



CITY OF PROVIDENCE, RHODE ISLAND

**General Purpose Financial Statements and
Required Supplementary and Other Financial Information**

Year ended June 30, 1999

(With Independent Auditors' Report Thereon)

IN CITY COUNCIL
FEB 17 2000
READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.
Michael S. Clement **CLERK**

CITY OF PROVIDENCE, RHODE ISLAND

Table of Contents

| | Page |
|--|-------------|
| Independent Auditors' Report | 1 - 2 |
| General Purpose Financial Statements: | |
| Combined Balance Sheet - All Fund Types and Account Groups | 3 - 4 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types and Expendable Trust Funds | 5 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and School Fund | 6 |
| Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds | 7 |
| Statement of Changes in Plan Net Assets - Pension Trust Fund | 8 |
| Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds | 9 |
| Notes to General Purpose Financial Statements | 10 - 34 |
| Required Supplementary Information: | |
| Year 2000 | 35 |
| Employee's Retirement System | 36 |
| Combining Fund Financial Statements: | |
| Special Revenue Funds: | |
| Combining Balance Sheet | 37 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) | 38 - 39 |
| Enterprise Funds: | |
| Combining Balance Sheet | 40 |
| Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) | 41 |
| Combining Statement of Cash Flows | 42 |

CITY OF PROVIDENCE, RHODE ISLAND

Table of Contents
(Continued)

| | Page |
|---|-------------|
| Fiduciary Funds: | |
| Combining Balance Sheet | 43 |
| Other Financial Information: | |
| Schedule of Expenditures and Transfers - Budget and Actual - General Fund | 44 - 46 |
| Schedule of Long-Term Bonds and Notes Payable | 47 |
| Schedule of Property Taxes Receivable | 48 |



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

Independent Auditors' Report

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island (the "City"), as of and for the year ended June 30, 1999, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain entities and accounts that aggregate the following percentages of total assets and revenues of the respective fund types and account groups:

| <u>Fund type/account group</u> | <u>Percentage of</u> | |
|--------------------------------|----------------------|-----------------------|
| | <u>Total assets</u> | <u>Total revenues</u> |
| Special Revenue | 19% | 4% |
| Capital Projects | 19% | 27% |
| General Fixed Assets | 37% | — |
| General Long-term Obligations | 26% | — |

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for those entities and accounts, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Providence, Rhode Island as of June 30, 1999, and the results of its operations and cash flows of its proprietary and nonexpendable trust fund types for the year then ended, in conformity with generally accepted accounting principles.





In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 31, 1999 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

The schedules of funding progress and employer contributions and the year 2000 information on pages 34 and 33, respectively, are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employer contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. We were unable to apply certain of these limited procedures to the year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and other financial information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Providence, Rhode Island. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

During the year ended June 30, 1999, the City adopted Governmental Accounting Standards Board Statements No. 32, *Accounting and Financial Reporting for Internal Revenue Code, Section 457, Deferred Compensation Plans*.

The accompanying financial statements and supplementary financial information have been prepared assuming that the Providence Civic Center Authority will continue as a going concern. As discussed in note 1 to the financial statements, the Authority has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. The financial statements and supplementary financial information did not include any adjustments that might result from the outcome of this uncertainty.

KPMG LLP

December 31, 1999

CITY OF PROVIDENCE, RHODE ISLAND

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999
(in thousands)

| Assets | Governmental fund types | | | Proprietary fund types | | Fiduciary fund types | Account groups | | Total (memorandum only) |
|--|-------------------------|-----------------|------------------|------------------------|------------------|----------------------|-------------------------------|----------------------|-------------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Trust and Agency | General Long-term Obligations | General Fixed Assets | |
| | | | | | | | | | |
| Cash and cash equivalents (note 16) | \$ 10,774 | 23,787 | 26,116 | 436 | 814 | 7,770 | — | — | 69,697 |
| Restricted assets (note 11) | | | | | | | | | |
| Cash and cash equivalents (note 16) | — | 22 | — | 378 | — | — | — | — | 400 |
| Other assets | — | — | — | 6,882 | — | — | — | — | 6,882 |
| Investments (note 16) | — | 8,229 | 1 | — | — | 317,074 | — | — | 325,304 |
| Receivables: | | | | | | | | | |
| Taxes (net of allowances for uncollectible amounts of \$35,045) | 57,056 | — | — | — | — | — | — | — | 57,056 |
| Unbilled water charges | — | — | — | 3,802 | — | — | — | — | 3,802 |
| Other (net of allowance for uncollectible amounts) | 903 | 4,571 | — | 7,904 | — | — | — | — | 13,378 |
| Due from: | | | | | | | | | |
| Other funds (note 6) | 4,966 | 10,558 | 729 | 186 | 3,381 | 18,669 | — | — | 38,489 |
| Other governments | 20,300 | 4,126 | — | — | 131 | — | — | — | 24,557 |
| Notes due from Water Supply Board (note 18) | 403 | — | — | — | — | — | — | — | 403 |
| Loans receivable, net (note 7) | — | 19,342 | — | — | — | 16,761 | — | — | 36,103 |
| Inventory | — | — | — | 406 | — | — | — | — | 406 |
| Property, plant and equipment (net of accumulated depreciation) (note 5) | — | — | — | 140,257 | — | — | — | 313,035 | 453,292 |
| Amount to be provided for retirement of long-term obligations | — | — | — | — | — | — | 360,050 | — | 360,050 |
| Other assets | 1,000 | 1,116 | — | 471 | 1 | 12,180 | — | — | 14,768 |
| | <u>\$ 95,402</u> | <u>71,751</u> | <u>26,846</u> | <u>160,722</u> | <u>4,327</u> | <u>372,454</u> | <u>360,050</u> | <u>313,035</u> | <u>1,404,587</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999
(in thousands)

| Liabilities and Fund Equity | Governmental fund types | | | Proprietary fund types | | Fiduciary fund types | Account groups | | Total (memorandum only) |
|---|-------------------------|-----------------|------------------|------------------------|------------------|----------------------|-----------------------|----------------|-------------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Trust and Agency | General | General | |
| | | | | | | | Long-term Obligations | Fixed Assets | |
| Liabilities: | | | | | | | | | |
| Bank overdraft | \$ — | 2,345 | — | 2,381 | — | — | — | — | 4,726 |
| Accounts payable | 3,702 | 6,603 | 909 | 4,830 | 695 | 237 | — | — | 16,976 |
| Accrued expenditures | 7,707 | — | 705 | — | — | 4 | — | — | 8,416 |
| Accrued legal contingencies | 467 | — | — | — | — | — | — | — | 467 |
| Amounts held for others | — | — | — | 863 | — | 459 | — | — | 1,322 |
| Liabilities payable from restricted assets (note 11) | — | — | — | 1,232 | — | — | — | — | 1,232 |
| Due to: | | | | | | | | | |
| Other funds (note 6) | 23,479 | 10,607 | 2 | 2,843 | — | 1,558 | — | — | 38,489 |
| Other governments | 25 | 259 | — | — | — | 11 | — | — | 295 |
| Interfund note payable | — | — | — | 403 | — | — | — | — | 403 |
| Deferred revenues | 54,376 | 8,380 | 729 | 1,086 | — | 7,672 | — | — | 72,243 |
| Bonds, loans and notes payable (note 8) | — | 8,022 | — | 22,396 | — | — | 259,182 | — | 289,600 |
| Unpaid pension contributions | — | — | — | — | — | — | 43,794 | — | 43,794 |
| Other liabilities | — | 2,631 | — | 5,567 | 6,981 | — | 29,021 | — | 44,200 |
| Obligation under capital leases (notes 9) | — | — | — | 11,811 | — | — | 28,053 | — | 39,864 |
| | <u>89,756</u> | <u>38,847</u> | <u>2,345</u> | <u>53,412</u> | <u>7,676</u> | <u>9,941</u> | <u>360,050</u> | <u>—</u> | <u>562,027</u> |
| Fund equity: | | | | | | | | | |
| Investment in general fixed assets | — | — | — | — | — | — | — | 313,035 | 313,035 |
| Contributed capital (note 19) | — | — | — | 62,961 | — | — | — | — | 62,961 |
| Retained earnings: | | | | | | | | | |
| Reserved | — | — | — | 3,639 | — | — | — | — | 3,639 |
| Unreserved | — | — | — | 40,710 | — | — | — | — | 40,710 |
| Fund balance (deficit) (note 12): | | | | | | | | | |
| Reserved | 403 | 33,848 | — | — | — | 345,528 | — | — | 379,779 |
| Unreserved: | | | | | | | | | |
| Undesignated | 5,243 | (944) | 24,501 | — | (3,349) | 16,985 | — | — | 42,436 |
| Total fund equity and other credits | <u>5,646</u> | <u>32,904</u> | <u>24,501</u> | <u>107,310</u> | <u>(3,349)</u> | <u>362,513</u> | <u>—</u> | <u>313,035</u> | <u>842,560</u> |
| Commitments and contingent liabilities (note 13, 15 and 22) | | | | | | | | | |
| | <u>\$ 95,402</u> | <u>71,751</u> | <u>26,846</u> | <u>160,722</u> | <u>4,327</u> | <u>372,454</u> | <u>360,050</u> | <u>313,035</u> | <u>1,404,587</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 1999
(in thousands)

| | Governmental fund types | | | Fiduciary | Total (memorandum only) |
|--|-------------------------|--------------------|---------------------|----------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | Expendable Trusts | |
| Revenues: | | | | | |
| Taxes (note 3) | \$ 192,301 | — | — | — | 192,301 |
| Departmental revenue | 3,629 | — | — | 27 | 3,656 |
| Federal and state grants and reimbursements | 32,738 | 168,212 | 615 | — | 201,565 |
| Sale of real estate | — | 555 | — | 3,500 | 4,055 |
| Investment and rental income | 5,684 | 8,845 | 2,028 | 1,301 | 17,858 |
| Fines and forfeitures | 2,873 | — | — | — | 2,873 |
| Other | 18,368 | 14,867 | 79 | 1,479 | 34,793 |
| Total revenues | 255,593 | 192,479 | 2,722 | 6,307 | 457,101 |
| Expenditures: | | | | | |
| Executive, legislative, and judicial | 4,630 | — | — | — | 4,630 |
| Finance | 62,437 | — | — | — | 62,437 |
| Public safety | 72,384 | — | — | — | 72,384 |
| Building inspection | 2,390 | — | — | — | 2,390 |
| Public works | 10,148 | — | — | — | 10,148 |
| Recreation | 1,412 | — | — | — | 1,412 |
| Public lands and parks | 7,465 | — | — | — | 7,465 |
| Education | — | 224,414 | — | — | 224,414 |
| Other departments | 4,460 | 5,785 | — | — | 10,245 |
| Welfare | 528 | — | — | — | 528 |
| Grants | 3,404 | — | — | — | 3,404 |
| Public properties | 2,515 | — | — | — | 2,515 |
| Other | 432 | 16,779 | 215 | 2,916 | 20,342 |
| Capital outlays | — | 3,829 | 19,709 | — | 23,538 |
| Program expenditures | — | — | 22,394 | — | 22,394 |
| Debt service | — | 13,653 | — | — | 13,653 |
| Total expenditures | 172,205 | 264,460 | 42,318 | 2,916 | 481,899 |
| Excess (deficiency) of revenues over expenditures | 83,388 | (71,981) | (39,596) | 3,391 | (24,798) |
| Other financing sources (uses): | | | | | |
| Operating transfers (to) from other funds (note 20) | (83,473) | 62,364 | (1,001) | (3,561) | (25,671) |
| Transfers (to) from other governments | 218 | (20) | — | — | 198 |
| Donations received (note 21) | — | 1,453 | — | — | 1,453 |
| Proceeds of bonds and leases issued, net | — | 7,420 | 3,004 | — | 10,424 |
| | (83,255) | 71,217 | 2,003 | (3,561) | (13,596) |
| Revenues and other financing sources over (under) expenditures and other financing uses | 133 | (764) | (37,593) | (170) | (38,394) |
| Fund balance, beginning of year | 5,513 | 33,668 | 62,094 | 16,859 | 118,134 |
| Fund balance, end of year | \$ 5,646 | 32,904 | 24,501 | 16,689 | 79,740 |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE RHODE ISLAND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund and School Fund

