in the fiscal 2003 budget.

Long-term Debt:

The City's total long-term debt obligations related to its government activities increased by \$39.7 million (see footnote 8(a)) during the current fiscal year. The key factor in this increase was the issuance of 2002 Series A, B, & C \$71,620,000 General Obligation Bond.

The total long term debt of the City's proprietary activities increased by \$3.9 million during the current fiscal year (see footnote 8(b)).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Providence's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules and pension information) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the City – the *Government-Wide Financial Statements* and the *Fund Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The *government-wide financial statements* provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

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

The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both of the above financial statements have separate sections for two different types of City programs or activities. These two types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with City government fall into this category, including the executive, legislative and judicial, finance administration, human resources, public safety, building inspections, public works, recreation, parks, schools, public property, planning, other general government, judgment and claims, retirement costs, debt service, and other employee benefits.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the City of Providence's Civic Center, Water Supply Board, and Providence Public Building Authority.

The City does not have any discretely presented component units.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Fund Financial Statements – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the City's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the City.

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

The City has four governmental funds that are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major governmental funds are – the General Fund, the School Fund, the School Grants fund and the Capital Projects Fund. All non-major governmental funds are presented in a single column. The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Fund Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City has two major enterprise funds; the Water Supply Board and the Providence Public Building Authority. The non-major enterprise fund consists entirely of the Providence Civic Center Authority.

One Internal Service fund is maintained to account for the self insured health claims of the City.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Fund Financial Statements – These funds are used to account for resources held for the benefit of parties outside the city government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The City's fiduciary funds are the Employee Retirement Fund, the Private Purpose Trusts and the Agency Funds.

The fiduciary financial statements can be found immediately following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fiduciary fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes (a) historical pension information about the City Employees' Retirement System; and (b) budgetary comparison schedules for the general and school funds – the only governmental funds for which legal budgets are adopted annually. Both schedules are accompanied by explanatory notes. The notes to the budgetary schedules include a reconciliation between budgetary and GAAP revenues and expenditures for the general fund and the school fund.

Other Supplementary Information

Combining Financial Statements and Schedules

Combining financial statements are presented for non-major governmental funds and combining schedules are presented by individual grant within the school department. These are presented following the required supplementary information. The total columns of these combining financial statements and schedules are presented in the applicable fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets (page 12)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$165.6 million at the end of 2002, compared to \$183.9 million at the end of the previous year.

The largest portion of the City's net assets, \$175.1 million, reflect its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire that asset that is still outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City of Providence's Net Assets-Primary Government

(in thousands)

	Governmental activities	Business-type activities	Total
Current and other assets	\$ 233,903	52,805	286,708
Capital assets	426,802	158,124	584,926
Total assets	660,705	210,929	871,634
Current liabilities	107,388	39,187	146,575
Long-term debt outstanding	528,243	31,249	559,492
Total liabilities	635,631	70,436	706,067
Net assets			
Invested in capital assets, net of related debt	53,021	122,073	175,094
Restricted for capital projects - unspent debt proceeds	57,316	—	57,316
Restricted for other purposes	—	11,532	11,532
Unrestricted	(85,263)	6,888	(78,375)
Total net assets	\$ 25,074	140,493	165,567

Restricted net assets of \$68.8 million represent bond proceeds and water restricted funds that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the City is able to report positive balances in the investment in capital assets and restricted net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The City has a positive unrestricted deficit in its business-type activities but an unrestricted deficit in its governmental activities. The deficit results principally from the accrual of the net pension obligation of \$91.1 million and the unpaid sick and vacation liability of \$27.6 million. Neither of these liabilities are funded and accordingly have no offsetting assets to reduce their impact on unrestricted net assets.

Changes in Net Assets (page 13)

The City's net assets decreased by \$18.3 million. Approximately 38 percent of the City's total revenue came from taxes and payments in lieu of taxes, while 46 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 14 percent of the total revenues while other revenue accounted for 2 percent of the total. The City's expenses cover a range of services. The largest expenses were for schools, public safety, retirement costs, and employee benefits. In 2002, governmental activity expenses

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Management's Discussion and Analysis

exceeded program revenues by \$30.6 million, resulting in the use of \$277.1 million in general revenues (mostly taxes). On the other hand, net revenues from business-type activities in 2002 exceeded expenses by \$8.2 million.

The City of Providence's Changes in Net Assets

(in thousands)

	Governmental activities	Business-type activities	Total
Revenues			
Program revenues			
Charges for services	\$ 30,539	55,442	85,981
Operating grants and contributions	232,930	—	232,930
Capital grants and contributions	11,599	2,357	13,956
General revenues			
Property taxes	211,566	—	211,566
Payments in lieu of taxes	22,485	—	22,485
Grants and contributions	37,957	—	37,957
Investment income	5,556	1,504	7,060
Miscellaneous	—	425	425
Total revenues	552,632	59,728	612,360
Expenses			
Executive, legislative and judicial	9,993	—	9,993
Finance	101,795	—	101,795
Public safety	99,231	—	99,231
Building inspection	2,884	—	2,884
Public works	20,438	—	20,438
Recreation	3,933	—	3,933
Public lands and parks	14,444	—	14,444
Education	289,534	—	289,534
Community development	22,929	—	22,929
Interest on long term debt	14,246	—	14,246
Economic development	—	8,561	8,561
Water	—	34,154	34,154
Other	1,679	6,853	8,532
Total expenses	581,106	49,568	630,674
Excess (deficiency) before transfers	(28,474)	10,160	(18,314)
Transfers	(430)	430	—
Increase (decrease) in net assets	\$ (28,904)	10,590	(18,314)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

Governmental Activities

Governmental activities decreased the City's net assets by \$28.9 million, thereby accounting for more than the City's total reduction in net assets \$18.3 million. A comparison of the total and net cost of services by function for the City's governmental activities is shown below.

Expenses Net of Program Revenues (in thousands)

	2002 total cost of services	2002 net cost of services
Executive, legislative and judicial	\$ 9,993	3,579
Finance	101,795	80,414
Public safety	99,231	81,942
Building inspection	2,884	517
Public works	20,438	20,335
Recreation	3,933	3,338
Public lands and parks	14,444	13,166
Education	289,534	79,505
Community development	22,929	7,317
Other	1,679	1,679
Interest on long term debt	14,246	14,246
Total	\$ 581,106	306,038

Business-Type Activities

The business-type activities increased the City's net assets by \$10.6 million. This resulted primarily from an \$11.3 million increase in net assets of the Water Supply Board and a decrease in net assets of \$1.2 million by the Civic Center. The PPBA had an increase in net assets of \$0.5 million.

FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds (pages 14 through 17)

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18.5 million, of which \$10.2 million has been designated for appropriation in fiscal 2003. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Management's Discussion and Analysis

balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 8.6% of total general fund expenditures.

The fund balance of the City's general fund increased by \$11.2 million during the current fiscal year.

Proprietary Funds (pages 18 through 20)

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As discussed in the business-type activities above, the City's net assets increased by \$10.6 million as a result of operations in the individual enterprise funds. The Water Supply Board showed an increase in net assets of \$11.3 million resulting from improve rate structure and cost savings. This increase was offset by a decrease of net assets of \$1.2 million by the Civic Center which continues to operate at a deficit and rely on the general fund for substantial annual subsidies. The PPBA, as expected, accounted for a \$0.5 million increase in net assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary surplus of approximately \$11.2 million represents the City's twenty-second consecutive budget surplus and increased the cumulative fund balance to approximately \$18.5 million. Higher than budgeted collections in Distressed City and Excise Phase-Out state aid programs (\$2.5 million), taxes (\$1.0 million), interest income (\$0.6 million), fines (\$0.4 million), building permits (\$0.5 million), and recorder of deeds fees (\$0.3 million), as well as saving from refinancing debt, debt service reserves and interest from debt reserves (\$3.3 million), salaries (\$1.7 million), fuel, snow removal, and refuse processing (\$1.0 million) were the major components of a \$11.2 million positive budget variance in fiscal 2002. However, due to state budget problems and the resulting reductions in anticipated state aid, much of the operating surplus was designated for balancing the 2003 budget. Providence had been averaging nearly a 14% annual increase in state aid over the last five years, but in fiscal 2003, the increase is expected to be only 4%. This was the most significant factor in forcing the City to use most of its surplus from fiscal 2002 in balancing the fiscal 2003 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Note 5 to the basic financial statements)

The City's investment in capital assets for its governmental activities as of June 30, 2002, amounts to \$655.5 million, net of accumulated depreciation of \$228.7 million, leaving a net book value of \$426.8 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Management's Discussion and Analysis

The total increase in the City's investment in capital assets for the current fiscal year was about 5.6% in terms of net book value. However, actual expenditures to purchase or construct governmental and business-type activity capital assets were approximately \$40 million and \$16.9 million, respectively, for the year. Most of this amount was used to construct the new public safety building. Depreciation charges for the year totaled \$26.7 million (\$17.5 million on governmental assets and \$9.2 million on the assets of the business-type activities). Additional information on the City's capital assets can be found in note 5 of the notes to the financial statements of this report.

Debt Administration

The authority of the City to incur debt is governed by federal and state laws which restrict the amounts and purposes for which a municipality can incur debt.

General obligation bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the City Council.

The City's total outstanding notes and bonds for its governmental activities increased by \$39.7 million during the current fiscal year. The key factor in this increase was the December 2001 issuance of bonds totaling \$71.6 million – \$21.6 million refunded a 1993 School Bond Issue and \$50.0 million will be used for neighborhood improvements.

Additional information on the City's long-term debt obligations can be found in note 8 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Providence's finances for all of City of Providence's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Providence, Finance Department, Providence City Hall, Room 304, Providence, RI 02903.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Net Assets

June 30, 2002

(In thousands)

Assets	Governmental activities	Business-type activities	Total
Cash and investments	\$ 124,922	25,709	150,631
Restricted cash and investments	18,343	9,632	27,975
Receivables, net	84,443	11,402	95,845
Internal balances	3,043	(3,043)	—
Other assets	3,152	9,105	12,257
Capital assets, nondepreciable	99,864	37,355	137,219
Capital assets depreciable, net	326,938	120,769	447,707
Total assets	660,705	210,929	871,634
Liabilities			
Warrants and accounts payable	20,134	6,048	26,182
Accrued liabilities	39,193	7,934	47,127
Other payables	16,784	14,225	31,009
Debt due within one year	25,248	5,302	30,550
Deferred revenue	5,658	5,678	11,336
Due to other governments	371	—	371
Noncurrent liabilities:			
Debt due in more than one year:			
Bonds and notes	378,515	23,856	402,371
Leases	41,074	7,393	48,467
Other	108,654	—	108,654
Total liabilities	635,631	70,436	706,067
Net Assets			
Investment in capital assets, net of related debt	53,021	122,073	175,094
Restricted for:			
Capital projects - unspent debt proceeds	57,316	—	57,316
Other purposes	—	11,532	11,532
Unrestricted	(85,263)	6,888	(78,375)
Total net assets	\$ 25,074	140,493	165,567

