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City of Providence, Rhode Island Office of the Internal Auditor

January 13, 2016

Council President Luis A. Aponte
City of Providence
25 Dorrance Street
Providence, RI 02903

Dear Council President Aponte:

I am writing to formally submit to the City Council the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. Rhode Island state law requires that all general purpose, local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. This report was completed in accordance with Government Auditing Standards and in a timely fashion by the city's external audit firm, Marcum Accountants & Advisors.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.", is written over a horizontal line.

Matthew M. Clarkin, Jr.
Internal Auditor

IN CITY COUNCIL
JAN 21 2016

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

A handwritten signature in black ink, appearing to read "Luis A. Aponte", is written over a horizontal line.

CLERK

DEPT. OF CITY CLERK
PROVIDENCE, R.I.
2016 JAN 13 A 10: 02

FILED



CITY OF PROVIDENCE, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2015

FINANCE DEPARTMENT
25 Dorrance Street,
Providence, RI 02903



CITY OF PROVIDENCE, RHODE ISLAND

YEAR ENDED JUNE 30, 2015

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CITY OF PROVIDENCE, RHODE ISLAND

YEAR ENDED JUNE 30, 2015

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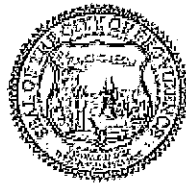


CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Introductory Section

- Letter of Transmittal
- Organizational Chart
- List of City Officials
- GFAO Certificate of Achievement



CITY OF PROVIDENCE

Jorge D. Elorza, Mayor

January 6, 2016

Providence City Council
Providence City Hall
25 Dorrance Street
Providence, Rhode Island 02903

Honorable Members,

Rhode Island state law requires that all general purpose, local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. This report fulfills that requirement for the fiscal year (FY2015) that ended June 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Accountants and advisers from Marcum LLP (formerly Braver P.C.) have issued an unmodified ("clean") opinion on the City of Providence, Rhode Island's financial statements for the year ending June 30, 2015. A copy of their independent auditor's report is located at the front of the financial section of the report.

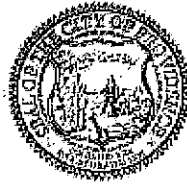
Management's discussion and analysis (MD&A) immediately follow the independent auditor's report and provide a narrative introduction, overview and analysis of the basic financial statements. The MD&A is intended to complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The capital city of Providence was founded in 1636 and incorporated in 1831. It occupies a total land area of 18.1 square miles and an additional 1.9 square miles of water; is located at the head of Narragansett Bay on the Providence River, and is the major population, financial, educational, governmental, and industrial center of Rhode Island. Situated on the Boston-Washington Interstate 95 corridor, with proximity to multi-billion dollar markets and multi-million population centers, residents and businesses have ready access to all major forms of transportation, including AMTRAK, Providence & Worcester Railroad, T.F. Green International Airport, the Port of Providence and Interstates 95 and 195. Multi-

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Jorge O. Elorza, Mayor

modal transportation has most recently been expanded with the opening of Interlink, increasing commuter rail service connections with the Massachusetts Bay Transit Authority.

Providence has the largest population of Rhode Island's 39 cities and towns with 178,036 residents (2010 Census,) up 2.5 percent from 173,618 in 2000 (2000 Census). The demographic profile for the city is as follows: Caucasians 49.8 percent; Hispanics 38.1 percent; African Americans 16.0 percent; Asians 6.4 percent; and Native Americans 1.4 percent.

The City has a Mayor-Council form of government; a Home Rule Charter was adopted in 1980 and became fully effective on January 3, 1983. City government is responsible for providing such services as: general government, community development, administrative services, public safety, sanitation, public works, planning and development, workforce development, recreation, parks, and public education. The City adopts an annual budget for the General Fund, and separately for the Providence Public School District. The legal level of control is by Department.

Facing Structural Deficit

Upon taking office in January 2015, Mayor Jorge O. Elorza commissioned a review of the City's finances. An analysis conducted by Public Finance Management (PFM) included a baseline forecast and financial projection for the City through fiscal year 2021.

The baseline financial forecast shows an annual shortfall of \$11.5 million in Fiscal Year 2017. It grows to \$13.5 million in FY2018 and reaches \$17.2 million in FY2019, before slightly declining to \$15.4 million in FY2020 as revaluations increase revenue, and then starts moving upward again – reaching \$19.1 million in FY2021. Escalating pension and healthcare costs, the loss of tens of millions in state aid and little tax revenue growth are among the factors that drive the City's projected deficit over the next five years and beyond.

Assuming no policy adjustment, the PFM report projects total revenue at \$463.3M in FY2017 and \$477.2M in 2021. Similarly, the report projects city expenditures to reach \$496.3M by 2021. Real estate tax collection, tangible tax collection, excise tax collection, State PILOT Revenues and School Debt Construction Revenues are included as five key revenues sources which, combined, represent 82.9% of the City's revenue in FY2017 and 83.2% for projected revenue in FY2021.

Without intervention and corrective action, the City faces a structural deficit in the range of \$11 million to \$19 million annually resulting in a potential cumulative deficit of \$85 million by 2022.

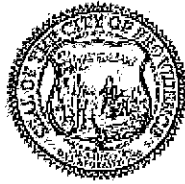
On May 21, 2015, Mayor Elorza said the following of the PFM report and its implications for the City, "The report is in, and it shows us that Providence still has a structural deficit in the range of \$11 to \$19

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Jorge O. Elorza, Mayor

million a year and that gap will continue to widen if we do not begin to immediately address the problem. We need to fix the structural budget imbalances that stand in the way of lasting fiscal strength instead of just kicking the can down the road and letting the problem grow worse.”

The Mayor added that he is “committed to doing whatever it takes to provide a firm foundation for our city” and that he is “confident that Providence’s stakeholders are up to the challenge.”

FY2016 Budget

The budget for FY2016, the first passed under the Elorza Administration, begins to address the City’s underlying structural deficit with an additional \$2 million in annual revenue from expanded parking meters and fees as well as a \$6.5 million deficit reduction through growth in the property values.

During his budget presentation to the City Council, Mayor Elorza discussed how the City was still struggling to fully recover in the wake of challenging financial times and emphasized a need for tough decisions and fiscal responsibly. The budget for FY16 was signed into law on Thursday, June 11, 2015 and focuses on setting Providence on a firm path for the future.

The FY16 budget held the line on commercial real estate taxes and did not raise property or car taxes. Costs were offset with a modest raise in fees for building permits and business licenses as well as added revenue streams from the expansion of parking meters throughout the city. The FY16 budget also places significantly less onus on one-time revenue sources.

FY16 budget takes a number of steps to promote and facilitate investment and business in the city, including creating a Liaison Business Facilitator position in the City’s Economic Development office to assist potential investors and developers.

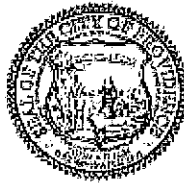
Mayor Elorza also created a Chief Innovation Officer position to improve efficiency throughout city departments, allowing them to better serve the public. It also increased line items for snow removal by 13% and street sweeping by 10%.

The FY16 budget included a 2% increase in revenue through growth of the tax base, a modest increase in certain permitting fees (bringing the City in line with other municipalities in Rhode Island) and several items of new tax revenue, including \$500,000 from port equipment that was not previously on the tax rolls.

The FY16 budget also fully budgets changes to account for the City’s required deficit reduction payments.

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CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Development and Infrastructure

FY2015 saw a number of significant infrastructural investments throughout the City and also helped pave the way for increased development going forward.

Transportation Improvements -- FY2015 saw significant investment in the City's transportation infrastructure. \$40 million in road construction bonds saw many roads throughout the city received much needed paving. The City also finished its revitalization of Kennedy Plaza, the city's central modal and public transit hub. The City is also in the process of finishing phase three of its circulator project, aimed at improving walkability and meeting 21st century traffic demands.

Parking Meters -- The City is in the process of converting all single and multi-space parking meters to accept credit cards, making them more efficient and convenient. The City is also anticipating a modest increase in parking meter revenue from the addition of several hundred parking spaces in commercial areas throughout the City.

Land of Opportunity -- The land that was freed up by the relocation of I-195 presents a once-in-a-lifetime opportunity for Providence and Rhode Island to create the economy of the future. The Elorza administration worked with state leaders, the City Council and the I-195 Commission to develop a standardized tax stabilization agreement for the district that will provide prospective developers with a clearer understanding of the incentives available to them when considering an investment on this land.

Cluster Development Study -- The City recently contracted a study to identify opportunities to enhance economic development in Providence and better incite development.

