



Providence Public Buildings Authority

"Building Pride in Providence"

November 17, 2003

John Lombardi, Esquire
President
Providence City Council
City Hall
25 Dorrance Street
Providence, RI 02903

Subject: Annual Report and Audit

Dear President Lombardi:

It is a pleasure to present our annual report for fiscal 2003. During the past year we were able to achieve a number of financings on behalf of the City to enhance and preserve the infrastructure of the City of Providence. We have provided matching funds for a Federal grant to renovate the hurricane barrier. In the school sector we have undertaken the development of a new annex school adjacent to the Leviton complex and have financed the development of the brand new high school located in the south side and have funded the upgrading of computers and science labs for elementary and middle schools.

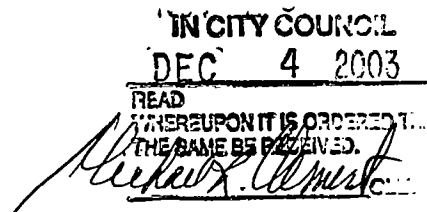
We look forward to assisting your administration in meeting its goals for improving our City in the new year.

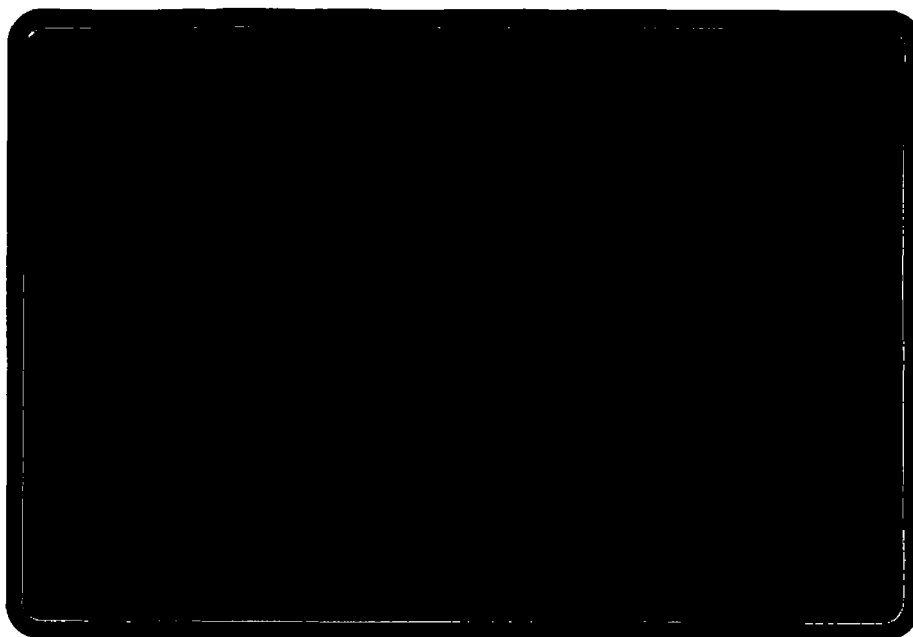
Sincerely,

Lloyd W. Granoff

Lloyd W. Granoff
Chairman

Attachment





PRESCOTT CHATELLIER
FONTAINE & WILKINSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2003
AND
INDEPENDENT AUDITOR'S REPORT**

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

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JUNE 30, 2003**

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PRESCOTT CHATELLIER
FONTAINE & WILKINSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Providence Public Buildings Authority
Providence, Rhode Island

We have audited the accompanying basic financial statements of the PROVIDENCE PUBLIC BUILDINGS AUTHORITY (a Component Unit of the City of Providence) as of June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the PROVIDENCE PUBLIC BUILDINGS AUTHORITY'S management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the PROVIDENCE PUBLIC BUILDINGS AUTHORITY as of June 30, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on Pages 3 - 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

TRUST ■ INTEGRITY ■ RESULTS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2003 on our consideration of the PROVIDENCE PUBLIC BUILDING AUTHORITY'S internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic statements taken as a whole. The information listed as supplementary information, including the combining financial statements in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Providence Public Building Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Fuscon Charutlin Fintaurin & Wilkinson, LLP

August 6, 2003

Providence Public Building Authority Management's Discussion and Analysis June 30, 2003

The primary functions of the Authority are to acquire, construct, maintain, renovate, repair and operate public facilities and public equipment through the use of public financing for lease to the City in order to provide for the conduct of the executive, legislative and judicial functions of government. The Authority is obligated to pay the principal and interest on any financing solely from the rents, revenues and receipts derived under the lease agreements with the City or from receipts on the disposition of the assets being financed. Under certain lease agreements the Authority receives, or has the option to request from the City, additional rents to pay administrative and other expenses.

DISCUSSION OF BASIC FINANCIAL STATEMENTS

This section of the Authority's annual financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2003. Since the Authority is a component unit of the City, its financial statements are included in the City's basic financial statements.

The primary financial activities during the year ended June 30, 2003 were the issuance of the following bonds:

Qualified Zone Academy Bonds, 2002 Series A were issued in the amount of \$1,216,000 dated September 24, 2002. These bonds will be used for the purposes of financing the automated library in the elementary, middle and high school and updating and repairing middle school science laboratories as described in the City's application to the Rhode Island Department of Education dated October 2, 2000. This project includes the demolition, improvement, alteration, repair, furnishing and equipping of such facilities and design and feasibility engineering or other studies which may be necessary.

Revenue bonds 2003 Series A, were issued in the amount of \$31,000,000, dated March 1, 2003. The proceeds will be used as follows:

- Construction of a new high school (new High School Project)
- Construction of the Leviton Elementary School Annex Project (Leviton Elementary School Project)
- Renovation and repair to existing schools (School Modernization Project)
- Renovation and repair to the hurricane barrier and other public facilities (Hurricane Barrier and Public Facilities Project)
- Renovation of the Harold's Furniture Building for use as a warehouse for the school department (School Warehouse Project)
- Design and planning phases of future school projects (School Planning Project)
- Renovation of Central High School (Central High School Renovation – Phase I Project)

Revenue Bonds 2003 Series B were issued in the amount of \$31,000,000, dated June 1, 2003. The proceeds will be used as follows:

- Acquisition, construction, furnishing and equipping of a new high school (New High School Project)
- Renovation, repair, replacement, improvement, furnishing and equipping Central High School (Central High School Phase II Project)
- Renovation, repair, replacement, improvement, furnishing and equipping Mt. Pleasant High School (Mt. Pleasant High School Renovation)
- Renovation, repair, replacement, improvement, furnishing and equipping of Hope High School (Hope High School Renovation Project)
- Renovation, repair, replacement, improvement, furnishing and equipping to Conley Stadium and Field, Fox Point Bath House, fire code violation, and various school renovation projects (Miscellaneous Renovation Projects)

During the year ended June 30, 2003 \$7,290,000 in Bonds were retired.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and other supplementary information.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied on an accrual basis. Under the accrual basis of GAAP, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements presented within the financial statements are:

Balance Sheet – This statement presents information regarding the Authority's assets, liabilities and net assets. Net assets represents the total amount of assets less the total liabilities.