Year ended June 30, 1999
(in thousands)

| | General fund | | | School fund | | |
|--|----------------|----------------|----------------------------------|----------------|----------------|----------------------------------|
| | Revised budget | Actual | Variance favorable (unfavorable) | Revised budget | Actual | Variance favorable (unfavorable) |
| Revenues: | | | | | | |
| Taxes (note 3) | \$ 193,549 | 192,301 | (1,248) | — | — | — |
| Federal and state revenue | 30,670 | 32,738 | 2,068 | 125,051 | 123,893 | (1,158) |
| Fines and forfeits | 3,625 | 2,873 | (752) | — | — | — |
| Investment and rental income | 4,305 | 5,684 | 1,379 | — | — | — |
| Departmental | 5,692 | 3,629 | (2,063) | — | — | — |
| Other revenue | 18,213 | 18,368 | 155 | 634 | 99 | (535) |
| Total revenue | <u>256,054</u> | <u>255,593</u> | <u>(461)</u> | <u>125,685</u> | <u>123,992</u> | <u>(1,693)</u> |
| Other financing sources: | | | | | | |
| Operating transfers from other funds | 1,825 | 9,643 | 7,818 | 68,574 | 76,939 | 8,365 |
| Operating transfers from other governments | — | 218 | 218 | — | — | — |
| Total revenues and other financing sources | <u>257,879</u> | <u>265,454</u> | <u>7,575</u> | <u>194,259</u> | <u>200,931</u> | <u>6,672</u> |
| Expenditures: | | | | | | |
| Executive, legislative, and judicial | 5,130 | 4,630 | 500 | — | — | — |
| Finance and administration | 83,065 | 62,437 | 20,628 | — | — | — |
| Public safety | 60,951 | 72,384 | (11,433) | — | — | — |
| Education | — | — | — | 194,259 | 191,471 | 2,788 |
| Building inspection | 2,584 | 2,390 | 194 | — | — | — |
| Public works | 10,373 | 10,148 | 225 | — | — | — |
| Recreation | 1,436 | 1,412 | 24 | — | — | — |
| Public lands and parks | 7,486 | 7,465 | 21 | — | — | — |
| Other departments | 4,711 | 4,460 | 251 | — | — | — |
| Welfare | 432 | 528 | (96) | — | — | — |
| Commissions | 3,404 | 3,404 | — | — | — | — |
| Public properties | 3,146 | 2,515 | 631 | — | — | — |
| Purchasing | 397 | 373 | 24 | — | — | — |
| Public celebrations | 10 | 5 | 5 | — | — | — |
| Other | 58 | 54 | 4 | — | — | — |
| Total expenditures | <u>183,183</u> | <u>172,205</u> | <u>10,978</u> | <u>194,259</u> | <u>191,471</u> | <u>2,788</u> |
| Other financing uses: | | | | | | |
| Transfer to other funds | 74,696 | 93,116 | (18,420) | — | 9,460 | (9,460) |
| Total expenditures and other financing uses | <u>257,879</u> | <u>265,321</u> | <u>(7,442)</u> | <u>194,259</u> | <u>200,931</u> | <u>(6,672)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>—</u> | <u>133</u> | <u>133</u> | <u>—</u> | <u>—</u> | <u>—</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund
Types and Similar Trust Funds

Year ended June 30, 1999
(in thousands)

| | Proprietary fund types | | Fiduciary fund types | Total (memorandum only) |
|--|---------------------------|---------------------|-------------------------|-------------------------------|
| | Enterprise | Internal Service | Nonexpendable Trusts | |
| Operating revenues: | | | | |
| Arena rent and concession income | \$ 4,100 | — | — | 4,100 |
| Water sales | 34,906 | — | — | 34,906 |
| Maintenance and other charges | 803 | — | — | 803 |
| Employee withholdings | — | 3,562 | — | 3,562 |
| Total operating revenues | <u>39,809</u> | <u>3,562</u> | <u>—</u> | <u>43,371</u> |
| Operating expenses: | | | | |
| Wages and benefits | 3,212 | — | — | 3,212 |
| Operations | 4,655 | — | — | 4,655 |
| Charges by other City departments (note 18) | 659 | — | — | 659 |
| Administrative and general | 10,554 | — | — | 10,554 |
| Property taxes - other local governments | 4,069 | — | — | 4,069 |
| Depreciation and amortization | 4,761 | — | — | 4,761 |
| Health claims | — | 30,289 | — | 30,289 |
| Customer accounts | 1,025 | — | — | 1,025 |
| Other | 903 | — | — | 903 |
| Total operating expenses | <u>29,838</u> | <u>30,289</u> | <u>—</u> | <u>60,127</u> |
| Operating income (loss) | <u>9,971</u> | <u>(26,727)</u> | <u>—</u> | <u>(16,756)</u> |
| Nonoperating revenues (expenses): | | | | |
| Water quality protection charge (note 11) | 1,940 | — | — | 1,940 |
| Water quality protection expense | (568) | — | — | (568) |
| Ticket surcharge revenue (note 11) | 704 | — | — | 704 |
| Interest expense, net | (1,636) | — | — | (1,636) |
| Interest income | 1,133 | — | — | 1,133 |
| Total nonoperating revenues (expenses) | <u>1,573</u> | <u>—</u> | <u>—</u> | <u>1,573</u> |
| Net income (loss) | 11,544 | (26,727) | — | (15,183) |
| Add: depreciation on contributed fixed assets | 431 | — | — | 431 |
| Operating transfer from (to) other funds (note 20) | (957) | 25,371 | — | 24,414 |
| Transfer from other governments | — | 294 | — | 294 |
| Increase (decrease) in retained earnings/fund balance | <u>11,018</u> | <u>(1,062)</u> | <u>—</u> | <u>9,956</u> |
| Retained earnings/fund balance (deficit), beginning of year | <u>33,331</u> | <u>(2,287)</u> | <u>296</u> | <u>31,340</u> |
| Retained earnings/fund balance (deficit), end of year | <u>\$ 44,349</u> | <u>(3,349)</u> | <u>296</u> | <u>41,296</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Changes in Plan Net Assets - Pension Trust Fund

Year ended June 30, 1999
(in thousands)

Additions:

Contributions:

| | |
|---------------------|---------------|
| Employer | \$ 20,735 |
| Employee | <u>8,206</u> |
| Total contributions | <u>28,941</u> |

Investment income:

| | |
|--|---------------|
| Realized and unrealized gains on investments | 9,854 |
| Interest | <u>11,011</u> |
| Total investment income | <u>20,865</u> |

Total additions 49,806

Deductions:

| | |
|------------------|---------------|
| Benefits | <u>48,869</u> |
| Total deductions | <u>48,869</u> |

Net increase 937

Net assets held in trust for pension benefits:

| | |
|-------------------|-------------------|
| Beginning of year | <u>344,591</u> |
| End of year | <u>\$ 345,528</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds

Year ended June 30, 1999
(in thousands)

| | Proprietary fund types | | Fiduciary fund types | Total (memorandum only) |
|--|---------------------------|-----------------|-------------------------|-------------------------------|
| | Internal | | Nonexpendable | |
| | Enterprise | Service | Trusts | |
| Operating activities: | | | | |
| Operating income (loss) | \$ 9,971 | (26,727) | — | (16,756) |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 4,761 | — | — | 4,761 |
| Increase (decrease) in cash arising from changes in assets and liabilities: | | | | |
| Accounts receivable | (1,767) | — | — | (1,767) |
| Accounts receivable - unbilled | (69) | — | — | (69) |
| Inventory | 79 | — | — | 79 |
| Deferred revenues | 347 | — | — | 347 |
| Other current assets | 137 | (1) | — | 136 |
| Accrued expenses and accounts payable | (207) | 694 | — | 487 |
| Health claims | — | 659 | — | 659 |
| Advance sales receipts and promoter deposits | 638 | — | — | 638 |
| Due to Water Resources Board | 137 | — | — | 137 |
| Due to City of Providence | 93 | — | — | 93 |
| Deferred credits | (40) | — | — | (40) |
| Net cash provided by (used in) operating activities | <u>14,080</u> | <u>(25,375)</u> | <u>—</u> | <u>(11,295)</u> |
| Noncapital financing activities: | | | | |
| Interfund payable | — | 961 | — | 961 |
| Net borrowings from City of Providence General Fund | (4,698) | — | — | (4,698) |
| Transfers from other funds | — | 25,371 | — | 25,371 |
| Contributions from the City of Providence | 1,258 | 294 | — | 1,552 |
| Net cash provided by noncapital financing activities | <u>(3,440)</u> | <u>26,626</u> | <u>—</u> | <u>23,186</u> |
| Capital and related financing activities: | | | | |
| Capital expenditures | (17,159) | — | — | (17,159) |
| Payment of loan payable | (168) | — | — | (168) |
| Payment of obligations under capital lease | (1,498) | — | — | (1,498) |
| Payment of principal on general obligation and revenue bonds | (2,600) | — | — | (2,600) |
| Interest on general obligation and revenue bonds | (1,412) | — | — | (1,412) |
| Ticket surcharge receipts, net of disbursements | 704 | — | — | 704 |
| Water quality protection receipts, net of disbursements | 1,425 | — | — | 1,425 |
| Net cash used in capital and related financing activities | <u>(20,708)</u> | <u>—</u> | <u>—</u> | <u>(20,708)</u> |
| Investing activities: | | | | |
| Interest on investments | 942 | — | — | 942 |
| Net cash provided by investing activities | <u>942</u> | <u>—</u> | <u>—</u> | <u>942</u> |
| Net increase (decrease) in cash and cash equivalents | (9,126) | 1,251 | — | (7,875) |
| Cash (overdraft) and cash equivalents at beginning of year | <u>7,559</u> | <u>(437)</u> | <u>18</u> | <u>7,140</u> |
| Cash (overdraft) and cash equivalents at end of year | <u>\$ (1,567)</u> | <u>814</u> | <u>18</u> | <u>(735)</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(1) Reporting Entity

In accordance with the requirements of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, the accompanying general purpose financial statements present the City of Providence (the primary government) and its 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, operates under a Mayor-Council form of government. A Home Rule Charter was adopted in November 1980 and became fully effective on January 3, 1983. The Mayor is elected by the voters of the City to a four-year term. City Council members are also elected to four year terms, which coincides with the term of the Mayor. Most department heads and other City officials are appointed by the Mayor.