Port Expansion -- This year, ProvPort secured a 14-acre parcel owned by the City which it will lease from 2015 to 2036 at a rate of \$140,000 per year. The expansion allowed ProvPort to increase capacity to accommodate a temporary structure that will house workspace for the construction of new offshore wind turbines. Mayor Elorza is also seeking opportunities to expand commerce and better utilize the City's deep water channel.

Improving Public Service through Innovation

Upon taking office, Mayor Elorza saw a necessity to invest in innovative and proactive resources to improve efficiency and effectiveness of city government. Mayor Elorza has clearly mandated the need to be more efficient with the resources that currently exist in the city to ensure that we are giving taxpayers the most from the services for which they are currently paying.

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CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Created a Department of Innovation -- Early in his tenure, Mayor Elorza established a Department of Innovation, which operates under the guidance of the City's first Chief Innovation Officer. Innovation is about constantly improving the way the City operates and delivers service to the public. From LEAN programming, to process improvement and customer service related practices, the Department of Innovation leads the city workforce in a commitment to constant improvement and works closely with the Mayor and his Administration to implement changes.

Mayor's Center for City Services (MCCS) -- Upon taking office Mayor Elorza undertook a restructuring and refocusing of the Mayor's constituent service arm to provide a more streamlined, responsive and customer service oriented experience for residents seeking assistance from the City. Through innovative partnerships and systems the Mayor's Center for City Services is improving the speed and effectiveness of city services. The City has implemented a state-of-the-art case management system that allows departments to share and track the status of requests in real time. Since Mayor Elorza took office, the City Services office has closed approximately 9,000 cases, including a eliminating a backlog of more than 3,000 cases inherited from the previous administration. Residents are encouraged to call 421-CITY to speak directly with a member of the MCCS team.

Customer Service -- The City has partnered with AMICA to provide customer service training to MCCS staffers as well as other points of contact throughout city government. The City has also added tools to help the public interface with City Hall, including wayfinding signs throughout the building, an information desk that is staffed by an MCCS representative by the first floor entrances to City Hall and a Mobile MCCS van that allows the resources of the office travel to locations throughout the city, providing the same high-quality resources available at City Hall.

Parks, Recreation and Healthy Communities

Considering the positive effects of a healthy and active lifestyle, as well as the benefits readily available from nutritious food options for residents, Mayor Elorza has committed substantial resources to programs which can have a direct impact. The Department of Recreation, Providence Parks Department, Office of Healthy Communities and numerous community partners work together to provide healthy opportunities for residents of all ages and to make it easier for residents to make healthy lifestyle decisions.

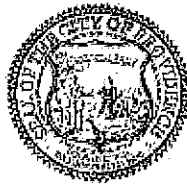
Expanded Summer Recreation -- Mayor Elorza's administration was pleased to offer an expanded summer recreation program to city youth which began Monday, May 18, 2015. Led by Director of Recreation Services Michael Stephens, Parks and Recreation Superintendent Wendy Nilsson, and recreations staff from across the city, the line-up included all previously offered programs but added new activities in addition to new age divisions.

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Midnight Basketball -- For young adults, Mayor Elorza collaborated with community partners to re-establish a Summer Midnight Basketball League. The league consisted of 24 teams and utilized several recreational parks and facilities throughout the city from 9 p.m. to midnight. With the primary objective of promoting camaraderie and athletic competition, the league was a success, as all rosters were filled.

Summer Meals Program -- With the assistance of Federal, State, and local community partners, and the U.S. Department of Agriculture (USDA), Providence offered free and nutritious meals to the children under the age of 18 through the Summer Food Service Program. Taking into consideration the population of students who depend on free or reduced meal options during the school year, offering this program during the summer months ensured that youth with limited access had an opportunity eat a healthy meal. The program was offered at 35 locations throughout the city.

Health Equity Zone grant -- In April 2015, the Healthy Communities Office received a Health Equity Zone (HEZ) grant from the RI Department of Health. The long-term goal of this proposal is to improve Providence residents' health behaviors and overall health status and to reduce the rates of death and disability due to tobacco use, obesity, climate change, and chronic disease.

Substance Abuse Prevention --The Healthy Communities Office worked to conduct a range of educational programs to reduce youth use of alcohol, tobacco and other drugs. In September 2015, we held a Prescription Drug Take Back Day in partnership with the DEA in Providence, again having one of the most successful take back events throughout the state.

Access to Health Care --The City reduced the number of children and parents without health insurance through efforts to expand enrollment in Rite Care, the state's Medicaid/CHIP program for children and families. We held 37 enrollment events and supported efforts to help more than 40,000 residents recertify and almost 1,000 residents sign up for health care coverage in FY2015.

Lots of Hope -- Expanding the City's Lots of Hope urban agriculture initiative in 2015, the City completed the first-ever Lots of Hope urban greenhouse, which provides urban gardeners with season extension technology and offers nearby schools a space for farm-to-school activities.

Sustainability

In July 2015, Mayor Elorza became a leader on climate action by signing the Compact of Mayors, joining what is now a coalition of over 400 cities worldwide committed to tracking and reducing greenhouse gas emissions and preparing for the impacts of climate change. The City's Office of

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CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Sustainability is updating the City's sustainability plan to include these new goals and report progress on implementation. The City is leading by example in a number of areas and is now increasing its capacity to engage residents and businesses in taking action that will improve our environment, save money, and build stronger communities.

LED Streetlight Conversion -- The City is under contract with the Partnership for Rhode Island Streetlight Management (PRISM) to purchase and convert all 17,000 of the City's streetlights to LEDs. It is estimated that this will save the City approximately \$3.5 million annually on distribution charges, energy costs, and maintenance. It will also result in higher quality lighting throughout the city and reduce the City's municipal carbon footprint by 25 percent.

Municipal Energy Efficiency Projects -- Since 2010, the City has completed lighting retrofits, gas conversions, and other energy efficiency and conservation measures throughout City-owned buildings and schools. Electricity consumption has declined each year since 2011 and is 7% below 2011 levels. By converting oil to natural gas, municipal oil consumption has been reduced by over 80% since 2009. When taking weather into account, the City's overall energy consumption has declined by over 6%. These conservation measures have resulted in considerable savings. Significant opportunities for energy efficiency projects still remain on City-owned properties. The City remains committed to its goal of reducing energy consumption 30% by 2030. In the fall of 2015, the City released an RFQ to establish an energy partner to identify deep energy retrofit opportunities in 17 of its buildings. The goal of this work is to find savings of 20 percent or more, and to utilize new financing opportunities made available through the Rhode Island Infrastructure Bank. The City plans to release a comprehensive municipal energy report in early 2016.

Renewable Energy -- With a grant from Commerce RI, the City completed a solar feasibility study in the spring of 2016. It assessed twenty City-owned properties for both the technical and financial viability for deploying solar photovoltaic panels. In the fall of 2015, the City released an RFQ to identify a solar installer to move projects forward and we are currently evaluating proposals. By investing in solar energy, the City is exploring ways it can lock in reduced energy costs, promote and support the renewable energy industry in Rhode Island, and reduce carbon emissions.

SustainPVD Initiative -- In July 2015, Mayor Elorza launched SustainPVD, a community-wide sustainability initiative to make Providence a greener, healthier, more livable city. It seeks to educate, empower, and connect residents, businesses, institutions, and municipal government to achieve the goals set forth by *Sustainable Providence*. The Mayor kicked off this initiative by joining the Compact of Mayors, a global coalition of local leaders pledging to reduce and track GHG emissions. The launch also coincided with an update of the Office of Sustainability's

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CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

website under the new SustainPVD branding, a new SustainPVD e-newsletter, and SustainPVD social media channels (Facebook and Twitter).

SustainPVD Ambassadors -- In the spring of 2014, the City was awarded a grant to pilot a Recycling Ambassador Program. In August, SustainPVD Ambassadors were recruited and trained in both energy efficiency and recycling. Throughout the fall, the energy ambassadors supported the Find Your Four! residential energy conservation campaign by canvassing and attending events throughout the community. The City is well over halfway to its goal of getting over 3,000 signups. The recycling ambassadors developed a community-based marketing strategy to improve recycling rates in the Washington Park neighborhood. Based on overwhelming positive feedback from participants, the Office of Sustainability hopes to secure funding to continue the program in the spring.

Providence Composts Program -- The Providence Composts! program expanded this year to seven sites and has diverted approximately 16 tons of food scraps since 2013 through a network of residential drop-off sites. The program is operated by Southside Community Land Trust with \$20,000 from the City's recycling profit share funds.

Textile Recycling Collection Program -- The City continue its partnership with Goodwill Industries to collect used textiles for recycling and reuse at ten locations around the city. Since its inception 15 months ago, the program has captured 24,860 pounds (12.43 tons) of material that would have otherwise gone to the landfill. Each ton saves the City \$32 from landfill fees and generates \$100 that helps fund Providence's Parks & Recreation programs. The City also may count the tonnage toward our state waste diversion goal.