Statement of Revenues, Expenses and Changes in Net Assets – This statement presents the Authority's operating revenue, operating expenses and changes in net assets for the fiscal year.

Statement of Cash Flows – The Authority's statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, non-capital financing, capital and investing activities.

CONDENSED FINANCIAL INFORMATION

- The Authority's total assets at June 30, 2003 were \$333,263,369, which is an increase of approximately 55.78% over June 30, 2002. The asset increase was due primarily to the cash received from the issuance of three bond issues.
- The Authority's liabilities at June 30, 2003 were approximately \$327,516,747. This was an increase of 55.63% over June 30, 2002. Most of this was due to the increase in Bonds outstanding at the end of the year.
- The Authority's total operating revenues for the fiscal year ended June 30, 2003 were \$10,850,075. The Authority's total operating expenses were \$1,644,121. Non-operating income/(expenses) for the fiscal year ended June 30, 2003 were \$(6,955,598). This resulted in an increase in net assets of \$2,250,356.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net assets at June 30, 2003 were \$5,746,622 which is an increase of \$2,250,356 or 64.36% over the June 30, 2002 net assets. Components of the Authority's balance sheet as of June 30, 2003 and June 30, 2002 were as follows:

Balance Sheet

	2003	2002	Difference	Percentage Increase (Decrease)
ASSETS				
Cash and cash equivalents	\$ 47,817,381	\$ 8,782,097	\$ 39,035,284	444.49%
Investments	15,511,274	13,291,023	2,220,251	16.70%
Note receivable	1,520,000	1,735,000	(215,000)	-12.39%
Rentals due	268,414,714	190,128,288	78,286,426	41.18%
	<u>\$ 333,263,369</u>	<u>\$ 213,936,408</u>	<u>\$ 119,326,961</u>	55.78%

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

LIABILITIES

Accrued expenses	\$ 1,100,575	\$ 363,969	\$ 736,606	202.38%
Accrued interest	413,240	322,511	90,729	28.13%
Bonds payable	206,461,000	150,535,000	55,926,000	37.15%
PAP notes payable	81,802,620	55,230,580	26,572,040	48.11%
Unexpended funds	37,472,595	3,596,031	33,876,564	942.05%
Deposits held in custody for others	266,717	392,051	(125,334)	-31.97%
Total Liabilities	327,516,747	210,440,142	117,076,605	55.63%

NET ASSETS

Restricted for debt	2,927,239	1,020,302	1,906,937	186.90%
Unrestricted	2,819,383	2,475,964	343,419	13.87%
Total Net Assets	5,746,622	3,496,266	2,250,356	64.36%

Total Liabilities and Net Assets	<u>\$ 333,263,369</u>	<u>\$ 213,936,408</u>	<u>\$ 119,326,961</u>	55.78%
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The growth noted above in the Authority's total assets is the continuation of a trend of growth in prior years. Total assets grew from \$213,936,408 at June 30, 2002 to \$333,263,369 at June 30, 2003. The growth over the past year relates primarily to the issuance of the Qualified Zone Academy Bonds 2002 Series A dated December 24, 2002 for \$1,216,999, Revenue Bonds 2003 Series A dated March 1, 2003 for \$31,000,000, and Revenue Bonds 2003 Series B dated June 1, 2003 for \$31,000,000. These proceeds will finance renovations and construction of schools and public facilities in the future.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The authority's change in net assets for the fiscal year ended June 30, 2003 was approximately \$2,250,356 which is an increase of approximately \$1,721,115 or 325.20% over the change in net assets for the fiscal year ended June 30, 2002. Components of the statement of revenues, expenses and changes in net assets for these two fiscal years are as follows:

	2003	2002	Difference	Percentage Increase (Decrease)
Operating revenues:				
Rental income	\$ 10,850,075	\$ 7,958,067	\$ 2,892,008	36.34%
Total operating revenue	<u>10,850,075</u>	<u>7,958,067</u>	<u>2,892,008</u>	36.34%
Operating expenses:				
Construction expenses	1,265,451	505,481	759,970	150.35%
Legal, accounting and other professional fees	254,179	155,686	98,493	63.26%
Administration	76,632	140,956	(64,324)	-45.63%
Arbitrage fees	47,859	85,190	(37,331)	-43.62%
Total operating expenses	<u>1,644,121</u>	<u>887,313</u>	<u>756,808</u>	85.29%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)

Operating income	9,205,954	7,070,754	2,135,200	30.20%
Non-operating income (expenses)				
Interest income	918,941	1,121,611	(202,670)	-18.07%
Unrealized net gain (loss) on investments	(92,552)	10,825	(103,377)	-954.98%
Interest expense	(7,781,987)	(7,673,949)	(108,038)	1.41%
Net non-operating income (expense)	(6,955,598)	(6,541,513)	(414,085)	6.33%
Increase in net assets	2,250,356	529,241	1,721,115	325.20%
Net asset, beginning of year	3,496,266	2,967,025	529,241	17.84%
Net assets, end of year	<u>\$ 5,746,622</u>	<u>\$ 3,496,266</u>	<u>\$ 2,250,356</u>	64.36%

Sources of revenue included investment income on various money market mutual funds, U.S. treasury notes and bank investment contracts. Investment income for the year totaled \$918,941. Investment income was less than expected due to interest rate declines in the prime rate over the past year. Gate receipts and fundraising income relating to zoo admissions, less related expenses generated \$193,896 in net revenues, while Civic Center fees generated \$191,613

Providence Public Building Authority incurred \$7,781,987 in interest expense and \$1,644,121 in operating expenses, which includes construction expenses of \$1,265,451 funded from accumulated investment earnings, legal, accounting and other professional fees of \$254,179. Administration expense and arbitrage fees were \$76,632 and \$47,859, respectively. Although these and other capital expenditures reduced the available funds to the Authority, the capital projects increased the Capital Assets of the City by corresponding amounts when transferred to the City's general books.

At fiscal year-end the Providence Public Building Authority had a total of \$288,263,620 in bonds and notes outstanding -- an increase of 40% over last year.

New debt resulted mainly from the issuance of bonds -- \$1,216,000 in Qualified Zone Academy Bonds, \$31,000,000 Revenue Bonds Series A and \$31,000,000 Revenue Bonds Series B. A portion of these proceeds will finance renovations and construction of schools and public facilities projects in the future.

Each year the City of Providence and the Water Department pay rent to the Providence Public Building Authority. This money is used to pay a portion of the principal and interest on the bond obligations; debt repayments totaled \$10,850,075 for the fiscal year ended June 30, 2003.

