

ALEXANDER D. PRIGNANO
Director of Finance



DAVID N. CICILLINE
Mayor

Finance Department
"Providence, We Can"

April 20, 2004

Councilman Kevin Jackson
Chairman, City Council Finance Committee
City Hall
Providence, RI 02903

Dear Councilman Jackson:

Enclosed are 16 copies of the City of Providence's FY2003 audited financial statements. I apologize that the statements are later than past years. However, with the City Controller's Office having to direct significant resources to the citywide payroll implementation that went "live" January 1, 2004, the professional staff was stretched thin working on both the payroll project and audit. This resulted in the City requesting an extension from the Auditor General, as required by state law, and the Auditor granted an extension until February 17th. As you can see, KPMG's letter to the Mayor and City Council on pages 1 & 2 of the audit is dated February 17th, which indicates we issued the financial statements within the time extension granted by the Auditor General.

Mr. Brock Romano, of KPMG, the City Controller and myself would be happy to appear before your committee to discuss the audit in detail. However, I would like to point your attention to pages 9 & 10 which discuss General Fund Budgetary Highlights and the accompanying chart that indicates the undesignated fund balance, or surplus increased from \$8.3 million to \$10.2 million as of June 30, 2004.

Sincerely,

Alex Prignano
Director of Finance

IN CITY COUNCIL

MAY 6 2004

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

CLERK

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, 2003
(With Independent Auditors' Report Thereon)

CITY OF PROVIDENCE, RHODE ISLAND

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KPMG LLP
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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, 2003, 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 26% and 17%, 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, 2003, 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.

Management's Discussion and Analysis on pages 3 through 11, the budget to actual — budgetary basis schedules on pages 52 through 58, and the historical pension information on page 51 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 other 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 February 17, 2004 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

February 17, 2004

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, 2003.

Financial Highlights

Government-Wide Highlights

Net Assets (page 12) – The liabilities of the City's governmental activities exceeded its assets at fiscal year ending June 30, 2003 by \$1.2 million (presented as "total net assets"). Of this amount, a deficit of \$43.2 million was reported as "unrestricted net assets". The net investment in capital assets was \$42.0 million. The assets of the City's business-type activities exceed its liabilities by \$151.7 million. Of this amount, \$130.1 million (86%) represented the net investment in capital assets.

Changes in Net Assets (page 13) – The City's total net assets decreased by \$15.1 million in fiscal year 2003. Net assets of governmental activities decreased by \$26.3 million, while net assets of the business-type activities increased by \$11.2 million.

Fund Highlights

Governmental Funds – Fund Balances (page 14) – As of the close of fiscal year 2003, the City's governmental funds reported a combined ending fund balance of \$101.8 million, a decrease of \$27.3 million over the prior year. Of the total fund balance reported, \$49.9 million represents the "unreserved fund balances."

Long-Term Debt

The City's total long-term debt obligations related to its government activities decreased by \$10.4 million (see footnote 8(a)) during the current fiscal year.

The total long term debt of the City's proprietary activities increased by \$55.3 million during the current fiscal year (see footnote 8(b)). The key factors in this increase were the issuance of the Providence Public Building Authority Revenue Bonds, Series A and B of \$62,000,000.

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:

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.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

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.

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:

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

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 nonmajor 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 nonmajor 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.

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.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Management's Discussion and Analysis

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 nonmajor 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 \$150.5 million at the end of 2003, compared to \$165.6 million at the end of the previous year.

The largest portion of the City's net assets, \$172.0 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 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.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Management's Discussion and Analysis

The City of Providence's Net Assets-Primary Government¹
(In thousands)

	Governmental activities		Business-type activities		Totals	
	2003	2002	2003	2002	2003	2002
Current assets and other assets	\$ 243,018	233,903	77,223	52,805	320,241	286,708
Capital assets	471,815	426,802	163,303	158,124	635,118	584,926
Total assets	714,833	660,705	240,526	210,929	955,359	871,634
Current liabilities	130,235	107,388	60,617	39,187	190,852	146,575
Noncurrent liabilities	585,791	528,243	28,209	31,249	614,000	559,492
Total liabilities	716,026	635,631	88,826	70,436	804,852	706,067
Net assets						
Invested in capital assets, net of related debt	41,960	53,605	130,054	122,073	172,014	175,678
Restricted for other purposes	—	—	22,650	11,532	22,650	11,532
Unrestricted	(43,153)	(28,531)	(1,004)	6,888	(44,157)	(21,643)
Total net assets	\$ (1,193)	25,074	151,700	140,493	150,507	165,567

¹ Certain prior year amounts have been reclassified to conform to the current year presentation.

Restricted net assets of \$22.7 million primarily represent 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 business-type activities. The City has an unrestricted deficit in both its governmental activities and business-type activities. The unrestricted deficit in its governmental activities results principally from the accrual of the net pension obligation of \$101.6 million and the unpaid sick and vacation liability of \$30.6 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 \$15.1 million. Approximately 41% of the City's total governmental revenue came from taxes and payments in lieu of taxes, while 50% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 5% of the total revenues while other revenue accounted for 4% 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 2003, governmental activity expenses exceeded program revenues by \$325.6 million, resulting in the use of \$299.4 million in general revenues (mostly taxes). On the other hand, program revenues from business-type activities in 2003 exceeded expenses by \$9.6 million.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Management's Discussion and Analysis

The City of Providence's Changes in Net Assets¹

(In thousands)

	Governmental activities		Business-type activities		Totals	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 27,155	26,128	61,670	55,442	88,825	81,570
Operating grants and contributions	240,648	232,930	—	—	240,648	232,930
Capital grants and contributions	11,868	11,599	1,943	2,357	13,811	13,956
General revenues:						
Property taxes	223,186	211,566	—	—	223,186	211,566
Payment in lieu of taxes	17,000	14,641	—	—	17,000	14,641
Grants and contributions	36,947	37,957	—	—	36,947	37,957
Investment income	8,458	5,556	1,179	1,504	9,637	7,060
Miscellaneous	14,191	12,255	—	425	14,191	12,680
Total revenues	579,453	552,632	64,792	59,728	644,245	612,360
Expenses:						
Executive, legislative, and judicial	15,042	9,993	—	—	15,042	9,993
Finance	110,366	101,795	—	—	110,366	101,795
Public safety	87,529	99,231	—	—	87,529	99,231
Building inspection	2,617	2,884	—	—	2,617	2,884
Public works	20,611	20,438	—	—	20,611	20,438
Recreation	2,585	3,933	—	—	2,585	3,933
Public lands and parks	14,378	14,444	—	—	14,378	14,444
Education	309,029	289,534	—	—	309,029	289,534
Community development	19,218	17,657	—	—	19,218	17,657
Interest on long term debt	23,945	19,518	—	—	23,945	19,518
Economic development	—	—	9,426	8,561	9,426	8,561
Water	—	—	37,868	34,154	37,868	34,154
Other	—	1,679	6,691	6,853	6,691	8,532
Total expenses	605,320	581,106	53,985	49,568	659,305	630,674
Excess (deficiency) before transfers	(25,867)	(28,474)	10,807	10,160	(15,060)	(18,314)
Transfers	(400)	(430)	400	430	—	—
Increase (decrease) in net assets	\$ (26,267)	(28,904)	11,207	10,590	(15,060)	(18,314)

¹ Certain prior year amounts have been reclassified to conform to the current year presentation.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Management's Discussion and Analysis

Governmental Activities

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 Revenues¹
(In thousands)

	<u>2003 total cost of services</u>	<u>2003 net cost of services</u>	<u>2002 total cost of services</u>	<u>2002 net cost of services</u>
Executive, legislative, and judicial	\$ 15,042	9,640	9,993	3,579
Finance	110,366	90,247	101,795	80,414
Public safety	87,529	71,860	99,231	81,942
Building inspection	2,617	(228)	2,884	517
Public works	20,611	20,426	20,438	20,335
Recreation	2,585	2,055	3,933	3,338
Public lands and parks	14,378	13,317	14,444	13,166
Education	309,029	93,128	289,534	79,505
Community development	19,218	1,259	17,657	2,045
Interest on long term debt	23,945	23,945	19,518	19,518
Other	—	—	1,679	1,679
Total	\$ 605,320	325,649	581,106	306,038

¹ Certain prior year amounts have been reclassified to conform to the current year presentation.

Business-Type Activities

The business-type activities increased the City's net assets by \$11.2 million. This resulted primarily from an \$10.4 million increase in net assets of the Water Supply Board and a decrease in net assets of \$1.4 million by the Civic Center. The PPBA had an increase in net assets of \$2.3 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 \$11.1 million, of which \$.9 million has been designated for appropriation in

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

fiscal 2004 for payroll. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 4.6% of total general fund expenditures.

School Grants – Fund Balance – The school grant funds account for federal and state grants received and expended by the school system. The fiscal year 2003 school grants fund balance is reported at \$6.7 million, a \$0.7 million decrease from fiscal year 2002.