Stormwater Management Study -- Through funding from the RI Department of Environmental Management, the City is leading phase II of a stormwater management utility district study. In 2013, six municipalities at the head of the Narragansett Bay began exploring regional solutions to a wide range of shared challenges including flooding, stormwater pollution, and degraded drainage infrastructure. Phase I of the study, completed in 2014, provided a planning level assessment of the feasibility of a regional stormwater utility district for municipalities. Phase II will define the utility's scope and governance and provide detailed guidance on the steps to implement a regional stormwater management district. At the conclusion of Phase II, municipalities will determine whether to proceed to Phase III, which would establish the management district.

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CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

FY2015 Deficit

The City was expecting to report a deficit of around \$5,000,000 for FY2015. Upon taking office, the Elorza Administration identified approximately \$20 million in budget risk for the fiscal year. The Administration took immediate action to resolve more than \$15 million of that risk, yielding positive budgetary impact for both FY15 and FY16. Reacting to favorable market conditions, the City refunded eligible bonds resulting in \$12 million in savings (\$8.2 million in FY15 and \$4 million in FY16). The Administration was unable to immediately resolve \$4.6 million in combined Public Safety callback/overtime (Fire \$3.6 million and Police \$1.0 million, respectively) and excess snow removal costs of \$696K. Further, there was \$6 million in one-time revenues budgeted that did not materialize. All of these risks have been addressed in the FY16 Budget.

The City made its earliest 100 percent ARC funding in the past eight years for FY15, with payments paid by August 15, 2015, including post-June 30 accrued interest of \$331,953. The accelerated effort saved the City \$1.3 million in potential additional post-June 30 accrued interest.

We are planning to continue our commitment to fund the \$4.3 million deficit reduction from a prior fiscal year in FY16 and FY17 on the cumulative deficit of \$8.6 million, and starting with the budget for FY17, there will be an additional \$1 million to fund the FY15 deficit of approximately \$5,000,000. We have pledged in our early reporting already this fiscal year that we are committed to paying against the deficit, which requires generating surpluses in at least these amounts.

We have made strident efforts in increasing our FY16 budget to reflect an additional \$5 million in medical expenditures, given that the last 3 years running, medical expense has surpassed budgeted amounts by \$3.0 to \$3.5 million annually.

The City is conducting an immediate review of FY16 non-essential spending and vacant positions to ascertain additional savings opportunities.

Debt Administration

Outstanding government- and business-type activity bonds at June 30, 2015 totaled \$534,063,000. (Note 7 of this report represents more detailed information about the City's debt position.) The City has the following bond ratings:

Moody's Investor Services –	Baa1
Standard and Poor's –	BBB
Fitch –	BBB

Long-Term Financial Planning

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Jorge O. Elorza, Mayor

As part of the annual budget process, the Finance and Planning Departments present a five-year Capital Improvement Plan. This plan identifies costs and financing methods for those capital projects the City expects to fund over the next five years.

The 2013-2017 Fiscal Year Capital Improvement Plan projects needs through FY2017. The plan provides for the needs of the general government and addresses issues such as infrastructure, major equipment replacement, school facilities, public safety, recreation, and public lands and parks.

Further, in recognition of the City's continued structural deficit and the Administration's desire to offer structural solutions, a 10 year Fiscal Plan for the City has been commissioned. With a grant from the Federal Government and local philanthropic support, the Administration will deliver to the public a plan by April 2016 that will present options to get the City to structural surpluses by the end of the plan.

Acknowledgment

The preparation of this report could not have been accomplished without the dedication and hard work of the Finance, Planning & Development, Policy and Communications professionals who work for the City of Providence. I would like to express my appreciation and gratitude to all of the staff members who assisted and contributed to its preparation. I also appreciate the assistance and dedication of the audit team at Marcum LLP.

Finally, I would like to thank Mayor Jorge O. Elorza and the Providence City Council for their steady and responsible stewardship of all aspects of City government.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "B. Smiley".

Brett P. Smiley
Chief Operating Officer

OFFICE OF THE MAYOR

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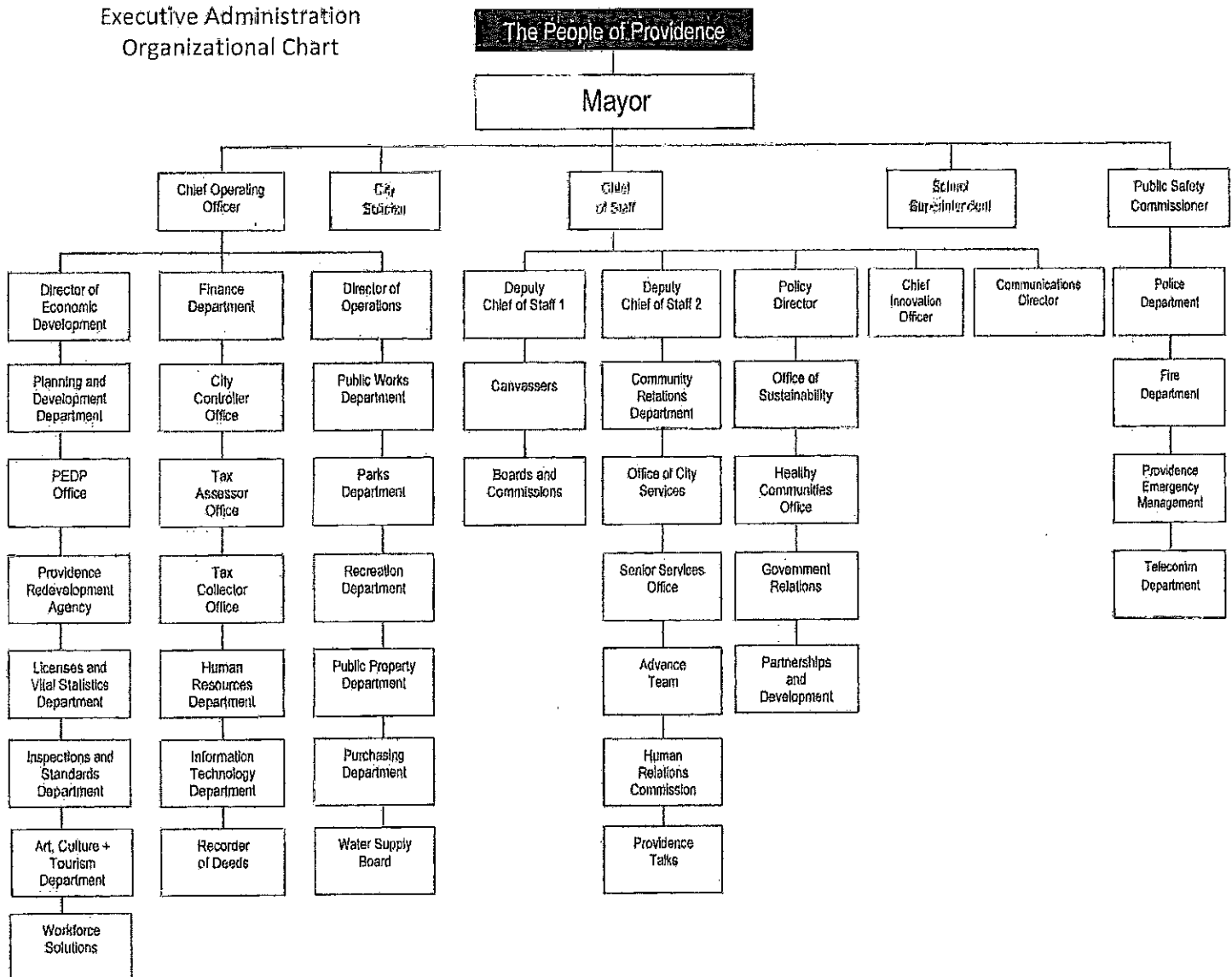
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CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Executive Administration Organizational Chart



**City Officials
As of June 30, 2015**

Mayor
Jorge O. Elorza

City Council

Ward 1 – Seth Yurdin	Ward 6 – Michael J. Correia	Ward 11 – Mary Kay Harris
Ward 2 – Samuel D. Zurier	Ward 7 – John J. Iglioizzi	Ward 12 – Terrence M. Hassett
Ward 3 – Kevin E. Jackson	Ward 8 – Wilbur W. Jennings, Jr.	Ward 13 – Brian Principe
Ward 4 – Nicholas A. Narducci, Jr.	Ward 9 – Carmen Castillo	Ward 14 – David A. Salvatore
Ward 5 – Jo-Ann Ryan	Ward 10 – Luis A. Aponte	Ward 15 – Sabina Matos