DEBT ADMINISTRATION

The Authority funds the rent receivables (which represents the underlying fixed assets transferred to the City), by issuing Revenue Bonds and Notes. The issues must comply with federal statutes and with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2003, the Authority had \$206,461,000 in bonds outstanding and \$81,802,620 in notes payable, a total increase of 40% from the principal amounts outstanding at June 30, 2002. Detailed information of the Authority's debt is presented in Note 2 to the financial statements.

The Authority may borrow money temporarily for certain statutory purposes in anticipation of the issuance of bonds (BANs) and issue permanent notes sometime thereafter.

J P Morgan Trust Company, NA acts as the Trustee for the Authority.

DESCRIPTION OF CURRENTLY KNOWN FACTS

The Authority has experienced growth in all aspects of its operations. The Authority's current staff is able to handle the additional work associated with this growth.

Authority's interest expense on new debt is favorable as a result of lower rates on its tax exempt issues, resulting in a decrease in interest expense.

The authority transferred fixed assets to the City during fiscal years ended June 30, 2003 and 2002. These fixed asset transfers were replaced with a rental receivable totaling \$268,414,714 due from the City at June 30, 2003. This receivable is realized over time in tandem with the pay down of debt service.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Providence Public Building Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Direction, Public Building Authority, 400 Westminster Street, Providence, RI 02903.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

BALANCE SHEET

JUNE 30, 2003

ASSETS

Cash and cash equivalents	\$ 47,817,381
Investments	15,511,274
Note receivable	1,520,000
Rentals due	268,414,714
TOTAL ASSETS	<u>\$ 333,263,369</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accrued expenditures	\$ 1,100,575
Accrued interest	413,240
Bonds payable	206,461,000
PAP notes payable	81,802,620
Unexpended funds	37,472,595
Deposits held in custody for others	266,717
Total liabilities	<u>327,516,747</u>

Net assets:

Restricted for debt service	2,927,239
Unrestricted	2,819,383
Total net assets	<u>5,746,622</u>

**TOTAL LIABILITIES AND NET
ASSETS**

\$ 333,263,369

SEE NOTES TO FINANCIAL STATEMENTS.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003**

Operating revenues:

Rental income	\$ 10,850,075
Total operating revenues	<u>10,850,075</u>

Operating expenses:

Construction expenses	1,265,451
Legal, accounting and other professional fees	254,179
Administration	76,632
Arbitrage fees	47,859
Total operating expenses	<u>1,644,121</u>

Operating income	<u>9,205,954</u>
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Non-operating income (expenses):

Interest income	918,941
Unrealized net gain (loss) on investments	(92,552)
Interest expense	(7,781,987)
Net non-operating income	<u>(6,955,598)</u>

Increase in net assets	2,250,356
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Net assets, beginning of year	<u>3,496,266</u>
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Net assets, end of year	<u><u>\$ 5,746,622</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003**

Cash flows from operating activities:

Rents	\$ 14,372,474
Cash paid to suppliers for goods and services	(907,514)
<i>Net cash provided by operating activities</i>	<u>13,464,960</u>

Cash flows from noncapital financing activities:

Change in deposits held in custody for others	(125,334)
<i>Net cash used for noncapital financing activities</i>	<u>(125,334)</u>

Cash flows from investing activities:

Interest income received	918,940
Purchase of securities	(2,312,802)
<i>Net cash provided by investing activities</i>	<u>(1,393,862)</u>

Cash flows from capital and related financing activities:

Capital expenditures	(21,360,222)
Interest payments	(7,691,258)
Payments on bonds payable	(7,290,000)
Proceeds from bond issuance	63,216,000
Proceeds on note receivable	215,000
<i>Net cash used for capital and related financing activities</i>	<u>27,089,520</u>

Net increase in cash 39,035,284

Cash and cash equivalents, beginning of year 8,782,097

Cash and cash equivalents, end of year \$ 47,817,381

(CONTINUED)

SEE NOTES TO FINANCIAL STATEMENTS.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

***Reconciliation of operating income to net cash
provided by operating activities:***

Operating income (loss)	\$ 9,205,954
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	3,522,399
Increase (decrease) in accounts payable and accrued expenses	736,607
<i>Net cash provided by operating activities</i>	<u>\$ 13,464,960</u>

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SIGNIFICANT ACCOUNTING POLICIES

Business Purpose and General Information

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

The purpose of the Authority is to acquire, construct, maintain, renovate, repair and operate public facilities and public equipment through the use of public financing, for lease to the City in order to provide for the conduct of the executive, legislative and judicial functions of government. The Authority is obligated to pay the principal and interest on any financing solely from the rents, revenues, and receipts derived under the lease agreements with the City or from receipts on the disposition of the assets being financed. Under certain lease agreements the Authority receives, or has the option to request from the City, additional rents to pay administrative expenses.

Basis of Presentation

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other uses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources management focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted components.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board, the Authority has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

The Authority has implemented GASB No. 40, *Deposit and Investment Risk Disclosure*, for the year ended June 30, 2003.

To ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of "Fund Accounting." Resources for various purposes are classified for accounting and reporting purposes into funds established and operated in accordance with activities or objectives specified.

The following fund types are used by the Authority:

Proprietary Funds - used to account for all general activities.

General Fund - used to account for the administrative operating activities of the Authority and funds that are held in escrow for other parties.

Construction Fund - used to account for revenues and expenses for the acquisition or construction and renovations of the Authority's projects.

Debt Service Reserve Fund - used to account for the debt service reserve requirement established by the various series resolutions.

Bond Fund - used to account for activity relating to the principal and interest payments on outstanding debt obligations including the liability for revenue bonds. The receipt of rental income and the payment of debt issuance costs.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments, which included money market mutual funds, U.S. treasury notes, and bank investment contracts, are recorded at fair value. The cost of investments sold is determined using the specific identification method.

Project Acquisition Promissory Notes Payable

The Authority executed project acquisition promissory notes payable to the City for certain properties conveyed by the City to the Authority. The notes bear interest ranging from 6% to 10% and are due upon the expiration of the leases for the properties to which they relate. The related lease agreements require the City to make lease payments to the Authority equal to all principal and interest payments due under the notes. Therefore, principal and interest payable under the notes, along with related rental income and debt service expenditures, have not been recorded in the accompanying financial statements. Project acquisition promissory notes payable at June 30, 2003 is \$81,802,620.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Income

Investment income is recognized in the fund which holds the investment.

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net assets not included in the above categories.

Estimates

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

2. REVENUE BONDS

1990 Series A and Series B

In December 1990, the Authority sold \$22,295,000 1990 Series A Revenue Bonds and \$14,105,000 1990 Series B Revenue Bonds. These bonds have interest rates ranging from 5.80% to 7.10% and mature through December 15, 2010.