Capital Projects Fund – Fund Balance – The capital projects fund accounts for resources to be used for the acquisition or construction of capital assets for housing and community improvement activities in the City, other than those financed by proprietary funds. The fiscal year 2003 capital projects fund balance is \$37.5 million. The \$19.9 million decrease from fiscal year 2002 is attributable to the timing of borrowing and spending of General Obligation Bond sales.

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 propriety net assets increased by \$11.2 million as a result of operations in the individual enterprise funds. The Water Supply Board showed an increase in net assets of \$10.4 million resulting from improved rate structure and cost savings. This increase was offset by a decrease of net assets of \$1.4 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 \$2.3 million increase in net assets.

General Fund Budgetary Highlights

The budgetary surplus of \$2.3 million represents the City's twenty-third consecutive budget surplus. Higher than budgeted collections in property taxes (\$4.6 million), recorder of deeds fees (\$.7 million), building permits (\$.6 million), as well as additional revenues from re-financing Port of Providence's debt (\$1.25 million), first time reimbursement on rescue runs from Rhode Island Blue Cross (\$.7 million), and debt service savings (\$.9 million) offset by shortfalls in attrition savings (\$.9 million), a school fund deficit of (\$.3 million), and charges for legal claims of (\$7.0 million).

The City designated \$10.2 of fund balance at June 30, 2002 in anticipation of significant reductions in state aid. The City Council subsequently appropriated \$9.6 million in response to state aid reductions that occurred during fiscal 2003. Undesignated fund balance at June 30, 2003 represents 4.2% of fiscal 2003 expenditures. The City of Providence continues to move toward the goal of maintaining a minimum fund balance of 5% of annual general fund expenditures.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information Management's Discussion and Analysis

Below are the changes in undesignated fund balance since June 30, 2000, (in millions):

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Undesignated fund balance beginning	\$ 5.6	6.8	7.3	8.3
Increase	1.2	0.5	1.0	1.9
Undesignated fund balance ending	<u>\$ 6.8</u>	<u>7.3</u>	<u>8.3</u>	<u>10.2</u>

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, 2003, amounts to \$718.2 million, net of accumulated depreciation of \$246.4 million, leaving a net book value of \$471.8 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.

The total increase in the City's investment in capital assets for the current fiscal year was about 10.5% in terms of net book value. However, actual expenditures to purchase or construct governmental and business-type activity capital assets were approximately \$62.7 million and \$14.9 million, respectively, for the year. Most of the governmental activity was for construction of two new school buildings. Depreciation charges for the year totaled \$27.4 million (\$17.7 million on governmental assets and \$9.7 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 increased by \$44.9 million during the current fiscal year. The key factor in this increase was the March 2003 and June 2003 issuance of PPBA revenue bonds totaling \$62 million.

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 the 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, 2003

(In thousands)

Assets	Governmental activities	Business-type activities	Total
Cash and investments	\$ 115,292	67,832	183,124
Restricted cash and investments	17,508	9,625	27,133
Receivables, net	86,112	14,155	100,267
Internal balances	22,266	(22,266)	—
Other assets	1,840	7,877	9,717
Capital assets, nondepreciable	97,961	43,508	141,469
Capital assets depreciable, net	373,854	119,795	493,649
Total assets	714,833	240,526	955,359
 Liabilities			
Warrants and accounts payable	16,535	7,408	23,943
Accrued liabilities	47,946	23,351	71,297
Other payables	33,735	18,810	52,545
Debt due within one year	26,420	5,040	31,460
Deferred revenue	5,148	6,008	11,156
Due to other governments	451	—	451
Noncurrent liabilities:			
Debt due in more than one year:			
Bonds and notes	419,260	22,104	441,364
Leases	43,423	6,105	49,528
Other	123,108	—	123,108
Total liabilities	716,026	88,826	804,852
 Net Assets			
Investment in capital assets, net of related debt	41,960	130,054	172,014
Restricted for:			
Other purposes	—	22,650	22,650
Unrestricted	(43,153)	(1,004)	(44,157)
Total net assets	\$ (1,193)	151,700	150,507

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Activities

Year ended June 30, 2003

(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	\$ 15,042	245	5,157	—	(9,640)		(9,640)
Finance	110,366	6,912	1,339	11,868	(90,247)		(90,247)
Public safety	87,529	14,751	918	—	(71,860)		(71,860)
Building inspection	2,617	2,845	—	—	228		228
Public works	20,611	185	—	—	(20,426)		(20,426)
Recreation	2,585	64	466	—	(2,055)		(2,055)
Public lands and parks	14,378	952	109	—	(13,317)		(13,317)
Education	309,029	1,201	214,700	—	(93,128)		(93,128)
Community development	19,218	—	17,959	—	(1,259)		(1,259)
Interest on long-term debt	23,945	—	—	—	(23,945)		(23,945)
Total governmental activities	605,320	27,155	240,648	11,868	(325,649)		(325,649)
Business-type activities:							
Building Authority	9,426	10,850	—	—	—	1,424	1,424
Water Supply Board	37,868	46,661	—	1,236	—	10,029	10,029
Civic Center	6,691	4,159	—	707	—	(1,825)	(1,825)
Total business-type activities	53,985	61,670	—	1,943	—	9,628	9,628
Total primary government	\$ 659,305	88,825	240,648	13,811	(325,649)	9,628	(316,021)
General revenues:							
Taxes:							
Property taxes					223,186	—	223,186
Payments in lieu of taxes					17,000	—	17,000
Grants and contributions not restricted					36,947	—	36,947
Investment income					8,458	1,179	9,637
Miscellaneous					14,191	—	14,191
Transfers					(400)	400	—
Total general revenues and transfers					299,382	1,579	300,961
Change in net assets					(26,267)	11,207	(15,060)
Net assets – beginning					25,074	140,493	165,567
Net assets – ending					\$ (1,193)	151,700	150,507

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Balance Sheet – Governmental Funds

June 30, 2003

(In thousands)

Assets	<u>General</u>	<u>School fund</u>	<u>School grants fund</u>	<u>Capital projects</u>	<u>Non-Major governmental funds</u>	<u>Total governmental funds</u>
Cash and investments	\$ 43,966	3,490	6,915	37,725	20,981	113,077
Restricted cash and investments	—	—	—	—	17,508	17,508
Receivables, net:						
Taxes	37,178	—	—	—	—	37,178
Loans	—	—	—	—	14,313	14,313
Intergovernmental	18,356	3,316	6,340	—	—	28,012
Other	1,166	—	—	—	5,440	6,606
Due from other funds	2,860	13,115	1,803	—	6,417	24,195
Other assets	1,400	—	—	—	46	1,446
Total assets	\$ 104,926	19,921	15,058	37,725	64,705	242,335
Liabilities and Fund Balances						
Liabilities:						
Warrants and accounts payable	\$ 6,896	4,453	3,650	3	1,533	16,535
Accrued liabilities	17,099	3,010	—	233	2,711	23,053
Deferred revenue	35,765	—	—	—	5,147	40,412
Due to other funds	34,348	12,458	4,502	—	6,635	57,943
Due to other governments	192	—	231	—	29	452
Bond anticipation note payable	—	—	—	—	2,142	2,142
Total liabilities	93,800	19,921	8,383	236	18,197	140,537
Fund balances:						
Reserved for:						
Loans	—	—	—	—	14,313	14,313
Debt service	—	—	—	—	120	120
Capital projects	—	—	—	37,489	—	37,489
Unreserved:						
Designated for appropriation	900	—	—	—	—	900
Undesignated:						
General	10,226	—	—	—	—	10,226
School grants	—	—	6,675	—	—	6,675
Special revenue	—	—	—	—	14,027	14,027
Permanent trust	—	—	—	—	18,048	18,048
Total fund balance	11,126	—	6,675	37,489	46,508	101,798
Total liabilities and fund balances	\$ 104,926	19,921	15,058	37,725	64,705	242,335

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, 2003

Total fund balance – Governmental Funds – page 14	\$ <u>101,798</u>
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	35,264
The equity of the internal service fund activity is included in the governmental activities column	1,661
Deferred bond costs	4,664
Unspent PPBA revenue bond proceeds	16,993
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	57,182
Buildings and improvements	173,688
Improvements other than buildings	11,702
Equipment	47,419
Infrastructure	256,261
Construction in progress	40,779
Leased assets	131,189
Less accumulated depreciation	<u>(246,405)</u>
	<u>471,815</u>
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	(6,904)
General obligation and revenue bonds	(236,485)
PPBA revenue bonds	(200,121)
Capital leases	(50,123)
Net pension obligation	(101,572)
Accrued interest on bonds	(4,917)
Compensated absences	(30,600)
Other accruals	<u>(2,666)</u>
	<u>(633,388)</u>
Net assets of governmental activities – page 12	\$ <u><u>(1,193)</u></u>

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, 2003
(In thousands)