Department Directors

General Manager of Water Supply	Richard A. Caruolo
Commissioner of Public Safety	Steven M. Pare
Chief of Fire Department	Clarence A. Cunha
Chief of Police Department	Col. Hugh T. Clements, Jr
Chief of Staff	Tony Simon
City Clerk	Lori L. Hagen
City Controller	J. Michael D'Antuono, CPA
City Solicitor	Jeffrey Dana, Esq
City Treasurer	James J. Lombardi, III
Chief Operating Officer	Brett P. Smiley
Director of Arts, Culture, and Tourism	Lynne A. McCormack
Director of Emergency Management	Michael Borg
Director of Finance	Lawrence J. Mancini
Director of Information Technology	James A. Silveria
Director of Inspections and Standards	Jeffrey L. Lykins, RA
Director of Public Property	Alan R. Sepe
Director of Personnel	Sybil F. Bailey
Director of Planning and Development	Bonnie Nickerson, AICP
Director of Public Works	Russell P. Knight
Director of Telecommunications	William B. Trinke
Internal Auditor	Matthew M. Clarkin, Jr
Recorder of Deeds	John A. Murphy, Acting
Registrar of Vital Statistics	Serena A. Conley
Superintendent of Parks and Recreation	Wendy Nilsson
Superintendent of Schools	Dr. Susan F. Lusi
Tax Assessor	David L. Quinn II
Tax Collector	John A. Murphy
Traffic Engineer	William C. Bombard, P.E.



Government Finance Officers Association

**Certificate of
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**City of Providence
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF PROVIDENCE

Financial Section

- Report of Independent Auditors
 - Management's Discussion and Analysis
 - Basic Financial Statements
 - Supplementary Information
-



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Change in Method of Accounting for Pensions and Restatement of Net Position

As discussed in Note 1 to the financial statements, the City changed its method for accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Boards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 16 to the financial statements, management determined that the beginning net position should be restated at July 1, 2014 by \$1,116,163,698 to reflect the net pension liability as of June 30, 2014. Our opinion is not modified with respect to these matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedules of Funding Progress, Funding Status, Changes in Net Pension Liability and Related Ratios, Contributions and Investment Returns on Pages 3–11 and pages 65-77, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Providence, Rhode Island's basic financial statements. The accompanying financial information listed as supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and capital assets schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Providence, Rhode Island's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
January 6, 2016

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

This Management's Discussion and Analysis of the City of Providence, Rhode Island's Basic Financial Statements provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.

Financial Highlights – Primary Government

Government – Wide Highlights

Net Position – The liabilities of the City's governmental activities exceeded its assets for the fiscal year ending June 30, 2015 by \$1,239 million (presented as "total net position"). Of this amount, a negative of \$1,458 million was reported as "unrestricted". The net investment in capital assets was \$219 million. The assets of the City's business-type activities exceed its liabilities by \$246 million. Of this amount, \$239 million represents the City's business-type activities net investment in capital assets.

Change in Net Position – The City's total net position decreased by \$4.4 million in fiscal year 2015. Net position of governmental activities decreased by \$21.0 million, while net position of business-type activities increased by \$16.6 million.

Fund Highlights

Governmental Funds – Fund Balances – As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$55 million, a \$16.0 million decrease from the prior year. Of the total fund balance reported, a negative \$13.4 million represents "unassigned fund balance".

Long-Term Obligations

The City's total long-term obligations related to its government activities had a net increase of \$1,086 million during the current fiscal year. This dramatic increase was mainly due to the implementation of GASB Statement No. 68, which requires total net pension liability to be included in the government-wide financial statements. More information related to both GASB Statement No. 68 and the net pension liability can be found at Note 1 and Note 7 to the Financial Statements.

The total long-term obligations of the City's proprietary activities increased \$67.7 million during the current fiscal year. The majority of the increase in long-term obligations is due to the implementation of GASB Statement No. 68. More information related to this can be found at Note 1 and Note 7 to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Providence's basic financial statements. The City's basic financials statements include three components: 1) government – wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information (budget schedules) and other supplementary information (combining financial statements). These components are described in this next section of this analysis.

Basic Financial Statements

The basic financial statements include two types of statements that present different views of the City's financial information. These statements are the **Government-Wide** and the **Fund Financial** statements. These financial statements are accompanied by **Notes to the financial Statements**, which provide detailed information about financial statement items.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Government-Wide Financial Statements

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

- The *Statement of Net Position* presents all of the government's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported, as soon as, the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as, uncollected taxes and earned, but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

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

- *Governmental Activities* – The activities in this section are supported mostly by tax revenues and intergovernmental revenues (federal and state grants). Most services normally associated with City government fall into this category, including the executive, legislative and judicial, financial administration, human resources, public safety, building inspections, public works, recreation, parks, schools, public property, planning, other general government, judgment and claims, retirement costs, debt service, and other employee benefits.
- *Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The City's business-type activities include the operations of the Water Supply Board and The Providence Public Building Authority. The City does not have any discretely presented component units.

Fund Financial Statements

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

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Fund Financial Statements (continued)

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

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

The City has four governmental funds considered to be major funds for financial statement presentation. That is, each major fund is presented in a separate column in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major governmental funds are comprised of the following: (1) the General Fund, (2) the School Fund, (3) the School Grant Fund, and (4) the Capital Projects Fund. All nonmajor governmental funds are presented in single column. The basic governmental fund financial statements can be found immediately following the government-wide statements.

2. *Proprietary Fund Financial Statements* – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, which are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and proprietary fund financial statements. The City has two major enterprise funds: The Water Supply Board and the Providence Public Buildings Authority. Financial statements for the Providence Public Buildings Authority may be obtained from the City of Providence Finance Department.

The Internal Service Fund is maintained to account for the self-insured health claims and potential legal claims of the City.

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Fund Financial Statements (continued)

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the general and school funds – the only governmental funds for which legal budgets are adopted annually. In fiscal year 2015, there were no significant modifications to the budgets originally adopted for each fund.

Other Supplementary Information

Combining Financial Statements and Schedules

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve as a useful indicator of the government's financial position over time. The City's combined net position (government and business-type activities) totaled to a deficit of \$754 million at the end of 2015, compared to the surplus of \$125.9 million at the end of the prior year.

The largest portion of the City's net position, \$458 million, reflect its investment in capital assets, like land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any outstanding related debt used to acquire that asset. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets can not be used to liquidate these liabilities.

	June 30, 2015			June 30, 2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 236,775	\$ 68,108	\$ 304,883	\$ 258,026	\$ 60,725	\$ 318,751
Noncurrent assets	705,821	317,262	1,023,083	700,262	299,811	1,000,073
Total Assets	<u>942,596</u>	<u>385,370</u>	<u>1,327,966</u>	<u>958,288</u>	<u>360,536</u>	<u>1,318,824</u>
Deferred Outflows of Resources	<u>35,001</u>	<u>1,157</u>	<u>36,158</u>	<u>363</u>	<u>-</u>	<u>363</u>
Current liabilities	222,715	16,551	239,266	225,551	13,421	238,972
Noncurrent liabilities	1,965,594	123,485	2,089,079	876,087	75,559	951,646
Total Liabilities	<u>2,188,309</u>	<u>140,036</u>	<u>2,328,345</u>	<u>1,101,638</u>	<u>88,980</u>	<u>1,190,618</u>
Deferred Inflows of Resources	<u>28,140</u>	<u>370</u>	<u>28,510</u>	<u>-</u>	<u>2,709</u>	<u>2,709</u>
Net Position:						
Net investment in capital assets	219,179	239,088	458,267	199,002	225,544	424,546
Restricted		42,322	42,322		36,627	36,627
Unrestricted	(1,458,031)	(35,289)	(1,493,320)	(341,989)	6,676	(335,313)
Total Net Position	<u>\$ (1,238,852)</u>	<u>\$ 246,121</u>	<u>\$ (992,731)</u>	<u>\$ (142,987)</u>	<u>\$ 268,847</u>	<u>\$ 125,860</u>

Restricted net position of \$42.3 million primarily represents water restricted funds that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net position.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Changes in Net Position

The City's net position decreased by \$21 million for governmental activities and increased by \$16.6 million for business-type activities for a combined change in net position of \$9.7 million. General fund revenues increased due to the success of increased tax collections and higher than budgeted departmental revenues, while expenditures for healthcare and pension costs came in higher than the budgeted amounts. Business-type activities increased due to large commitment to the replacement of infrastructure included in water rates in FY2015. Approximately 47.5% of the City's total governmental revenues were generated from taxes and payments in lieu of taxes, which is comparable to the prior year. 35.52% resulted from grants and contributions, including Federal Aid, which is an increase over the prior year. There were slight decreases in both, charges for various goods and services, which provided 12.2% of total revenues, while other revenues and investment and rental income accounted for 4.7% of total revenues, respectively. The City's expenses cover a range of services. The largest expenses were for school, public safety, retirement costs, and employee benefits. Revenues from business-type activities in fiscal year 2015 exceeded expenses by \$16.6 million. The Business-type activities reported an increase in revenue of 3.8%, while expense decreased 2% from the prior year.