The proceeds from Bond Issue Series A were used to refund certain bond anticipation notes issued to finance the Scituate Reservoir Project, to capitalize interest, to pay costs of issuance and to finance the debt service reserve fund. The 1990 Series B Bonds were issued to provide funds to effect the advance refunding of the 1988 Series A School Administration Building and School Buildings Project General Revenue Bonds.

In March 1996, the Authority advance refunded the 1990 Series A Bonds with the 1996 Series A Bonds. In September 2000 the Authority refunded the 1990 Series B Bonds with the 2000 Series Bonds.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

1991 Series

In December 1991, the Authority sold \$13,100,000 1991 Series Revenue Bonds. These bonds have interest rates ranging from 6.90% to 7.75% and mature through December 1, 2011.

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

In March 1996, the Authority advance refunded the 1991 Series Bonds with the 1996 Series A Bonds.

1995 Series B

In June 1995, the Authority sold \$7,500,000 1995 Series B Revenue Bonds. These bonds have interest rates ranging from 4.70% to 7.10% and mature through December 15, 2014.

The proceeds from the bonds along with \$125,904 received from the City of Providence, were used to refund the Authority's \$6,525,000, 1994 Series 2 Notes, which were issued to fund the Feinstein School Project, to pay administrative expenses of the Authority, to finance working capital, to pay costs of issuance, and to fund the Debt Service Reserve Fund for the 1995 Series B Bonds.

The annual principal and interest payments required to amortize the 1995 Series B Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 340,000	\$ 287,020	\$ 627,020
2005.....	355,000	270,163	625,163
2006.....	375,000	252,090	627,090
2007.....	400,000	232,515	632,515
2008.....	420,000	211,395	631,395
2009.....	445,000	188,682	633,682
2010.....	470,000	164,200	634,200
2011.....	495,000	137,898	632,898
2012.....	525,000	109,847	634,847
2013.....	560,000	79,730	639,730
2014.....	590,000	48,563	638,563
2015.....	630,000	16,537	646,537
	<u>\$5,605,000</u>	<u>\$1,998,640</u>	<u>\$7,603,640</u>

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

1996 Series A

In March 1996, the Authority sold \$36,225,000 1996 Series A Refunding Revenue Bonds. These bonds have interest rates ranging from 3.50% to 5.40% and mature through December 15, 2011.

The proceeds from the bonds, along with \$375,000 received from the City, were used to provide funds to effect the advance refunding of the Authority's outstanding \$22,295,000 1990 Series A Bonds and the Authority's outstanding \$13,100,000 1991 Series Bonds, to fund the Debt Service Reserve Fund requirement for the 1996 Series A Bonds, and pay costs of issuance.

A payment of \$34,509,115 was deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the 1990 Series A and 1991 Bonds. As a result, the 1990 Series A and 1991 Series Bonds are considered defeased and the liability for those bonds has been removed from the general long-term account group. The amount of defeased debt outstanding at June 30, 2003 is \$-0-.

The annual principal and interest payments required to amortize the 1996 Series A Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 2,255,000	\$1,113,275	\$ 3,368,275
2005	2,365,000	1,005,833	3,370,833
2006	2,475,000	890,855	3,365,855
2007	2,610,000	767,510	3,377,510
2008	2,725,000	635,440	3,360,440
2009	2,865,000	494,257	3,359,257
2010	3,005,000	344,573	3,349,573
2111	3,115,000	188,512	3,303,512
2012	2,020,000	54,540	2,074,540
	<u>\$23,435,000</u>	<u>\$5,494,795</u>	<u>\$28,929,795</u>

1996 Series B

In December 1996, the Authority sold \$21,225,000 1996 Series B Revenue Bonds. These bonds have interest rates ranging from 5.375% to 6.50% and mature through December 15, 2017.

The proceeds from the bonds were used to finance the acquisition, construction, renovation and equipping of various existing buildings for use as public schools, a parent-child center and a day care center, to provide for capitalized interest on the 1996 Series B Bonds, to provide for administrative expenses of the Authority, and to provide for cost of issuance for the 1996 Series B Bonds, and to fund the Debt Service Reserve Fund requirement for the 1996 Series B Bonds.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

1996 Series B (Continued)

The annual principal and interest payments required to amortize the 1996 Series B Revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 855,000	\$ 876,254	\$ 1,731,254
2005.....	895,000	835,984	1,730,984
2006.....	940,000	792,156	1,732,156
2007.....	990,000	744,611	1,734,611
2008.....	1,040,000	693,341	1,733,341
2009.....	1,095,000	638,351	1,733,351
2010.....	1,155,000	579,274	1,734,274
2011.....	1,215,000	516,013	1,731,013
2012.....	1,285,000	448,665	1,733,665
2013.....	1,355,000	377,385	1,732,385
2014.....	1,430,000	301,475	1,731,475
2015.....	1,505,000	220,763	1,725,763
2016.....	1,600,000	135,375	1,735,375
2017.....	1,700,000	45,688	1,745,688
	<u>\$17,060,000</u>	<u>\$7,205,335</u>	<u>\$24,265,335</u>

1997 Series A

In December 1997, the Authority sold \$1,925,000 1997 Series A Revenue Bonds. These bonds have interest rates ranging from 4.30% to 6.50% and mature through December 15, 2007.

The proceeds from the bonds were used to refund a portion of the outstanding principal balance of the Authority's \$4,325,000 Roger Williams Park Zoo "Plains of Africa Exhibit" Project Revenue Bonds, 1992 Series A, to pay administrative expenses of the Authority, to provide for the cost of issuance for the 1997 Series A Bonds, and to fund the Debt Service Reserve Fund requirement for the 1997 Series A Bonds. The remaining principal of the 1992 Series A Bonds was paid from funds provided by the City's Park Department.

The annual principal and interest payments required to amortize the 1997 Series A Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 195,000	\$ 46,800	\$ 241,800
2005	205,000	37,672	242,672
2006	215,000	27,825	242,825
2007	225,000	17,234	242,234
2008	235,000	5,875	240,875
	<u>\$1,075,000</u>	<u>\$135,406</u>	<u>\$1,210,406</u>

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

1998 Series A

In May 1998, the Authority sold \$28,270,000 1998 Series A Revenue Bonds. These bonds have interest rates ranging from 3.85% to 5.10% and mature through December 15, 2018.

The proceeds from the bonds were used to finance the acquisition, construction, expansion, renovation, rehabilitation, repair, improvement, furnishing and equipping of various existing and new buildings for use as public schools, athletic fields at various schools, the administrative offices for the Providence Community Action Program, the Providence Civic Center, and the Providence Hurricane Barrier, to pay administrative expenses of the Authority, to provide for the cost of issuance for the 1998 Series A Bonds, and to fund the Debt Service Reserve Fund requirement for the 1998 Series A Bonds.