	General	School fund	School grants fund	Capital projects	Non-Major governmental funds	Total governmental funds
Revenues:						
Taxes	\$ 243,838	—	—	—	—	243,838
Departmental revenue	8,728	—	—	—	—	8,728
Federal and state grants and reimbursements	49,925	176,789	36,322	80	18,840	281,956
Sale of real estate	—	—	—	—	83	83
Investment and rental income	7,179	—	—	(8)	6,144	13,315
Fines and forfeitures	3,805	—	—	—	—	3,805
Other	10,678	827	1,963	—	12,672	26,140
Total revenues	324,153	177,616	38,285	72	37,739	577,865
Expenditures:						
Current:						
Executive, legislative, and judicial	14,829	—	—	45	543	15,417
Finance	84,771	—	—	3,087	6,266	94,124
Public safety	80,365	—	—	287	4,846	85,498
Building inspection	2,590	—	—	2	—	2,592
Public works	12,419	—	—	62	—	12,481
Recreation	2,092	—	—	—	519	2,611
Public lands and parks	12,291	—	—	213	1,061	13,565
Education	—	260,748	37,963	1,200	—	299,911
Capital outlays	165	383	467	15,456	33	16,504
Debt service	33,995	9,066	—	3,042	4,279	50,382
Community development	—	—	—	—	19,218	19,218
Total expenditures	243,517	270,197	38,430	23,394	36,765	612,303
Excess (deficiency) of revenues over expenditures	80,636	(92,581)	(145)	(23,322)	974	(34,438)
Other financing sources (uses):						
Long-term debt and capital leases issued	—	—	—	11,196	23,655	34,851
Payments to Escrow Agent	—	—	—	(7,738)	(19,581)	(27,319)
Transfers in	4,409	92,581	292	—	24	97,306
Transfers out	(92,447)	—	(854)	—	(4,405)	(97,706)
Total other financing sources (uses)	(88,038)	92,581	(562)	3,458	(307)	7,132
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(7,402)	—	(707)	(19,864)	667	(27,306)
Fund balance – beginning	18,528	—	7,382	57,353	45,841	129,104
Fund balance – ending	\$ 11,126	—	6,675	37,489	46,508	101,798

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, 2003

Net change in fund balances – total governmental funds – page 16	\$	(27,306)
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 depreciation exceeded capital outlays in the current period.		(1,210)
The internal service fund is presented as part of the governmental activities		521
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,652)
Bond proceeds (\$7,861) and lease proceeds (\$26,990) 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 (\$51,608) 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 repayments exceeded proceeds.		16,757
Bonds issued at a discount use current financial resources to governmental funds, but increase the long-term liabilities in the statement of net assets. Bond issuance costs 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.		1,480
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.		(12,857)
Change in net assets of governmental activities – page 13	\$	<u>(26,267)</u>

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Net Assets – Proprietary Funds

June 30, 2003

(In thousands)

Assets	Enterprise funds			Total	Internal service
	Water Supply Board	PPBA	Non-Major Civic Center		
Current assets:					
Cash and investments	\$ 4,176	63,329	327	67,832	2,215
Restricted cash and investments	9,625	—	—	9,625	—
Receivables, net	12,240	1,520	1,027	14,787	3
Restricted receivables	888	268,415	—	269,303	—
Rentals receivable	—	—	—	—	—
Due from other funds	—	—	10	10	6,285
Inventories	1,258	—	—	1,258	—
Other assets	351	—	48	399	394
Total current assets	28,538	333,264	1,412	363,214	8,897
Noncurrent assets:					
Capital assets:					
Land	7,900	—	—	7,900	—
Buildings and improvements	53,510	—	18,706	72,216	—
Improvements other than buildings	140,326	—	—	140,326	—
Machinery and equipment	17,421	—	3,314	20,735	—
Construction in progress	16,834	—	92	16,926	—
	235,991	—	22,112	258,103	—
Less accumulated depreciation	(75,689)	—	(19,111)	(94,800)	—
Net capital assets	160,302	—	3,001	163,303	—
Other restricted noncurrent assets	3,401	—	2,749	6,150	—
Total assets	192,241	333,264	7,162	532,667	8,897
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	4,596	1,514	1,709	7,819	6,236
Deferred revenue	1,237	—	4,771	6,008	—
Due to other funds	2,442	—	2,841	5,283	1,000
Other	—	37,740	—	37,740	—
Current portion of long-term debt and capital leases	4,815	8,207	225	13,247	—
Amounts payable from restricted assets	2,604	—	—	2,604	—
Total current liabilities	15,694	47,461	9,546	72,701	7,236
Noncurrent liabilities:					
Loans payable	104	—	1,295	1,399	—
Revenue bonds	20,705	280,057	—	300,762	—
Capital leases	6,105	—	—	6,105	—
Total noncurrent liabilities	26,914	280,057	1,295	308,266	—
Total liabilities	42,608	327,518	10,841	380,967	7,236
Net Assets					
Invested in capital assets, net of related debt	128,573	—	1,481	130,054	—
Restricted	19,723	2,927	—	22,650	—
Unrestricted	1,337	2,819	(5,160)	(1,004)	1,661
Total net assets	\$ 149,633	5,746	(3,679)	151,700	1,661

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, 2003
(In thousands)

	Enterprise funds				Internal service
	Water Supply Board	PPBA	Non-Major Civic Center	Total	
Operating revenues:					
Charges for sales and services	\$ 45,177	—	3,666	48,843	55,427
Lease receipts	—	10,850	—	10,850	—
Employer withholdings	—	—	—	—	5,129
Other	—	—	493	493	111
Total operating revenues	<u>45,177</u>	<u>10,850</u>	<u>4,159</u>	<u>60,186</u>	<u>60,667</u>
Operating expenses:					
Cost of sales and services	17,326	1,265	5,810	24,401	—
Health claims	—	—	—	—	60,146
Administration	10,509	379	—	10,888	—
Depreciation	8,924	—	782	9,706	—
Total operating expenses	<u>36,759</u>	<u>1,644</u>	<u>6,592</u>	<u>44,995</u>	<u>60,146</u>
Operating income (loss)	<u>8,418</u>	<u>9,206</u>	<u>(2,433)</u>	<u>15,191</u>	<u>521</u>
Nonoperating revenues (expenses):					
Restricted	1,484	—	—	1,484	—
Investment earnings	347	826	6	1,179	—
Interest expense	(1,109)	(7,782)	(99)	(8,990)	—
Ticket surcharges	—	—	707	707	—
Total nonoperating revenues (expenses)	<u>722</u>	<u>(6,956)</u>	<u>614</u>	<u>(5,620)</u>	<u>—</u>
Income (loss) before contributions and transfers	9,140	2,250	(1,819)	9,571	521
Capital contributions	1,236	—	—	1,236	—
Transfers in	—	—	400	400	—
Change in net assets	<u>10,376</u>	<u>2,250</u>	<u>(1,419)</u>	<u>11,207</u>	<u>521</u>
Total net assets – beginning	<u>139,257</u>	<u>3,496</u>	<u>(2,260)</u>	<u>140,493</u>	<u>1,140</u>
Total net assets – ending	<u>\$ 149,633</u>	<u>5,746</u>	<u>(3,679)</u>	<u>151,700</u>	<u>1,661</u>

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Cash Flows – Proprietary Fund Type
Year ended June 30, 2003
(In thousands)

	Enterprise funds				Internal service
	Water Supply Board	PPBA	Non-Major Civic Center	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 48,520	14,372	4,433	67,325	61,972
Cash paid to vendors	(19,580)	(907)	(1,924)	(22,411)	(57,593)
Cash paid to employees	(15,288)	—	(3,704)	(18,992)	—
Other receipts	197	—	842	1,039	65
Net cash provided by (used in) operating activities	13,849	13,465	(353)	26,961	4,444
Cash flows from noncapital financing activities:					
Custodial assets	—	(127)	—	(127)	—
Operating transfers	—	—	400	400	—
Net cash provided (used) by noncapital financing activities	—	(127)	400	273	—
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(10,463)	(21,360)	(212)	(32,035)	—
Interest paid on debt	(179)	(7,691)	(99)	(7,969)	—
Proceeds of long-term debt	2,000	63,431	—	65,431	—
Repayment of long-term debt and capital leases	(5,862)	(7,290)	(517)	(13,669)	—
Ticket surcharge revenue	—	—	707	707	—
Capital grants	1,236	—	—	1,236	—
Net cash provided (used) by capital and related financing activities	(13,268)	27,090	(121)	13,701	—
Cash flows from investing activities:					
Purchase of investment securities	—	(2,313)	—	(2,313)	—
Proceeds from sale of investment securities	33	—	—	33	—
Investment income	292	919	6	1,217	—
Net cash provided (used) by investing activities	325	(1,394)	6	(1,063)	—
Increase (decrease) in cash and cash equivalents	906	39,034	(68)	39,872	4,444
Cash and cash equivalents, beginning of year	11,844	8,783	395	21,022	(2,229)
Cash and cash equivalents, end of year	12,750	47,817	327	60,894	2,215
Investments, end of year	1,051	15,512	—	16,563	—
Cash and investment on the balance sheet	\$ 13,801	63,329	327	77,457	2,215
Reconciliation of operating income to cash provided (used) by operating activities:					
Operating income (loss)	\$ 8,418	9,206	(2,433)	15,191	521
Non-cash items:					
Depreciation and amortization	8,924	—	782	9,706	—
Provision for bad debts	(18)	—	—	(18)	—
Changes in operating assets and liabilities:					
Accounts receivable	(2,450)	3,522	(286)	786	27
Other assets	38	—	(1)	37	(46)
Due (to) from other funds	—	—	768	768	1,389
Accounts payable	(1,098)	737	204	(157)	2,553
Other accrued liabilities	177	—	425	602	—
Deferred revenue	(142)	—	188	46	—
Net cash provided by (used in) operating activities	\$ 13,849	13,465	(353)	26,961	4,444