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Activities

Year ended June 30, 2002

(In thousands)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
Executive, legislative, and judicial	\$ 9,993	261	6,153	—	(3,579)		(3,579)
Finance	101,795	9,130	652	11,599	(80,414)		(80,414)
Public safety	99,231	16,413	876	—	(81,942)		(81,942)
Building inspection	2,884	2,367	—	—	(517)		(517)
Public works	20,438	103	—	—	(20,335)		(20,335)
Recreation	3,933	—	595	—	(3,338)		(3,338)
Public lands and parks	14,444	1,278	—	—	(13,166)		(13,166)
Education	289,534	987	209,042	—	(79,505)		(79,505)
Community development	22,929	—	15,612	—	(7,317)		(7,317)
Other	1,679	—	—	—	(1,679)		(1,679)
Interest on long-term debt	14,246	—	—	—	(14,246)		(14,246)
Total governmental activities	<u>581,106</u>	<u>30,539</u>	<u>232,930</u>	<u>11,599</u>	<u>(306,038)</u>		<u>(306,038)</u>
Business-type activities:							
Building Authority	8,561	7,958	—	—	—	(603)	(603)
Water Supply Board	34,154	43,264	—	1,824	—	10,934	10,934
Civic Center	6,853	4,220	—	533	—	(2,100)	(2,100)
Total business-type activities	<u>49,568</u>	<u>55,442</u>	<u>—</u>	<u>2,357</u>	<u>—</u>	<u>8,231</u>	<u>8,231</u>
Total primary government	<u>\$ 630,674</u>	<u>85,981</u>	<u>232,930</u>	<u>13,956</u>	<u>(306,038)</u>	<u>8,231</u>	<u>(297,807)</u>
General revenues:							
Taxes:							
Property taxes					\$ 211,566	—	211,566
Payments in lieu of taxes					22,485	—	22,485
Grants and contributions not restricted					37,957	—	37,957
Investment income					5,556	1,504	7,060
Miscellaneous						425	425
Transfers					(430)	430	—
Total general revenues and transfers					<u>277,134</u>	<u>2,359</u>	<u>279,493</u>
Change in net assets					(28,904)	10,590	(18,314)
Net assets - beginning					53,978	129,903	183,881
Net assets - ending					<u>\$ 25,074</u>	<u>140,493</u>	<u>165,567</u>

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2002

(In thousands)

Assets	General	School fund	School grants fund	Capital projects	Non-Major governmental funds	Total governmental funds
Cash and investments	\$ 27,459	10,403	11,482	57,316	20,491	127,151
Restricted cash and investments	—	—	—	—	18,343	18,343
Receivables, net:						
Taxes	40,693	—	—	—	—	40,693
Loans	—	—	—	—	14,084	14,084
Intergovernmental	17,401	617	3,281	—	—	21,299
Other	402	2,086	75	15	5,759	8,337
Due from other funds	4,148	4,538	1,015	25	6,319	16,045
Other assets	1,403	—	14	—	223	1,640
Total assets	\$ 91,506	17,644	15,867	57,356	65,219	247,592
Liabilities and Fund Balances						
Liabilities:						
Warrants and accounts payable	\$ 4,558	8,407	3,580	—	3,589	20,134
Accrued liabilities	9,600	4,717	77	3	2,552	16,949
Deferred revenue	39,277	—	—	—	5,296	44,573
Due to other funds	19,411	4,520	4,742	—	7,788	36,461
Due to other governments	132	—	86	—	153	371
Total liabilities	72,978	17,644	8,485	3	19,378	118,488
Fund balances:						
Reserved for:						
Loans	—	—	—	—	14,084	14,084
Debt service	—	—	—	—	120	120
Capital projects	—	—	—	57,353	—	57,353
Unreserved:						
Designated for appropriation	10,200	—	—	—	—	10,200
Undesignated:						
General	8,328	—	—	—	—	8,328
School grants	—	—	7,382	—	—	7,382
Special revenue	—	—	—	—	17,197	17,197
Permanent trust	—	—	—	—	14,440	14,440
Total fund balance	18,528	—	7,382	57,353	45,841	129,104
Total liabilities and fund balances	\$ 91,506	17,644	15,867	57,356	65,219	247,592

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2002

Total fund balance - Governmental Funds — page 14

\$ 129,104

Amounts reported for governmental activities in the statement of net assets are different because:

Property tax revenue is recognized on an accrual basis in the government wide statements and on the modified accrual basis in the fund statements

38,916

The equity of the internal service fund activity is included in the governmental activities column

1,140

Deferred bond issue costs are recorded as assets in the government wide statements and as expenditures in the fund statements

1,163

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land

56,735

Buildings and improvements

123,743

Improvements other than buildings

9,633

Equipment

45,999

Infrastructure

250,509

Construction in progress

43,129

Leased assets

125,745

Less: accumulated depreciation

(228,691)

426,802

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes payable

(7,764)

General obligation and revenue bonds

(246,040)

PPBA revenue bonds

(143,534)

Capital leases

(48,084)

Net pension obligation

(91,167)

Bond issue premium/discount and refunding gain/loss

585

Accrued interest on bonds

(5,819)

Compensated absences

(27,608)

Other accruals

(2,620)

(572,051)

Net assets of governmental activities — page 12

\$ 25,074

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds

Year ended June 30, 2002

(In thousands)

	General	School fund	School grants fund	Capital projects	Non-Major governmental funds	Total governmental funds
Revenues:						
Taxes	\$ 216,770	—	—	—	—	216,770
Departmental revenue	6,487	561	1,863	980	13,663	23,554
Federal and state grants and reimbursements	63,668	167,209	40,432	—	17,101	288,410
Sale of real estate	—	—	—	—	304	304
Investment and rental income	6,937	—	—	(520)	4,028	10,445
Fines and forfeitures	3,773	—	—	—	—	3,773
Other	10,169	—	—	—	—	10,169
Total revenues	307,804	167,770	42,295	460	35,096	553,425
Expenditures:						
Current:						
Executive, legislative, and judicial	8,622	—	—	—	906	9,528
Finance	75,599	—	—	3,608	6,919	86,126
Public safety	79,484	—	—	—	5,915	85,399
Building inspection	2,704	—	—	—	—	2,704
Public works	12,134	—	—	—	—	12,134
Recreation	1,697	—	—	1,423	638	3,758
Public lands and parks	12,312	—	—	—	724	13,036
Education	—	245,626	36,395	—	—	282,021
Capital outlays	349	204	132	5,209	25,996	31,890
Debt service	23,745	7,610	—	3,137	1,227	35,719
Community development	—	—	—	—	22,929	22,929
Total expenditures	216,646	253,440	36,527	13,377	65,254	585,244
Excess (deficiency) of revenues over expenditures	91,158	(85,670)	5,768	(12,917)	(30,158)	(31,819)
Other financing sources (uses):						
Long-term debt and capital leases issued	—	—	—	79,995	—	79,995
Payments to Escrow Agent	—	—	—	(22,038)	—	(22,038)
Transfers in	10,914	85,670	—	—	6,937	103,521
Transfers out	(90,867)	—	(555)	(1,448)	(11,081)	(103,951)
Total other financing sources (uses)	(79,953)	85,670	(555)	56,509	(4,144)	57,527
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	11,205	—	5,213	43,592	(34,302)	25,708
Fund balance - beginning	7,323	—	2,169	13,761	80,143	103,396
Fund balance - ending	\$ 18,528	—	7,382	57,353	45,841	129,104

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2002

Net change in fund balances - total governmental funds — page 16 \$ 25,708

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 12,712

The internal service fund is presented as part of the governmental activities 719

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (5,205)

Bond proceeds (\$71,620) and lease proceeds (\$8,010) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal (\$43,705) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. (35,925)

Bonds issued at a premium (\$673) or discount (\$308) provide/use current financial resources to governmental funds, but increase the long-term liabilities in the statement of net assets. Bond issuance costs (\$1,188) are expenditures to governmental funds, but are deferred assets in the statement of net assets. This is the amount by which issuance costs exceeded premium/discount. 823

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the increase in compensated absences and interest payable, combined with the amortization of bond issuance costs, exceeded accretion of bond premiums. (27,736)

Change in net assets of governmental activities — page 13 \$ (28,904)

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Net Assets - Proprietary Funds

June 30, 2002

(In thousands)

Assets	Enterprise funds				Internal service
	Water Supply Board	PPBA	Non-Major Civic Center	Total	
Current assets:					
Cash and investments	\$ 3,241	22,073	395	25,709	(2,229)
Restricted cash and investments	9,632	—	—	9,632	—
Receivables, net	9,695	1,735	741	12,171	30
Restricted receivables	966	—	—	966	—
Rentals receivable	—	190,128	—	190,128	—
Due from other funds	—	—	14	14	6,674
Inventories	1,669	—	—	1,669	—
Other assets	354	—	47	401	348
Total current assets	25,557	213,936	1,197	240,690	4,823
Noncurrent assets:					
Capital assets:					
Land	7,887	—	—	7,887	—
Buildings and improvements	52,359	—	18,636	70,995	—
Improvements other than buildings	133,474	—	—	133,474	—
Machinery and equipment	16,921	—	3,156	20,077	—
Construction in progress	10,677	—	109	10,786	—
	221,318	—	21,901	243,219	—
Less accumulated depreciation	(66,765)	—	(18,330)	(85,095)	—
Net capital assets	154,553	—	3,571	158,124	—
Other restricted noncurrent assets	3,860	—	3,175	7,035	—
Total assets	183,970	213,936	7,943	405,849	4,823
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	4,178	686	1,506	6,370	3,683
Deferred revenue	1,095	—	4,583	5,678	—
Due to other funds	980	—	2,077	3,057	—
Other	—	3,988	—	3,988	—
Current portion of long-term debt	4,785	7,290	517	12,592	—
Amounts payable from restricted assets	3,946	—	—	3,946	—
Total current liabilities	14,984	11,964	8,683	35,631	3,683
Noncurrent liabilities:					
Loans payable	155	—	1,520	1,675	—
Revenue bonds	22,181	198,476	—	220,657	—
Capital leases	7,393	—	—	7,393	—
Total noncurrent liabilities	29,729	198,476	1,520	229,725	—
Total liabilities	44,713	210,440	10,203	265,356	3,683
Net Assets					
Invested in capital assets, net of related debt	120,539	—	1,534	122,073	—
Restricted	10,512	1,020	—	11,532	—
Unrestricted	8,206	2,476	(3,794)	6,888	1,140
Total net assets	\$ 139,257	3,496	(2,260)	140,493	1,140

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds

Year ended June 30, 2002

(In thousands)

	Enterprise funds				
	Water Supply Board	PPBA	Non-Major Civic Center	Total	Internal service
Operating revenues:					
Charges for sales and services	\$ 41,699	—	4,220	45,919	49,161
Lease receipts	—	7,958	—	7,958	—
Employer withholdings	—	—	—	—	3,900
Other	—	—	425	425	511
Total operating revenues	41,699	7,958	4,645	54,302	53,572
Operating expenses:					
Cost of sales and services	16,584	505	5,934	23,023	—
Health claims	—	—	—	—	52,853
Administration	7,923	382	—	8,305	—
Depreciation	8,418	—	810	9,228	—
Total operating expenses	32,925	887	6,744	40,556	52,853
Operating income (loss)	8,774	7,071	(2,099)	13,746	719
Nonoperating revenues (expenses):					
Restricted	1,565	—	—	1,565	—
Investment earnings	358	1,132	14	1,504	—
Interest expense	(1,229)	(7,674)	(109)	(9,012)	—
Ticket surcharges	—	—	533	533	—
Total nonoperating revenues (expenses)	694	(6,542)	438	(5,410)	—
Income (loss) before contributions and transfers	9,468	529	(1,661)	8,336	719
Capital contributions	1,824	—	—	1,824	—
Transfers in	—	—	430	430	—
Change in net assets	11,292	529	(1,231)	10,590	719
Total net assets - beginning	127,965	2,967	(1,029)	129,903	421
Total net assets - ending	\$ 139,257	3,496	(2,260)	140,493	1,140

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Cash Flows - Proprietary Fund Type
Year ended June 30, 2002
(In thousands)