The annual principal and interest payments required to amortize the 1998 Series A Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,175,000	\$ 1,171,463	\$ 2,346,463
2005	1,225,000	1,116,850	2,341,850
2006	1,285,000	1,056,550	2,341,550
2007	1,355,000	990,550	2,345,550
2008	1,420,000	921,175	2,341,175
2009	1,495,000	849,421	2,344,421
2010	1,270,000	782,053	2,052,053
2011	1,335,000	717,563	2,052,563
2012	1,400,000	649,188	2,049,188
2013	1,475,000	576,575	2,051,575
2014	1,550,000	498,275	2,048,275
2015	1,635,000	414,669	2,049,669
2016	1,720,000	328,750	2,048,750
2017	1,810,000	240,500	2,050,500
2018	1,905,000	147,625	2,052,625
2019	2,000,000	50,000	2,050,000
	<u>\$24,055,000</u>	<u>\$10,511,207</u>	<u>\$34,566,207</u>

1999 Series A

In July 1999, the Authority sold \$39,750,000 1999 Series A Revenue Bonds. These Bonds have interest rates ranging from 4.10% to 5.5% and mature through December 15, 2019.

The proceeds from the bonds were used to finance the acquisition, construction, expansion, renovation, rehabilitation, repair, improvement, furnishing and equipping of a new elementary school, a new middle school complex, the acquisition of the land for a new school, and the repair and renovation of existing public facilities and schools, to pay administrative expenses of the Authority, to pay cost of issuance, to fund the Debt Service Reserve Fund requirement for the 1999 Series A Bonds, and to provide for capitalized interest.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

1999 Series A (Continued)

The annual principal and interest payment required to amortize the 1999 Series A Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 1,390,000	\$ 1,785,101	\$ 3,175,101
2005.....	1,455,000	1,721,784	3,176,784
2006.....	1,520,000	1,654,086	3,174,086
2007.....	1,590,000	1,582,556	3,172,556
2008.....	1,665,000	1,506,859	3,171,859
2009.....	1,750,000	1,425,731	3,175,731
2010.....	1,835,000	1,337,856	3,172,856
2011.....	1,930,000	1,243,731	3,173,731
2012.....	2,035,000	1,140,790	3,175,790
2013.....	2,145,000	1,027,113	3,172,113
2014.....	2,265,000	911,500	3,176,500
2015.....	2,380,000	793,888	3,173,888
2016.....	2,505,000	667,144	3,172,144
2017.....	2,640,000	532,088	3,172,088
2018.....	2,785,000	389,681	3,174,681
2019.....	2,935,000	239,531	3,174,531
2020.....	3,095,000	81,244	3,176,244
	<u>\$35,920,000</u>	<u>\$18,040,683</u>	<u>\$53,960,683</u>

2000 Series A

In May 2000, the Authority sold \$18,770,000 2000 Series A Revenue Bonds. These Bonds have interest rates ranging from 5.5% to 5.8% and mature through December 15, 2020.

The proceeds from the bonds were used to finance the acquisition, construction, expansion, renovation, rehabilitation, repair, improvement, furnishing, and equipping of a new elementary school and school-related facilities in the City, to fund administrative expenses of the Authority, to pay cost of issuance, to fund the Debt Service Reserve Fund requirement for the 2000 Series A Bonds and to provide for capitalized interest.

The annual principal and interest payment required to amortize the 2000 Series A Revenue Bonds are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 585,000	\$1,000,965	\$1,585,965
2005.....	620,000	967,828	1,587,828
2006.....	655,000	932,765	1,587,765

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

2000 Series A (Continued)

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007.....	695,000	895,640	1,590,640
2008.....	730,000	856,452	1,586,452
2009.....	775,000	815,065	1,590,065
2010.....	815,000	771,340	1,586,340
2011.....	865,000	725,140	1,590,140
2012.....	910,000	676,328	1,586,328
2013.....	965,000	624,765	1,589,765
2014.....	1,020,000	569,668	1,589,668
2015.....	1,080,000	510,733	1,590,733
2016.....	1,140,000	447,867	1,587,867
2017.....	1,210,000	380,590	1,590,590
2018.....	1,280,000	308,682	1,588,682
2019.....	1,360,000	229,062	1,589,062
2020.....	1,445,000	141,406	1,586,406
2021.....	1,540,000	48,125	1,588,125
	<u>\$17,690,000</u>	<u>\$10,902,421</u>	<u>\$28,592,421</u>

2000 Series B

In September 2000, the Authority sold \$10,435,000 2000 Series B Refunding Revenue Bonds. These Bonds have interest rates ranging from 5.25 % to 5.75 % and mature through December 15, 2010.

The proceeds from the bonds were used to refund the Authority's \$14,105,000 1990 Series B Revenue Bonds outstanding amount of \$10,040,000 and to fund the Debt Service Reserve Fund requirement for the 2000 Series B Bonds and to pay the cost of issuance.

The annual principal and interest payments required to amortize the 2000 series B Refunding Revenue Bonds are as follows.

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 860,000	\$ 450,613	\$ 1,310,613
2005.....	905,000	402,075	1,307,075
2006.....	960,000	350,788	1,310,788
2007.....	1,000,000	296,888	1,296,888
2008.....	1,075,000	238,481	1,313,481
2009.....	1,135,000	174,944	1,309,944
2010.....	1,205,000	107,669	1,312,669
2011.....	1,270,000	36,513	1,306,513
	<u>\$8,410,000</u>	<u>\$2,057,971</u>	<u>\$10,467,971</u>

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

2001 Series A

In December 2001, the Authority sold \$9,995,000 2001 Series A Revenue Bonds. These Bonds have interest rates ranging from 3.25% to 5.125% and mature through December 2021.

The proceeds from the bonds were used to finance the acquisition, construction, expansion, renovation, rehabilitation, repair, improvements, furnishing, and equipping of a new high school, an elementary school annex, the repair and renovations of existing schools, the renovation and repair of the Providence Hurricane Barrier and other public facilities, the renovation of a building to be used as a warehouse for the school system, the design and planning phases of future school projects, the renovation of Central High School, to pay administrative expenses of the Authority, to pay cost of issuance, to fund the Debt Service Reserve Fund requirement for the 2001 Series A Bonds, and to provide for capitalized interest.