	June 30, 2015			June 30, 2014		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 93,444	\$ 104,165	\$ 197,609	\$ 97,506	\$ 97,938	\$ 195,444
Operating grants and contributions	282,583		282,583	260,964		260,964
Capital grants and contributions		1,098	1,098		3,304	3,304
General revenues:						
Property taxes	363,712		363,712	358,243		358,243
Grants not restricted for a specific purpose	16,658		16,658	18,158		18,158
Miscellaneous	19,176	-	19,176	18,871	-	18,871
Unrestricted investment earnings	1	485	486	1	662	663
Total revenues	775,574	105,748	881,322	753,743	101,904	855,647
Expenses:						
Executive, legislative and judicial	36,830		36,830	36,036		36,036
Finance	63,820		63,820	49,261		49,261
Public safety	180,430		180,430	169,742		169,742
Building inspection	4,496		4,496	4,381		4,381
Public works	26,959		26,959	23,965		23,965
Recreation	2,238		2,238	2,131		2,131
Public lands and parks	21,290		21,290	20,825		20,825
Education	422,730	15,152	437,882	402,539	15,448	417,987
Community development	17,981		17,981	18,901		18,901
Interest on long-term debt	19,859		19,859	19,984		19,984
Economic development		17,076	17,076		19,322	19,322
Water		56,898	56,898		56,271	56,271
Total expenses	796,633	89,126	885,759	747,765	91,041	838,806
Change in net position	(21,059)	16,622	(4,437)	5,978	10,863	16,841
Net position- beginning (as restated)	(1,217,793)	229,499	(988,294)	(148,965)	257,984	109,019
Net position- ending	\$ (1,238,852)	\$ 246,121	\$ (992,731)	\$ (142,987)	\$ 268,847	\$ 125,860

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Business-Type Activities

The business-type activities increased the City's net position by \$16.6 million. This resulted primarily from a \$14.0 million increase in net position of the Water Supply Board. Additionally, there was an increase of net position of \$1.9 million by the Providence Public Building Authority, and an increase of \$651 thousand from the school lunch program all contributing to the overall increase.

Financial Analysis of the City's Individual Funds

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

Governmental Funds

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was a negative \$13.4 million, a decrease of \$4.7 million from \$8.7 million the prior year. The decrease in fund balance is due to an overall increase in revenues collected of \$2 million more than prior fiscal year offset by overall increases in expenditures of \$9.9 million, over the prior fiscal year. Other financing sources amounted to \$121 million which is consistent with the prior fiscal year. Increases in tax collections as well as higher than budgeted departmental revenues, helped to offset decreases in other funding sources, including fines and forfeitures and federal and state funding for the current fiscal year. While the revenues as a whole increased, the expenditures for the current fiscal year as previously stated also increased over the prior year. These increases were in all areas of the expenditures covered by the general fund. As a measure of the general funds' liquidity, it may be useful to compare both unassigned fund balance and total fund balance.

School Grants-Fund Balance – The school grant funds account for federal and state grants received and expended by the school system. The fiscal year 2015 school grants fund balance is reported at \$2.4 million, which is approximate to fiscal year 2014. The inclusion of all state aid in fiscal 2015 was included in the School's general fund and excluded from the school grants fund.

School Fund – The school fund ended the year with a \$0 fund balance in accordance with City charter regulations. The expenditures were \$361 million as compared to \$349 million in the prior year. The inclusion of all state aid in fiscal 2015 was included in the School's general fund and excluded in the school grants fund.

Capital Projects Fund-Fund Balance – The capital projects fund accounts for resources to be used for the acquisition or construction of capital assets for housing and community improvement activities in the City, other than those financed by proprietary funds. The fiscal year 2015 capital projects fund balance is \$5.1 million. The \$10.5 million decrease from fiscal year 2014 is attributable most notably to capital outlays related to completion of the \$40 Million Road Bond Paving Initiative.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities above, the City's proprietary net position increased by \$16.6 million as a result of operations in the individual enterprise funds. This increase is primarily from a \$140 million increase in net position of the Water Supply Board, an increase of net position of \$1.9 million by the Providence Public Building Authority, and a \$651 thousand increase in the school lunch program for fiscal year 2015.

General Fund Budgetary Highlights

The general fund incurred an uncombined deficit in FY 2015 of \$5.0 million. This will increase the cumulative uncombined general fund balance to a negative \$21.8 million. The GASB 54 requirement for combining funds shows a cumulative general fund balance as a negative \$13.7 million. Total general fund revenues and transfers for the fiscal year were \$456 million and total general fund expenditures and transfers for the fiscal year were \$461 million.

Further details of favorable and unfavorable variances of revenue and expense items can be found in the Required Supplementary Information on pages 65 to 71 of the fiscal year 2015 Comprehensive Annual Financial Report.

Capital Asset and Debt Administration

Capital Assets (Note 5 to the Basic Financial Statements)

	June 30, 2015			June 30, 2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 46,767	\$ 22,614	\$ 69,381	\$ 46,767	\$ 21,958	\$ 68,725
Land Improvements		18,682	18,682		18,682	18,682
Building and Improvements	179,779	207,163	386,942	168,433	201,186	369,619
Machinery and Equipment	20,185	3,675	23,860	20,106	335	20,441
Infrastructure	100,123		100,123	103,693		103,693
Leased Assets	329,923	10,041	339,964	338,734	10,041	348,775
Construction in Progress	29,044	55,087	84,131	22,529	47,609	70,138
	<u>\$ 705,821</u>	<u>\$ 317,262</u>	<u>\$ 1,023,083</u>	<u>\$ 700,262</u>	<u>\$ 299,811</u>	<u>\$ 1,000,073</u>

The City's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$1,132 million, net of accumulated depreciation of \$426 million, leaving a net book value of \$706 million. Included in the \$1,132 million, is non-depreciable capital assets of \$75.8 million, consisting of land and construction in progress. This investment in capital assets included land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Debt Administration

	June 30, 2015			June 30, 2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business- type Activities	Total
General Obligation Bonds	\$ 92,261		\$ 92,261	\$ 99,501		\$ 99,501
Revenue Bonds	54,221	\$ 78,174	132,395	59,799	\$ 74,269	134,068
Tax Increment Obligations	2,725		2,725	6,170		6,170
Capital Notes Payable	33,473		33,473	30,506		30,506
Notes Payable	2,382		2,382	2,474		2,474
PPBA Debt		306,682	306,682		333,343	333,343
	<u>\$ 185,062</u>	<u>\$ 384,856</u>	<u>\$ 569,918</u>	<u>\$ 198,450</u>	<u>\$ 407,612</u>	<u>\$ 606,062</u>

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

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

The City's total outstanding notes and bonds decreased by \$36.1 million during the current fiscal year. This decrease was due in part between the City making all required debt payments and refunding of bonds during the current fiscal year.

The 2004 State legislative session authorized the City to issue variable rate debt and to participate in interest rate swaps. The City is developing policies that will set guidelines and procedures and define permitted instruments. It will set participant requirements and limitations on exposure, as well as ongoing management and reporting requirements.

The City of Providence maintains the following ratings from Wall Street's credit agencies for general obligation debt: a Baa1 rating from Moody's Investors Service, a BBB rating from Standard and Poor and a BBB rating from Fitch. The City of Providence continues to perform long-term strategic planning in a proactive attempt to control costs; examples of these costs are health insurance, pension costs, education, salaries and benefits and debt service. The City has negotiated with all of its unions to increase employee contributions for health insurance.

Additional information on the City's long-term debt obligations can be found in Notes 7 and 8 to the Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the City of Providence's finances for all of the City of Providence's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Providence, Finance Department, Providence City Hall, 25 Dorrance Street, Providence, RI 02903.