	Enterprise funds				
	Water Supply Board	PPBA	Non-Major Civic Center	Total	Internal service
Cash flows from operations:					
Cash received from customers	\$ 48,168	13,303	4,058	65,529	49,131
Cash paid to vendors	(16,127)	(951)	(1,667)	(18,745)	(53,999)
Cash paid to employees	(14,016)	—	(3,608)	(17,624)	—
Other receipts	194	—	134	328	2,494
Net cash provided by (used in) operations	18,219	12,352	(1,083)	29,488	(2,374)
Cash flows from noncapital financing activities:					
Custodial assets	—	(147)	—	(147)	—
Operating transfers	—	—	430	430	49,161
Net cash provided (used) by noncapital financing activities	—	(147)	430	283	49,161
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(15,285)	(9,499)	(524)	(25,308)	—
Interest paid on debt	(1,517)	(7,666)	(109)	(9,292)	—
Proceeds of long-term debt	4,300	10,200	302	14,802	—
Repayment of long-term debt	(4,659)	—	(205)	(4,864)	—
Ticket surcharge revenue	—	—	533	533	—
Capital grants	1,824	(7,018)	—	(5,194)	—
Net cash used by capital and related financing activities	(15,337)	(13,983)	(3)	(29,323)	—
Cash flows from investing activities:					
Purchase of investment securities	(132)	(829)	—	(961)	—
Proceeds from sale of investment securities	—	5,201	—	5,201	—
Investment income	490	1,122	15	1,627	—
Net cash provided by investing activities	358	5,494	15	5,867	—
Increase (decrease) in cash and cash equivalents	3,240	3,716	(641)	6,315	46,787
Cash and cash equivalents, beginning of year	8,604	5,067	1,036	14,707	145
Cash and cash equivalents, end of year	11,844	8,783	395	21,022	46,932
Investments, end of year	1,029	13,290	—	14,319	—
Cash and investment on the balance sheet	\$ 12,873	22,073	395	35,341	46,932
Reconciliation of operating income to cash provided (used) by operating activities:					
Operating income (loss)	\$ 8,774	7,071	(2,099)	13,746	719
Non-cash items:					
Depreciation and amortization	8,418	—	810	9,228	—
Provision for bad debts	(18)	—	—	(18)	—
Changes in operating assets and liabilities:					
Accounts receivable	3,066	5,345	(499)	7,912	259
Other assets	121	—	951	1,072	(342)
Due (to) from other funds	—	—	118	118	(1,864)
Accounts payable	(1,691)	(64)	306	(1,449)	—
Other accrued liabilities	(226)	—	—	(226)	(1,146)
Deferred revenue	(225)	—	(670)	(895)	—
Net cash provided by (used in) operating activities	\$ 18,219	12,352	(1,083)	29,488	(2,374)

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2002

(In thousands)

Assets	Employee retirement plan	Private purpose trusts	Agency funds
Cash and cash equivalents	\$ 8,758	887	556
Receivables:			
Loans receivable	19,638	—	—
Other	3,492	2	—
Total receivables	31,888	889	556
Investments, at fair value:			
Corporate bonds	53,561	—	—
Corporate stocks	192,575	—	—
Other investments	2,000	—	—
Total investments	248,136	—	—
Due from other funds	16,513	—	272
Total assets	296,537	889	828
Liabilities			
Accounts payable	127	1	—
Amounts held for others	—	—	828
Total liabilities	127	1	828
Net Assets			
Held in trust for pension benefits and other purposes	\$ 296,410	888	

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets -
Fiduciary Funds

Year ended June 30, 2002

(In thousands)

	Employee retirement plan	Private purpose trusts
Additions:		
Contributions:		
Employer	\$ 27,241	—
Employees	9,379	24
Total contributions	<u>36,620</u>	<u>24</u>
Investment earnings:		
Net appreciation in the fair value of investments	(14,188)	(86)
Interest	6,702	6
Dividends	1,812	16
Total investment earnings	<u>(5,674)</u>	<u>(64)</u>
Less investment expenses	<u>1,902</u>	<u>4</u>
Net investment earnings	<u>(7,576)</u>	<u>(68)</u>
Total additions	<u>29,044</u>	<u>(44)</u>
Deductions:		
Benefits	51,278	36
Refunds of contributions	3,425	—
Administrative expenses	88	—
Total deductions	<u>54,791</u>	<u>36</u>
Change in net assets	<u>(25,747)</u>	<u>(80)</u>
Net assets, beginning of year	<u>322,157</u>	<u>968</u>
Net assets, end of year	\$ <u>296,410</u>	<u>888</u>

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

(1) The Financial Reporting Entity

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

(a) *Primary Government*

The City of Providence, Rhode Island, (the City) operates under a Mayor-Council form of government. A Home Rule Charter was adopted in November 1980 and became fully effective on January 3, 1983. The Mayor is elected by the voters of the City to a four-year term. City Council members are also elected to four year terms, which coincides with the term of the Mayor. Most department heads and other City officials are appointed by the Mayor.

(b) *Individual Component Unit Disclosure*

The component units provide services entirely or almost entirely to the City or otherwise exclusively or almost exclusively to benefit the City, even though they do not provide services directly to it. Although legally separate, all component units have been reported as if they were part of the primary government through a method of inclusion known as blending. A description of the component units, criteria for inclusion and their relationship with the City are as follows:

- *Providence Public Buildings Authority*

The Providence Public Buildings Authority (PPBA) 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 42-10.11 of the General Laws of Rhode Island, on February 12, 1988. The PPBA is presented as a blended enterprise fund.

The purpose of the PPBA 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. These activities allow the PPBA to provide for the conduct of the executive, legislative and judicial functions of the government. The PPBA 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 PPBA's administrative expenses are paid on an annual basis by the lessee in the form of additional rent.

- *Providence Water Supply Board*

The Providence Water Supply Board was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island. Membership of the Board is comprised of four persons appointed by the Mayor, who serve for four-year staggered terms and two City Council members elected by the City Council, who serve during their four-year City Council term. The Finance Director of the City of Providence also serves as an ex-officio Board member.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

The Water Supply Board provides water supply services through metered sales in Providence and parts of the surrounding communities of North Providence, Johnston and Cranston. The Board also sells water to the other local water supply systems on a wholesale basis. The Board's source of water supply is the Scituate Reservoir, located in the Town of Scituate, Rhode Island, and five tributary reservoirs.

Activities of the Water Supply Board are governed by the regulations of the Public Utility Administrator of the State of Rhode Island. All water sale rates are established by the State of Rhode Island Public Utilities Commission. The Water Supply Board is presented as a blended enterprise fund.

- *Providence Civic Center Authority*

The Providence Civic Center Authority (the Authority) is governed by a seven member Board of Directors. It was created by an Act of the Rhode Island State Legislature in 1969 (the Act) to provide a public facility for various civic, athletic, and cultural events. The facility was built and paid for from the proceeds of general obligation bonds sold by the City of Providence. As of February 1, 1992, the Center and all funds and assets of the Authority became the property of the City of Providence. Under Section 10(b) of the Act, the Authority is required to pay annually all excess revenues, as defined in the Act, to the City. It is the City's intention to continue to operate the Authority as a going concern.

The Authority has incurred recurring losses from operations (\$2.1 million in 2002) and has relied on the City of Providence to subsidize operations through a general fund transfer of \$430,000 in 2002. These factors raise substantial doubt about the Authority's ability to continue as a going concern without continued significant support from the City. In order to help address this issue, the City entered into an agreement with Aramark Entertainment, Inc. (Aramark) for the future management and operation of the Authority. Aramark will be paid a base fee of \$10,000 per month for the first five years of the agreement for managing and operating the Authority. Aramark is also entitled to incentive payments should certain performance levels be met. Further, the Authority entered into a naming sponsorship and advertising agreement with Dunkin' Donuts, Inc. which provides exclusive naming rights for a ten-year period beginning May 1, 2001. In accordance with the agreement, Dunkin' Donuts will pay the Authority \$425,000 annually over the life of the contract.

The Authority leases its facility to various promoters and groups, at rental charges usually calculated as a percent of gross ticket sales and/or a minimum rental fee. Rental charges for certain events are based upon a fixed fee. In addition to rental income, the Authority is reimbursed by lessees for expenses the Authority incurs in connection with the various events. The Civic Center is presented as a blended enterprise fund.

- *Providence Economic Development Corporation (PEDC)*

The Providence Economic Development Corporation (PEDC). PEDC is a not-for-profit and was created to foster economic growth in Providence as well as assist and attract new industrial, manufacturing and other commercial enterprises to the City. The activities of PEDC

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

are funded by state and local agencies. The PEDC is presented as a blended special revenue fund.

- *Providence Redevelopment Agency (PRA)*

The PRA is governed by the Mayor, ex-officio and a seven member Board. Its purpose is to provide the planning support for major construction and redevelopment activity in the City. The PRA is presented as a blended special revenue fund.

- *Providence/Cranston Workforce Development Consortium*

The Providence/Cranston Workforce Development Office is the administrative entity of the Providence Cranston Job Training Consortium. The Providence/Cranston Workforce Development Consortium (Consortium) was established by the City of Providence and the City of Cranston to operate a comprehensive employment and training service delivery system according to the provisions of the Workforce Investment Act of 1998.

The Consortium is administered by the City who is responsible for the proper administration and operation of programs within guidelines established by the Workforce Investment Act of 1998. The operations of the Consortium are included as a special revenue fund of the City. The Consortium is presented as a blended special revenue fund.

Complete financial statements of the PPBA and Water Supply Board can be obtained through the City of Providence Finance Department, City Hall, Providence, Rhode Island 02903.

(2) Summary of Significant Accounting Policies

The accounting policies of the City of Providence, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies followed by the City:

(a) *Government-Wide and Fund Financial Statements*

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

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

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

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Government-wide financial statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements – Governmental fund financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered available if they are collected up to 12 months after the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *school fund* accounts for operations of the Providence school system.

The *school grants fund* accounts for federal and state grants received and expended by the school system.

The *capital projects fund* accounts for resources to be used for the acquisition or construction of capital assets for the housing and community improvement activities in the City.

The government reports the following major proprietary funds:

The *Water Supply Board* accounts for the activities of the Providence Water Supply Board

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The *Providence Public Building Authority* accounts the activities related to acquisition, construction and leasing of capital assets to the City.

Additionally, the government reports the following fund types:

The *pension trust fund* accounts for the activities of the City of Providence Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *private-purpose trust fund* is used to account for resources legally held in trust for the benefit of individuals, organizations or other governments.

The *agency fund* is used to account for assets held by the City in an agency capacity.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Revenues from charges for services of the Providence Water Supply Board are recognized on the accrual basis, net of estimated uncollectibles. Depending upon consumption, metered water sale customers are billed monthly, quarterly or annually for water usage. Large commercial customers and other local water suppliers are billed more frequently.

(c) *New Accounting Pronouncements*

The City implemented GASB Statement No. 34, as amended by Statements No. 37 and 38, during the current fiscal year. These Statements establish new financial reporting standards for state and local governments. The new reporting requirements represent a significant change in the financial

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reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. Under the government wide financial statements, net asset format is used to present the balance sheet while a net expense, by function, is used for presenting the statement of operations. These presentations help users to better assess the long-term impact of short-term financing decisions as well as assessing whether individual functions or activities generate excess revenues through fees and grants or are subsidized through general revenues such as taxes. The new Statements also require the presentation of Management's Discussion and Analysis as required supplementary information.

Numerous fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required to conform to these new Statements.

(d) *Interfund Receivables and Payables*

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(e) *Cash Equivalents*

For purposes of the cash flow statements, the proprietary and nonexpendable trust funds consider all investments with original maturities of three months or less when purchased are considered to be cash equivalents.

(f) *Long-Term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance

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costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest on long-term debt is recorded as an expenditure as it comes due.