The annual principal and interest payment required to amortize the 2001 Series A Revenue Bonds are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 355,000	\$ 468,705	\$ 823,705
2005.....	365,000	457,005	822,005
2006.....	375,000	444,511	819,511
2007.....	390,000	430,149	820,149
2008.....	405,000	413,996	818,996
2009.....	420,000	396,718	816,718
2010.....	440,000	378,168	818,168
2011.....	460,000	358,193	818,193
2012.....	480,000	336,743	816,743
2013.....	500,000	313,768	813,768
2014.....	525,000	289,096	814,096
2015.....	550,000	262,549	812,549
2016.....	580,000	234,299	814,299
2017.....	605,000	204,371	809,371
2018.....	640,000	172,544	812,544
2019.....	670,000	138,137	808,137
2020.....	705,000	101,183	806,183
2021.....	745,000	62,215	807,215
2022.....	785,000	21,096	806,096
	<u>\$9,995,000</u>	<u>\$5,483,446</u>	<u>\$15,478,446</u>

2002 Series A

In December 2002, the Authority sold \$1,216,000 2002 Series A Qualified Zone Academy Bonds. In lieu of interest, each qualified taxpayer and owner of the 2002 Series A Bonds shall be entitled to receive a tax credit as detailed in Section 226 (a) of the Taxpayer Relief Act of 1997. These bonds mature through December, 2008.

The proceeds from these bonds were used to finance the purchase of equipment and the latest technology, to pay cost of issuance, and to pay administrative expenses.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

2002 Series A (Continued)

The Sinking Fund deposits and interest earnings will be held in the 2002 Series A Bonds Sinking Fund Account in the Debt Service Fund. The annual principal and interest earned deposits are as follows:

<u>December 24</u>	<u>Sinking Fund Deposit</u>	<u>Interest Earned</u>	<u>Total</u>
2003	\$ 197,659	\$ -0-	\$ 197,659
2004	197,659	1,976	199,635
2005	197,659	3,973	201,632
2006	197,659	5,989	203,648
2007	197,659	8,026	205,685
2008	197,659	10,082	207,741
Total	<u>\$1,185,954</u>	<u>\$30,046</u>	<u>\$1,216,000</u>

2003 Series A

In March 2003, the Authority sold \$31,000,000 2003 Series A Revenue Bonds. These Bonds have interest rates ranging from 2.5% to 5.0% and mature through December 2023.

The proceeds from the bonds were used to finance the acquisition, construction, expansion, rehabilitation, repair, improvements, furnishing, and equipment of a new high school, an elementary school annex, the modernization of existing schools, the renovation and repair of the Providence Hurricane Barrier and other public facilities, the renovation of a building to be used as a warehouse for the school system, the design and planning phases of future school projects, the renovation of Central High School, to pay administrative expenses of the Authority, to pay cost of issuance, to fund Debt Service Reserve Fund requirement for the 2003 Series A Bonds and to provide capitalized interest.

The annual principal and interest payment required to amortize the 2003 Series A. Revenue Bonds are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 0	\$1,174,663	\$1,174,663
2005.....	1,125,000	1,160,600	2,285,600
2006.....	1,155,000	1,132,100	2,287,100
2007.....	1,185,000	1,102,850	2,287,850
2008.....	1,215,000	1,072,850	2,287,850
2009.....	1,245,000	1,042,100	2,287,100
2010.....	1,275,000	1,009,005	2,284,005
2011.....	1,310,000	971,825	2,281,825
2012.....	1,350,000	930,238	2,280,238

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

2003 Series A (Continued)

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	1,395,000	880,400	2,275,400
2014.....	1,450,000	823,500	2,273,500
2015.....	1,505,000	764,400	2,269,400
2016.....	1,570,000	702,900	2,272,900
2017.....	1,630,000	638,900	2,268,900
2018.....	1,695,000	563,925	2,258,925
2019.....	1,780,000	484,838	2,264,838
2020.....	1,855,000	408,706	2,263,706
2021.....	1,930,000	327,069	2,257,069
2022.....	2,015,000	239,513	2,254,513
2023.....	2,110,000	146,700	2,256,700
2024.....	2,205,000	49,613	2,254,613
Total.....	<u>\$31,000,000</u>	<u>\$15,626,695</u>	<u>\$46,626,695</u>

2003 Series B

In June 2003, the Authority sold \$31,000,000 2003 Series B Revenue Bonds. These bonds have interest rates ranging from 3.0% to 5.0% and mature through December 2023.

The proceeds from the bonds were used to finance the acquisition, construction, furnishing and equipping various high schools, the Conley Stadium and Field, the Fox Point Bath House, and various school renovation projects to pay administrative expenses of the Authority, to pay cost of issuance, to fund Debt Service Reserve Fund Requirement for the 2003 Series B Bonds and to provide capitalized interest.

The annual principal and interest payment required to amortize the 2003 Series B Revenue Bonds are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 0	\$ 1,307,779	\$ 1,307,779
2005.....	1,045,000	1,232,700	2,277,700
2006.....	1,100,000	1,179,075	2,279,075
2007.....	1,155,000	1,128,475	2,283,475
2008.....	1,200,000	1,081,375	2,281,375
2009.....	1,245,000	1,032,475	2,277,475
2010.....	1,295,000	988,150	2,283,150
2011.....	1,335,000	947,031	2,282,031
2012.....	1,380,000	902,913	2,282,913
2013.....	1,425,000	855,550	2,280,550
2014.....	1,475,000	804,800	2,279,800
2015.....	1,525,000	751,347	2,276,347
2016.....	1,580,000	694,081	2,274,081
2017.....	1,640,000	631,656	2,271,656

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

2. REVENUE BONDS (Continued)

2003 Series B (Continued)

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	1,705,000	563,691	2,268,691
2019.....	1,775,000	490,806	2,265,806
2020.....	1,850,000	412,619	2,262,619
2021.....	1,935,000	328,612	2,263,612
2022.....	2,020,000	239,625	2,259,625
2023.....	2,110,000	146,700	2,256,700
2024.....	2,205,000	49,613	2,254,613
Total.....	<u>\$31,000,000</u>	<u>\$15,769,073</u>	<u>\$46,769,073</u>

All the Revenue Bonds are secured by a pledge of lease rentals to be received from the City pursuant to the lease agreements relating to projects financed by the Authority and leased to the City.

3. LEASES

The Authority leases certain properties to the City under the following terms (the first four leases are incorporated into the consolidated lease agreement entered into under the \$36,400,000 1990 Series A and B General Revenue Bonds).

School Administration Building and School Buildings Project

The premises were acquired and/or renovated by the Authority with the proceeds from the \$13,000,000 1988 Series A General Revenue Bonds. The lease commenced on December 15, 1988 and terminates on September 15, 2015.

Carousel Project

This project relates to the installation and construction of a carousel at the Roger Williams Park. The project was financed with the initial issuance of \$1,500,000 in Revenue Bond Anticipation Notes. The lease commenced on September 6, 1989 and terminates September 15, 2015.