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2003

(In thousands)

Assets	Employee retirement plan	Private purpose trusts	Agency funds
Cash and cash equivalents	\$ 2,483	240	101
Receivables:			
Loans receivable	20,170	—	—
Other	274	2	—
Total receivables	<u>20,444</u>	<u>2</u>	<u>—</u>
Investments, at fair value:			
Corporate bonds	35,815	—	—
Corporate stocks	186,767	599	—
Other investments	5,224	—	—
Total investments	<u>227,806</u>	<u>599</u>	<u>—</u>
Due from other funds	33,529	—	275
Total assets	<u>284,262</u>	<u>841</u>	<u>376</u>
Liabilities			
Accounts payable	76	1	4
Amounts held for others	—	—	369
Due to other funds	65	—	3
Total liabilities	<u>141</u>	<u>1</u>	<u>376</u>
Net Assets			
Held in trust for pension benefits and other purposes	\$ <u>284,121</u>	<u>840</u>	

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, 2003

(In thousands)

	<u>Employee retirement plan</u>	<u>Private purpose trusts</u>
Additions:		
Contributions:		
Employer	\$ 33,765	—
Employees	9,589	11
Total contributions	<u>43,354</u>	<u>11</u>
Investment earnings:		
Net appreciation in the fair value of investments	(2,916)	33
Interest	4,589	5
Dividends	1,884	15
Total investment earnings	<u>3,557</u>	<u>53</u>
Less investment expenses	<u>1,594</u>	<u>5</u>
Net investment earnings	<u>1,963</u>	<u>48</u>
Total additions	<u>45,317</u>	<u>59</u>
Deductions:		
Benefits	53,690	107
Refunds of contributions	3,786	—
Administrative expenses	130	—
Total deductions	<u>57,606</u>	<u>107</u>
Change in net assets	(12,289)	(48)
Net assets, beginning of year	<u>296,410</u>	<u>888</u>
Net assets, end of year	<u>\$ 284,121</u>	<u>840</u>

See accompanying notes to basic financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(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 Building Authority*

The Providence Public Building 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, 2003

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 Civic 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 (\$2.4 million in 2003) and has relied on the City of Providence to subsidize operations through a general fund transfer of \$400,000 in 2003. 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

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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.

CITY OF PROVIDENCE, RHODE ISLAND

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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

CITY OF PROVIDENCE, RHODE ISLAND

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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.

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) *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). 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."

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(d) 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.

(e) 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 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.

(f) Investments

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

(g) 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.

(h) 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(i) *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.

(j) *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.

(k) *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.

Capital assets of the governmental activities are 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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

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Property, plant, and equipment of the business-type activities are 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.

(l) 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 long-term obligations in the government-wide and internal service fund financial statements. The accrual of \$6.2 million is based on the results of an actuarial study completed in January 2003.

(m) 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 2000 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

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The December 31, 2001 taxable assessments and the fiscal 2003 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	\$ 6,162,597	1,051,518	5,111,079	33.52	183,832
Tangible property	589,563	—	589,563	20.26	29,095
Stock in trade	47,134	—	47,134	21.71	2,171
Motor vehicle	232,132	1,152	230,980	13.02	17,735

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's governmental fund financial statements reflect 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.

(4) Receivables

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

	<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	\$ 84,181	—	—	—	—	—	84,181
Accounts	1,166	3,316	6,340	—	5,440	3	16,265
Loans	—	—	—	—	20,684	—	20,684
Intergovernmental	18,356	—	—	—	—	—	18,356
Gross receivables	103,703	3,316	6,340	—	26,124	3	139,486
Less allowance for uncollectibles	(47,003)	—	—	—	(6,371)	—	(53,374)
Net total receivables	\$ 56,700	3,316	6,340	—	19,753	3	86,112

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

June 30, 2003

(5) Capital Assets

The following is a summary of the activity of the City's capital assets for the year ended June 30, 2003 (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	447	—	57,182
Construction in progress	<u>43,129</u>	<u>40,779</u>	<u>43,129</u>	<u>40,779</u>
Total capital assets, not being depreciated	<u>99,864</u>	<u>41,226</u>	<u>43,129</u>	<u>97,961</u>
Capital assets, being depreciated:				
Buildings	123,743	49,945	—	173,688
Improvements other than buildings	9,633	2,069	—	11,702
Machinery and equipment	45,999	1,420	—	47,419
Infrastructure	250,509	5,752	—	256,261
Leased assets	<u>125,745</u>	<u>5,444</u>	<u>—</u>	<u>131,189</u>
Total capital assets being depreciated	<u>555,629</u>	<u>64,630</u>	<u>—</u>	<u>620,259</u>
Less accumulated depreciation for:				
Buildings	51,825	2,291	—	54,116
Improvements other than buildings	4,617	421	—	5,038
Machinery and equipment	33,407	4,672	—	38,079
Infrastructure	119,805	7,737	—	127,542
Leased assets	<u>19,037</u>	<u>2,593</u>	<u>—</u>	<u>21,630</u>
Total accumulated depreciation	<u>228,691</u>	<u>17,714</u>	<u>—</u>	<u>246,405</u>
Total capital assets, being depreciated, net	<u>326,938</u>	<u>46,916</u>	<u>—</u>	<u>373,854</u>
Governmental activities capital assets, net	<u>\$ 426,802</u>	<u>88,142</u>	<u>43,129</u>	<u>471,815</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

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. 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.

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities – Totals:				
Capital assets, not being depreciated:				
Land	\$ 7,887	13	—	7,900
Construction in progress	10,786	12,006	5,866	16,926
Other land improvements	18,682	—	—	18,682
Total capital assets, not being depreciated	<u>37,355</u>	<u>12,019</u>	<u>5,866</u>	<u>43,508</u>
Capital assets, being depreciated:				
Buildings and improvements	35,848	1,221	—	37,069
Improvements other than buildings	133,474	6,852	—	140,326
Machinery and equipment	20,076	659	—	20,735
Leased assets	16,465	—	—	16,465
Total capital assets being depreciated	<u>205,863</u>	<u>8,732</u>	<u>—</u>	<u>214,595</u>
Less accumulated depreciation for:				
Buildings and improvements	25,637	2,431	—	28,068
Improvements other than buildings	41,128	5,149	—	46,277
Machinery and equipment	13,443	1,391	—	14,834
Leased assets	4,886	735	—	5,621
Total accumulated depreciation	<u>85,094</u>	<u>9,706</u>	<u>—</u>	<u>94,800</u>
Total capital assets, being depreciated, net	<u>120,769</u>	<u>(974)</u>	<u>—</u>	<u>119,795</u>
Business-type activities capital assets, net	\$ <u>158,124</u>	<u>11,045</u>	<u>5,866</u>	<u>163,303</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities – Water:				
Supply board:				
Capital assets, not being depreciated:				
Land	\$ 7,887	13	—	7,900
Construction in progress	10,677	12,006	5,849	16,834
Other land improvements	18,682	—	—	18,682
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	37,246	12,019	5,845	43,416
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated:				
Buildings and improvements	17,212	1,151	—	18,363
Improvements other than buildings	133,474	6,852	—	140,326
Machinery and equipment	16,921	500	—	17,421
Leased assets	16,465	—	—	16,465
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	184,072	8,503	—	192,575
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Buildings and improvements	9,544	1,776	—	11,320
Improvements other than buildings	41,128	5,149	—	46,277
Machinery and equipment	11,207	1,264	—	12,471
Leased assets	4,886	735	—	5,621
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	66,765	8,924	—	75,689
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated, net	117,307	(421)	—	116,886
	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities capital assets, net	\$ 154,553	11,598	5,849	160,302
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:		
Executive, legislative, and judicial	\$	45
Finance		40
Public safety		1,304
Building inspection		13
Public works		8,146
Public lands and parks		811
Education, including leased asset depreciation		6,740
Other		615
		<hr/>
Total depreciation expense – governmental activities	\$	<u>17,714</u>
Business-type activities:		
Depreciation expense – Water Board	\$	8,924
Depreciation expense – Civic Center		782
		<hr/>
Total depreciation expense – business type activities	\$	<u>9,706</u>

(6) Interfund Accounts and Transfers

At June 30, 2003, 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	\$ 2,860	34,348
School	13,115	12,458
School Grants	1,803	4,502
Fiduciary Funds	33,804	68
Non-Major Governmental Funds	6,417	6,635
Water Board	—	2,442
Non-Major Enterprise Fund	10	2,841
Internal Service Fund	6,285	1,000
	<hr/>	<hr/>
	\$ <u>64,294</u>	<u>64,294</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

Amounts owed among funds result principally from timing of payments to the City's retirement system of \$33.5 million and payments to the City's health insurance fund of \$5.3 million. Both these amounts were paid subsequent to year end. All other amounts owed are expected to be paid within one year.