(g) *Investments*

Debt and equity securities are stated at fair value. Fair values are established by quoted market values.

(h) *Allowance for Possible Loan Losses*

The allowance for possible loan losses is maintained at a level believed adequate by management to absorb potential losses for outstanding loans. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, past loan loss experience and current economic conditions.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Amounts considered to be uncollectible are based on the type and age of the related receivable.

(i) *Compensated Absences*

Under the terms of various contracts and policies, employees are granted vacation and sick leave based on length of service. The City's policy is to recognize the cost of vacation and sick leave in governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid vacation and sick leave relating to governmental fund employees is recognized as a long-term obligation in the governmental activities column in the government-wide statement of net assets. An estimate of the amount payable within one year is reported in accrued liabilities. The liability for compensated absences is recorded on the accrual basis of accounting in the enterprise funds.

(j) *Judgments and Claims*

Liabilities for legal cases and other claims against governmental funds are recorded when the ultimate liability can be estimated and such cases are due. Claims for tax abatements are recorded as liabilities in the general fund to the extent that claims are received prior to year end and are expected to be paid within one year. Legal and other claims in the government-wide and the proprietary fund statements are recorded using the accrual basis of accounting.

(k) *Inventories and Prepaid Assets*

Proprietary fund inventory is stated at the lower of cost or market using the weighted average method. Inventory consists primarily of materials and supplies. Inventory is not maintained in governmental funds, but is recorded as an expenditure at the time of purchase. Inventory on hand at year end is not material.

Any material payments to vendors that reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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(l) *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the governmental activities is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

Property, plant, and equipment of the business-type activities is depreciated using the straight-line method over the following estimated useful lives:

	<u>Civic Center Authority</u>	<u>Water Supply Board</u>
Buildings, source of supply structures and improvements	10 - 30 years	50 - 150 years
Improvements, other than buildings	—	75 - 100 years
Machinery and equipment	3 - 20 years	10 - 40 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

(m) *Self Insurance*

The City's self insurance health costs are accounted for in an internal service fund. Other self insured risks that are accounted for in governmental funds are recorded as expenditures when claims are paid. Claims incurred but not paid, including those which have not been reported, are accrued as

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long-term obligations in the government-wide and internal service fund financial statements. The accrual of \$3.6 million is based on the results of an actuarial study completed in August 2002.

(n) *Use of Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

(3) **Property Taxes**

The City's property tax is levied each year based on the assessed property value, as of the prior December 31, for all real property, tangible property, equipment and motor vehicles located in the City. Assessed values of real property were established by the City Assessor's office at 100% of appraised market value, based on the 1987 valuation less Homestead exemptions for 1 to 6 unit dwellings. Assessed values of tangible property and equipment and motor vehicles are determined annually at 100% of market value.

The December 31, 2000 taxable assessments and the fiscal 2002 tax rate and gross levy are as follows (in thousands, except for the tax rate):

	<u>Taxable assessment</u>	<u>Exemptions</u>	<u>Net taxable assessment</u>	<u>Rate per \$1,000</u>	<u>Gross levy</u>
Real property	\$ 6,208,931	1,101,224	5,107,707	34.07	174,020
Tangible property	573,094	—	573,094	49.96	28,632
Stock in trade	59,893	—	59,893	53.74	3,219
Motor vehicle	258,320	1,011	257,309	76.78	19,756

Payments on the gross levy are due in equal quarterly installments in July, October, January, and April. Property taxes attach as an enforceable lien on property when levied. The City recognizes property and excise tax revenues on the modified accrual basis. Only those property tax and excise tax payments due as of the end of the current fiscal year and collected within the current fiscal year or reasonably thereafter, usually 60 days, are recognized as revenue of the current fiscal year, net of cash abatements paid. All uncollected property taxes as of the fiscal year are recorded as receivables. Those taxes not collected within 60 days subsequent to year end are recorded as deferred revenue, even if the eventual collection appears likely. If collection appears unlikely an allowance for doubtful accounts is established.

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Notes to Basic Financial Statements

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(4) Receivables

Receivables as of year end for the City's governmental funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>School</u>	<u>School grants</u>	<u>Capital project</u>	<u>Non-Major governmental funds</u>	<u>Internal service</u>	<u>Total</u>
Receivables:							
Taxes	\$ 86,563	—	—	—	—	—	86,563
Accounts	402	2,086	75	15	5,759	30	8,367
Loans	—	—	—	—	20,434	—	20,434
Intergovernmental	<u>17,401</u>	<u>617</u>	<u>3,281</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,299</u>
Gross receivables	104,366	2,703	3,356	15	26,193	30	136,663
Less allowance for uncollectibles	<u>(45,870)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,350)</u>	<u>—</u>	<u>(52,220)</u>
Net total receivables	<u>\$ 58,496</u>	<u>2,703</u>	<u>3,356</u>	<u>15</u>	<u>19,843</u>	<u>30</u>	<u>84,443</u>

The intergovernmental receivables represent amounts due from the State of Rhode Island under various grant agreements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

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(5) Capital Assets

The following is a summary of the activity of the City's capital assets for the year ended June 30, 2002 (in thousands):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 56,735	—	—	56,735
Construction in progress	17,258	25,871	—	43,129
Total capital assets, not being depreciated	73,993	25,871	—	99,864
Capital assets, being depreciated:				
Buildings	123,743	—	—	123,743
Improvements other than buildings	8,262	1,371	—	9,633
Machinery and equipment	43,135	2,864	—	45,999
Infrastructure	250,403	106	—	250,509
Leased assets	115,750	9,995	—	125,745
Total capital assets being depreciated	541,293	14,336	—	555,629
Less accumulated depreciation for:				
Buildings	49,625	2,200	—	51,825
Improvements other than buildings	4,287	330	—	4,617
Machinery and equipment	28,749	4,658	—	33,407
Infrastructure	112,085	7,720	—	119,805
Leased assets	16,444	2,593	—	19,037
Total accumulated depreciation	211,190	17,501	—	228,691
Total capital assets, being depreciated, net	330,103	(3,165)	—	326,938
Governmental activities capital assets, net	\$ 404,096	22,706	—	426,802

The leased assets shown in the table above represent assets, principally buildings and related improvements, leased by the City from the Providence Public Building Authority, a related party. For the government-wide statements, the capital assets and related PPBA debt is presented principally in the governmental activities column and the related lease transactions are eliminated.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

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	Beginning balance	Increases	Decreases	Ending balance
Business-type activities – Totals:				
Capital assets, not being depreciated:				
Land	\$ 7,887	—	—	7,887
Construction in progress	18,828	16,582	24,624	10,786
Other land improvements	18,682	—	—	18,682
Total capital assets, not being depreciated	45,397	16,582	24,624	37,355
Capital assets, being depreciated:				
Buildings and improvements	32,710	3,138	—	35,848
Improvements other than buildings	112,261	21,213	—	133,474
Machinery and equipment	19,492	584	—	20,076
Leased assets	16,465	—	—	16,465
Total capital assets, being depreciated	180,928	24,935	—	205,863
Less accumulated depreciation for:				
Buildings and improvements	23,345	2,292	—	25,637
Improvements other than buildings	36,029	5,099	—	41,128
Machinery and equipment	12,067	1,376	—	13,443
Leased assets	4,425	461	—	4,886
Total accumulated depreciation	75,866	9,228	—	85,094
Total capital assets, being depreciated, net	105,062	15,707	—	120,769
Business-type activities capital assets, net	\$ 150,459	32,289	24,624	158,124

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities – Water Supply Board:				
Capital assets, not being depreciated:				
Land	\$ 7,887	—	—	7,887
Construction in progress	18,760	16,541	24,624	10,677
Other land improvements	18,682	—	—	18,682
Total capital assets, not being depreciated	45,329	16,541	24,624	37,246
Capital assets, being depreciated:				
Buildings and improvements	14,218	2,994	—	17,212
Improvements other than buildings	112,261	21,213	—	133,474
Machinery and equipment	16,674	247	—	16,921
Leased assets	16,465	—	—	16,465
Total capital assets, being depreciated	159,618	24,454	—	184,072
Less accumulated depreciation for:				
Buildings and improvements	7,908	1,636	—	9,544
Improvements other than buildings	36,029	5,099	—	41,128
Machinery and equipment	9,985	1,222	—	11,207
Leased assets	4,425	461	—	4,886
Total accumulated depreciation	58,347	8,418	—	66,765
Total capital assets, being depreciated, net	101,271	16,036	—	117,307
Business-type activities capital assets, net	\$ 146,600	32,577	24,624	154,553

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Executive, legislative, and judicial	\$	45
Finance		38
Public safety		1,324
Building inspection		12
Public works		8,081
Public lands and parks		732
Education, including leased asset depreciation		6,804
Other		465
Total depreciation expense – governmental activities	\$	<u>17,501</u>

Business-type activities:

Depreciation expense – Water Board	\$	8,418
Depreciation expense – Civic Center		810
Total depreciation expense – business type activities	\$	<u>9,228</u>

(6) Interfund Accounts and Transfers

At June 30, 2002, amounts due to and from funds of the City were as follows (in thousands):

	<u>Due from other funds</u>	<u>Due to other funds</u>
General	\$ 4,148	19,411
School	4,538	4,520
School Grants	1,015	4,742
Capital Projects	25	—
Fiduciary Funds	16,785	—
Non-Major Governmental Funds	6,319	7,788
Water Board	—	980
Non-Major Enterprise Fund	14	2,077
Internal Service Fund	6,674	—
	<u>\$ 39,518</u>	<u>39,518</u>

Amounts owed among funds result principally from timing of payments to the City's retirement system of \$16.8 million and payments to the City's health insurance fund of \$6.6 million. Both these amounts were paid subsequent to year end. All other amounts owed are expected to be paid within one year.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

At June 30, 2002, amounts transferred to and from funds of the City were as follows (in thousands):

<u>Purpose of transfers</u>	<u>General</u>	<u>School</u>	<u>School Grants</u>	<u>Capital Projects</u>	<u>Non-Major Enterprise</u>	<u>Non-Major Governmenta</u>
School operations	\$ (85,115)	85,115	—	—	—	—
School grants	—	555	(555)	—	—	—
Capital Projects	—	—	—	—	—	—
Other	5,592	—	—	(1,448)	—	(4,144)
Civic Center operations	(430)	—	—	—	430	—
	<u>\$ (79,953)</u>	<u>85,670</u>	<u>(555)</u>	<u>(1,448)</u>	<u>430</u>	<u>(4,144)</u>

The major transfer in fiscal 2002 was the appropriated operating subsidy from the City's general fund to the school fund.