(b) *Individual Component Unit Disclosure*

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

- *Providence Public Buildings Authority*

The Providence Public Buildings Authority (PPBA) was created by an act of the Rhode Island General Assembly and was empowered by resolution of the Providence City Council on August 13, 1987, and by resolution of the Public Finance Board, created under Section 42-10.11 of the General Laws of Rhode Island, on February 12, 1988.

The 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

- *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.

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.

- *Providence Civic Center Authority*

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

The Authority has incurred recurring losses from operations and has relied on the City of Providence to subsidize operations in the amounts of approximately \$ 1.2 million in 1999 and \$1.1 million in 1998. 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 has entered into an agreement with Ogden Entertainment, Inc. ("Ogden") for the future management and operation of the Authority. Ogden will be paid a base fee of \$12,500 per month for the first five years of the agreement for managing and operating the Authority. Ogden is also entitled to incentive payments should certain performance levels be met.

The Authority, through Ogden, 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

- *Providence Economic Development Corporation (PEDC)*

On July 1, 1989, the Providence Industrial Development Corporation merged with the Providence Local Development Corporation to form 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 are funded by state and local agencies.

- *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.

(c) *Joint Ventures*

Providence Cranston Job Training Partnership (the Partnership) is the administrative entity of Providence Cranston Job Training Consortium. Providence Cranston Job Training 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 Job Training Partnership Act of 1982.

The Partnership is administered by the City who is responsible for the proper administration and operation of programs within guidelines established by the Providence Cranston Private Industry Council and provisions of the Job Training Partnership Act of 1982. The operations of the Partnership are immaterial to the City's general purpose financial statements.

The Providence Cranston Private Industry Council is a committee of representatives from the public and private sector. The Council provides policy guidance and exercises oversight of activities within the service delivery area. The operations of the Council are immaterial to the City's general purpose financial statements.

Complete financial statements of the above mentioned entities can be obtained through the City of Providence Finance Department, City Hall, Providence, Rhode Island 02903.

(2) **Summary of Significant Accounting Policies**

(a) *Basis of Presentation*

The financial condition and results of operations of the City's funds are presented as of and for the year ended June 30, 1999. The accounting policies of the City conform with generally accepted accounting principles ("GAAP"). The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise total assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(b) *Fund Accounting*

The operations of the City are recorded in the following fund types and account groups:

- *Governmental Fund Types*

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and remaining balance of the City's expendable financial resources and most related current liabilities are accounted for through governmental funds. The measurement focus for governmental funds is determination of financial position and changes in financial position, rather than the determination of net income. The following identifies the City's governmental fund types.

General Fund

This fund is the City's general operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds

These funds are used to account for the proceeds from specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The School Fund is set up as a separate special revenue fund accountable for appropriations made to it by the General Fund and revenue receipts specifically pertaining to school activities. Under this system, any excess of revenues over expenditures reverts to the City's General Fund; therefore, the School Fund has no fund balance.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

- *Proprietary Fund Types*

These funds account for the City's ongoing organizations and activities which are similar to those found in the private sector. The proprietary funds' measurement focus is determination of net income. The City maintains the following proprietary fund types:

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

Enterprise Funds

These funds are used to account for City operations that are financed and operated in a manner similar to private business enterprise. The intent is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges. Enterprise funds are also used where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Additionally, the rates charged to customers by the Providence Water Supply Board are subject to approval by the State of Rhode Island Public Utilities Commission.

Internal Service Funds

The Internal Service Funds are used to account for the financing of goods and services provided by one department or fund to other fund departments or agencies of the City on a cost reimbursement basis.

The City has one Internal Service Fund - the Blue Cross Fund.

- *Fiduciary Fund Types*

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds.

Fiduciary Funds include expendable, nonexpendable, agency and retirement trust funds. Expendable trust funds are accounted for as governmental funds. Nonexpendable and retirement trust funds are accounted for as proprietary funds (i.e. flow of economic resources measurement focus and accrual basis of accounting), since capital maintenance is critical. Agency funds are purely custodial and do not involve the measurement of operating results.

- *Account Groups: General Long-term Obligations and General Fixed Assets*

These account groups are used to account for all general long-term obligations and general fixed assets of the City, except those accounted for in proprietary and similar trust funds.

(c) *Basis of Accounting*

The modified accrual basis of accounting is followed by governmental funds, expendable trust funds and agency funds. Under this basis of accounting, revenues are recorded when susceptible to accrual (i.e. when they become both measurable and available to pay liabilities of the current period). Revenues not considered available are recorded as deferred revenues.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

The City applies the susceptible to accrual criteria to property taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the amount of expenditures incurred. In the other, resources are virtually unrestricted and are usually revocable by the grantor only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end. Motor vehicle and other excise, licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because these amounts are generally not measurable until actually received. Investment earnings are recorded as earned.

Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued judgments and claims, abatement refunds, pension costs and vacation and sick leave, which is recorded in the general long-term obligations account group.

The accrual basis of accounting is used by proprietary funds, nonexpendable trust funds, and pension trust funds. Revenues are recognized when earned and expenses are recognized when goods or services have been received or a liability has been incurred.

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, in arrears, and a year in advance for water service fees. Yearly billing cycles are on a staggered basis throughout the fiscal year. Large commercial customers and other local water suppliers are billed more frequently.

(d) *Cash Equivalents*

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

(e) *Proprietary Activity Accounting and Financial Reporting*

The City has elected to apply to its proprietary, nonexpendable and pension trust funds accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(f) *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year end.

(g) *Investments*

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

(h) *Allowance for Possible Loan Losses*

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

(i) *Compensated Absences*

Under the terms of various contracts and policies, City 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 noncurrent obligation in the general long-term obligations group of accounts.

(j) *Judgments and Claims*

Liabilities for legal cases and other claims against governmental funds are recorded when the ultimate liability can be estimated and such cases are expected to be liquidated with expendable available financial resources (payable within one year). Remaining claims against governmental funds, which can be estimated, but are not expected to be liquidated with expendable available resources, are recorded in the general long-term obligations account group. Proprietary fund types record these liabilities using the accrual basis of accounting.

(k) *Inventory*

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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(l) Property, Plant and Equipment

Property, plant and equipment are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets acquired by the Providence Water Supply Board through contributions are recorded at contributor's reported cost.

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.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over the estimated useful lives.

Depreciation on Providence Civic Center assets acquired with contributed capital is recognized as an operating expense and then charged against contributed capital.

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.

The estimated useful lives are as follows:

| | <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 | 3 - 40 years |

(m) Self Insurance

The City's self insurance costs in governmental funds are accounted for as expenditures when claims are paid. Claims incurred but not paid, including those which have not been reported, are accounted for as accrued judgments and claims in the long-term obligations account group, self-insured judgments and claims of proprietary funds are recorded as expenses when a liability has been incurred.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(n) Total (Memorandum Only)

These totals are the aggregate of the fund types and the account groups. No consolidating or eliminating entries were made in arriving at these totals. As a result, they do not represent consolidated information and are shown only in memorandum form.

(o) Reclassifications

Certain 1998 amounts have been reclassified to conform with the 1999 presentation.

(3) Property Taxes

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

The 1998 taxable assessments and the fiscal 1999 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 | \$ 5,436,099 | 1,289,662 | 4,146,437 | 31.99 | 132,645 |
| Tangible property | 584,914 | 461 | 584,453 | 76.78 | 44,874 |
| Motor vehicle | 325,322 | 1,414 | 323,908 | 76.78 | 24,870 |

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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(4) Budgetary Data

The City employs the following procedures in establishing the General Fund budgetary data reflected in the general purpose financial statements:

- 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 actual amounts are presented in accordance with generally accepted accounting principles, the method employed in preparation of the budget. The Special Revenue Fund amounts include those of the Unrestricted School Fund and the Area Vocation and Section IV Restricted School Funds. Other Special Revenue Funds do not have legally adopted budgets and are excluded. The non-budgeted funds account for the differences in revenues \$1,693, expenditures \$2,788 and other financing sources \$8,365 on page 6 of this report.

The budget for the Unrestricted 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.

(5) Property, Plant and Equipment

The following is a summary of the activity of the City's general fixed assets for the year ended June 30, 1999 (in thousands):

| | <u>June 30, 1998</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 1999</u> |
|----------------------------|----------------------|------------------|------------------|----------------------|
| Land | \$ 30,264 | 6,257 | 3,255 | 33,266 |
| Buildings and improvements | 114,895 | 16,638 | — | 131,533 |
| Furniture and fixtures | 2,944 | 4 | — | 2,948 |
| Machinery and equipment | 11,201 | 2,354 | 110 | 13,445 |
| Auto and truck | 13,906 | 2,819 | 14 | 16,711 |
| Other | <u>257</u> | <u>2</u> | <u>—</u> | <u>259</u> |
| Total City | 173,467 | 28,074 | 3,379 | 198,162 |
| PPBA | <u>101,253</u> | <u>13,620</u> | <u>—</u> | <u>114,873</u> |
| | \$ <u>274,720</u> | <u>41,694</u> | <u>3,379</u> | <u>313,035</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

The following is a summary of the property, plant and equipment of the City's enterprise funds at June 30, 1999 (in thousands).

| | Water Supply Board | Civic Center Authority | Total |
|---|-------------------------------|-----------------------------------|----------------|
| Land | \$ 7,887 | — | 7,887 |
| Buildings and improvements | 105,540 | 18,474 | 124,014 |
| Machinery and equipment | 13,967 | 2,597 | 16,564 |
| Scituate Reservoir project | 17,331 | — | 17,331 |
| Assets under capital leases | 18,682 | — | 18,682 |
| Construction in progress | 15,408 | 359 | 15,767 |
| Funds restricted for construction of assets under capital lease | <u>1,091</u> | <u>—</u> | <u>1,091</u> |
| | 179,906 | 21,430 | 201,336 |
| Less accumulated depreciation | <u>45,086</u> | <u>15,993</u> | <u>61,079</u> |
| Net property, plant and equipment | \$ <u>134,820</u> | <u>5,437</u> | <u>140,257</u> |

(6) Interfund Accounts

At June 30, 1999, amounts due to and from funds of the City were as follows (in thousands):

| | Due from other funds | Due to other funds |
|-----------------------|---------------------------------|-------------------------------|
| General Fund | \$ 4,966 | 23,479 |
| Capital Project Funds | 729 | 2 |
| Fiduciary Fund Types | 18,669 | 1,558 |
| Special Revenue Funds | 10,558 | 10,607 |
| Enterprise Fund | 186 | 2,843 |
| Internal Service Fund | <u>3,381</u> | <u>—</u> |
| | \$ <u>38,489</u> | <u>38,489</u> |

(7) Loans Receivable

(a) Department of Planning and Development

Included in Special Revenue Funds are loans receivable under Community Development Action Grant (CDAG), Urban Development Action Grants (UDAG) and Housing Development Assistance Grants (HODAG). These loans represent amounts advanced to developers for certain urban, community and economic development projects within the City. As of June 30, 1999, the loans receivable, net of allowance, totaled approximately \$6.5 million.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

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.