CITY OF PROVIDENCE

BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE

Statement of Net Position
June 30, 2015 (in thousands)

	Governmental Activities	Business-Type Activities	Totals*
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 70,435	\$ 23,425	\$ 93,860
Restricted cash and cash equivalents		33,354	33,354
Investments	25,697	7,943	33,640
Restricted investments		6,635	6,635
Taxes receivable (net of allowance)	25,621		25,621
Intergovernmental receivable	49,197	1,414	50,611
Loan receivable (net of allowance)	26,500		26,500
Restricted receivables		17	17
Other receivable	20,561		20,561
Charges for service receivable (net of allowance)		9,835	9,835
Internal balances	15,642	(15,642)	-
Other assets	3,122	1,127	4,249
Total current assets	236,775	68,108	304,883
Noncurrent assets			
Capital assets, nondepreciable	75,811	96,383	172,194
Capital assets, depreciable, net	630,010	220,879	850,889
Total noncurrent assets	705,821	317,262	1,023,083
TOTAL ASSETS	942,596	385,370	1,327,966
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources	35,001	1,157	36,158
Total deferred outflows of resources	35,001	1,157	36,158
LIABILITIES:			
Current Liabilities:			
Warrants and accounts payable	24,925	8,061	32,986
Payable to retirement plan	55,632		55,632
Due to other governments	187		187
Accrued liabilities	38,153		38,153
Unearned revenue	18,474		18,474
Amounts payable with current restricted assets		3,861	3,861
Long term debt due within one year	85,344	4,629	89,973
Total current liabilities	222,715	16,551	239,266
Noncurrent liabilities:			
Due in more than one year	1,965,594	123,485	2,089,079
Total noncurrent liabilities	1,965,594	123,485	2,089,079
TOTAL LIABILITIES	2,188,309	140,036	2,328,345
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflow of resources	28,140		28,140
Deferred revenue from impact fees		370	370
Total deferred inflows of resources	28,140	370	28,510
Net Position			
Net investment in capital assets	219,179	239,088	458,267
Restricted for Water Quality Protection		36,145	36,145
Restricted for debt service		6,177	6,177
Unrestricted	(1,458,031)	(35,289)	(1,493,320)
TOTAL NET POSITION	\$ (1,238,852)	\$ 246,121	\$ (992,731)

* After internal receivables and payables have been eliminated

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2015 (in thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
Executive, legislative, and judicial	\$ 36,830	\$ 191	\$ -	\$ -	\$ (36,639)	\$ -	\$ (36,639)
Finance	63,820	60,636			(3,184)		(3,184)
Public Safety	180,430	11,908	56		(168,466)		(168,466)
Building Inspection	4,496	4,376			(120)		(120)
Public Works	26,959	318			(26,641)		(26,641)
Recreation	2,238	547	484		(1,207)		(1,207)
Public land and parks	21,290	317			(20,973)		(20,973)
Education	422,730	15,151	275,252		(132,327)		(132,327)
Community development	17,981	-	6,791		(11,190)		(11,190)
Interest on long-term debt	19,859	-			(19,859)		(19,859)
Total governmental activities	796,633	93,444	282,583	-	(420,606)	-	(420,606)
Business-type activities:							
PPBA	17,076	18,861				1,785	1,785
Water Supply Board	56,898	69,501		1,098		13,701	13,701
Non-major School lunch program	15,152	15,803				651	651
Total business-type activities	89,126	104,165		1,098		16,137	16,137
Total primary government	\$ 885,759	\$ 197,609	\$ 282,583	\$ 1,098	(420,606)	16,137	(404,469)
General revenues							
Taxes:							
Property taxes					335,624		335,624
Payments in lieu of taxes					28,088		28,088
Grants and contributions not restricted to specific programs					16,658		16,658
Investment income					1	485	486
Miscellaneous					19,176		19,176
Total general revenues					399,547	485	400,032
Change in net position					(21,059)	16,622	(4,437)
Net position-beginning, as restated					(1,217,793)	229,499	(988,294)
Net position-ending					\$ (1,238,852)	\$ 246,121	\$ (992,731)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND

Balance Sheet- Governmental Funds
June 30, 2015 (In thousands)

June 30, 2010 (in thousands)

	Major Funds						Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects	Other Non-major Governmental Funds		
ASSETS:							
Cash and cash equivalents	\$ 22,317	\$ 21,341	\$ 5,468	\$ 4,388	\$ 13,915	\$	67,429
Investments	-	-	-	-	25,697		25,697
Receivables, net:							
Taxes	25,621	-	-	-	-		25,621
Loans	-	-	-	-	26,500		26,500
Intergovernmental	35,204	1,153	10,680	-	2,160		49,197
Other	11,907	2,105	14	4,907	36		18,969
Due from other funds	43,397	18,585	2,117	40	21,863		86,102
Due from component unit	1,044	-	-	-	-		1,044
Other assets	-	-	-	-	854		854
TOTAL ASSETS	\$ 139,490	\$ 43,184	\$ 18,279	\$ 9,335	\$ 91,125	\$	301,413
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Warrants and accounts payable	\$ 4,947	\$ 11,506	\$ 3,837	\$ 694	\$ 2,446	\$	23,430
Accrued liabilities	5,202	26,844	-	-	689		32,715
Other payables	55,632	-	-	-	-		55,632
Unearned revenues-other	13,590	-	2,459	-	7,845		23,894
Due to other funds	50,436	4,834	9,551	3,504	19,305		87,630
Due to other governments	164	-	23	-	-		187
TOTAL LIABILITIES	129,971	43,184	15,870	4,198	30,265		223,488
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	22,964	-	-	-	-		22,964
Total deferred inflows of resources	22,964	-	-	-	-		22,964
FUND BALANCES:							
Nonspendable	-	-	-	-	19,041		19,041
Restricted	-	-	2,409	5,137	31,806		39,352
Committed	-	-	-	-	10,013		10,013
Unassigned	(13,445)	-	-	-	-		(13,445)
TOTAL FUND BALANCES	(13,445)	-	2,409	5,137	60,860		54,961
TOTAL LIABILITIES AND FUND BALANCES	\$ 139,490	\$ 43,184	\$ 18,279	\$ 9,335	\$ 91,125		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Net pension obligations and other post employment benefits

Net pension related deferred outflows

Long-term liabilities, including bonds payable, are not due and payable

in the current period and therefore are not reported in the funds

Deferred revenues (net of an allowance for uncollectibles)

are recorded in the funds, but are not deferred under the

measurement focus employed in the Statement of Net Assets

705,821

(1,478,506)

6,861

(556,373)

28,384

Net position of governmental activities (A-1)

\$ (1,238,852)

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
For the Year Ended June 30, 2015 (in thousands)

	Major Funds					Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects	Other Non-major Governmental Funds	
REVENUES:						
Taxes	\$ 334,103	\$ -	\$ -	\$ -	\$ -	\$ 334,103
Departmental revenue	79,360	122	-	-	10,287	89,769
Federal and state grants and reimbursements	33,708	220,079	44,135	415	17,954	316,291
Investment and rental income	540	-	-	-	1,303	1,843
Fines and forfeitures	4,559	-	-	-	-	4,559
Other	654	14,361	668	-	1,651	17,334
TOTAL REVENUES	452,924	234,562	44,803	415	31,195	763,899
EXPENDITURES:						
Current:						
Executive, legislative, and judicial	12,512	-	-	-	842	13,354
Finance	47,741	-	-	-	-	47,741
Public safety	158,796	-	-	-	8,422	167,218
Building inspection	4,239	-	-	-	-	4,239
Public works	20,264	-	-	-	-	20,264
Recreation	930	-	-	58	1,113	2,101
Public lands and parks	19,460	-	-	-	1,100	20,560
Other departments	10,178	-	-	-	-	10,178
Grants	4,551	-	-	-	-	4,551
Education	-	360,500	43,443	-	-	403,943
Community development	-	-	-	-	13,430	13,430
Noncurrent:	-	-	-	-	-	-
Capital outlays	-	-	-	17,579	1,297	18,876
Debt Service:	-	-	-	-	-	-
Principal	38,189	-	-	-	2,292	40,481
Interest and other costs	19,570	-	-	-	807	20,377
TOTAL EXPENDITURES	336,430	360,500	43,443	17,637	29,303	787,313
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	116,494	(125,938)	1,360	(17,222)	1,892	(23,414)
OTHER FINANCING SOURCES (USES)						
Capital lease proceeds	-	-	-	7,000	-	7,000
Refunding bonds issued	23,765	-	-	-	44,910	68,675
Payments to refunded bond escrow agent	(24,658)	-	-	-	(49,709)	(74,367)
Premium on bond reoffering	1,125	-	-	-	4,936	6,061
Transfers in	3,542	126,220	1,322	-	293	131,377
Transfers out	(125,041)	(282)	(2,645)	(285)	(3,124)	(131,377)
TOTAL OTHER FINANCING SOURCES (USES)	(121,267)	125,938	(1,323)	6,715	(2,694)	7,369
NET CHANGE IN FUND BALANCES	(4,773)	-	37	(10,507)	(802)	(16,045)
FUND BALANCES AT BEGINNING OF YEAR	(8,672)	-	2,372	15,644	61,662	71,006
FUND BALANCE AT END OF YEAR	\$ (13,445)	\$ -	\$ 2,409	\$ 5,137	\$ 60,860	\$ 54,961