(7) Loans Receivable

Loans receivable consist principally of advances to developers for certain urban, community and economic development projects within the City and are funded through various federal programs including Community Development Action Grant (CDAG), Urban Development Action Grants (UDAG) and Housing Development Assistance Grants (HODAG). As of June 30, 2002, the loans receivable were as follows:

Section 108	\$ 2,774
UDAG	2,848
CDBG	7,480
Neighborhood Housing	4,277
Other	<u>3,055</u>
	20,434
Allowance for uncollectibles	<u>(6,350)</u>
Net loans	<u>\$ 14,084</u>

Security for these above loans includes first or second mortgages, property and equipment and other real estate and letters of credit. Future proceeds from the repayment of principal and interest on loans must be expended by the Department of Planning and Development on eligible community development projects.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

(8) Long-Term and Debt

(a) Long-Term Obligations – Governmental Activities

The following is a summary of the long-term debt of the City's governmental funds (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds:						
General Obligation:						
December 2001 – Series A	3.0-5.50%	\$ —	37,000	—	37,000	—
Refunding Bonds 1992	5.00-5.80%	9,720	—	2,295	7,425	2,275
Refunding Bonds 1997	3.85-5.5%	16,440	—	1,735	14,705	1,715
May 1997 – Tax Exempt	4.75-7.5%	37,135	—	1,115	36,020	1,175
May 1997 – Taxable	7.5-8.0%	11,545	—	275	11,270	300
December 2001 – Taxable	3.98-5.78%	—	13,000	—	13,000	—
Judgment Bond	4.75-5.375%	6,825	—	265	6,560	315
School Bonds 1993	5.25-8.25%	21,070	—	21,070	—	—
Refunding Bonds 2001	3.0-5.5%	—	21,620	350	21,270	2,045
		102,735	71,620	27,105	147,250	7,825
Providence Redevelopment Agency:						
Series A	8.9-9.4%	680	—	680	—	—
Series B	8.9-9.4%	750	—	750	—	—
Revenue Bond 1999 Series A	4.3-6.05%	68,000	—	1,250	66,750	1,305
		69,430	—	2,680	66,750	1,305
Special Obligation Tax Increment Bonds:						
Series A	5.7-7.65%	13,185	—	15	13,170	20
Series B	8.95%	6,640	—	1,030	5,610	1,115
Series C	7.50%	2,790	—	5	2,785	5
Series D	5.5-6.65%	10,660	—	185	10,475	200
		33,275	—	1,235	32,040	1,340
Total Bonds		205,440	71,620	31,020	246,040	10,470

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Notes to Basic Financial Statements

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	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Loans and notes:						
Fleet Skating Rink:						
Note Payable – Fleet Bank	LIBOR plus 1%	\$ 1,576	—	68	1,508	—
Planning and development:						
Loans – Fleet Bank and other	Various	800	—	114	686	411
Section 108 Loans	Various	6,245	—	675	5,570	725
Total loans and notes		8,621	—	857	7,764	1,136
Total governmental activities		\$ 214,061	71,620	31,877	253,804	11,606

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

(b) Long-Term Obligations – Business-Type Activities

The following is a summary of the long-term debt of the City's proprietary activities (in thousands):

	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Proprietary funds:						
Providence Public Buildings Authority:						
General Revenue Bond – 1995 Series B	4.7-7.1%	\$ 6,230	—	305	5,925	320
Refunding Revenue Bonds – 1996 Series A	3.5-5.4%	21,964	—	1,640	20,324	1,712
Revenue Bonds – 2001 Series A	3.25-5.125%	—	9,995	—	9,995	—
Revenue Bonds – 1996 Series B	5.4-6.5%	18,630	—	760	17,870	810
Revenue Bonds – 1997 Series A	4.3-6.5%	1,445	—	180	1,265	190
Revenue Bonds – 1998 Series A	3.85-5.10%	24,310	—	870	23,440	905
Revenue Bonds – 1999 Series A	4.1-5.5%	38,525	—	1,275	37,250	1,330
Revenue Bonds – 2000 Series A	5.5-6.25%	18,770	—	525	18,245	555
General Revenue Bond – 2000 Series B	5.20-7.75%	9,995	—	775	9,220	810
		<u>139,869</u>	<u>9,995</u>	<u>6,330</u>	<u>143,534</u>	<u>6,632</u>
Water Board:						
General Revenue Bond	6%	9,770	—	460	9,310	485
General Revenue Bond 2000	3.1-3.8%	4,069	—	964	3,105	999
General Revenue Bond 2001	3.1-3.8%	5,000	—	—	5,000	954
PPBA Revenue Bonds – 1996 Series A	6%	5,690	—	425	5,265	443
Note Payable – Cranston	5.60%	354	—	140	214	58
Note Payable – RICWFA	—	—	2,500	—	2,500	117
		<u>24,883</u>	<u>2,500</u>	<u>1,989</u>	<u>25,394</u>	<u>3,056</u>
Civic Center:						
PPBA Revenue Bonds – 1998 Series A	3.85-5.10%	1,940	—	205	1,735	215
Total business-type activities		<u>\$ 166,692</u>	<u>12,495</u>	<u>8,524</u>	<u>170,663</u>	<u>9,903</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

The annual requirements to amortize the long-term bonds payable as of June 30, 2002 are as follows (in thousands):

Year ending June 30	Governmental activities		Water Supply Board	
	Principal	Interest	Principal	Interest
2003	\$ 10,470	11,440	3,056	1,130
2004	10,990	13,500	3,132	1,036
2005	11,290	12,558	3,248	925
2006	11,620	12,365	2,256	815
2007	12,020	11,695	2,294	720
2008 – 2012	58,335	49,037	7,093	2,374
2013 – 2017	54,665	31,508	3,530	587
2018 – 2022	38,760	16,481	785	70
2023 – 2027	29,815	7,169	—	—
2028 – 2032	8,075	703	—	—
	<u>\$ 246,040</u>	<u>166,456</u>	<u>25,394</u>	<u>7,657</u>

The Water Supply Board long-term debt is general obligation debt of the City. However, because it is the intent of the City to have the Board meet the debt service requirements of this debt, such amounts are recorded in the enterprise funds of the City. Similarly, debt of the PPBA that will be met by the Water Supply Board has been recorded as the Board's debt in the table above.

(c) *Planning and Development Loans*

At June 30, 2002, the City had several notes outstanding relating to planning and development activities. These notes included \$6.3 million of Section 108 loans payable through 2013 with interest rates ranging from 3.82% to 7.04%.

The annual requirements to amortize these notes payable as of June 30, 2002 are as follows (in thousands):

	Principal	Interest
2003	\$ 1,136	190
2004	830	141
2005	1,080	114
2006	680	91
2007	730	84
2008-2012	1,390	284
2013-2017	410	30
	<u>\$ 6,256</u>	<u>934</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

The City also has a note payable of \$1.5 million outstanding relating to the Fleet Skating Center. Payments on this note of approximately \$30,000 are made quarterly. The interest rate on the note varies and there is no established principal retirement schedule. As such this amount is not included in the maturity tables above.

(d) PPBA Debt

The Providence Public Building Authority (PPBA) issues long-term bonds for the acquisition and construction of capital assets. Upon acquisition or completion, these capital assets are leased to the City. Because the PPBA is included as a blended component unit in the accompanying statements, the capital assets and related debt are shown as part of the governmental activities and business type activities columns in the government-wide statements as presented below. The respective amounts in the PPBA statements have been eliminated in the business type activities column in order to properly reflect the debt and assets properly. The annual requirements to amortize the debt payable at June 30, 2002 are as follows (in thousands):

Year ending June 30	City		Water Supply Board		Non-major Enterprise Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 6,632	7,235	443	250	215	78	7,290	7,563
2004	7,321	6,903	464	229	225	68	8,010	7,200
2005	7,669	6,550	486	207	235	58	8,390	6,815
2006	8,046	6,173	509	183	245	46	8,800	6,402
2007	8,458	5,766	537	158	260	34	9,255	5,958
2008-2012	45,849	21,890	2,826	354	555	27	49,230	22,271
2013-2017	37,670	11,053	—	—	—	—	37,670	11,053
2018-2022	21,890	2,131	—	—	—	—	21,890	2,131
	<u>\$ 143,535</u>	<u>67,701</u>	<u>5,265</u>	<u>1,381</u>	<u>1,735</u>	<u>311</u>	<u>150,535</u>	<u>69,393</u>

The City, the Water Supply Board and the Civic Center entered into lease agreements with the PPBA relating to various capital projects. In connection with these lease agreements, the PPBA issued revenue bonds that will be repaid by the Water Board with the \$0.01 per hundred gallons Water Quality Protection Charge and will be repaid by the Civic Center through ticket surcharges. The City repays the PPBA as lease payments from general revenues. The PPBA debt to be repaid by the enterprise funds have been shown as debt in those funds' financial statements. PPBA debt to be repaid by the City is presented as debt of the governmental activities in the government-wide statement of net assets.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

(e) *Noncurrent Liabilities*

The following summarizes the activity for the City's other governmental noncurrent liabilities for the year ended June 30, 2002 (in thousands):

	<u>June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2002</u>
City:				
Health claims	\$ 4,677	51,859	52,853	3,683
Compensated absences	12,308	1,497	—	13,804
Net pension obligation	80,239	38,385	27,457	91,167
	<u>\$ 97,224</u>	<u>91,741</u>	<u>80,310</u>	<u>108,654</u>

The Narragansett Bay Commission has agreed to assume a portion of the general obligation debt service pursuant to a 1982 agreement, whereby the City's Sewerage Treatment Facility was transferred to the Bay Commission. Under the agreement, the Bay Commission will reimburse the City for \$3.2 million of principal and interest on the debt when it becomes due. The City, however, remains ultimately responsible for the timely payment of the issues.

On February 1, 1995, the City issued \$10,435,000 taxable Series B Special Obligation Tax Increment bonds with a rate of 8.95% and maturing on June 1, 2007 together with \$2,805,000 taxable Series C Special Obligation Tax Increment Bonds with a rate of 7.5% and maturing on June 1, 2010. The bonds were issued in part for the purpose of financing and refinancing a portion of the Providence Plan Housing Corporation Program. The City had pledged the taxes due from the Narragansett Electric Company Agreement to constitute most of the tax increment Series II.

(f) *Refunding of Bonds*

Defeased Debt – Current Year

During fiscal 2002, the City issued \$21,620,000 of Refunding Bonds to advance refund 1993 School Bonds with principal outstanding of \$21,070,000. The proceeds of these bonds were deposited in an irrevocable trust and the transaction has been accounted for as an "in-substance" defeasance. The cash flow savings related to the refunding was approximately \$6 million while the economic loss was \$969,000.

Defeased Debt - Prior Year

There are no bonds refunded "in-substance" defeasance in prior fiscal years and still outstanding at June 30, 2002.

(g) *Debt Limit*

Except as explained below, under Rhode Island law the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. The current outstanding debt of the City subject to the 3% debt limit is \$33.2 million and the current 3% debt limit of the City is \$179.6 million based on taxable property as of December 31, 1999, of approximately \$5.987 billion, leaving a remaining borrowing capacity of approximately \$144.3 million.

The State of Rhode Island General Assembly (General Assembly) may, by special act permit the City to incur indebtedness outside the 3% debt limit. Bonds issued either within the 3% debt limit or by special legislation adopted by the General Assembly authorizing the City to incur debt are subject to referendum by the electors of the City. On June 30, 2002, the total outstanding debt of the City issued outside the 3% debt limit was \$114.0 million, excluding water bonds and sewer bonds that are deemed self-supporting.