(b) Providence Economic Development Corporation

The Corporation is a component unit of the City and was created to foster economic growth and assist and attract industrial, manufacturing and other commercial enterprises to the City. At June 30, 1999, the Corporation had outstanding loans receivable, net of allowance, of approximately \$10.5 million.

Security for these loans includes first and second mortgages, property and equipment and other real estate.

(8) Long-Term and Short-Term Debt

(a) Long-term Obligations

The following is a summary of the transactions in the City's general long-term debt account group for the year ended June 30, 1999 (in thousands):

| | <u>June 30,</u> <u>1998</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30,</u> <u>1999</u> |
|------------------------------|--------------------------------|------------------|--------------------|--------------------------------|
| City: | | | | |
| General obligation bonds | \$ 166,655 | — | 12,990 | 153,665 |
| Revenue Bonds - PPBA | 95,334 | — | 2,924 | 92,410 |
| Bond Anticipation Notes | — | 5,620 | — | 5,620 |
| Loans payable | 6,176 | 1,800 | 489 | 7,487 |
| Judgments and claims | 474 | 5,977 | 340 | 6,111 |
| Compensated absences | 16,132 | 4,386 | — | 20,518 |
| Workers compensation | 2,073 | 2,711 | 2,392 | 2,392 |
| Capital leases | 26,889 | 3,004 | 1,840 | 28,053 |
| Unpaid pension contributions | <u>27,084</u> | <u>16,710</u> | <u>—</u> | <u>43,794</u> |
| | \$ <u>340,817</u> | <u>40,208</u> | <u>20,975</u> | <u>360,050</u> |

The Providence Water Supply Board (WSB) long-term debt is general obligation debt of the City. However, because it is the intent of the City to have the WSB meet the debt service requirements of this debt, such amounts are recorded in the enterprise funds of the City.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

In 1990, the City, on behalf of the Water Supply Board, entered into a lease agreement with the Providence Public Building Authority (PPBA) relating to the Scituate Reservoir Project. In connection with the lease and agreement, the PPBA issued of revenue bonds to acquire land or land rights or physical improvements to acquired land to protect the quality of raw water of the Water Supply System. The bonds are to be repaid by the \$.01 per hundred gallons Water Quality Protection Charge (see note 11).

On December 1, 1994, the City, on behalf of the Water Supply Board entered into a loan agreement with the Rhode Island Clean Water Finance Agency. In connection with the loan agreement, The Rhode Island Clean Water Finance Agency issued \$12,000,000 of 1995 Series A Safe Drinking Water Revenue Bonds with a maturity date of January 1, 2015 and a 6% interest rate payable with revenues from the Water Supply Board.

The annual requirements to amortize general long-term bonds payable as of June 30, 1999 are as follows (in thousands):

| Year ending June 30, | General long-term bond principal | Proprietary fund bond principal | Total |
|-------------------------------------|---|--|----------------|
| 2000 | \$ 17,527 | 2,720 | 20,247 |
| 2001 | 13,998 | 1,923 | 15,921 |
| 2002 | 14,475 | 1,230 | 15,705 |
| 2003 | 13,432 | 1,202 | 14,634 |
| 2004 | 12,866 | 1,255 | 14,121 |
| Thereafter | <u>173,777</u> | <u>14,066</u> | <u>187,843</u> |
| | <u>\$ 246,075</u> | <u>22,396</u> | <u>268,471</u> |

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

On January 1, 1995, the City issued Series C of \$13,260,000 tax-exempt Series A Special Obligation Tax Increment Bonds with a rate of 5.7-7.65% maturing on June 1, 2016.

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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

On May 1, 1996, the City issued \$11,000,000 tax exempt Series D Special Obligation Tax Increment Bonds with rates of 5.5%-6.7% maturing on June 1, 2016. The bonds were issued in part for the purpose of financing and refinancing the Community Facilities Project Program.

On June 29, 1999, the Providence Redevelopment Agency issued \$5,620,000 Revenue Bond Anticipation Notes 1999 Series 1 maturing on December 8, 1999. The notes were refunded on November 1, 1999 in connection with a \$68,000,000 Revenue Bond issuance on that date. Accordingly, these notes were classified as long-term debt at June 30, 1999.

On June 30, 1999, the City entered into a loan agreement for \$1,800,000 to fund the construction of the Fleet Center Skating Rink. The loan matures on June 30, 2011. Interest on the outstanding principal balance will be at 3, 6, 9 or 12 month LIBOR plus 100 basis points.

(b) Refunding of Bonds

Defeased Debt - Prior Year

The following prior year transactions met the requirements of an in-substance defeasance:

- On March 1, 1996, PPBA issued 1996 Series A Refunding Revenue Bonds to advance refund \$22,295,000 1990 Series A Revenue Bonds and \$13,100,000 1991 Series Revenue Bonds.
- On May 15, 1997, the City issued \$23.4 million in General Obligation Refunding Bonds to advance refund \$21.6 million of outstanding 1991 General Obligation Bonds (the "Refunded Bonds") with an original issue amount of \$30,850,000.

The principal amount refunded through in-substance defeasance transactions and still outstanding at June 30, 1999 was \$27.2 million.

(c) Short-Term Debt

At June 30, 1999, the City had several short-term notes outstanding. The City's short-term notes were comprised of the following individual issues:

| <u>Description</u> | <u>Issued</u> | <u>Due date</u> | <u>Interest rate</u> | <u>Principal amount (000's)</u> |
|---|---------------|-----------------|----------------------|---------------------------------|
| Department of Planning and Development: | | | | |
| HUD Section 108 Loans and Notes | Various | Various | Various | \$ 7,930 |
| Other - Fleet | 1/26/95 | June 1, 2002 | 7.95% | <u>92</u> |
| | | | | <u>\$ 8,022</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(d) 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 \$43 million and the current 3% debt limit of the City is \$180.5 million based on taxable property as of December 31, 1997, of approximately \$6 billion, leaving a remaining borrowing capacity of approximately \$137.2 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, 1999, the total outstanding debt of the City issued outside the 3% debt limit was \$108.2 million, excluding water bonds and sewer bonds that are deemed self-supporting.

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

In 1982, the City agreed to contribute an unpaid appropriation to the Employees' Retirement System over a twenty-year period ending in 2001 with interest at 8 1/2%. This obligation is being paid in annual amounts of \$514,238, including principal and interest. The remaining principal balance of the obligation is presented in the long-term obligations group of accounts.

(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> | <u>Total</u> |
|-----------------------------------|------------------|------------------|----------------|
| 2000 | \$ 1,070 | 4,281 | 5,351 |
| 2001 | 484 | 3,843 | 4,327 |
| 2002 | 199 | 3,825 | 4,024 |
| 2003 | — | 3,303 | 3,303 |
| 2004 | — | 3,079 | 3,079 |
| Thereafter | <u>—</u> | <u>37,782</u> | <u>37,782</u> |
| | | 56,113 | 57,866 |
| Total minimum lease payments | \$ <u>1,753</u> | | |
| Less: Interest | | <u>28,060</u> | <u>28,060</u> |
| Present value of minimum payments | | \$ <u>28,053</u> | <u>29,9806</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

Minimum future lease payments under capital leases for the proprietary funds as of June 30, 1999, for each of the next five fiscal years and thereafter are as follows (in thousands):

| | <u>Water Board</u> |
|---|-------------------------------|
| 2000 | \$ 1,734 |
| 2001 | 1,470 |
| 2002 | 1,464 |
| 2003 | 1,260 |
| 2004 | 1,276 |
| Thereafter | <u>6,299</u> |
| Total minimum lease payments | 13,503 |
| Less amount representing interest | <u>1,692</u> |
| Present value of net minimum lease payments | \$ <u>11,811</u> |

Defeased Leases

The following prior year transactions met the requirements of an in-substance defeasance:

- On December 31, 1993, the City issued \$985,000 in General Obligation Refunding Bonds to advance refund a \$2.4 million lease purchase agreement for the Providence Civic Center.

(10) Segment Information for Enterprise Funds

The City maintains two Enterprise Funds, the Providence Civic Center Authority and the Providence Water Supply Board. Segment information for the year ended June 30, 1999 is as follows (in thousands):

| | <u>Water Board</u> | <u>Civic Center</u> | <u>Total</u> |
|--|-------------------------------|--------------------------------|---------------------|
| Operating revenues | \$ 35,709 | 4,100 | 39,809 |
| Depreciation and amortization expense | 4,008 | 753 | 4,761 |
| Operating income (loss) | 11,800 | (1,829) | 9,971 |
| Net income (loss) | 12,703 | (1,159) | 11,544 |
| Capital contributions | 56,848 | 6,113 | 62,961 |
| Property, plant, and equipment additions | 17,013 | 146 | 17,159 |
| Net working capital (deficit) | (62) | (2,775) | (2,837) |
| Total assets | 153,159 | 7,583 | 160,722 |
| Bonds and other long-term liabilities | 27,975 | 2,135 | 30,110 |
| Total equity | 106,783 | 527 | 107,310 |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(11) 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 \$.01 per hundred gallons of water for all customers. A July 1990, amendment to the Act increased the surcharge to \$.02333 per hundred gallons of water. The \$.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 \$.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 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.

(12) Fund Equity

Reserved fund balances at June 30, 1999, are as follows (in thousands):

| | |
|--|-------------------|
| General Fund: | |
| Reserved for note due from Water Supply Board | \$ <u>403</u> |
| | \$ <u>403</u> |
| Special Revenue Fund: | |
| Reserved for loans | \$ 17,017 |
| Reserved for other purposes | 3 |
| Reserved for debt service | <u>16,828</u> |
| | \$ <u>33,848</u> |
| Fiduciary Fund types: | |
| Reserved for payment of retirement benefits and endowments | \$ <u>345,528</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

The Water Supply Board has reserved retained earnings of \$2,921 at June 30, 1999. This represents the excess of restricted assets over liabilities payable from restricted assets unexpended water quality protection revenue. The Civic Center has reserved retained earnings of \$718 at June 30, 1999. This represents the amounts reserved for debt service and capital improvements.

At June 30, 1999, unreserved undesignated deficit of the Internal Service Fund was \$3,349. The Internal Service Fund accounts for transactions pertaining to the administration of the City's health care benefits. The deficit exists primarily because the fund has included a health claims accrual but is budgeted and funded on a claims paid basis.