At June 30, 2003, 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>Non-Major enterprise</u>	<u>Non-Major governmental</u>
School operations	\$ (92,019)	92,019	—	—	—
School Grants	—	562	(562)	—	—
Other	4,381	—	—	—	(4,381)
Civic Center operations	(400)	—	—	400	—
	<u>\$ (88,038)</u>	<u>92,581</u>	<u>(562)</u>	<u>400</u>	<u>(4,381)</u>

The most significant transfer in fiscal 2003 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, 2003, the loans receivable were as follows (in thousands):

Section 108	\$ 4,500
UDAG	2,721
CDBG	8,704
Neighborhood Housing	4,720
Other	39
	<u>20,684</u>
Allowance for uncollectibles	<u>(6,371)</u>
Net loans	<u>\$ 14,313</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, 2003

(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):

	<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>
Bonds:						
General obligation:						
December 2001 – Series A	3.0-5.50%	\$ 37,000	—	—	37,000	1,030
Refunding Bonds 1992	5.00-5.80%	7,425	—	7,425	—	—
Refunding Bonds 1997	3.85-5.5%	14,705	—	1,715	12,990	1,695
May 1997 – Tax Exempt	4.75-7.5%	36,020	—	1,175	34,845	1,230
May 1997 – Taxable	7.5-8.0%	11,270	—	300	10,970	320
December 2001 – Taxable	3.98-5.78%	13,000	—	—	13,000	285
Judgment Bond	4.75-5.375%	6,560	—	315	6,245	330
Refunding Bonds 2001	3.0-5.5%	21,270	—	2,045	19,225	2,005
Refunding Bonds 2002	1.75-3.00%	—	7,820	1,755	6,065	1,570
		<u>147,250</u>	<u>7,820</u>	<u>14,730</u>	<u>140,340</u>	<u>8,465</u>
Providence redevelopment agency:						
Revenue Bond 1999 Series A	4.3-6.05%	66,750	—	1,305	65,445	1,360
		<u>66,750</u>	<u>—</u>	<u>1,305</u>	<u>65,445</u>	<u>1,360</u>
Special obligation tax increment bonds:						
Series A	5.7-7.65%	13,170	—	20	13,150	20
Series B	—	5,610	—	1,115	4,495	1,220
Series C	—	2,785	—	5	2,780	5
Series D	5.5-6.65%	10,475	—	200	10,275	205
		<u>32,040</u>	<u>—</u>	<u>1,340</u>	<u>30,700</u>	<u>1,450</u>
Total Bonds		<u>246,040</u>	<u>7,820</u>	<u>17,375</u>	<u>236,485</u>	<u>11,275</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

	<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%	1,508	—	62	1,446	62
Planning and development:						
Loans – Fleet Bank and other	Various	686	—	73	613	79
Section 108 Loans	Various	5,570	—	725	4,845	785
Total loans and notes		7,764	—	860	6,904	926
Total governmental activities		\$ 253,804	7,820	18,235	243,389	12,201

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(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%	\$ 5,925	—	320	5,605	340
Refunding Revenue Bonds – 1996						
Series A	3.5-5.4%	20,324	—	1,710	18,614	1,566
Revenue Bonds – 2001 Series A	3.25-5.125%	9,995	—	—	9,995	355
Revenue Bonds – 1996 Series B	5.4-6.5%	17,870	—	810	17,060	855
Revenue Bonds – 1997 Series A	4.3-6.5%	1,265	—	190	1,075	195
Revenue Bonds – 1998 Series A	3.85-5.10%	23,440	—	905	22,535	1,175
Revenue Bonds – 1999 Series A	4.1-5.5%	37,250	—	1,330	35,920	1,390
Revenue Bonds – 2000 Series A	5.5-6.25%	18,245	—	555	17,690	585
General Revenue Bond – 2000 Series B	5.20-7.75%	9,220	—	810	8,410	860
Qualified Zone Academy Bond – 2002	0.00%	—	1,216	—	1,216	198
Revenue Bonds, 2003 Series A	2.50 to 4.50%	—	31,000	—	31,000	—
Revenue Bonds, 2003 Series B	3.63 to 5.00%	—	31,000	—	31,000	—
		<u>143,534</u>	<u>63,216</u>	<u>6,630</u>	<u>200,120</u>	<u>7,519</u>
Water Board:						
Safe Drinking Water Bond (CWFA 94A)	6.0%	9,310	—	485	8,825	515
Safe Drinking Water Bond (CWFA FY2000)	3.1-3.8%	3,105	—	999	2,106	1,034
Safe Drinking Water Bond (CWFA FY2001)	3.1-3.8%	5,000	—	954	4,046	977
PPBA Revenue Bonds – 1996 Series A	6.0%	5,265	—	443	4,822	464
Note payable – Cranston	5.6%	214	—	58	156	51
Safe Drinking Water Bond (CWFA FY2002)	4.8%	2,500	—	117	2,383	91
Safe Drinking Water Bond (CWFA FY2003)	2.6%	—	2,000	—	2,000	395
		<u>25,394</u>	<u>2,000</u>	<u>3,056</u>	<u>24,338</u>	<u>3,527</u>
Civic Center:						
PPBA Revenue Bonds – 1998 Series A	3.85-5.10%	1,735	—	215	1,520	225
Total business-type activities		<u>\$ 170,663</u>	<u>65,216</u>	<u>9,901</u>	<u>225,978</u>	<u>11,271</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

The annual requirements to amortize the long-term bonds payable as of June 30, 2003 are as follows (in thousands):

	<u>Governmental activities</u>		<u>Water Supply Board</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2004	\$ 11,275	13,384	3,527	1,034
2005	11,535	12,875	3,638	936
2006	11,830	12,317	2,651	840
2007	12,195	11,679	2,699	735
2008 – 2012	58,335	49,116	7,505	2,392
2013 – 2017	54,665	31,508	3,534	590
2018 – 2022	38,760	16,481	784	70
2023 – 2027	29,815	7,169	—	—
2028 – 2032	8,075	703	—	—
	<u>\$ 236,485</u>	<u>155,232</u>	<u>24,338</u>	<u>6,597</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, 2003, the City had several notes outstanding relating to planning and development activities. These notes included \$4.8 million of Section 108 loans payable through 2013 with interest rates ranging from 3.82% to 7.18%.

The annual requirements to amortize these notes payable as of June 30, 2003 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>
2004	\$ 864	140
2005	923	116
2006	755	100
2007	803	90
2008-2012	1,709	284
2013-2017	404	30
	<u>\$ 5,458</u>	<u>760</u>

The City also has a note payable of \$1.4 million outstanding relating to the Fleet Skating Center. Payments on this note of approximately \$15,000 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(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. The annual requirements to amortize the debt payable at June 30, 2003 are as follows (in thousands):

	City		Water Supply Board		Civic Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:								
2004	\$ 7,519	9,386	464	229	225	68	8,208	9,683
2005	10,039	8,943	486	207	235	58	10,760	9,208
2006	10,503	8,484	509	183	245	46	11,257	8,713
2007	11,002	7,997	537	158	260	34	11,799	8,189
2008-2012	59,113	31,867	2,826	354	555	27	62,494	32,248
2013-2017	52,865	18,601	—	—	—	—	52,865	18,601
2018-2022	40,450	6,189	—	—	—	—	40,450	6,189
2023-2027	8,629	392	—	—	—	—	8,629	392
	<u>\$ 200,120</u>	<u>91,859</u>	<u>4,822</u>	<u>1,131</u>	<u>1,520</u>	<u>233</u>	<u>206,462</u>	<u>93,223</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.

(e) Noncurrent Liabilities

The following summarizes the activity for the City's other governmental noncurrent liabilities for the year ended June 30, 2003 (in thousands):

	June 30, 2002	Additions	Retirements	June 30, 2003
City:				
Health claims	\$ 3,683	62,699	60,146	6,236
Compensated absences	13,804	14,280	12,784	15,300
Net pension obligation	91,167	44,114	33,709	101,572
	<u>\$ 108,654</u>	<u>121,093</u>	<u>106,639</u>	<u>123,108</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(f) Refunding of Bonds

Defeased Debt – Current Year

The City issued \$7,820,000 to advance refund 1992 General Obligation Refunding Bonds with principal outstanding of \$7,425,000. 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 \$174,000 while the economic loss was \$436,000.