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2015 (in thousands)**

Net Change in Fund Balances - Total Governmental Fund (B-2)	\$ (16,045)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(844)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	637
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	33,989
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(38,796)</u>
Change in net position of Governmental Activities in the Statement of Activities (A-2)	<u>\$ (21,059)</u>

CITY OF PROVIDENCE, RHODE ISLAND**Statement of Net Position-Proprietary Funds**
June 30, 2015 (in thousands)

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Non-major School Lunch Program	Totals	Internal Service Fund
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 4,797	\$ 14,523	\$ 4,105	\$ 23,425	\$ 3,006
Restricted cash	33,354			33,354	
Investments		7,943		7,943	
Restricted investments	6,635			6,635	
Receivables, net	9,774		61	9,835	1,592
Restricted receivables	17			17	
Receivables- other governments			1,414	1,414	
Due from primary government		463,644		463,644	
Due from other funds			1	1	29,260
Inventories	827			827	
Other assets	300			300	2,268
Total current assets	55,704	486,110	5,581	547,395	36,126
Noncurrent assets:					
Capital assets:					
Land	22,614			22,614	
Buildings and improvements	84,680			84,680	
Improvements other than buildings	311,431			311,431	
Machinery and equipment	31,586			31,586	
Construction in progress	73,769			73,769	
	524,080			524,080	
Less accumulated depreciation	206,818			206,818	
Total noncurrent assets	317,262			317,262	
Total assets	372,966	486,110	5,581	864,657	36,126
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	1,157			1,157	
Total deferred outflows of resources	1,157			1,157	
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,245	2,148	2,668	8,061	1,495
Claims payable					8,543
Due to other funds	1,394		251	1,645	26,088
Due to primary government		1,045		1,045	
Other		2,772		2,772	
Amounts payable from restricted assets	3,861			3,861	
Current portion of long-term debt and capital leases, net	4,629	22,133		26,762	
Total current liabilities	13,129	28,098	2,919	44,146	36,126
Noncurrent liabilities:					
Revenue bonds and PAP Loans, net	73,545	451,339		524,884	
Net pension liability	43,269			43,269	
Net OPEB obligation	6,671			6,671	
Total noncurrent liabilities	123,485	451,339		574,824	
TOTAL LIABILITIES	136,614	479,437	2,919	618,970	36,126
DEFERRED INFLOWS OF RESOURCES					
Net deferred charges on debt refunding		353		353	
Deferred revenue from impact fees	370			370	
Total Deferred Inflows of Resources	370	353	-	723	-
NET POSITION					
Net investment in capital assets	239,088			239,088	
Restricted for Water Quality Protection	36,145			36,145	
Restricted for debt service		6,177		6,177	
Unrestricted	(38,094)	143	2,662	(35,289)	-
TOTAL NET POSITION	\$ 237,139	\$ 6,320	\$ 2,662	\$ 246,121	\$ -

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND

**Statement of Revenue, Expenses and Changes in
Net Position-Proprietary Funds
For the Year Ended June 30, 2015 (in thousands)**

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Non-major School Lunch Program	Totals	Internal Service Fund
OPERATING REVENUES:					
Charges for sales and services	\$ 69,501	\$ -	\$ 784	\$ 70,285	\$ 102,027
Lease receipts	-	17,621	-	17,621	-
Other	-	1,240	15,019	16,259	2,227
Total operating revenues	69,501	18,861	15,803	104,165	104,254
OPERATING EXPENSES:					
Cost of sales and services	28,174	889	15,152	44,215	-
Health claims	-	-	-	-	104,254
Administration	15,274	991	-	16,265	-
Depreciation	11,313	-	-	11,313	-
Total operating expenses	54,761	1,880	15,152	71,793	104,254
OPERATING INCOME (LOSS)	14,740	16,981	651	32,372	-
NON-OPERATING REVENUES (EXPENSES):					
Investment Income	325	160	-	485	-
Interest expense	(2,137)	(15,196)	-	(17,333)	-
Total non-operating expenses	(1,812)	(15,036)	-	(16,848)	-
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	12,928	1,945	651	15,524	-
Capital grants and contributions	1,098	-	-	1,098	-
Change in net position	14,026	1,945	651	16,622	-
NET POSITION, BEGINNING, as restated	223,113	4,375	2,011	229,499	-
NET POSITION, ENDING	\$ 237,139	\$ 6,320	\$ 2,662	\$ 246,121	\$ -

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE

**Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2015 (in thousands)**

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Non-major School Lunch Program	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and other	\$ 69,332	\$ 38,615	\$ 825	\$ 108,772	\$ 105,704
Cash received from intergovernmental sources		1,240	14,642	15,882	
Cash paid to vendors	(25,408)	(1,665)	(14,793)	(41,866)	(105,724)
Cash paid to employees	(13,610)	-	(493)	(14,103)	
Net cash provided by (used for) operating activities	30,314	38,190	181	68,685	(20)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Amounts received from other funds	17	-	395	412	(2,970)
Amounts paid (to) other funds					
Net cash provided by (used for) noncapital financing activities	17	-	395	412	(2,970)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(28,779)	(5,266)		(34,045)	
Interest paid on debt	(2,137)	(15,292)		(17,429)	
Proceeds from bond issuance	8,000	146,325		154,325	
Repayment of long-term debt and capital leases	(4,095)	(167,267)		(171,362)	
Capital grants	1,098			1,098	
Net cash (used for) capital and related financing activities	(25,913)	(41,500)	-	(67,413)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(500)			(500)	
Sale of investment securities	826			826	
Investment income	325	160		485	
Net cash provided by (used for) investing activities	651	160	-	811	-
Net increase (decrease) in cash and cash equivalents	5,069	(3,150)	576	2,495	(2,990)
Cash and Cash Equivalents					
Beginning	33,082	17,673	3,529	54,284	4,637
Ending	\$ 38,151	\$ 14,523	\$ 4,105	\$ 56,779	\$ 1,647
Cash and Cash Equivalents					
Unrestricted	\$ 4,797	\$ 14,523	\$ 4,105	\$ 23,425	
Restricted	33,354			33,354	
Total	\$ 38,151	\$ 14,523	\$ 4,105	\$ 56,779	

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND**Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2015 (in thousands)**

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Non-major School Lunch Program	Totals	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 14,740	\$ 16,981	\$ 651	\$ 32,372	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	11,313			11,313	
Change in allowance for doubtful accounts	(270)			(270)	
Pension expense	755			755	
Changes in assets and liabilities:					
Receivables	370	20,942	(336)	20,976	2,465
Inventories	53			53	
Other assets	(269)			(269)	
Due from other funds					
Accounts payable and accrued expenses	3,935	267	(134)	4,068	(1,470)
Due to other funds					
Unearned revenue	(313)			(313)	(1,015)
Net cash provided by (used in) operating activities	\$ 30,314	\$ 38,190	\$ 181	\$ 68,685	\$ (20)

CITY OF PROVIDENCE, RHODE ISLAND**Statement of Fiduciary Net Position-Fiduciary Funds**
June 30, 2015 (in thousands)

	Employee Retirement Plan	Private Purpose Trust Funds	Agency Fund
ASSETS			
Investments, at fair value:			
U.S. Government securities	\$ 3,243		
Corporate and foreign bonds	47,342		
Corporate equity securities	215,646		
Mutual funds		\$ 1,772	
Total investments	266,231	1,772	
Cash and cash equivalents	2,187	5	\$ 1,519
Receivables:			
Loans receivable	26,728		
Other	56,051		2
Total receivables	82,779	-	2
Total assets	351,197	1,777	1,521
LIABILITIES			
Accounts payable	128	1	
Due to student groups			666
Other payables	2		855
Total liabilities	130	1	\$ 1,521
NET ASSETS			
Held in Trust for Pension Benefits and other purposes	\$ 351,067	\$ 1,776	

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Changes in Fiduciary Net Position-Fiduciary Funds
For the Year Ended June 30, 2015 (in thousands)

	Employee Retirement Plan	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer	\$ 66,875	
Employees	11,955	
Donations		\$ 19
Total contributions	78,830	19
Investment Earnings		
Net appreciation in the fair value of investments	10,437	104
Interest	2,289	
Dividends	3,134	
Total investment earnings	15,860	104
Total additions	94,690	123
DEDUCTIONS:		
Benefits	97,651	33
Administrative expenses	3,684	
Total deductions	101,335	33
Change in net assets	(6,645)	90
Net position - beginning	357,712	1,686
Net position - ending	\$ 351,067	\$ 1,776

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Providence, Rhode Island (the "City") was incorporated in 1832. The City covers 18.5 square miles located in southeastern New England, at the head of the Narragansett Bay on the Atlantic sea coast. The City is approximately 45 miles from Boston and approximately 3 1/2 hours from New York by automobile or rail.

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

The City complies with generally accepted accounting principles (GAAP), including all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

All dollar values disclosed herein are in thousands (000 omitted).