At June 30, 1999, the Planning and Development Special Revenue fund had a deficit of \$942. This deficit will be eliminated through future loan proceeds.

(13) 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 City's financial statements.

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

- *Summary of Significant Accounting Policies*

Basis of Accounting

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

Method Used of Value Investments

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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

- *Plan Description and Contribution Information*

Membership of the ERS plan consisted of the following at June 30, 1999, the date of the latest actuarial valuation:

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 2,840 |
| Active plan members | <u>3,320</u> |
| | <u>6,160</u> |

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. The employer and employee contributions represent covered payroll of 9% and 4%, respectively.

- *Annual Pension Cost and Net Pension Obligation*

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

| | |
|---|------------------|
| Annual required contribution | \$ 37,445 |
| Contributions made | <u>20,735</u> |
| Increase in net pension obligation | 16,710 |
| | <u>27,084</u> |
| Net pension obligation, not previously recorded | <u>27,084</u> |
| Net pension obligation, end of year | \$ <u>43,794</u> |

The annual required contribution for the current year was determined as part of the June 30, 1999 actuarial valuation using the aggregate level entry age normal cost actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return; (b) no projected salary increases through June 30, 1999 and 5% increases thereafter; and (c) cost of living adjustments ranging from 0% 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, 1999 was 30 years.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(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, 1999, 1998 and 1997 were approximately \$6.7 million, \$7.5 million and \$6.9 million and were equal to the required contributions for each year.

(c) *Other City Pension Costs*

The City is required to make contributions to the National Pension Plan of the Laborers' International Union of North America, the Rhode Island Legal Service trust for those employees in the Laborers' International Union and pay retirement benefits to certain retired police and firemen not covered by the ERS. The pension cost charged to the general fund for these purposes amounted to \$1.1 million for the year ended June 30, 1999.

The Civic Center Authority makes contributions to three union-sponsored multiple-employer pension plans. Contributions for the year ended June 30, 1999, were approximately \$56,664, as determined in accordance with negotiated labor contracts.

(14) Post Retirement Benefits

The City pays health care benefits for certain retired employees and funds these benefits on a cash basis. During the year ended June 30, 1999, the cost of retiree health care benefits recorded by the City amounted to \$7.6 million.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(15) 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 general purpose 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 general purpose financial statements.

(16) 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, 1999. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those deposits that are not collateralized (in thousands).

| | Category | | | Bank balance | Carrying amount |
|-----------------|-----------------|----------|---------------|-------------------------|----------------------------|
| | 1 | 2 | 3 | | |
| Demand deposits | \$ <u>400</u> | <u>—</u> | <u>53,671</u> | <u>54,071</u> | <u>65,371</u> |
| | \$ <u>400</u> | <u>—</u> | <u>53,671</u> | <u>54,071</u> | <u>65,371</u> |

(b) Investments

City management invests primarily in commercial paper, certificates of deposit funds, U.S. government securities and corporate stocks. The City also enters into repurchase agreements and, to a limited extent, the City has invested a derivative products, primarily options and fixtures covenants, as a way to hedge certain risks. Management believes the risk associated with investments in derivative products is not material to the financial statements and the City does not hold any derivative products at year end.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

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 (in thousands).

| | Category | | | Total fair value |
|----------------------------|-----------------|----------------|------------|---------------------------------|
| | 1 | 2 | 3 | |
| US Government and Agencies | | | | |
| Obligations | \$ 2,846 | 6,580 | — | 9,426 |
| Corporate bonds | — | 113,195 | — | 113,195 |
| Common stock | — | 184,908 | — | 184,908 |
| Other | 5,169 | 990 | 214 | 6,373 |
| Uncategorized: | | | | |
| Pooled funds | — | 469 | — | 469 |
| Money market funds | — | <u>10,933</u> | — | <u>10,933</u> |
| | <u>\$ 8,015</u> | <u>317,075</u> | <u>214</u> | <u>325,304</u> |

(17) Deferred Compensation Plan

During fiscal 1999, the City amended its deferred compensation plan such that the plan's assets are now held in trust for the exclusive benefit of participants and their beneficiaries. In addition, the City is not actively involved in managing the plan's assets. Accordingly, under GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Service Code Section 457 Deferred Compensation Plans*, the City eliminated from its agency fund the plan's assets and related liabilities, which amounted to \$22.3 million as of June 30, 1998.

(18) Related Party Transactions

The City leases certain properties from the PPBA, a related party. The estimated future minimum lease payments required under these agreement coincide with the principal and interest payments on bonds issued by the PPBA. The leases terminate between 2010 and 2012.

The City in turn subleases a portion of this property to the School Department. At the expiration of the leases, the City, at its option, can purchase the properties for a nominal amount.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

The City of Providence performs various services for the Water Supply Board including certain accounting, personnel and cash management services and working capital support. The total billing for City services amounted to \$659,219. This amount is established by the City and approved by the Water Supply Board. The Water Supply Board also provides services to various City funds and departments, the charges for which have been included as revenue in the accompanying financial statements of the Water Supply Board. These revenues are not significant to total revenues.

On June 19, 1991, the Water Supply Board entered into a note agreement with the City of Providence for \$5,020,928. On April 11, 1995, the Water Supply Board and the City of Providence filed a plan with the Rhode Island Public Utilities Commission (PUC) for the repayment of the note over a five-year period. Approval by the PUC was received on February 9, 1996, and the first payment of \$655,710 was made. On June 17, 1997, the PUC conditionally approved the second payment in the amount of \$710,000. The PUC order provided for the Water Supply Board to repay the City \$307,466 immediately, with the remaining \$402,534 payable only to the extent that a related reimbursement is received from the Rhode Island Emergency Management Agency for eligible disaster assistance. On October 27, 1998 and on June 18, 1999 the PUC approved the third and fourth requests for payment, respectively, totaling \$ 2,023,000. The outstanding principal balance on June 30, 1999 was \$402,534.

On April 11, 1996, the City agreed to pay the retroactive cost of living allowances to retirees pension plans. Accordingly, a liability for \$3 million has been recorded in the accompanying general purpose financial statements.

(19) Contributed Capital

Contributed capital consists of contributions in aid for the Water Supply Board for property and equipment paid for by customers for water installations. The contributed capital for the Civic Center consists of amounts contributed by the City to acquire and maintain the Civic Center. Activity in the contributed capital accounts for June 30, 1999 is as follows (in thousands):

| | <u>Water Board</u> | <u>Civic Center</u> | <u>Total</u> |
|--|------------------------|-------------------------|---------------|
| Balance June 30, 1998 | \$ 56,828 | 5,287 | 62,115 |
| Contributions in aid | 20 | — | 20 |
| Depreciation on contributed assets | — | (431) | (431) |
| Contribution from the City of Providence | <u>—</u> | <u>1,257</u> | <u>1,257</u> |
| Balance June 30, 1999 | \$ <u>56,848</u> | <u>6,113</u> | <u>62,961</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

(20) Operating Transfers

At June 30, 1999, amounts transferred to and from funds of the City were as follows (in thousands):

| <u>Purpose of transfers</u> | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Proprietary Funds</u> | <u>Expendable Trust</u> |
|-----------------------------|--------------------|------------------------|-------------------------|--------------------------|-------------------------|
| School operations | \$ (76,885) | 76,885 | — | — | — |
| Revolving fund receipts | (58) | 126 | — | — | (67) |
| Revolving fund payments | 436 | (436) | — | — | — |
| Capital projects | — | 1,001 | — | — | — |
| Other revenue | 9,194 | (5,705) | (1,001) | — | (3,490) |
| Health Trust | (14,903) | (9,507) | — | 24,414 | (4) |
| Civic Center operations | <u>(1,257)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | \$ <u>(83,473)</u> | <u>62,364</u> | <u>(1,001)</u> | <u>24,414</u> | <u>(3,561)</u> |

Operating transfers do not balance due to a \$1,257 transfer from the general fund to the Civic Center recorded as an addition to contributed capital.

(21) Donations Received

In connection with the construction of the Fleet Skating Center, the City received cash donations from various local corporations and foundations to help fund the construction of the ice rink. As of June 30, 1999, the City had received \$ 1,452,500 in related donations.

(22) 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.

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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to General Purpose Financial Statements

June 30, 1999

Effective July 1, 1994, the City and its component units adopted the provisions of Governmental Accounting Standards Board Statement No. 10, which requires that 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, 1999 and June 30, 1998 are as follows (in thousands):

| | <u>1999</u> | <u>1998</u> |
|--|------------------|-----------------|
| Beginning of year | \$ 8,869 | 14,864 |
| Incurred claims | 37,273 | 20,029 |
| Less: payments of claims attributable to events of both the current and prior fiscal years: | | |
| Health and life | (27,926) | (25,288) |
| Workers' compensation | (2,392) | (17) |
| Court judgments and claims | <u>(340)</u> | <u>(719)</u> |
| | <u>(30,658)</u> | <u>(26,024)</u> |
| End of year | \$ <u>15,484</u> | <u>8,869</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.

(23) Subsequent Events

On July 1, 1999, the City issued 1999 Series A Revenue Bonds totaling \$39.8 million with interest rates of 4.25% - 5.25%. These bonds mature through December 15, 2019. The proceeds from the bonds were used to provide funds for school and public facility projects.

On November 1, 1999, the City issued 1999 Series A Revenue Bonds totaling \$68 million with interest rates of 4.3% - 5.57%.. These bonds mature through April 1, 2029. The proceeds from the bonds were used to provide funds for public safety and municipal building projects.

In 1987, the City of Providence entered into an agreement with the State of Rhode Island to share the cost of land acquisition from Capital Properties, Inc. with the State for the downtown River Relocation Project. In 1997, the Superior Court issued a judgement against the State for a shortfall in the acquisition price in excess of \$6 million. On December 2, 1999, the Supreme Court upheld the Superior Court judgement. The City is presently in discussions with the State over the method of payment. The City has recorded a \$5.9 million liability in the general long-term debt account group for this amount.

CITY OF PROVIDENCE, RHODE ISLAND

Year 2000

Required Supplementary Information (Unaudited)

The City has addressed Year 2000 data processing compliance issues. The Year 2000 issue is a result of computer programs being written using two digits rather than four to define the applicable year. Any of the City's computer programs that have date-sensitive software may recognize a date using 00 as the year 1900 rather than the Year 2000.

In connection with the work needed to make systems and other date-dependent equipment Year 2000 compliant, the City has measured its status towards Citywide Year 2000 compliance for each of the following stages:

- Awareness – (Establishing a budget and formal project plan) - 100%
- Assessment – (Identifying all the systems and components) - 100%
- Remediation – (Changes are made to systems or equipment) - 100%
- Validation/Testing – (Validate and test the changes made to the systems/equipment during the conversion process) - 100%
- Implementation – (Tested compliant systems are in service) - 100%

In March 1998, Mayor Vincent A. Cianci, Jr. established the Y2K Preparedness Committee to oversee City efforts in preparing City government for the new millennium. To date more than \$3 million has been spent on systems analysis, equipment replacement or upgrades and the installation of new phone and data communications systems, including upgrades to the Police and Fire Departments where new telecommunications, dispatching and records management systems have been installed.