The Providence Redevelopment Agency (the PRA), a component unit of the City, issued \$20,820,000 of Certificates of Participation, a portion of which was used to refund the outstanding principal balance of the Series A 1994 Certificates of Participation. The proceeds used to refund the Series A 1994 Certificates 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 \$2.3 million while the economic loss was \$1.4 million.

Unamortized issuance costs at June 30, 2003 were \$4,530,000.

Defeased Debt - Prior Year

There are no bonds refunded “in-substance” defeasance in prior fiscal years and still outstanding at June 30, 2003.

(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 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 \$29.5 million and the current 3% debt limit of the City is \$179.4 million based on taxable property as of December 31, 2001, of approximately \$5.79 billion, leaving a remaining borrowing capacity of approximately \$149.9 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, 2003, the total outstanding debt of the City issued outside the 3% debt limit was \$110.9 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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

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>
2004	\$ 2,350	8,607
2005	2,353	8,085
2006	2,128	8,012
2007	2,030	5,588
2008 – 2012	10,150	15,240
2013 – 2017	6,090	9,187
2018 – 2022	—	9,183
2023 – 2027	—	2,864
Total minimum lease payments	\$ <u>25,101</u>	66,766
Less interest		<u>(16,643)</u>
Present value of minimum payments		\$ <u>50,123</u>

Minimum future lease payments under capital leases for the proprietary funds as of June 30, 2003, for each of the next five fiscal years and thereafter are as follows (in thousands):

	<u>Water Supply Board</u>
2004	\$ 1,632
2005	1,470
2006	1,269
2007	1,079
2008	1,070
2009 – 2013	<u>2,024</u>
Total minimum lease payments	8,544
Less interest	<u>1,153</u>
Present value of net minimum lease payments	\$ <u>7,391</u>

Sale-Leaseback

During fiscal 2000 and 2002, the City entered into sale-leaseback transactions involving certain street lights within the City. The transactions resulted in the City receiving a \$7.9 million in payments and committing to a future stream of lease payments. In addition, the City is also committed to a future series

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

of payments for the maintenance of the street lights. The future commitment for maintenance is as follows (in thousands):

2004	\$	272
2005		280
2006		288
2007		297
2008 – 2010		945
	\$	<u>2,082</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 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(11) Fund Equity

The following nonmajor funds had fund deficits as of June 30, 2003 (in thousands):

Governmental:		
WDO	\$	114
Skating Rink		595
Other		1,396
	\$	<u>2,105</u>
Enterprise:		
Civic Center	\$	<u>3,679</u>

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, 2003, are as follows (in thousands):

Capital projects	\$	37,489
Non-Major Governmental Funds:		
Reserved for loans		14,313
Reserved for debt service		120
	\$	<u>51,922</u>

The City has also designated \$900,000 of general fund equity. This amount will be appropriated in the fiscal 2004 budget.

The Water Supply Board has restricted net assets of \$19.7 million at June 30, 2003. 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 basic 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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

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. Investments that do not have an established market are reported at estimated fair value.

- *Plan Description and Contribution Information*

Membership of the ERS plan consisted of the following at June 30, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,826
Active plan members:	
Vested	1,625
Nonvested	1,473
	<hr/>
	5,924
	<hr/> <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 \$492,606 annually to amortize a deferred contribution from June 30, 1996. The City's contributions to the System for the years ended June 30, 2003, 2002 and 2001 were \$33,765, \$27,241 and \$23,872.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

- *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:

	<u>(In thousands)</u>	
Annual required contribution	\$	42,008
Interest on NPO		7,749
Amortization of NPO		<u>(5,643)</u>
Annual pension cost		44,114
Contributions made		<u>(33,709)</u>
Increase in net pension obligation		10,405
Net pension obligation, beginning of year		<u>91,167</u>
Net pension obligation, end of year	\$	<u><u>101,572</u></u>

The annual required contribution for the current year was determined as part of the June 30, 2003 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, 2003 was 27 years.

- (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, 2003, 2002 and 2001 were approximately \$9.8 million, \$7.6 million and \$8 million, respectively, and were equal to the required contributions for each year.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(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 pension cost charged to the general fund for these purposes amounted to \$1.3 million for the year ended June 30, 2003.

(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, 2003, the cost of retiree health care benefits recorded by the City amounted to \$13.2 million.

(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, 2003. 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).

	<u>Category</u> <u>1</u>	<u>Bank</u> <u>2</u>	<u>Carrying</u> <u>3</u>	<u>Bank</u> <u>balance</u>	<u>Carrying</u> <u>amount</u>
Demand deposits	\$ 8,044	—	118,618	126,662	179,011

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(b) Investments

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

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			Uncategorized	Total fair value
	1	2	3		
	(In thousands)				
US Government and agencies:					
Obligations	\$ —	20,640	—	—	20,640
Corporate bonds	—	34,278	—	—	34,278
Common stock	—	187,047	—	—	187,047
Other	—	1,800	—	—	1,800
Uncategorized:					
Pooled funds	—	—	—	13,318	13,318
Money market funds	—	—	—	5,392	5,392
	\$ —	243,765	—	18,710	262,475

The composition of the City's bank deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collection of state and federal aid and capital outlays throughout the year.

(16) Related Party Transactions

The City leases certain properties from the PPBA. The estimated future minimum lease payments required under these agreements 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Basic Financial Statements

June 30, 2003

(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.

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, 2003 and June 30, 2002 are as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Beginning of year	\$ 6,273	7,171
Incurred claims	65,574	54,753
Less payments of claims attributable to events of both the current and prior fiscal years:		
Health	(60,146)	(52,853)
Workers' compensation	(2,762)	(2,718)
Other	—	(80)
	<u>(62,908)</u>	<u>(55,651)</u>
End of year	\$ <u>8,939</u>	<u>6,273</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)
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	489.37%
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%
2002	340,550	867,457	526,907	39.26%	114,265	461.13%
2003	334,929	899,336	564,407	37.24%	115,015	490.72%

Schedule of Contributions from the City

Year ended June 30	Annual required contribution	Percentage contributed
1998	\$ 35,701	57.52%
1999	37,445	56.15%
2000	37,415	60.00%
2001	38,899	60.60%
2002	42,442	64.18%
2003	42,008	80.25%

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Aggregate entry age normal
Amortization method	Approximate level percent of payroll-open
Remaining amortization period	27 years (for original unfunded)
Asset valuation method	5-year moving average of market values
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	0% through 1999, 5% thereafter
Cost-of-living adjustments	3% to 6%

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures

Budget and Actual – General Fund

Year ended June 30, 2003

(In thousands)

Revenues and transfers	Original budget	Revised budget	Actual revenues	Actual (over) under budget
Taxes revenues:				
Property tax	\$ 181,017	181,017	181,222	(205)
Tangible tax	27,828	27,828	28,834	(1,006)
Excise tax	13,301	13,301	16,782	(3,481)
Tax reverted	100	100	—	100
Interest on overdue taxes	5,250	5,250	5,579	(329)
	<u>227,496</u>	<u>227,496</u>	<u>232,417</u>	<u>(4,921)</u>
Payments in lieu of taxes	13,975	13,975	17,000	(3,025)
Tax stabilization plans	7,746	7,746	7,746	—
State revenue	48,154	48,554	48,313	241
Fines	4,255	4,255	3,799	456
Rents	7,857	7,857	7,859	(2)
Investment interest	2,100	2,100	1,600	500
Miscellaneous	150	150	41	109
Executive, legislative, and judicial:				
City clerk	7	7	9	(2)
Law department	—	—	1	(1)
Probate court	233	233	215	18
Housing court	30	30	19	11
	<u>270</u>	<u>270</u>	<u>244</u>	<u>26</u>
Finance:				
Finance director	—	—	50	(50)
City controller	12	12	—	12
Data processing	240	240	224	16
City collector	375	375	368	7
City assessor	5	5	4	1
Treasury Department	—	—	2	(2)
Personnel	—	—	1	(1)
	<u>632</u>	<u>632</u>	<u>649</u>	<u>(17)</u>
Public safety:				
Commissioner of public safety	40	40	55	(15)
Police department	100	100	42	58
Fire department	300	300	309	(9)
Communications department	5	5	2	3
Traffic engineering	500	500	352	148
	<u>945</u>	<u>945</u>	<u>760</u>	<u>185</u>
Building inspection department:				
Building inspection administration	2,140	2,140	2,736	(596)
Zoning board of review	65	65	78	(13)
Building board of review	25	25	23	2
Utilities and standards	10	10	4	6
Building inspection prosecution	—	—	5	(5)
	<u>2,240</u>	<u>2,240</u>	<u>2,846</u>	<u>(606)</u>

See accompanying notes to required supplementary information.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures

Budget and Actual – General Fund

Year ended June 30, 2003

(In thousands)