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

(9) Lease Commitments

The City is obligated under various capital and operating leases to make the following aggregate annual lease payments (in thousands):

	<u>Operating</u>	<u>Capital</u>
2003	\$ 758	\$ 9,866
2004	2,334	9,394
2005	2,338	7,461
2006	2,128	7,189
2007	2,030	4,734
2008 – 2012	10,150	13,223
2013 – 2017	6,090	8,668
2018 – 2022	—	8,661
2023 – 2027	—	5,200
Total minimum lease payments	\$ <u>25,828</u>	74,396
Less interest		<u>(26,312)</u>
Present value of minimum payments		\$ <u>48,084</u>

Subsequent to year end, the City refinanced certain leases existing at June 30, 2002, and for purposes of the future maturity schedule above, the City has included the payments resulting from the refinancing.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

Minimum future lease payments under capital leases for the proprietary funds as of June 30, 2002, for each of the next five fiscal years and thereafter are as follows (in thousands):

	<u>Water Supply Board</u>
2003	\$ 1,632
2004	1,632
2005	1,470
2006	1,269
2007	1,079
2008 – 2012	<u>3,095</u>
Total minimum lease payments	10,177
Less interest	<u>(1,556)</u>
Present value of net minimum lease payments	<u>\$ 8,621</u>

Sale-Leaseback

During fiscal 2000, the City entered into a sale-leaseback transaction involving certain street lights within the City. The transaction resulted in the City receiving a \$5.2 million payment in fiscal 2000 and committing to a future stream of lease payments. In addition, the City is also committed to a future series of payments for the maintenance of the street lights. The future commitment for maintenance is as follows (in thousands):

2003	\$ 264
2004	272
2005	280
2006	288
2007	297
2008 – 2010	<u>945</u>
	<u>\$ 2,346</u>

(10) Restricted Assets and Related Liabilities

The State of Rhode Island enacted the Public Drinking Water Protection Act of 1987 (the Act) that empowers suppliers of public drinking water to levy a surcharge (the Water Quality Protection surcharge) of \$0.01 per hundred gallons of water for all customers. A July 1990, amendment to the Act increased the surcharge to \$0.02333 per hundred gallons of water. The \$0.01333 increase is to be remitted to the State and appropriated to the Water Resources Board, a component of the State of Rhode Island. In July 1992, the Act was further amended to increase the levy to \$0.02590 per hundred gallons of water for all customers. The Board retains 40.7% of the surcharge in its water quality protection fund, remits 51.5% to the State Water Resources Board and retains 7.8% for general operations. The surcharge was effective as of January 1, 1989 and the funds collected in the water quality protection fund are to be expended in the

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

following manner: 1) at a minimum, 55% of the funds are to be spent for the acquisition of land or land rights or physical improvements to acquired land to protect the quality of the raw water of the water supply system; 2) 35% may be used to acquire a fee simple interest or a conservation restriction that directly protects the quality and safety of the public drinking water supply; and 3) 10% may be used by the supplier for any purpose relating to its operations.

Effective July 1, 2002, the surcharge will increase to \$0.0292 per hundred gallons of water for all customers. In addition to the increase, the Water Supply Board will retain 36.1% of the surcharge in its Water Quality Protection fund, remit 57% to the State Water Resources Board and retain 6.9% for general operations.

Effective February 1, 1992, the City Council established a 5% surcharge on all ticket sales at the Civic Center. The surcharge was to be used at the discretion of the Civic Center Authority for capital improvements, emergency or other repairs, or as otherwise deemed necessary by the Authority. On August 25, 1997, the 5% surcharge was replaced by a \$1.50 per ticket restoration charge. The original purpose of the surcharge was to provide funds for capital improvements projects at the Authority. On May 28, 1998, the Authority entered into a pledge agreement whereby surcharge receipts collected after May 28, 1998 would be restricted for debt service and capital improvements.

The restricted assets are pooled with the cash and cash equivalents and investments of other funds maintained by the City. The earnings from pooled cash and cash equivalents and investments are allocated in proportion to each fund's balance.

(11) Fund Equity

The following non-major funds had fund deficits as of June 30, 2002 (in thousands):

Governmental:		
Other planning and development	\$	164
Skating Rink		<u>421</u>
	\$	<u>585</u>
Enterprise:		
Civic Center	\$	<u>2,260</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

These deficits are expected to be eliminated through transfers from the City's general fund and from other revenue sources.

Reserved fund balances at June 30, 2002, are as follows (in thousands):

Capital projects	\$ <u>57,353</u>
Non-Major Governmental Funds:	
Reserved for loans	\$ 14,084
Reserved for debt service	<u>120</u>
	\$ <u>14,204</u>

The City has also designated \$10,200 of general fund equity. This amount will be appropriated in the fiscal 2003 budget.

The Water Supply Board has restricted net assets of \$10.5 million at June 30, 2002. This represents the excess of restricted assets over liabilities payable from restricted assets unexpended water quality protection revenue.

(12) Employee Retirement Systems

The City contributes to two defined benefit pension plans — the Employees' Retirement System of the City of Providence (ERS), a single employer plan; and the Employees' Retirement System of the State of Rhode Island (the System), a cost-sharing multiple employer plan. The ERS is presented in the accompanying financial statements as a pension trust fund. The System is not included in the government-wide financial statements.

(a) *Employees' Retirement System of the City of Providence (ERS)*

- Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

- *Plan Description and Contribution Information*

Membership of the ERS plan consisted of the following at June 30, 2001, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,825
Active plan members:	
Vested	1,688
Nonvested	1,665
	<hr/>
	6,178
	<hr/>

Plan Description

ERS is a single-employer defined benefit pension plan that covers most management employees of the City, except school teachers and employees of the Civic Center Authority. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided to retirees and beneficiaries at varying percentages ranging from 0% to 6%.

Contributions

Class A members are required to contribute 8% of their salary to the Plan. Class B members are required to contribute 9 1/2% of their salary to the Plan. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City is required to make additional contributions of \$1,490,000 annually to amortize a deferred contribution from June 30, 1996.

- *Annual Pension Cost and Net Pension Obligation (NPO)*

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

	(In thousands)
Annual required contribution	\$ 39,763
Interest on NPO	6,544
Amortization of NPO	(4,670)
Other	(3,252)
	<hr/>
Annual pension cost	38,385
Contributions made	27,457
	<hr/>
Increase in net pension obligation	10,928
Net pension obligation, beginning of year	80,239
	<hr/>
Net pension obligation, end of year	\$ 91,167
	<hr/>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

The annual required contribution for the current year was determined as part of the June 30, 2001 actuarial valuation using the aggregate level entry age normal cost actuarial cost method. The actuarial assumptions included (a) 8 1/2% investment rate of return; (b) projected salary increases of 5%; and (c) cost of living adjustments ranging from 3% to 6%. The actuarial value of assets was determined using a 5-year moving average of market values. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2002 was 27 years.

- *Subsequent Event*

Subsequent to year end, the City received an update actuarial valuation for the ERS as of July 1, 2002. This valuation showed a decline in the funded ratio at June 30, 2002 to 39% and an increase in the unfunded actuarial liability from \$479 million to \$526 million.

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

- *Plan Description*

All full-time teachers including superintendents, principals, school nurses and certain other school officials (classified employees) in the Providence School Department participate in the Employees Retirement System of the State of Rhode Island (System), a cost-sharing multiple-employer public retirement system. The System provides retirement, death and disability benefits, all of which plan members are established by State statute. The System issues a publicly available financial report that includes the financial statements and required supplementary information for the System. That report may be obtained by contracting the State of Rhode Island.

- *Funding Policy*

Plan members are required by State statute to contribute 9.5% of their salary to the plan. The School Department contributions are based on a percentage of annual compensation of active members, half of which is payable by the State of Rhode Island. The School Department contributions made for the years ended June 30, 2002, 2001 and 2000 were approximately \$7.6 million, \$8 million and \$9.1 million, respectively, and were equal to the required contributions for each year.

(c) *Other City Pension Costs*

The City is required to make contributions to the National Pension Plan of the Laborers' International Union of North America, the Rhode Island Legal Service trust for those employees in the Laborers' International Union and pay retirement benefits to certain retired police and firemen not covered by the ERS. The pension cost charged to the general fund for these purposes amounted to \$1.3 million for the year ended June 30, 2002.

(13) *Postemployment Benefits*

Under various union contracts, the City pays health care benefits for certain retired employees and funds these benefits on a cash (pay-as-you-go) basis. During the year ended June 30, 2002, the cost of retiree health care benefits recorded by the City amounted to \$12.3 million.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

(14) Contingent Liabilities

The City is involved in numerous lawsuits, claims and grievances arising in the normal course of business, including claims for property damage, personal injury and personnel practices, disputes over property condemnation proceedings and suits contesting the legality of certain taxes. In the opinion of City officials, the ultimate disposition of these matters will not have a material adverse effect on the City's basic financial statements.

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

(15) Deposits

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

(a) Cash and Cash Equivalents

The following summary presents the amount of City deposits at June 30, 2002. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those deposits that are not collateralized (in thousands).

	Category			Bank	Carrying
	1	2	3	balance	amount
Demand deposits \$	3,890	—	103,911	107,801	149,675

(b) Investments

City management invests primarily in commercial paper, certificates of deposit funds, U.S. government securities, corporate stocks and repurchase agreements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

The City's investments are categorized below indicating the level of risk assumed by the City at year-end. Category 1 includes investments insured or registered in the City's name, or securities held by the City or its agent in the City's name. Category 2 includes investments uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes investments uninsured and unregistered with securities held by the broker or dealer, or by its trust department or agent, but not in the City's name.

	Category			Total fair Value
	1	2	3	
	(In thousands)			
US Government and Agencies:				
Obligations	\$ —	2,412	—	2,412
Corporate bonds	—	53,801	—	53,801
Common stock	—	183,636	—	183,636
Other	—	2,000	—	2,000
Uncategorized:				
Pooled funds	—	21,690	—	21,690
Money market funds	—	23,729	—	23,729
	\$ —	287,268	—	287,268

(c) Cash Overdraft

The cash overdraft of \$2,229 at year-end in the internal service fund was due to timing and was eliminated in August 2002 through cash transfers from the general fund.

(16) Related Party Transactions

The City leases certain properties from the PPBA, a related party. The estimated future minimum lease payments required under these agreement coincide with the principal and interest payments on bonds issued by the PPBA. The leases terminate between 2010 and 2012. The City in turn subleases a portion of this property to the School Department. At the expiration of the leases, the City, at its option, can purchase the properties for a nominal amount.

(17) Risk Management

The City is self insured in most areas of risk, subject to certain third-party "stop loss" coinsurance. Self insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims. The City's Counsel defends the City in any lawsuits that arise from the normal course of operations. At no time during the past three years have insurance settlements exceeded coverage.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2002

The City's health insurance program, provides coverage to the City's employees and retirees through Healthmate and Blue Cross - Blue Shield of Rhode Island (BC/BS). In 1997, the City first went to a self insured program with BC/BS. BC/BS acts as a third party agent for the City in the payment of the various claim plans used by the City. Costs incurred for the operation of the BC/BS plans are accounted for in a separate health claims expendable trust fund, which is presented as an internal service fund in the accompanying financial statements. Costs to the City are paid by all funds based on "working rates" established by Blue Cross.