The City is confident that all systems will be Year 2000 compliant and there will be no adverse impact upon City operations as a result.

CITY OF PROVIDENCE, RHODE ISLAND
Employee's Retirement System

Required Supplementary Information
(Unaudited)

(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) |
|---|--|--|--------------------------------------|-------------------------------|--------------------------------|--|
| 1990 | \$ 234,423 | \$ 394,490 | \$ 160,067 | 59.42% | \$ 75,456 | 212.26% |
| 1991 | 246,159 | 431,936 | 185,777 | 56.99% | 74,075 | 250.79% |
| 1992 | 266,166 | 403,404 | 137,238 | 65.98% | 78,347 | 175.17% |
| 1993 | 278,544 | 465,943 | 187,399 | 59.78% | 78,200 | 239.64% |
| 1994 | 286,956 | 500,119 | 213,163 | 57.38% | 84,176 | 253.23% |
| 1995 | 293,454 | 460,567 | 167,113 | 63.72% | 88,335 | 189.18% |
| 1996 | 287,320 | 699,265 | 411,945 | 41.09% | 84,178 | 489.38% |
| 1997 | 288,800 | 732,373 | 443,573 | 39.43% | 88,959 | 498.63% |
| 1998 | 315,000 | 732,775 | 417,775 | 42.99% | 99,182 | 421.22% |
| 1999 | 325,576 | 746,264 | 420,688 | 43.63% | 106,717 | 394.21% |

Schedule of Contributions from the City

| Year ended June 30 | Annual required contribution | Percentage contributed |
|-------------------------------|-------------------------------------|-------------------------------|
| 1990 | \$ 11,900 | 100.00% |
| 1991 | 12,726 | 100.00% |
| 1992 | 15,466 | 100.36% |
| 1993 | 17,221 | 100.13% |
| 1994 | 18,612 | 99.90% |
| 1995 | 21,159 | 53.81% |
| 1996 | 16,136 | 100.00% |
| 1997 | 21,089 | 93.58% |
| 1998 | 35,701 | 57.52% |
| 1999 | 37,445 | 56.15% |

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|---|
| Valuation date | June 30, 1999 |
| Actuarial cost method | Aggregate entry age normal |
| Amortization method | Approximate level percent of payroll-open |
| Remaining amortization period | 29 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 | 0% to 6% |

CITY OF PROVIDENCE, RHODE ISLAND

Combining Balance Sheet-Special Revenue Funds

June 30, 1999

(in thousands)

| Assets | School Department | Department of Planning and Development | Providence Redevelopment Agency | Economic Development Corporation | Providence Public Buildings Authority | Miscellaneous | Total |
|--|------------------------------|---|--|---|--|----------------------|---------------|
| Cash and cash equivalents | \$ 7,321 | 694 | 5,103 | 6,841 | 2,886 | 942 | 23,787 |
| Investments | — | — | — | 214 | 8,015 | — | 8,229 |
| Accounts receivable (net of allowance) | — | — | — | — | 250 | 4,321 | 4,571 |
| Due from: | | | | | | | |
| Other funds | 9,243 | 912 | — | — | — | 403 | 10,558 |
| Other governments | 4,119 | — | — | — | — | 7 | 4,126 |
| Loans receivable (net of allowance for uncollectible amounts) | — | 6,548 | — | 10,469 | 2,325 | — | 19,342 |
| Restricted cash | — | — | — | — | — | 22 | 22 |
| Other assets | 957 | — | — | 38 | — | 121 | 1,116 |
| Total assets | \$ 21,640 | 8,154 | 5,103 | 17,562 | 13,476 | 5,816 | 71,751 |
| Liabilities and Fund Balance (Deficit) | | | | | | | |
| Liabilities: | | | | | | | |
| Bank overdraft | 2,345 | — | — | — | — | — | 2,345 |
| Accounts payable | 6,248 | 112 | — | — | — | 243 | 6,603 |
| Due to: | | | | | | | |
| Other funds | 7,172 | 896 | 729 | 855 | — | 955 | 10,607 |
| Other governments | 259 | — | — | — | — | — | 259 |
| Bonds, loans, and notes payable | — | 8,022 | — | — | — | — | 8,022 |
| Other liabilities | 1,009 | 66 | 963 | 215 | 378 | — | 2,631 |
| Deferred revenue | 1,251 | — | — | 150 | 2,325 | 4,654 | 8,380 |
| Total liabilities | 18,284 | 9,096 | 1,692 | 1,220 | 2,703 | 5,852 | 38,847 |
| Fund balance (deficit): | | | | | | | |
| Reserved | 3 | 6,548 | 6,657 | 10,469 | 10,051 | 120 | 33,848 |
| Unreserved | 3,353 | (7,490) | (3,246) | 5,873 | 722 | (156) | (944) |
| Total fund balance (deficit) | 3,356 | (942) | 3,411 | 16,342 | 10,773 | (36) | 32,904 |
| Total liabilities and fund balance | \$ 21,640 | 8,154 | 5,103 | 17,562 | 13,476 | 5,816 | 71,751 |

CITY OF PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures and Changes in
Fund Balance (Deficit)-Special Revenue Funds

June 30, 1999
(in thousands)

| | <u>School Department</u> | <u>Department of Planning and Development</u> | <u>Providence Redevelopment Agency</u> | <u>Economic Development Corporation</u> | <u>Providence Public Buildings Authority</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--|------------------------------|---|--|---|--|----------------------|----------------|
| Revenues: | | | | | | | |
| Federal, state and local grants | \$ 157,171 | 8,481 | — | 918 | — | 1,642 | 168,212 |
| Charges for services | — | 777 | — | — | — | — | 777 |
| Admissions revenue | — | — | — | — | — | 573 | 573 |
| Sale of real estate | — | — | 555 | — | — | — | 555 |
| Investment and rental income | — | — | 175 | 821 | 7,848 | 1 | 8,845 |
| Other income | — | — | 3,897 | — | 188 | 9,432 | 13,517 |
| Total revenue | <u>157,171</u> | <u>9,258</u> | <u>4,627</u> | <u>1,739</u> | <u>8,036</u> | <u>11,648</u> | <u>192,479</u> |
| Expenditures: | | | | | | | |
| Personnel services | 136,120 | — | — | — | — | 3,775 | 139,895 |
| Postage | 86 | — | — | — | — | — | 86 |
| Employee benefits | 32,389 | — | — | — | — | 170 | 32,559 |
| Miscellaneous services | 4,407 | — | — | — | — | 1,536 | 5,943 |
| Other supplies | 1,169 | — | — | — | — | 101 | 1,270 |
| Equipment | 4,394 | — | — | — | — | 33 | 4,427 |
| Other services | 14,318 | — | — | — | — | 21 | 14,339 |
| Security | 606 | — | — | — | — | — | 606 |
| Plant maintenance | 370 | — | — | — | — | — | 370 |
| Capital outlay | — | — | — | — | — | 3,829 | 3,829 |
| Transportation | 6,811 | — | — | — | — | 5 | 6,816 |
| Rentals | 7,632 | — | — | — | — | 25 | 7,657 |
| Repairs | 1,874 | — | — | — | — | 20 | 1,894 |
| School activities | 53 | — | — | — | — | — | 53 |
| Office supplies | 180 | — | — | — | — | 4 | 184 |
| Education supplies | 2,331 | — | — | — | — | — | 2,331 |
| Housekeeping supplies | 1 | — | — | — | — | — | 1 |
| Textbooks | 1,216 | — | — | — | — | — | 1,216 |
| Tuition payments | 6,535 | — | — | — | — | — | 6,535 |
| Utilities and fuel | 3,922 | — | — | — | — | 63 | 3,985 |
| Debt service | — | — | 3,246 | 830 | 9,577 | — | 13,653 |
| Management fees | — | — | — | — | — | 32 | 32 |
| Other | — | 9,551 | 5,493 | 1,235 | 263 | 237 | 16,779 |
| Total expenditures | <u>224,414</u> | <u>9,551</u> | <u>8,739</u> | <u>2,065</u> | <u>9,840</u> | <u>9,851</u> | <u>264,460</u> |
| Excess (deficiency) of revenue over expenditures | (67,243) | (293) | (4,112) | (326) | (1,804) | 1,797 | (71,981) |

CITY OF PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures and Changes in
Fund Balance (Deficit)-Special Revenue Funds (Continued)

June 30, 1999
(in thousands)

| | <u>School Department</u> | <u>Department of Planning and Development</u> | <u>Providence Redevelopment Agency</u> | <u>Economic Development Corporation</u> | <u>Providence Public Buildings Authority</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---|------------------------------|---|--|---|--|----------------------|---------------|
| Other financing sources (uses): | | | | | | | |
| Proceeds of debt issued | \$ — | — | 5,620 | — | — | 1,800 | 7,420 |
| Donations received | — | — | — | — | — | 1,453 | 1,453 |
| Transfer from (to) other funds | 67,478 | 851 | — | 150 | — | (6,115) | 62,364 |
| Transfer from (to) other governments | — | — | — | — | — | (20) | (20) |
| Total other financing sources (uses) | 67,478 | 851 | 5,620 | 150 | — | (2,882) | 71,217 |
| Revenues over (under) expenditures and other financing sources (uses) | 235 | 558 | 1,508 | (176) | (1,804) | (1,085) | (764) |
| Fund balance (deficit) at beginning of year | 3,121 | (1,500) | 1,903 | 16,518 | 12,577 | 1,049 | 33,668 |
| Fund balance (deficit) at end of year | \$ <u>3,356</u> | <u>(942)</u> | <u>3,411</u> | <u>16,342</u> | <u>10,773</u> | <u>(36)</u> | <u>32,904</u> |

CITY OF PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - All Enterprise Funds