Revenues and transfers	Original budget	Revised budget	Actual revenues	Actual (over) under budget
Public works:				
Environmental control	\$ 3	3	3	—
Highway	100	100	157	(57)
Sewer construction and maintenance	8	8	17	(9)
	<u>111</u>	<u>111</u>	<u>177</u>	<u>(66)</u>
Public lands and parks:				
Park programming	—	—	—	—
Other departments:				
Recorder of deeds	2,000	2,000	2,705	(705)
Vital statistics	320	320	355	(35)
Board of canvassers	—	—	4	(4)
Bureau of licenses	881	881	899	(18)
Civil defense preparedness	140	140	210	(70)
Reimbursement for replenishment	—	—	900	(900)
WSB reimbursement	806	806	768	38
JTPA/planning reimbursement	550	550	261	289
Retirement reimbursement	—	—	237	(237)
Room tax	475	475	502	(27)
Tax stabilization	—	—	98	(98)
School department master lease	1,193	1,193	1,209	(16)
RI hospital air rights	150	300	300	—
Parcel one - wasserman	400	400	400	—
Planning and urban development	—	—	8	(8)
	<u>6,915</u>	<u>7,065</u>	<u>8,856</u>	<u>(1,791)</u>
Attrition revenue	<u>2,000</u>	<u>2,000</u>	<u>1,074</u>	<u>926</u>
Transfers:				
Transfer from RI Zoological Society	325	325	151	174
Transfer from revolving funds	600	600	250	350
Transfer from parking tickets	600	600	1,110	(510)
Transfer from rescue runs	1,800	1,800	2,145	(345)
Transfer from fund equity	9,600	9,600	9,600	—
Transfer from police detail fund	550	550	901	(351)
Transfer from expendable trust	861	861	—	861
	<u>14,336</u>	<u>14,336</u>	<u>14,157</u>	<u>179</u>
Total revenues	\$ <u>339,182</u>	<u>339,732</u>	<u>347,538</u>	<u>(7,806)</u>

See accompanying notes to required supplementary information.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures

Budget and Actual – General Fund

Year ended June 30, 2003

(In thousands)

<u>Expenditures and transfers</u>	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual expenditures</u>	<u>Actual (over) under budget</u>
Executive, Legislative and Judicial:				
Mayor's Office	\$ 1,454	2,153	2,134	19
City Council	717	717	714	3
City Clerk	490	490	481	9
City Sergeant	41	41	40	1
Law Department	2,159	2,196	9,723	(7,527)
Municipal Court	496	496	556	(60)
Probate Court	234	234	225	9
Housing Court	233	233	241	(8)
City Council Contingencies	50	50	—	50
	<u>5,874</u>	<u>6,610</u>	<u>14,114</u>	<u>(7,504)</u>
Finance:				
Finance Director	655	707	627	80
City Controller	992	992	921	71
Employees Retirement Office	292	292	270	22
Data Processing	1,559	1,559	1,600	(41)
City Collector	1,724	1,724	1,738	(14)
City Assessor	1,096	1,096	1,097	(1)
Board of Tax Assessment Review	16	16	9	7
Treasury Department	257	257	235	22
Personnel	712	712	648	64
Heat, Light and Power	4,665	4,665	4,344	321
Employees Retirement System Contributions	27,385	27,385	27,301	84
Laborers Legal Fees	471	471	438	33
Laborers International Pension Contributions	1,350	1,350	1,350	—
Public Employees Health Services	681	681	359	322
Debt Service	23,775	23,211	23,426	(215)
Interest on Bonded Debt	18,824	18,824	17,678	1,146
FICA	3,650	3,650	3,649	1
Medical Insurance	29,691	29,691	31,629	(1,938)
Workers Compensation	1,220	1,220	1,166	54
Unemployment Compensation	95	395	518	(123)
Reserve for Anticipated Tax Abatements	500	500	87	413
	<u>119,610</u>	<u>119,398</u>	<u>119,090</u>	<u>308</u>
Public Safety:				
Commissioner of Public Safety	543	543	408	135
Police Department	37,379	37,379	37,061	318
Fire Department	35,686	35,686	35,898	(212)
Communications Department	5,565	5,565	5,657	(92)
Traffic Engineering	1,213	1,213	1,045	168
	<u>80,386</u>	<u>80,386</u>	<u>80,069</u>	<u>317</u>

See accompanying notes to required supplementary information.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual – General Fund

Year ended June 30, 2003

(In thousands)

<u>Expenditures and transfers</u>	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual expenditures</u>	<u>Actual (over) under budget</u>
Building Inspection Department:				
Building Inspection Administration	\$ 1,106	1,106	1,070	36
Structures and Zoning Division	493	493	465	28
Plumbing, Drainage, and Gas Piping Division	151	151	138	13
Electrical Installations Division	169	169	166	3
Mechanical Equipment and Installation Division	185	185	166	19
Zoning Board of Review	34	34	24	10
Building and Housing Board of Review	13	13	12	1
Building Inspection Code Enforcement	367	367	355	12
Building Inspection Prosecution	198	198	166	32
Utilities and standards	103	103	113	(10)
	<u>2,819</u>	<u>2,819</u>	<u>2,675</u>	<u>144</u>
Public Works:				
Public Works Administration	769	769	608	161
Engineering and Sanitation	314	314	283	31
Environmental Control	8,196	8,196	7,723	473
Highway	2,030	2,030	2,030	—
Bridge Maintenance	161	161	161	—
Snow Removal	825	825	1,075	(250)
Sewer Construction and Maintenance	409	409	384	25
Garage Maintenance and Equipment Repair	415	415	405	10
	<u>13,119</u>	<u>13,119</u>	<u>12,669</u>	<u>450</u>
Recreation:				
Recreation	1,261	1,286	1,327	(41)
Recreation Seasonal	784	784	806	(22)
	<u>2,045</u>	<u>2,070</u>	<u>2,133</u>	<u>(63)</u>
Public Lands and Parks:				
Grounds Maintenance Services	3,157	3,157	2,940	217
Forestry Services	819	819	720	99
Zoological Services	1,877	1,877	1,948	(71)
Park Environmental Services	551	551	641	(90)
Park Programming	596	596	542	54
Superintendent of Parks	1,570	1,570	1,589	(19)
North Burial Grounds	524	524	510	14
	<u>9,094</u>	<u>9,094</u>	<u>8,890</u>	<u>204</u>

See accompanying notes to required supplementary information.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenditures
Budget and Actual – General Fund

Year ended June 30, 2003

(In thousands)

<u>Expenditures and transfers</u>	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual expenditures</u>	<u>Actual (over) under budget</u>
Other Departments:				
Recorder of Deeds	\$ 376	376	426	(50)
Vital Statistics	202	202	195	7
Board of Canvassers	596	596	564	32
Bureau of Licenses	384	384	385	(1)
Human Relations	320	320	292	28
Civil Defense Preparedness	214	214	366	(152)
Planning and Urban Development	2,647	2,647	2,405	242
Administration to City Council	407	407	521	(114)
Internal Auditor	185	185	35	150
Providence Review Commission	—	—	—	—
Archives	125	125	108	17
Mayors Council on Drug and Alcohol Abuse	220	220	205	15
Department of Human Services	—	—	—	—
General Public Assistance	10	10	—	10
Providence Housing Authority	40	40	40	—
League of Cities	8	8	8	—
Public celebrations	10	10	5	5
	<u>5,744</u>	<u>5,744</u>	<u>5,555</u>	<u>189</u>
Grants:				
Providence Public Library	3,000	3,000	3,000	—
Rhode Island Historical Society	9	9	9	—
Capital Center	40	40	50	(10)
Providence Plan Commission	150	150	150	—
Providence Center	270	270	270	—
Mary E. Sharpe tree fund	25	25	25	—
Community activities	269	269	263	6
Civic center	400	400	400	—
P.E.R.A.	—	58	58	—
Community centers	355	355	343	12
	<u>4,518</u>	<u>4,576</u>	<u>4,568</u>	<u>8</u>
Public properties	<u>3,661</u>	<u>3,661</u>	<u>3,187</u>	<u>474</u>
Purchasing	<u>395</u>	<u>395</u>	<u>368</u>	<u>27</u>
Transfers:				
Transfer to School Department	<u>91,695</u>	<u>91,695</u>	<u>91,757</u>	<u>(62)</u>
	<u>91,695</u>	<u>91,695</u>	<u>91,757</u>	<u>(62)</u>
Total expenditures	\$ <u>338,960</u>	<u>339,567</u>	<u>345,075</u>	<u>(5,508)</u>

See accompanying notes to required supplementary information.