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

Changes in the self insurance liability for all funds for the fiscal years ended June 30, 2002 and June 30, 2001 are as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Beginning of year	\$ 7,171	16,470
Incurred claims	54,753	44,223
Less payments of claims attributable to events of both the current and prior fiscal years:		
Health	(52,853)	(44,450)
Workers' compensation	(2,718)	(2,801)
Court judgments and other	(80)	(6,271)
	<u>(55,651)</u>	<u>(53,522)</u>
End of year	\$ <u>6,273</u>	<u>7,171</u>

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

CITY OF PROVIDENCE, RHODE ISLAND

Employee's Retirement System

Required Supplementary Information

(Dollar amounts in thousands)

Schedule of Funding Progress

Actuarial valuation date June 30	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1992	\$ 266,166	\$ 403,404	\$ 137,238	65.98%	\$ 78,347	175.17%
1993	278,544	465,943	187,399	59.78%	78,200	239.64%
1994	286,956	500,119	213,163	57.38%	84,176	253.23%
1995	293,454	460,567	167,113	63.72%	88,335	189.18%
1996	287,320	699,265	411,945	41.09%	84,178	489.38%
1997	288,800	732,373	443,573	39.43%	88,959	498.63%
1998	315,000	732,775	417,775	42.99%	99,182	421.22%
1999	325,576	746,264	420,688	43.63%	106,717	394.21%
2000	341,817	798,292	456,475	42.82%	114,164	399.84%
2001	341,986	821,363	479,377	41.64%	116,493	411.51%

Schedule of Contributions from the City

Year ended June 30	Annual required contribution	Percentage contributed
1996	\$ 16,136	100.00%
1997	21,089	93.58%
1998	35,701	57.52%
1999	37,445	56.15%
2000	37,415	60.00%
2001	38,899	60.60%

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2001
Actuarial cost method	Aggregate entry age normal
Amortization method	Approximate level percent of payroll-open
Remaining amortization period	28 years (for original unfunded)
Asset valuation method	5-year moving average of market values
Actuarial assumptions:	
Investment rate of return	8 1/2%
Projected salary increases	0% through 1999, 5% thereafter
Cost-of-living adjustments	3% to 6%

See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual - General Fund

Year ended June 30, 2002

(In thousands)

Revenues and transfers	Original budget	Revised budget	Actual revenues	Actual (over) under budget
Taxes revenues:				
Property tax	\$ 172,098	172,098	167,962	4,136
Tangible tax	27,758	27,758	30,512	(2,754)
Exercise tax	14,851	14,851	18,294	(3,443)
Interest on overdue taxes	4,501	4,501	5,506	(1,005)
	<u>219,208</u>	<u>219,208</u>	<u>222,274</u>	<u>(3,066)</u>
Payments in Lieu of Taxes	14,528	14,528	14,632	(104)
Tax stabilization plans	7,746	7,746	7,844	(98)
State revenue	46,656	46,656	49,556	(2,900)
Fines	4,050	4,050	3,767	283
Rents	7,610	7,610	7,612	(2)
Investment interest	1,800	1,800	1,430	370
Miscellaneous	145	145	747	(602)
Executive, legislative and judicial:				
City clerk	7	7	8	(1)
Law department	—	—	2	(2)
Probate court	233	233	223	10
Housing court	30	30	28	2
	<u>270</u>	<u>270</u>	<u>261</u>	<u>9</u>
Finance:				
City controller	12	12	12	—
Data processing	240	240	230	10
City collector	325	325	548	(223)
City assessor	5	5	6	(1)
Personnel	—	—	1	(1)
	<u>582</u>	<u>582</u>	<u>797</u>	<u>(215)</u>
Public safety:				
Police department	140	140	83	57
Fire department	1,500	1,500	351	1,149
Communications department	5	5	1	4
Traffic engineering	500	500	443	57
	<u>2,145</u>	<u>2,145</u>	<u>878</u>	<u>1,267</u>
Building inspection department:				
Building inspection administration	1,755	1,755	2,285	(530)
Structures and zoning division	65	65	50	15
Building and housing board of review	25	25	20	5
Building inspection code enforcement	10	10	12	(2)
	<u>1,855</u>	<u>1,855</u>	<u>2,367</u>	<u>(512)</u>

See accompanying notes to required supplementary information.
See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual - General Fund

Year ended June 30, 2002

(In thousands)

<u>Revenues and transfers</u>	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual revenues</u>	<u>Actual (over) under budget</u>
Public works:				
Environmental control	—	—	3	(3)
Highway	103	103	56	47
Sewer construction and maintenance	8	8	12	(4)
	<u>111</u>	<u>111</u>	<u>71</u>	<u>40</u>
 Public lands and parks:				
Park programming	<u>240</u>	<u>240</u>	<u>37</u>	<u>203</u>
Other departments:				
Recorder of deeds	1,744	1,744	2,065	(321)
Vital statistics	275	275	302	(27)
Board of canvassers	—	—	1	(1)
Bureau of licenses	870	870	888	(18)
Civil defense preparedness	135	135	272	(137)
Planning and urban development	260	260	8	252
	<u>3,284</u>	<u>3,284</u>	<u>3,536</u>	<u>(252)</u>
Attrition revenue	<u>519</u>	<u>519</u>	<u>519</u>	<u>—</u>
Transfers:				
Transfer from RI Zoological Society	175	175	193	(18)
Transfer from revolving funds	150	150	—	150
Transfer from parking tickets	—	—	685	(685)
Transfer from rescue runs	—	—	5,399	(5,399)
Transfer from police detail fund	550	550	400	150
Transfer from expendable trust	4,430	4,430	4,430	—
	<u>5,305</u>	<u>5,305</u>	<u>11,107</u>	<u>(5,802)</u>
 Total revenues	\$ <u><u>5,305</u></u>	<u><u>316,054</u></u>	<u><u>327,435</u></u>	<u><u>(11,381)</u></u>

See accompanying notes to required supplementary information.
See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual - General Fund

Year ended June 30, 2002

(In thousands)

Expenditures and transfers	Original budget	Revised budget	Actual expenditures	Actual (over) under budget
Executive, Legislative and Judicial:				
Mayor's Office	\$ 2,319	2,319	2,376	(57)
City Council	846	846	785	61
City Clerk	476	476	428	48
City Sergeant	39	39	39	—
Law Department	1,924	2,174	3,240	(1,066)
Municipal Court	476	476	526	(50)
Probate Court	226	226	227	(1)
Contingencies	50	50	55	(5)
Housing Court	214	214	231	(17)
City Council Contingencies	1,075	950	900	50
	<u>7,645</u>	<u>7,770</u>	<u>8,807</u>	<u>(1,037)</u>
Finance:				
Finance Director	640	640	346	294
City Controller	904	904	831	73
Employees Retirement Office	280	280	281	(1)
Data Processing	1,311	1,311	1,460	(149)
City Collector	1,565	1,565	2,384	(819)
City Assessor	1,501	1,501	1,348	153
Treasury Department	70	70	114	(44)
Personnel	742	617	660	(43)
Heat, Light and Power	4,600	4,600	4,117	483
Employees Retirement System Contributions	23,127	23,127	23,130	(3)
Laborers Legal Fees	439	439	411	28
Laborers International Pension Contributions	1,275	1,275	1,283	(8)
Public Employees Health Services	297	297	179	118
Debt Service	24,815	24,815	21,964	2,851
Interest on Bonded Debt	15,123	15,123	14,663	460
FICA	3,450	3,450	3,514	(64)
Medical Insurance	2,634	2,634	2,661	(27)
Workers Compensation	1,150	1,150	1,189	(39)
Unemployment Compensation	65	65	57	8
Reserve for Anticipated Tax Abatements	500	500	476	24
	<u>84,488</u>	<u>84,363</u>	<u>81,068</u>	<u>3,295</u>
Public Safety:				
Commissioner of Public Safety	698	698	594	104
Police Department	35,594	35,594	35,601	(7)
Fire Department	34,348	34,348	36,694	(2,346)
Communications Department	5,323	5,323	5,290	33
Traffic Engineering	1,156	1,156	1,207	(51)
	<u>77,119</u>	<u>77,119</u>	<u>79,386</u>	<u>(2,267)</u>

See accompanying notes to required supplementary information.
See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual - General Fund

Year ended June 30, 2002

(In thousands)

Expenditures and transfers	Original budget	Revised budget	Actual expenditures	Actual (over) under budget
Building Inspection Department:				
Building Inspection Administration	\$ 1,208	1,208	1,246	(38)
Structures and Zoning Division	524	524	480	44
Plumbing, Drainage and Gas Piping Division	145	145	146	(1)
Electrical Installations Division	170	170	138	32
Mechanical Equipment and Installation Division	168	168	147	21
Zoning Board of Review	36	36	41	(5)
Building and Housing Board of Review	13	13	11	2
Building Inspection Code Enforcement	347	347	295	52
Building Inspection Prosecution	192	192	171	21
Utilities and standards	96	96	93	3
	<u>2,899</u>	<u>2,899</u>	<u>2,768</u>	<u>131</u>
Public Works:				
Public Works Administration	588	588	549	39
Engineering and Sanitation	294	294	264	30
Environmental Control	8,502	8,502	7,774	728
Highway	1,848	1,848	2,062	(214)
Bridge Maintenance	150	150	154	(4)
Snow Removal	875	845	587	258
Sewer Construction and Maintenance	440	440	405	35
Garage Maintenance and Equipment Repair	396	396	391	5
	<u>13,093</u>	<u>13,063</u>	<u>12,186</u>	<u>877</u>
Recreation:				
Recreation	1,154	1,154	1,045	109
Recreation Seasonal	746	746	757	(11)
	<u>1,900</u>	<u>1,900</u>	<u>1,802</u>	<u>98</u>
Public Lands and Parks:				
Grounds Maintenance Services	2,967	2,967	3,009	(42)
Forestry Services	800	800	715	85
Zoological Services	1,725	1,725	1,823	(98)
Park Environmental Services	516	516	596	(80)
Park Programming	625	625	544	81
Superintendent of Parks	1,505	1,505	1,679	(174)
North Burial Grounds	501	501	515	(14)
	<u>8,639</u>	<u>8,639</u>	<u>8,881</u>	<u>(242)</u>

See accompanying notes to required supplementary information.
See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual - General Fund

Year ended June 30, 2002

(In thousands)

Expenditures and transfers	Original budget	Revised budget	Actual expenditures	Actual (over) under budget
Other Departments:				
Recorder of Deeds	\$ 393	393	343	50
Vital Statistics	195	195	210	(15)
Board of Canvassers	328	328	286	42
Bureau of Licenses	374	374	326	48
Human Relations	307	307	223	84
Civil Defense Preparedness	195	195	154	41
Planning and Urban Development	2,543	2,543	2,133	410
Administration to City Council	509	509	503	6
Providence Review Commission	19	19	8	11
Archives	123	123	108	15
Department of Human Services	167	167	208	(41)
Providence Housing Authority	60	60	52	8
League of Cities	10	10	7	3
Public celebrations	10	10	5	5
General Public Assistance	50	50	—	50
	<u>5,283</u>	<u>5,283</u>	<u>4,566</u>	<u>717</u>
Grants:				
Providence Public Library	3,000	3,000	3,013	(13)
Rhode Island Historical Society	9	9	10	(1)
Capital Center	50	50	50	—
Providence Plan Commission	200	200	200	—
Providence Center	300	300	300	—
Community Centers and Activities	842	842	858	(16)
	<u>4,401</u>	<u>4,401</u>	<u>4,431</u>	<u>(30)</u>
Public properties	<u>3,516</u>	<u>3,516</u>	<u>3,275</u>	<u>241</u>
Purchasing	<u>377</u>	<u>377</u>	<u>316</u>	<u>61</u>
Transfers:				
Transfer to School Department	83,364	83,364	84,215	(851)
Transfer to Revolving Funds	30	30	30	—
Transfer to Health Trust Fund	22,900	22,900	24,049	(1,149)
Transfer to Civic Center	400	430	430	—
Transfer to other funds	—	—	20	(20)
	<u>106,694</u>	<u>106,724</u>	<u>108,744</u>	<u>(2,020)</u>
Total expenditures	<u>\$ 316,054</u>	<u>316,054</u>	<u>316,230</u>	<u>(176)</u>

See accompanying notes to required supplementary information.
See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures - Budget and Actual - School Fund

Year ended June 30, 2002

(In thousands)

	<u>Budget(1)</u>	<u>Actual</u>	<u>Actual (over) under budget</u>
Revenues:			
Federal and state revenue	\$ 168,847	167,543	1,304
Other revenue	643	225	418
Operating transfers from other funds	84,264	85,115	(851)
Transfers from other governments	750	555	195
Master lease proceeds	—	1,728	(1,728)
Total revenues	<u>254,504</u>	<u>255,166</u>	<u>(662)</u>
Expenditures:			
Education	<u>234,712</u>	<u>233,702</u>	<u>1,010</u>
Excess revenue over expenditures	19,792	21,464	(1,672)
Transfer to other funds	<u>(19,792)</u>	<u>(21,464)</u>	<u>1,672</u>
Total	<u>\$ —</u>	<u>—</u>	<u>—</u>

(1) No changes were made to the original budget amounts during fiscal 2002.