June 30, 1999
(in thousands)

| Assets | <u>Water Supply Board</u> | <u>Civic Center Authority</u> | <u>Total</u> |
|--|-----------------------------------|---------------------------------------|----------------|
| Current assets: | | | |
| Cash (overdraft) and cash equivalents | \$ (374) | 810 | 436 |
| Restricted assets: | | | — |
| Cash and cash equivalents | — | 378 | 378 |
| Other assets | 6,542 | 340 | 6,882 |
| Accounts receivable | 7,519 | 385 | 7,904 |
| Unbilled accounts receivable | 3,802 | — | 3,802 |
| Prepaid expenses | 424 | 47 | 471 |
| Due from City of Providence | — | 186 | 186 |
| Inventory | 406 | — | 406 |
| Total current assets | <u>18,319</u> | <u>2,146</u> | <u>20,465</u> |
| Property, plant and equipment: | | | |
| Land | 7,877 | — | 7,877 |
| Building and improvements | 142,654 | 18,474 | 161,128 |
| Construction in progress | 15,408 | 359 | 15,767 |
| Furnishings and equipment | 13,967 | 2,597 | 16,564 |
| | <u>179,906</u> | <u>21,430</u> | <u>201,336</u> |
| Less accumulated depreciation and amortization | 45,086 | 15,993 | 61,079 |
| Net property, plant and equipment | <u>134,820</u> | <u>5,437</u> | <u>140,257</u> |
| Total assets | <u>\$ 153,139</u> | <u>7,583</u> | <u>160,722</u> |
| Liabilities and Fund Equity | | | |
| Current liabilities: | | | |
| Restricted cash overdraft | \$ 2,381 | — | 2,381 |
| Accounts payable and accrued expenses | 4,066 | 764 | 4,830 |
| Advance sales receipts and promoter deposits | — | 863 | 863 |
| Due to other funds | 818 | 2,025 | 2,843 |
| Due to restricted funds | 5,227 | 340 | 5,567 |
| Note payable to City of Providence | 403 | — | 403 |
| Deferred revenue | 347 | 739 | 1,086 |
| Current installment under capitalized lease obligation | 1,377 | — | 1,377 |
| Current portion of bonds payable | 2,530 | 190 | 2,720 |
| Liabilities payable from restricted assets | 1,232 | — | 1,232 |
| Total current liabilities | <u>18,381</u> | <u>4,921</u> | <u>23,302</u> |
| Capitalized lease obligations | 10,434 | — | 10,434 |
| Long-term bonds payable | 17,047 | — | 17,047 |
| Long-term note payable Western Cranston | 494 | — | 494 |
| Note payable - PPBA | — | 2,135 | 2,135 |
| Total liabilities | <u>46,356</u> | <u>7,056</u> | <u>53,412</u> |
| Fund equity: | | | |
| Contributed capital | 56,848 | 6,113 | 62,961 |
| Reserved retained earnings | 2,921 | 718 | 3,639 |
| Unreserved retained earnings (deficit) | 47,014 | (6,304) | 40,710 |
| Total fund equity | <u>106,783</u> | <u>527</u> | <u>107,310</u> |
| Total liabilities and fund equity | <u>\$ 153,139</u> | <u>7,583</u> | <u>160,722</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenses and Changes
in Retained Earnings (Deficit) - All Enterprise Funds

Year ended June 30, 1999
(in thousands)

| | <u>Water Supply Board</u> | <u>Civic Center Authority</u> | <u>Total</u> |
|--|-----------------------------------|---------------------------------------|---------------|
| Operating revenues: | | | |
| Arena rent and concession income | \$ — | 4,100 | 4,100 |
| Water sales | 34,906 | — | 34,906 |
| Maintenance and other charges | 803 | — | 803 |
| Other | — | — | — |
| Total operating revenues | <u>35,709</u> | <u>4,100</u> | <u>39,809</u> |
| Operating expenses: | | | |
| Wages and benefits | — | 3,212 | 3,212 |
| Operations | 4,655 | — | 4,655 |
| Charges by other City departments | 659 | — | 659 |
| Administrative and general | 9,493 | 1,061 | 10,554 |
| Bad debts - net of recoveries | — | — | — |
| Property taxes - other local governments | 4,069 | — | 4,069 |
| Depreciation and amortization | 4,008 | 753 | 4,761 |
| Customer accounts | 1,025 | — | 1,025 |
| Other | — | 903 | 903 |
| Total operating expenses | <u>23,909</u> | <u>5,929</u> | <u>29,838</u> |
| Operating income (loss) | <u>11,800</u> | <u>(1,829)</u> | <u>9,971</u> |
| Nonoperating revenues (expenses): | | | |
| Water quality protection charge | 1,940 | — | 1,940 |
| Water quality protection expense | (568) | — | (568) |
| Ticket surcharge revenues | — | 704 | 704 |
| Net interest expense | (1,636) | — | (1,636) |
| Interest income (expense) | 1,167 | (34) | 1,133 |
| Total nonoperating revenues | <u>903</u> | <u>670</u> | <u>1,573</u> |
| Net income (loss) before transfers and depreciation add back | 12,703 | (1,159) | 11,544 |
| Transfers to other funds | (775) | (182) | (957) |
| Depreciation on contributed fixed assets | — | 431 | 431 |
| Increase (decrease) in retained earnings | <u>11,928</u> | <u>(910)</u> | <u>11,018</u> |
| Retained earnings (deficit) at beginning of year | <u>38,007</u> | <u>(4,676)</u> | <u>33,331</u> |
| Retained earnings (deficit) at end of year | <u>\$ 49,935</u> | <u>(5,586)</u> | <u>44,349</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Combining Statement of Cash Flows - All Enterprise Funds

Year ended June 30, 1999
(in thousands)

| | <u>Water Supply Board</u> | <u>Civic Center Authority</u> | <u>Total</u> |
|--|-----------------------------------|---------------------------------------|-----------------|
| Operating activities: | | | |
| Operating income (loss) | \$ 11,800 | (1,829) | 9,971 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 4,008 | 753 | 4,761 |
| Deferred credits | — | (40) | (40) |
| Increase (decrease) in cash arising from: | | | |
| Accounts receivable | (1,460) | (307) | (1,767) |
| Accounts receivable - unbilled | (69) | — | (69) |
| Inventory | 79 | — | 79 |
| Deferred revenues | 347 | — | 347 |
| Other current assets | 142 | (5) | 137 |
| Accrued expenses and accounts payable | (192) | (15) | (207) |
| Advance sales receipts and promoter deposits | — | 638 | 638 |
| Due to City of Providence | — | 137 | 137 |
| Due to Water Resources Board | 93 | — | 93 |
| Net cash provided by (used in) operating activities | <u>14,748</u> | <u>(668)</u> | <u>14,080</u> |
| Noncapital financing activities: | | | |
| Net borrowings (payments) from City of Providence | (4,516) | (182) | (4,698) |
| Contributions from the City of Providence | — | 1,258 | 1,258 |
| Net cash provided by (used in) noncapital financing activities | <u>(4,516)</u> | <u>1,076</u> | <u>(3,440)</u> |
| Capital and related financing activities: | | | |
| Capital expenditures | (17,013) | (146) | (17,159) |
| Payment of obligations under capital lease | (1,303) | (195) | (1,498) |
| Payment of principal on general obligation and revenue bonds | (2,600) | — | (2,600) |
| Payment of loan payable | — | (168) | (168) |
| Interest on general obligation and revenue bonds and capital leases | (1,377) | (35) | (1,412) |
| Ticket surcharge receipts, net of disbursements | — | 704 | 704 |
| Water quality protection receipts, net of disbursements | 1,425 | — | 1,425 |
| Net cash provided by (used in) capital and related financing activities | <u>(20,868)</u> | <u>160</u> | <u>(20,708)</u> |
| Investing activities: | | | |
| Interest on investments | 884 | 58 | 942 |
| Net cash provided by investing activities | <u>884</u> | <u>58</u> | <u>942</u> |
| Net increase (decrease) in cash and cash equivalents | (9,752) | 626 | (9,126) |
| Cash and cash equivalents at beginning of year | <u>6,997</u> | <u>562</u> | <u>7,559</u> |
| Cash and cash equivalents at end of year | \$ <u>(2,755)</u> | <u>1,188</u> | <u>(1,567)</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Combining Balance Sheet - Fiduciary Funds

June 30, 1999
(in thousands)

| Assets | Trust funds | | | Agency funds | | Total |
|--|------------------|---------------|-------------------|---------------|--------------------|----------------|
| | Expendable | Nonexpendable | Retirement System | Probate Court | Other Agency funds | |
| Cash and cash equivalents | \$ 2,110 | 18 | 4,181 | 389 | 1,072 | 7,770 |
| Investments | 14,683 | 231 | 302,160 | — | — | 317,074 |
| Due from other funds | 42 | — | 18,023 | — | 604 | 18,669 |
| Loans receivable | — | — | 16,761 | — | — | 16,761 |
| Other assets | 58 | 47 | 12,075 | — | — | 12,180 |
| Total assets | \$ 16,893 | 296 | 353,200 | 389 | 1,676 | 372,454 |
| Liabilities and Fund Balances | | | | | | |
| Accounts payable | 130 | — | — | — | 107 | 237 |
| Accrued expenditures | 4 | — | — | — | — | 4 |
| Amounts held for others | 16 | — | — | 389 | 54 | 459 |
| Due to: | | | | | | |
| Other funds | 54 | — | — | — | 1,504 | 1,558 |
| Other governments | — | — | — | — | 11 | 11 |
| Deferred revenues | — | — | 7,672 | — | — | 7,672 |
| Total liabilities | 204 | — | 7,672 | 389 | 1,676 | 9,941 |
| Fund balances: | | | | | | |
| Reserved | — | — | 345,528 | — | — | 345,528 |
| Undesignated | 16,689 | 296 | — | — | — | 16,985 |
| | 16,689 | 296 | 345,528 | — | — | 362,513 |
| Total liabilities and fund balances | \$ 16,893 | 296 | 353,200 | 389 | 1,676 | 372,454 |

OTHER FINANCIAL INFORMATION

CITY OF PROVIDENCE, RHODE ISLAND

Schedule of Expenditures and Transfers - Budget and Actual -- General Fund

Year ended June 30, 1999
(in thousands)

| <u>Expenditures and transfers</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|---|---------------------------|--------------------------------|---|
| Executive, Legislative and Judicial activities: | | | |
| Mayor's Office | \$ 985 | 955 | 30 |
| City Council | 725 | 535 | 190 |
| City Clerk | 406 | 366 | 40 |
| City Sergeant | 36 | 36 | — |
| Law Department | 2,050 | 1,842 | 208 |
| Providence Municipal Court | 422 | 456 | (34) |
| Probate Court | 195 | 185 | 10 |
| Contingencies | 100 | 48 | 52 |
| Housing Court | 211 | 207 | 4 |
| | <u>5,130</u> | <u>4,630</u> | <u>500</u> |
| Finance and Administration: | | | |
| Finance Director | 276 | 291 | (15) |
| City Controller | 764 | 761 | 3 |
| Employees' Retirement Office | 219 | 264 | (45) |
| Data Processing | 1,318 | 1,234 | 84 |
| City Collector | 1,673 | 1,537 | 136 |
| City Assessor | 2,566 | 2,446 | 120 |
| Treasury Department | 212 | 218 | (6) |
| Personnel | 539 | 506 | 33 |
| Heat, light and power | 3,550 | 3,226 | 324 |
| Payment to Employees' Retirement System | 16,898 | 16,016 | 882 |
| Elected officials | 146 | 122 | 24 |
| Laborers International legal fee | 430 | 403 | 27 |
| Payment to Laborers International Pension Fund | 1,100 | 1,081 | 19 |
| Public employees health services | 245 | 63 | 182 |
| Debt service | 19,376 | 18,875 | 501 |
| Interest on bonded debt | 11,798 | 7,946 | 3,852 |
| FICA | 2,950 | 3,012 | (62) |
| Medical insurance | 17,350 | 3,632 | 13,718 |
| Workers' compensation | 925 | 815 | 110 |
| Unemployment compensation | 130 | 58 | 72 |
| Reserve for anticipated tax abatements | 600 | (69) | 669 |
| | <u>83,065</u> | <u>62,437</u> | <u>20,628</u> |
| Public Safety: | | | |
| Commissioner of Public Safety | 718 | 716 | 2 |
| Police Department | 28,354 | 32,414 | (4,060) |
| Fire Department | 26,863 | 34,066 | (7,203) |
| Department of Communication | 4,284 | 4,289 | (5) |
| Traffic Engineering Department | 732 | 899 | (167) |
| | <u>60,951</u> | <u>72,384</u> | <u>(11,433)</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Schedule of Expenditures and Transfers - Budget and Actual -- General Fund (Continued)