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information

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

Year ended June 30, 2003

(In thousands)

	<u>Budget(1)</u>	<u>Actual</u>	<u>Actual (over) under budget</u>
Revenues:			
Federal and state revenue	\$ 177,081	176,789	292
Other revenue	640	827	(187)
Operating transfers from other funds	91,695	92,581	(886)
Master lease proceeds	—	849	(849)
Total revenues	<u>269,416</u>	<u>271,046</u>	<u>(1,630)</u>
Expenditures:			
Education	<u>269,416</u>	<u>271,046</u>	<u>(1,630)</u>
Excess revenue over expenditures	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ —</u>	<u>—</u>	<u>—</u>

(1) No changes were made to the original budget amounts during fiscal 2003.

See accompanying notes to required supplementary information.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Required Supplementary Information

June 30, 2003

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:	\$ 347,538	271,046
Reclassification of:		
Transfers	(4,409)	(92,581)
PPBA payments recorded at gross	1,261	—
Lease receipts used for debt service	(9,064)	(849)
Attrition 'revenue'	(1,075)	—
Retirement reimbursements	(498)	—
Budget surplus FY02	(9,600)	—
Total revenues per financial statements	<u>\$ 324,153</u>	<u>177,616</u>
Total expenditures and transfers per schedule:	\$ 345,075	271,046
Reclassification of:		
Transfers	(91,757)	—
PPBA payments recorded at gross	1,261	—
Lease receipts used for debt service	(9,064)	(849)
Attrition 'revenue'	(1,075)	—
Other transfers	(425)	—
Retirement reimbursements	(498)	—
Total expenditures per financial statements	<u>\$ 243,517</u>	<u>270,197</u>

CITY OF PROVIDENCE, RHODE ISLAND
 Combining Balance Sheet -- Non-Major Governmental Funds
 June 30, 2003
 (in thousands)

Assets	Special Revenue Funds							Permanent Trust	Total	
	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other	Skating Rink			WDO
Cash and investments	\$ 232	384	4,049	12,229	162	3,251	1	(212)	18,393	38,489
Receivables (net):										
Loans	4,489	39	9,785	—	—	—	—	—	—	14,313
Other	275	126	44	—	—	4,273	174	548	—	5,440
Due from other funds	—	3,494	1,829	2	—	1,082	—	—	10	6,417
Other assets	—	—	—	—	—	—	—	—	46	46
Total assets	\$ 4,996	4,043	15,707	12,231	162	8,606	175	336	18,449	64,705
Liabilities and Fund Balances										
Liabilities:										
Warrants and accounts payable	\$ 38	701	1	18	6	203	160	351	55	1,533
Accrued liabilities	—	1	5	500	112	2,007	—	60	26	2,711
Deferred revenue	—	—	196	—	—	4,951	—	—	—	5,147
Due to other funds	—	391	3,500	1,375	8	699	610	25	27	6,635
Due to other governments	15	—	—	—	—	—	—	14	—	29
Bond anticipation notes payable	—	—	—	—	—	2,142	—	—	—	2,142
Total liabilities	53	1,093	3,702	1,893	126	10,002	770	450	108	18,197
Fund Balances:										
Reserved for:										
Debt service	—	—	—	—	—	—	120	—	—	120
Loans	4,489	39	—	9,785	—	—	—	—	—	14,313
Unreserved:										
Permanent fund	—	—	—	—	—	—	—	—	18,048	18,048
Undesignated	454	2,911	12,005	553	36	(1,396)	(715)	(114)	293	14,027
Total fund balances	4,943	2,950	12,005	10,338	36	(1,396)	(595)	(114)	18,341	46,508
Total liabilities and fund balances	\$ 4,996	4,043	15,707	12,231	162	8,606	175	336	18,449	64,705

See accompanying 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, 2003

(In thousands)

	Special Revenue Funds							Permanent Trust	Total	
	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other	Skating Rink			WDO
Revenues:										
Departmental	\$ —	—	—	—	—	8,575	327	—	2,911	11,813
Intergovernmental	775	10,081	532	13	806	1,652	—	4,444	537	18,840
Sale of real estate	—	—	—	83	—	—	—	—	—	83
Investment income	23	—	633	4,198	—	—	3	—	1,287	6,144
Other	—	665	121	66	—	—	7	—	—	859
Total revenues	798	10,746	1,286	4,360	806	10,227	337	4,444	4,735	37,739
Expenditures:										
Current:										
Executive, legislative, and judicial	—	—	—	—	—	449	—	—	94	543
Finance	—	—	—	—	—	1,555	—	4,633	78	6,266
Public safety	—	—	—	—	—	4,535	—	—	311	4,846
Recreation	—	—	—	—	—	519	—	—	—	519
Public lands and parks	—	—	—	—	—	198	512	—	351	1,061
Capital outlay	—	—	—	—	—	—	—	33	—	33
Debt service	—	—	939	3,340	—	—	—	—	—	4,279
Community development	17	9,263	—	9,332	606	—	—	—	—	19,218
Total expenditures	17	9,263	939	12,672	606	7,256	512	4,666	834	36,765
Excess (deficiency)	781	1,483	347	(8,312)	200	2,971	(175)	(222)	3,901	974
Other financing sources (uses):										
Proceeds of debt and capital leases	—	—	—	23,655	—	—	—	—	—	23,655
Payments to escrow agent	—	—	—	(19,581)	—	—	—	—	—	(19,581)
Operating transfers in	—	—	—	—	—	24	—	—	—	24
Operating transfers out	—	—	—	—	—	(4,405)	—	—	—	(4,405)
Total other financing sources (uses)	—	—	—	4,074	—	(4,381)	—	—	—	(307)
Excess (deficiency)	781	1,483	347	(4,238)	200	(1,410)	(175)	(222)	3,901	667
Fund balance – beginning	4,162	1,467	11,658	14,576	(164)	14	(420)	108	14,440	45,841
Fund balance – ending	\$ 4,943	2,950	12,005	10,338	36	(1,396)	(595)	(114)	18,341	46,508

See accompanying independent auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

School Grants Fund

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

June 30, 2003

(In thousands)

Assets	Title I	Title IV	Miscellaneous programs	Special education	Bilingual	State reimbursable	Indirect cost	School lunch	Total
Cash and short-term investments	\$ 1,380	69	2,033	(162)	23	2,733	429	410	6,915
Receivables:									
Other governments	—	—	—	—	—	—	—	—	—
Other	1,089	57	1,496	866	75	3	—	2,754	6,340
Due from other funds	(1,206)	(6)	92	(465)	(34)	3,120	299	3	1,803
Other assets	—	—	—	—	—	—	—	—	—
Total assets	\$ 1,263	120	3,621	239	64	5,856	728	3,167	15,058
Liabilities and Fund Balances									
Accounts payable	\$ 500	100	886	67	11	71	—	2,015	3,650
Due to:									
Other funds	866	9	1,327	88	3	506	638	1,065	4,502
Other governments	77	14	62	76	—	1	1	—	231
Total liabilities	1,443	123	2,275	231	14	578	639	3,080	8,383
Fund balance (deficit):									
Unreserved	(180)	(3)	1,346	8	50	5,278	89	87	6,675
	(180)	(3)	1,346	8	50	5,278	89	87	6,675
Total liabilities and fund balance	\$ 1,263	120	3,621	239	64	5,856	728	3,167	15,058

See accompanying 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, 2003

(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	\$ 10,539	583	6,872	3,097	105	5,535	—	9,591	36,322
Miscellaneous	—	—	762	—	—	—	—	1,201	1,963
Total revenues	10,539	583	7,634	3,097	105	5,535	—	10,792	38,285
Expenditures:									
Personnel services	6,615	—	4,994	1,809	64	796	—	656	14,934
Employee benefits	4,421	—	1,148	586	10	291	—	76	6,532
Other supplies	—	—	—	539	—	—	—	—	539
Equipment	522	—	270	1	—	7	—	34	834
Miscellaneous services	550	519	1,516	—	6	155	—	144	2,890
Other services	5	—	—	—	—	16	—	10,341	10,362
Security	—	—	—	—	—	—	—	—	—
Pupil transportation	92	—	30	5	2	92	—	—	221
Repairs	—	—	453	—	—	—	—	4	457
School activities	—	—	—	—	—	—	—	—	—
Office supplies	60	—	347	4	—	2	—	—	413
Education supplies	—	49	218	1	—	121	—	—	389
Textbooks	700	—	—	74	22	63	—	—	859
Utilities and fuel	—	—	—	—	—	—	—	—	—
Total expenditures	12,965	568	8,976	3,019	104	1,543	—	11,255	38,430
Other financing sources (uses):									
Transfers among grants	(326)	(15)	129	(78)	(2)	—	292	—	—
Transfers (to) from other funds	—	—	—	—	—	—	(562)	—	(562)
Total other financing sources (uses)	(326)	(15)	129	(78)	(2)	—	(270)	—	(562)
Excess revenues and other financing sources over (under) expenditures	(2,752)	—	(1,213)	—	(1)	3,992	(270)	(463)	(707)
Fund balance at June 30, 2002	2,572	(3)	2,559	8	51	1,286	359	550	7,382
Fund balance at June 30, 2003	\$ (180)	(3)	1,346	8	50	5,278	89	87	6,675

See accompanying independent auditors' report.