See accompanying notes to required supplementary information.

See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Required Supplementary Information

June 30, 2002

Schedules of Revenues and Expenditures – Budget and Actual – General and School Funds

The City employs the following procedures in establishing the General Fund budgetary data reflected in the accompanying required supplementary information:

- At least sixty days prior to July 1, the Mayor submits a proposed operating budget for the upcoming fiscal year to the City Council. The operating budget includes proposed expenditures and the means of financing them. The Council may alter the Mayor's proposed expenditures, but may not cause an excess of appropriations over expected revenues.
- The final budget is legally enacted through passage of an ordinance.
- The Mayor is authorized to make minor transfers of budgeted amounts between departments. Significant budget revisions or transfers must be approved by the City Council.

The General and School funds are the only governmental funds that have legally adopted annual budgets. The 'actual amounts' presented in the accompanying schedules are presented in accordance with accounting principles generally accepted in the United States of America.

The budget for the School Fund is prepared annually and approved by the Providence School Board. The amount of the annual transfer from the General Fund is ultimately determined through the adoption of the General Fund budget. This appropriation does not lapse at year end.

The differences between the amounts shown in the accompanying schedules and those shown in the basic financial statements relate solely to reclassifications made between revenues and expenditures as presented below (in thousands):

	<u>General fund</u>	<u>School fund</u>
Total revenues and transfers per schedule:	\$ 327,435	255,166
Reclassification of:		
Transfers	(10,914)	(85,670)
Lease receipts used for debt service	(7,610)	(1,726)
Attrition 'revenue'	(519)	—
Retirement reimbursements	(588)	—
Tax revenue adjustment	—	—
Total revenues per financial statements	<u>\$ 307,804</u>	<u>167,770</u>
Total expenditures and transfers per schedule:	\$ 316,230	255,166
Reclassification of:		
Transfers	(84,695)	—
Lease receipts used for debt service	(7,610)	(1,726)
Attrition 'revenue'	(519)	—
City Council Contingencies	(900)	—
Other transfers	(5,272)	—
Retirement reimbursements	(588)	—
Total expenditures per financial statements	<u>\$ 216,646</u>	<u>253,440</u>

CITY OF PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds

June 30, 2002
(in thousands)

		Special Revenue Funds									
		Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other	Skating Rink	WDO	Permanent Trust	Total
Assets											
Cash and investments	\$	121	56	4,559	9,083	154	3,059	77	(158)	3,540	20,491
Cash with trustee					6,718					11,625	18,343
Receivables (net):											
Loans		4,063	77	9,944	—	—	—	—	—	—	14,084
Other		—	—	—	—	—	4,554	—	1,205	—	5,759
Due from other funds		—	4,089	1,214	1	4	946		59	6	6,319
Other assets		—	—	54	—	—	—	122	—	47	223
Total assets	\$	<u>4,184</u>	<u>4,222</u>	<u>15,771</u>	<u>15,802</u>	<u>158</u>	<u>8,559</u>	<u>199</u>	<u>1,106</u>	<u>15,218</u>	<u>65,219</u>
Liabilities and Fund Balances											
Liabilities:											
Warrants and accounts payable	\$	3	1,750	3	—	205	509	6	355	758	3,589
Accrued liabilities		—	—	5	485	112	1,899	—	35	16	2,552
Deferred revenue		1		180	—	—	5,115	—	—	—	5,296
Due to other funds		4	1,005	3,925	741	5	1,021	614	469	4	7,788
Due to other governments		14		—	—	—	—	—	139	—	153
Total liabilities		<u>22</u>	<u>2,755</u>	<u>4,113</u>	<u>1,226</u>	<u>322</u>	<u>8,544</u>	<u>620</u>	<u>998</u>	<u>778</u>	<u>19,378</u>
Fund Balances:											
Reserved for:											
Debt service		—	—	—	—	—	—	120	—	—	120
Loans		4,063	77	9,944	—	—	—	—	—	—	14,084
Unreserved:											
Undesignated		99	1,390	1,714	14,576	(164)	15	(541)	108	14,440	31,637
Total fund balances		<u>4,162</u>	<u>1,467</u>	<u>11,658</u>	<u>14,576</u>	<u>(164)</u>	<u>15</u>	<u>(421)</u>	<u>108</u>	<u>14,440</u>	<u>45,841</u>
Total liabilities and fund balances	\$	<u>4,184</u>	<u>4,222</u>	<u>15,771</u>	<u>15,802</u>	<u>158</u>	<u>8,559</u>	<u>199</u>	<u>1,106</u>	<u>15,218</u>	<u>65,219</u>

See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds

Year ended June 30, 2002
(In thousands)

	Special Revenue Funds									
	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other	Skating Rink	WDO	Permanent Trust	Total
Revenues:										
Departmental	\$ —	156	22	24	—	12,282	603	—	576	13,663
Intergovernmental	—	8,971	197	—	131	2,017	—	5,082	703	17,101
Sale of real estate	—	—	—	270	—	—	—	—	34	304
Investment income	40	550	777	4,473	—	—	1	—	(1,813)	4,028
Total revenues	40	9,677	996	4,767	131	14,299	604	5,082	(500)	35,096
Expenditures:										
Current:										
Executive, legislative, and judicial	—	—	—	—	—	756	—	—	150	906
Finance	—	—	—	—	—	1,449	—	4,997	473	6,919
Public safety	—	—	—	—	—	4,846	(52)	—	1,121	5,915
Recreation	—	—	—	—	—	684	(46)	—	—	638
Public lands and parks	—	—	—	—	—	451	273	—	—	724
Capital outlay	—	—	—	25,870	—	—	126	—	—	25,996
Debt service	—	979	128	—	—	—	120	—	—	1,227
Community development	68	9,979	1,876	10,671	335	—	—	—	—	22,929
Total expenditures	68	10,958	2,004	36,541	335	8,186	421	4,997	1,744	65,254
Excess (deficiency)	(28)	(1,281)	(1,008)	(31,774)	(204)	6,113	183	85	(2,244)	(30,158)
Other financing sources (uses):										
Operating transfers in	1,448	—	—	5,272	—	50	—	—	167	6,937
Operating transfers out	—	—	—	—	—	(6,484)	—	—	(4,597)	(11,081)
Total other financing sources (uses)	1,448	—	—	5,272	—	(6,434)	—	—	(4,430)	(4,144)
Excess (deficiency)	1,420	(1,281)	(1,008)	(26,502)	(204)	(321)	183	85	(6,674)	(34,302)
Fund balance – beginning	2,742	2,748	12,666	41,078	40	336	(604)	23	21,114	80,143
Fund balance – ending	\$ 4,162	1,467	11,658	14,576	(164)	15	(421)	108	14,440	45,841

See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

School Grants Fund

Combining Schedule of Assets, Liabilities and Fund Balances by Grant Account

June 30, 2002

(In thousands)

	<u>Title I</u>	<u>Title IV</u>	<u>Miscellaneous programs</u>	<u>Special education</u>	<u>Bilingual</u>	<u>State reimbursable</u>	<u>Indirect cost</u>	<u>School lunch</u>	<u>Total</u>
Assets									
Cash and short-term investments	\$ 945	100	4,579	247	10	2,329	804	2,468	11,482
Receivables:									
Other governments	1,000	56	1,031	273	28	—	—	893	3,281
Other	—	—	75	—	—	—	—	—	75
Due from other funds	(797)	(7)	361	(322)	19	1,428	333	—	1,015
Other assets	—	—	2	—	—	—	—	12	14
Total assets	<u>\$ 1,148</u>	<u>149</u>	<u>6,048</u>	<u>198</u>	<u>57</u>	<u>3,757</u>	<u>1,137</u>	<u>3,373</u>	<u>15,867</u>
Liabilities and Fund Balances									
Accounts payable	\$ 353	145	850	134	3	84	—	2,011	3,580
Due to:									
Other funds	825	4	2,225	37	3	58	778	812	4,742
Other governments	—	—	67	19	—	—	—	—	86
Other liabilities	—	—	77	—	—	—	—	—	77
Deferred revenue	—	—	—	—	—	—	—	—	—
Total liabilities	<u>1,178</u>	<u>149</u>	<u>3,219</u>	<u>190</u>	<u>6</u>	<u>142</u>	<u>778</u>	<u>2,823</u>	<u>8,485</u>
Fund balance (deficit):									
Unreserved	(30)	—	2,829	8	51	3,615	359	550	7,382
	<u>(30)</u>	<u>—</u>	<u>2,829</u>	<u>8</u>	<u>51</u>	<u>3,615</u>	<u>359</u>	<u>550</u>	<u>7,382</u>
Total liabilities and fund balance	<u>\$ 1,148</u>	<u>149</u>	<u>6,048</u>	<u>198</u>	<u>57</u>	<u>3,757</u>	<u>1,137</u>	<u>3,373</u>	<u>15,867</u>

See independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

School Grants Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances by Grant Account

June 30, 2002

(In thousands)

	<u>Title I</u>	<u>Title IV</u>	<u>Miscellaneous programs</u>	<u>Special education</u>	<u>Bilingual</u>	<u>State reimbursable</u>	<u>Indirect cost</u>	<u>School lunch</u>	<u>Total</u>
Revenues:									
Federal and state governments	\$ 10,357	552	13,342	2,612	412	3,173	—	9,984	40,432
Miscellaneous	9	—	849	4	—	—	9	992	1,863
Total revenues	<u>10,366</u>	<u>552</u>	<u>14,191</u>	<u>2,616</u>	<u>412</u>	<u>3,173</u>	<u>9</u>	<u>10,976</u>	<u>42,295</u>
Expenditures:									
Personnel services	4,918	—	5,156	1,594	203	433	17	642	12,963
Employee benefits	3,439	—	948	447	38	265	2	—	5,139
Other supplies	—	—	216	—	—	—	—	—	216
Equipment	469	—	1,237	22	—	9	7	13	1,757
Miscellaneous services	144	440	1,236	565	—	65	16	266	2,732
Other services	3	—	556	5	—	5	49	9,367	9,985
Security	—	—	—	—	—	—	—	58	58
Pupil transportation	2	40	5	—	—	—	—	—	47
Repairs	7	—	—	—	—	—	—	—	7
School activities	228	—	87	—	—	—	—	—	315
Office supplies	6	1	8	4	5	3	—	—	27
Education supplies	705	53	2,040	25	100	32	5	—	2,960
Textbooks	160	—	75	—	55	29	—	—	319
Utilities and fuel	—	—	—	—	—	—	2	—	2
Total expenditures	<u>10,081</u>	<u>534</u>	<u>11,564</u>	<u>2,662</u>	<u>401</u>	<u>841</u>	<u>98</u>	<u>10,346</u>	<u>36,527</u>
Other financing sources (uses):									
Transfers among grants	(266)	(15)	(142)	(73)	(11)	—	507	—	—
Transfers (to) from other funds	—	—	—	—	—	—	(555)	—	(555)
Total other financing sources (uses)	<u>(266)</u>	<u>(15)</u>	<u>(142)</u>	<u>(73)</u>	<u>(11)</u>	<u>—</u>	<u>(48)</u>	<u>—</u>	<u>(555)</u>
Excess revenues and other financing sources over (under) expenditures	19	3	2,485	(119)	—	2,332	(137)	630	5,213
Fund balance at June 30, 2001	(49)	(3)	344	127	51	1,283	496	(80)	2,169
Fund balance at June 30, 2002	\$ <u>(30)</u>	<u>—</u>	<u>2,829</u>	<u>8</u>	<u>51</u>	<u>3,615</u>	<u>359</u>	<u>550</u>	<u>7,382</u>

See independent auditors' report.