Year ended June 30, 1999
(in thousands)

| <u>Expenditures and transfers</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|--|---------------------------|--------------------------------|---|
| Building Inspection Department: | | | |
| Building Inspection Administration | \$ 1,031 | 952 | 79 |
| Structures and Zoning Division | 474 | 464 | 10 |
| Plumbing, Drainage and Gas Piping Division | 110 | 126 | (16) |
| Electrical Installations Division | 158 | 116 | 42 |
| Mechanical Equipment and Installation Division | 171 | 170 | 1 |
| Zoning Board of Review | 36 | 34 | 2 |
| Building and Housing Board of Review | 13 | 201 | (188) |
| Building Inspection Code Enforcement | 318 | 54 | 264 |
| Building Inspection Prosecution | 185 | 184 | 1 |
| Utilities and standards | 88 | 89 | (1) |
| | <u>2,584</u> | <u>2,390</u> | <u>194</u> |
| Public Works Activities: | | | |
| Public Works Administration | 488 | 516 | (28) |
| Engineering and Sanitation | 245 | 243 | 2 |
| Environment Control | 6,253 | 6,185 | 68 |
| Highway | 1,777 | 1,423 | 354 |
| Bridge Maintenance Section | 145 | 150 | (5) |
| Snow Removal | 800 | 826 | (26) |
| Sewer Construction and Maintenance | 359 | 464 | (105) |
| Garage Maintenance and Equipment Repair | 306 | 341 | (35) |
| | <u>10,373</u> | <u>10,148</u> | <u>225</u> |
| Recreation Activities: | | | |
| Recreation Department | 933 | 924 | 9 |
| Recreation - seasonal | 503 | 488 | 15 |
| | <u>1,436</u> | <u>1,412</u> | <u>24</u> |
| Public Lands and Parks: | | | |
| Grounds maintenance services | 2,756 | 3,546 | (790) |
| Forestry services | 720 | — | 720 |
| Zoological services | 1,520 | 1,404 | 116 |
| Park Environmental Services | 422 | 460 | (38) |
| Park Programming | 465 | 453 | 12 |
| Superintendent of Parks | 1,162 | 1,118 | 44 |
| North Burial Grounds | 441 | 484 | (43) |
| | <u>7,486</u> | <u>7,465</u> | <u>21</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Schedule of Expenditures and Transfers - Budget and Actual -- General Fund (Continued)

Year ended June 30, 1999
(in thousands)

| <u>Expenditures and transfers</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|-----------------------------------|---------------------------|--------------------------------|---|
| Other Departments: | | | |
| Recorder of Deeds | \$ 372 | 350 | 22 |
| Vital Statistics | 172 | 150 | 22 |
| Board of Canvassers | 491 | 473 | 18 |
| Bureau of Licenses | 280 | 266 | 14 |
| Human Relations | 249 | 237 | 12 |
| Civil Defense Preparedness | 170 | 173 | (3) |
| Planning and Urban Development | 2,466 | 2,347 | 119 |
| Administration to City Council | 238 | 207 | 31 |
| Providence Review Commission | 20 | 17 | 3 |
| Archives | 100 | 91 | 9 |
| Department of Human Services | 153 | 149 | 4 |
| | <u>4,711</u> | <u>4,460</u> | <u>251</u> |
| Welfare Activities: | | | |
| General Public Assistance | 432 | 528 | (96) |
| Commissions: | | | |
| Providence Public Library | 2,600 | 2,600 | — |
| Providence Center | 270 | 270 | — |
| Capital Center | 50 | 225 | (175) |
| Rhode Island Historical Society | 9 | 9 | — |
| Providence Plan Commission | 175 | — | 175 |
| Community Centers | 300 | 300 | — |
| | <u>3,404</u> | <u>3,404</u> | <u>—</u> |
| Public properties | 3,146 | 2,515 | 631 |
| Purchasing | 397 | 373 | 24 |
| Public celebrations | 10 | 5 | 5 |
| Miscellaneous entities: | | | |
| Providence Housing Authority | 50 | 47 | 3 |
| League of Cities | 8 | 7 | 1 |
| | <u>58</u> | <u>54</u> | <u>4</u> |
| Education: | | | |
| Transfer to School Department | 73,866 | 76,885 | (3,019) |
| Other transfers: | | | |
| Transfer to Revolving Fund | 30 | 58 | (28) |
| Transfer to Health Trust Fund | — | 14,903 | (14,903) |
| Transfer to Civic Center | 800 | 1,257 | (457) |
| Transfer to other | — | 13 | (13) |
| | <u>830</u> | <u>16,231</u> | <u>(15,401)</u> |
| Total expenditures | <u>\$ 257,879</u> | <u>265,321</u> | <u>(7,442)</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Schedule of Long-Term Bonds and Notes Payable

June 30, 1999
(in thousands)

| <u>Long-term debt account group</u> | <u>Interest rate</u> | <u>Date of issue</u> | <u>Maturity</u> | <u>Issued</u> | <u>Outstanding</u> |
|--|----------------------|----------------------|-----------------|-------------------|--------------------|
| General Obligation: | | | | | |
| Public Improvement Bonds | 4.75-6.0% | 05/01/79 | 07/01/99 | \$ 15,000 | 750 |
| Refunding Bonds 1991 | 4.7-6.2% | 09/01/91 | 09/01/99 | 30,750 | 4,550 |
| Refunding Bonds 1992 | 5.00-5.80% | 08/01/92 | 08/01/06 | 28,615 | 14,370 |
| Refunding Bonds 1997 | 3.85%-5.5% | 05/15/97 | 01/15/11 | 23,435 | 20,005 |
| May 1997 - Tax Exempt | 4.75%-7.5% | 05/01/97 | 07/15/10 | 38,200 | 38,200 |
| May 1997 - Taxable | 7.5%-8.0% | 05/01/97 | 07/15/07 | 11,800 | 11,800 |
| | | | | <u>147,800</u> | <u>89,675</u> |
| Schools: | | | | | |
| School Bonds 1993 | 5.25-8.25% | 01/15/93 | 01/15/13 | 35,150 | 24,590 |
| Providence Redevelopment Agency: | | | | | |
| Series A | 8.9%-9.4% | 11/15/94 | 11/15/01 | 3,570 | 1,875 |
| Series B | 8.9%-9.4% | 11/15/94 | 11/15/01 | 3,930 | 2,060 |
| Series I Revenue Bond Anticipation Notes | 5.00% | 06/29/99 | 12/08/99 | 5,620 | 5,620 |
| | | | | <u>13,120</u> | <u>9,555</u> |
| Special Obligation Tax Increment Bonds: | | | | | |
| Series A | 5.7%-7.65% | 01/01/95 | 06/01/16 | 13,260 | 13,220 |
| Series B | 8.95% | 02/01/95 | 06/01/16 | 10,435 | 8,445 |
| Series C | 7.50% | 02/01/95 | 06/01/16 | 2,805 | 2,800 |
| Series D | 5.5%-6.65% | 04/01/96 | 06/01/16 | 11,000 | 11,000 |
| | | | | <u>37,500</u> | <u>35,465</u> |
| Fleet Skating Rink: | | | | | |
| Note Payable - Fleet Bank | LIBOR | 6/30/99 | 06/30/11 | 1,800 | 1,800 |
| Providence Economic Development Corp.: | | | | | |
| Loans - Fleet Bank | | Various | Various | 1,770 | 1,047 |
| Loans - Section 108 | | 02/26/98 | 08/01/07 | 5,000 | 4,640 |
| | | | | <u>6,770</u> | <u>5,687</u> |
| Providence Public Buildings Authority: | | | | | |
| General Revenue Bond | 5.80-7.25% | 12/15/90 | 12/15/11 | 14,105 | 10,625 |
| General Revenue Bond | 4.7%-7.1% | 06/15/95 | 12/15/14 | 7,500 | 6,785 |
| Refunding Revenue Bonds | 3.5%-5.4% | 03/01/96 | 12/15/11 | 28,772 | 24,940 |
| Revenue Bonds - 1996 School | 4.5%-6.5% | 12/01/96 | 12/15/16 | 21,225 | 20,015 |
| Revenue Bonds - 1997 Roger Williams | 4.3%-6.5% | 12/01/97 | 12/15/07 | 1,925 | 1,775 |
| Revenue Bond - 1998 School & Public Facilities | 3.85% - 5.25% | 05/15/98 | 12/15/18 | 28,270 | 28,270 |
| | | | | <u>101,797</u> | <u>92,410</u> |
| Total long-term debt account group | | | | <u>\$ 343,937</u> | <u>259,182</u> |
| Proprietary funds: | | | | | |
| Water Bonds of 1971 | | 06/01/71 | 06/01/01 | \$ 11,000 | 1,440 |
| General Revenue Bond - PPBA | | 03/01/95 | 12/15/99 | 4,000 | 900 |
| General Revenue Bond | | 12/01/95 | 01/01/05 | 12,000 | 10,615 |
| Refunding Revenue Bonds | | 03/01/96 | 12/15/11 | 7,453 | 6,460 |
| Note Payable - PPBA | | 05/28/98 | 12/15/08 | 2,325 | 2,325 |
| Note Payable - Cranston | | 01/01/97 | 07/01/05 | 1,010 | 656 |
| | | | | <u>\$ 37,788</u> | <u>22,396</u> |
| Grand totals | | | | <u>\$ 381,725</u> | <u>281,578</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Schedule of Property Taxes Receivable

June 30, 1999

(in thousands)

| <u>Year of assessment</u> | <u>Amount receivable</u> |
|--|------------------------------|
| 1998 | \$ 19,122 |
| 1997 | 11,961 |
| 1996 | 7,917 |
| 1995 | 8,101 |
| 1994 | 6,480 |
| 1993 | 5,973 |
| 1992 | 6,225 |
| 1991 | 6,338 |
| 1990 | 3,921 |
| 1989 | 3,203 |
| 1988 | 2,693 |
| 1987 | 2,388 |
| 1986 | 2,158 |
| 1985 | 2,041 |
| 1984 | 1,940 |
| 1983 | 1,418 |
| 1982 | 50 |
| 1981 | 36 |
| 1980 | 28 |
| 1979 | 25 |
| 1978 | 18 |
| 1977 and prior | 65 |
| Total taxes | <u>92,101</u> |
| Less allowance for estimated uncollectible amounts | <u>35,045</u> |
| Net property taxes receivable | <u>\$ 57,056</u> |