Scituate Reservoir Project

This project relates to the acquisition and maintenance of parcels of land surrounding the Scituate Reservoir. It was financed with portion of the proceeds from the initial issuance of \$7,500,000 in Revenue Bond Anticipation Notes. The lease commenced on June 14, 1990 and terminates on September 15, 2015.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

3. LEASES (Continued)

Municipal Facilities Project

This project relates to renovations and improvements made to City Hall, renovations to fire stations, repairs to City swimming pools and recreation centers, and repairs and improvements to other municipal buildings and facilities. The project was financed with the initial issuance of \$6,500,000 in Revenue Bond Anticipation Notes. The lease commenced on September 13, 1990 and terminates September 15, 2015.

Veazie Street School Project

This project includes constructions, renovation, rehabilitation, improvements, and necessary furnishings and equipping of Veazie Street Elementary School. The lease commenced on December 1, 1991, and terminates on December 1, 2015.

Roger Williams Park Zoo "Plains of Africa Exhibit" Project

This project involved considerable site work, dry and wet moat construction, artificial rock work construction, new landscaping, barrier construction, and educational graphics. It was financed with the proceeds of \$4,150,000 in Bond Anticipation Notes, the \$4,235,000 1992 Series A Revenue Bonds and the \$1,925,000 1997 Series A Revenue Bonds. The lease commenced on July 31, 1991 and terminates on July 20, 2010.

Einstein School Project

This project consists of the purchase, renovation and equipping of an office building for use as a high school. The lease commenced on June 28, 1994 and terminates on September 15, 2015.

1996 School Projects

These projects consist of acquisition, construction, renovations, rehabilitation, improvement, furnishing and equipping of existing buildings. The lease commenced on December 1, 1996 and terminates on December 15, 2016.

1998 School and Public Facilities Projects

These projects consist of acquisition, construction, renovations, rehabilitation, improvement, furnishing and equipping of existing and new buildings and athletic fields. The lease commenced on May 15, 1998 and terminates on December 15, 2018.

1999 School And Public Facilities Projects

These projects consist of acquisition, construction, expansion, renovation, rehabilitation, repair, improvement and equipping of a new elementary school and a new middle school complex. The lease commenced on July 1, 1999 and terminates on December 15, 2019.

2000 School Projects

These projects consist of acquisition, construction, expansion, renovation, rehabilitation, repair, improvement, furnishing and equipping of a new elementary school and school-related facilities. The lease commenced on May 15, 2000 and terminates on December 15, 2020.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

3. LEASES (Continued)

2001 School and Public Facilities Project

These projects consist of acquisition, construction, renovations, rehabilitation, improvement, furnishing, and equipping a new school annex and other school facilities. The lease commenced on December 1, 2001 and terminates on December 15, 2021.

2002 A School Projects

These projects consist of the automation of elementary, middle and high school libraries and updating and repairing middle school science laboratories. The lease commenced on December 24, 2002 and terminates on December 24, 2008.

2003 A School Projects

These projects consist of acquisition, construction, renovations, rehabilitation, improvement, furnishing and equipping a new high school. The lease commenced on March 1, 2003 and terminates on December 15, 2013.

2003 B School Projects

These projects consist of acquisition, construction, renovations, rehabilitation, improvements, furnishings and equipping a new high school, and other school projects. The lease commenced on June 1, 2003 and terminates on December 15, 2013.

At the expiration of the leases, the City at its option, can purchase the properties from the Authority for a nominal amount.

The lease agreements relating to projects financed by the Authority require, among other things, that the City make annual rental payments that are sufficient to meet the related bond principal and interest requirements and note interest. However, the rents to be paid to the Authority shall be reduced to the extent that such interest and principal payments for any such period are provided from the proceeds of bonds or notes or from the investment earnings of such proceeds and from net gate income relating to the Roger Williams Park Zoo "Plains of Africa Exhibit" Project, received by the Authority.

Also, the obligations of the City to pay rents under the lease agreements is subject to and dependent upon appropriations being made by the City for such purposes. Such appropriations are dependent upon the City's budgetary process and are therefore dependent on the City's general financial resources and factors affecting those resources. Rental income from the City under leases totaled \$13,546,631 for the year ended June 30, 2003.

Note 2 presents the estimated future minimum lease payments required for bond principal retirement and interest to be received from the City. However, to the extent that the principal and interest payments are provided for from the proceeds of bonds, or from net gate income or ticket restoration income, the City is not required to make lease payments to the Authority. State aid for school construction is received by the City and is passed on to the Authority as part of City lease payments on related projects.

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

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

4. COMMITMENT AND CONTINGENCIES

The Authority participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability and workers' compensation claims. Upon joining the trust, the Authority signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Authority. The agreement states that for premiums paid by the Authority, the Trust will assume financial responsibility for the Authority's losses up to the maximum amount of insurance purchased, minus the Authority's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

The Authority is committed under various other contracts for projects in the amount of \$4,229,740 at June 30, 2003.

The Authority has an employment agreement with one employee. The term of the agreement commenced on August 22, 2000 and shall continue until August 22, 2005 or until employment is terminated. Further details of the agreement are disclosed in the contract.

5. LONG-TERM DEBT

The following schedule reflects the changes in long-term debt during fiscal year 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2003</u>
General revenue bonds payable.....	<u>\$150,535,000</u>	<u>\$63,216,000</u>	<u>\$7,290,000</u>	<u>\$206,461,000</u>

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

6. ESCROW ACTIVITIES

The Escrow Activities account for ticket restoration charges held by the Authority on behalf of the Providence Civic Center and for activity related to the Roger Williams Park Zoo.

	Balance July 1 <u>2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30 <u>2003</u>
<u>Assets</u>				
Cash and cash equivalents	<u>\$392,051</u>	<u>\$2,032,412</u>	<u>\$2,157,746</u>	<u>\$266,717</u>
<u>Liabilities</u>				
Deposits held in custody for others	<u>\$392,051</u>	<u>\$2,032,412</u>	<u>\$2,157,746</u>	<u>\$266,717</u>

7. PROVIDENCE CIVIC CENTER PROJECT

As part of the 1998 Series A Revenue Bonds, the Authority issued bonds in the amount of \$2,325,000 for the renovation and improvements to the Providence Civic Center. On May 28, 1999, the Providence Civic Center Authority executed a promissory note of \$2,325,000 to the Providence Public Buildings Authority. The note matures on December 15, 2008. Interest accrues at rates ranging from 3.85% to 5%. Principal payments are due on December 15, beginning in 1999. The note is secured by an agreement, which pledges ticket restoration charge revenues to the Authority. The balance due the Authority on June 30, 2003 was \$1,520,000.

8. RETIREMENT PLAN

The Authority funds a SEP IRA Plan covering all employees under which the Authority is required to contribute 15% of covered payroll. For fiscal year ended June 30, 2003, the Authority contributed \$20,161 to the Plan.

(CONCLUDED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

COMBINING BALANCE SHEET
JUNE 30, 2003

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Bond Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 910,021	\$ 40,748,033	\$ 2,860,463	\$ 3,298,864		\$ 47,817,381
Investments				15,511,274		15,511,274
Note receivable			1,520,000			1,520,000
Due from other funds			18,742,146		\$ (18,742,146)	0
Rentals due			268,414,714			268,414,714
TOTAL ASSETS	\$ 910,021	\$ 40,748,033	\$ 291,537,323	\$ 18,810,138	\$ (18,742,146)	\$ 333,263,369
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities:						
Accrued expenditures		\$ 1,099,359	\$ 1,216			\$ 1,100,575
Due to other funds				\$ 18,742,146	\$ (18,742,146)	0
Accrued interest payable			413,240			413,240
PAP notes payable			81,802,620			81,802,620
Bonds payable			206,461,000			206,461,000
Unexpended funds		37,472,595				37,472,595
Deposits held in custody for others	\$ 266,717					266,717
Total liabilities	266,717	38,571,954	288,678,076	18,742,146	(18,742,146)	327,516,747
Net assets:						
Restricted for debt service			2,859,247	67,992		2,927,239
Unrestricted	643,304	2,176,079				2,819,383
Total net assets	643,304	2,176,079	2,859,247	67,992		5,746,622
TOTAL LIABILITIES AND NET ASSETS	\$ 910,021	\$ 40,748,033	\$ 291,537,323	\$ 18,810,138	\$ 0	\$ 333,263,369

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003**

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Bond Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Eliminations</u>	<u>Totals</u>
Operating revenues:						
Rental income	\$ 601,160		\$ 10,248,915			\$ 10,850,075
Total operating revenues	<u>601,160</u>		<u>10,248,915</u>			<u>10,850,075</u>
Operating expenses:						
Construction expenses		\$ 1,265,451				1,265,451
Legal, accounting and other professional fees	9,100		245,079			254,179
Administration	71,780		4,852			76,632
Arbitrage fees			47,859			47,859
Total operating expenses	<u>80,880</u>	<u>1,265,451</u>	<u>297,790</u>			<u>1,644,121</u>
Operating income	<u>520,280</u>	<u>(1,265,451)</u>	<u>9,951,125</u>			<u>9,205,954</u>
Non-operating income (expenses):						
Interest income	1,404	86,843	98,179	\$ 732,515		918,941
Transfers in		2,202,634	12,415,050	267	\$ (14,617,951)	0
Unrealized net gain (loss) on investments				(92,552)		(92,552)
Interest expense			(7,781,987)			(7,781,987)
Transfers out		(1,202,291)	(12,682,879)	(732,781)	14,617,951	0
Net non-operating income	<u>1,404</u>	<u>1,087,186</u>	<u>(7,951,637)</u>	<u>(92,551)</u>	<u>0</u>	<u>(6,955,598)</u>
Increase in net assets	<u>521,684</u>	<u>(178,265)</u>	<u>1,999,488</u>	<u>(92,551)</u>	<u>0</u>	<u>2,250,356</u>
Net assets, beginning of year	<u>121,620</u>	<u>2,354,344</u>	<u>859,759</u>	<u>160,543</u>		<u>3,496,266</u>
Net assets, end of year	<u>\$ 643,304</u>	<u>\$ 2,176,079</u>	<u>\$ 2,859,247</u>	<u>\$ 67,992</u>	<u>\$ 0</u>	<u>\$ 5,746,622</u>

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Bond Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Eliminations</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>						
Rents	\$ 601,160		\$ 13,771,314			\$ 14,372,474
Cash paid to suppliers for goods and services	(80,880)	\$ (530,060)	(296,574)			(907,514)
<i>Net cash provided by operating activities</i>	<u>520,280</u>	<u>(530,060)</u>	<u>13,474,740</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>13,464,960</u>
<i>Cash flows from noncapital financing activities:</i>						
Change in deposits held in custody for others	(125,334)					(125,334)
Operating transfers net		1,000,343	(267,829)	(732,514)		0
<i>Net cash used for noncapital financing activities</i>	<u>(125,334)</u>	<u>1,000,343</u>	<u>(267,829)</u>	<u>(732,514)</u>	<u>0</u>	<u>(125,334)</u>
<i>Cash flows from investing activities:</i>						
Interest income received	1,404	86,842	98,180	732,514		918,940
Purchase of securities				(2,312,802)		(2,312,802)
<i>Net cash provided by investing activities</i>	<u>1,404</u>	<u>86,842</u>	<u>98,180</u>	<u>(1,580,288)</u>	<u>0</u>	<u>(1,393,862)</u>
<i>Cash flows from capital and related financing activities:</i>						
Advances		55,236,786	(59,754,130)	4,517,344		0
Capital expenditures		(21,360,222)				(21,360,222)
Interest payments			(7,691,258)			(7,691,258)
Payments on bonds payable			(7,290,000)			(7,290,000)
Proceeds from bond issuance			63,216,000			63,216,000
Proceeds on note receivable			215,000			215,000
<i>Net cash used for capital and related financing activities</i>	<u>0</u>	<u>33,876,564</u>	<u>(11,304,388)</u>	<u>4,517,344</u>	<u>0</u>	<u>27,089,520</u>
<i>Net increase in cash</i>	<u>396,350</u>	<u>34,433,689</u>	<u>2,000,703</u>	<u>2,204,542</u>	<u>0</u>	<u>39,035,284</u>
<i>Cash and cash equivalents, beginning of year</i>	<u>513,671</u>	<u>6,314,344</u>	<u>859,760</u>	<u>1,094,322</u>	<u>0</u>	<u>8,782,097</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 910,021</u>	<u>\$ 40,748,033</u>	<u>\$ 2,860,463</u>	<u>\$ 3,298,864</u>	<u>\$ 0</u>	<u>\$ 47,817,381</u>

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Bond Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 520,280	\$ (1,265,451)	\$ 9,951,125	\$ 0	\$ 0	\$ 9,205,954
Adjustments to reconcile operating income to net cash provided by operating activities:						
Changes in operating assets and liabilities:						
Increase in accounts receivable			3,522,399			3,522,399
Increase (decrease) in accounts payable and accrued expenses		735,391	1,216			736,607
Net cash provided by operating activities	\$ 520,280	\$ (530,060)	\$ 13,474,740	\$ 0	\$ 0	\$ 13,464,960

(CONCLUDED)



PRESCOTT CHATELLIER
FONTAINE & WILKINSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

Board of Directors
Providence Public Buildings Authority
Providence, Rhode Island

We have audited the financial statements of the Providence Public Buildings Authority as of and for the year ended June 30, 2003, and have issued our report thereon dated August 6, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Providence Public Buildings Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Providence Public Buildings Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

TRUST ■ INTEGRITY ■ RESULTS

This report is intended solely for the information and use of the Board of Directors, and management of the Authority and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Prescott Chutelein Fontaine & Williamson, LLP

August 6, 2003

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