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

The criterion has been considered and the blended component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Individual Component Unit Disclosure

The component unit provides services entirely or almost entirely to the City or otherwise exclusively or almost exclusively benefits the City, even though they do not provide services directly to it. The component unit has been reported as if it was part of the primary government through a method of inclusion known as blending. A description of the component unit, criteria for inclusion and its relationship with the City is 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. Membership is comprised of 5 members appointed by the Mayor and approved by the City Council. The PPBA is presented as a blended enterprise fund.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Individual Component Unit Disclosure (Continued)

Providence Public Buildings Authority (Continued)

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 the City. These activities are structured as financing leases between the PPBA and the City. The future payments to be received on these leases is presented as "Due from Primary Government" on the PPBA Statement of Net Position. 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.

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

The Providence Redevelopment Agency

The Providence Redevelopment Agency ("PRA") was formed on December 20, 1946 pursuant to R.I.G.L. 45-31 (the Act) by a duly enacted resolution of the City Council of the City. Under the Act, the PRA constitutes a body corporate and politic, exercising public and essential government functions, and having a distinct legal existence from the City. As such, the PRA has the authority to acquire, develop as a building site, administer, sell and lease property, has the power of eminent domain, and the power to issue bonds, notes and other evidence of indebtedness. The PRA does not have the power to levy taxes.

The PRA was created to eliminate and prevent blighted and substandard areas and replace such areas through redevelopment of well-planned, integrated stable, safe and healthful neighborhoods.

The Powers of the PRA are vested in eight members, including the Mayor of the City ex officio, five members appointed by the Mayor of the City and two members who are also members of the City Council, appointed by the City Council. All appointed members of the PRA must be resident electors of the City. The PRA is presented as a blended special revenue fund.

Recently Issued Accounting Standards

The City has implemented the following governmental accounting standards during fiscal year ended June 30, 2015:

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the Corporation's fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Recently Issued Accounting Standards (Continued)

The City will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68. And amendments for certain provisions of GASB Statements No. 67 and No. 68, effective for the City's fiscal year ending June 30, 2016.
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal year ending June 30, 2018.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for fiscal year ending June 30, 2016.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the City's fiscal year ending June 30, 2016.

The impact of these pronouncements on the City's financial statements has not been determined.

Government-Wide Fund Financial Statements

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of inter-fund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

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

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting, however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (matured).

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items, primarily permits and fees, are considered to be measurable only when cash is received by the City.

All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. Proprietary funds distinguish operating revenues and expenses from non-operating items.

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

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

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

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a) Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of that individual, governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual, governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *School Fund* accounts for operations of the Providence school system. Revenue is derived primarily from State and Federal Aid and transfers from the City.
- The *School Grants Fund* accounts for federal, state, and private grants received and expended by the school system
- The *Capital Projects Fund* accounts for resources to be used for the acquisition or construction of capital assets for the housing and community improvement activities in the City.

The City reports the following major proprietary funds:

- The *Water Supply Board* accounts for the activities of the Providence Water Supply Board.
- The *Providence Public Buildings Authority* accounts for the activities related to acquisition, construction and leasing of capital assets to the City.

Additionally, the City reports the following fund types:

- The *Pension Trust Fund* accounts for the activities of the City of Providence Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for the benefit of individuals, organizations or other governments.
- The *Agency Fund* accounts for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.
- The *Internal Service Fund* is used by management to charge the costs of self-insurance and legal claims to individual funds.

Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Pension Plan Accounting

Employee Retirement Plan

The Employee Retirement Plan (Pension Trust Fund) is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City 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. Administrative costs are financed through investment earnings.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value, based on value of underlying assets.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Funding Policy

The City makes contributions at the discretion of management.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Property taxes

The City's property tax is levied each year on July 1 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 2012 State mandated statistical updated valuations less exemptions. Assessed values of tangible property and equipment and motor vehicles are determined annually at 100% of market value, and a \$1,000 exemption on motor vehicle assessments. 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.

Cash equivalents

For purposes of the cash flow statement, the City considers certificates of deposits and highly liquid short-term investment funds with original maturities of three months or less, when purchased, to be cash equivalents, including amounts reported as restricted.

Investments

Investments and pooled fixed income investments are stated at fair value, based on quoted market prices.

Inventories and prepaid assets

Proprietary fund inventory is stated at the lower of weighted average cost or market using the first-in, first-out 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.

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as all computer equipment and assets with an initial, individual cost of more than a range of \$5,000 to \$100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Capital Assets (Continued)

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 capital asset, as applicable.

Capital assets of the governmental activities are depreciated using the straight-line method over the following estimated useful lives:

Assets	Year
Buildings.....	45
Building improvements.....	20
Public domain infrastructure.....	45
System infrastructure.....	30
Vehicles.....	6
Office equipment.....	7
Computer equipment.....	5
Machinery and equipment.....	15

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

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

	Water Supply Board
Buildings, source of supply, structures, and improvements.....	5 – 75 years
Improvements other than buildings.....	3 – 75 years
Machinery and equipment.....	3 – 50 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest 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 from project specific debt issued over the same period.

Self-Insurance

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 insurance claims. Claims incurred but not paid, including those which have not been reported, are accrued as long-term obligations in the government-wide and internal service fund financial statements. Obligations are paid out of the General Fund and the Internal Service Funds.

Allowance for Collection 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.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Allowance for Collection Losses (Continued)

All trade and property tax receivables for governmental and proprietary funds are reported net of an allowance for uncollectibles totaling \$72,907 and \$1,247 respectively. The majority of amounts relate to property taxes and water usage. Amounts determined to be uncollectible are based on the type and age of the related receivable and the ability of the debtor to pay.

Compensated Absences

Under the terms of various contracts and policies, employees are granted vacation and sick leave based on length of service. The City's policy is to recognize the cost of vacation and sick leave in governmental funds when paid (matured). The liability for vacation and sick leave is recognized when earned in the government-wide and proprietary fund financial statements. For governmental activities the general fund is used to satisfy this liability as it becomes due, while each enterprise fund accounts for all its settlement of business-type liabilities for compensated absences.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payments of bond principal are recognized as expenditures as it comes due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position, that apply to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2015 the City of Providence, Rhode Island reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2015 the City of Providence, Rhode Island had two items qualifying as a deferred inflow of resources in the governmental funds balance sheet. Unavailable tax revenue represents taxes receivables which are assessed on December 31, 2013 and prior and is not collected within 60 days of June 30, 2015. Net unavailable tax revenue included in the fund financial statements was \$22,964 at June 30, 2015. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available. The City also reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and include in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Equity and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net position - This category represents the net position of the City, which are restricted by outside parties (creditors, grantors, contributors, or the laws or regulations of other governments) or enabling legislation.

Unrestricted Net position or Deficits - This category represents the net position of the City, which do not meet the definition of "restricted" or "net investment in capital assets". Deficits require future funding.

Governmental fund equity is classified as fund balance. Fund balance is classified into one of the following five categories: non-spendable, restricted, committed, assigned, or unassigned. These categories are defined below.

- (a) Non-spendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash.
- (b) Restricted Fund Balance - includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance - includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts usually through city ordinance. The City Council is the highest level of decision-making authority for the City of Providence and utilizes City Ordinances to vote on the City's budget and resolutions proposed by the various committees.
- (d) Assigned Fund Balance - includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City of Providence does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used.
- (e) Unassigned Fund Balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

2. RECONCILIATION OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between fund balances — total governmental funds and net position — governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$556,373 difference are as follows:

Bonds and notes payable	\$ (458,271)
Leases payable	(13,815)
Capital notes payable	(19,658)
Accrued interest payable	(5,438)
Bond premium	(5,532)
Compensated absences	(36,174)
Workers' compensation	(4,036)
Unspent PPBA bond proceeds	12,954
Claims and judgments	<u>(26,403)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (556,373)</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances — total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$844 difference is as follows:

Capital outlay - governmental funds	\$ 22,881
Depreciation expense	<u>(23,725)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (844)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$33,989 difference are as follows:

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

2. RECONCILIATION OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

Long-Term Liabilities issued or incurred:

Bond, lease and note proceeds	\$ (222,000)
Bond premium	(6,061)

Principal repayments:

General obligation bonds	257,925
Capital leases	2,848
Capital notes	1,185
Notes payable	92
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 33,989</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$38,796 difference are as follows:

Compensated absences	\$ (904)
Accrued interest and other	(888)
Amortization of bond premium	529
Claims and judgments	811
Net pension liability	(7,388)
Other post employment benefits	<u>(30,956)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (38,796)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

The City's custodial credit risk policy is in accordance with RI General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators will insure or pledge eligible collateral equal to 100% of deposits, regardless of maturities.

Investments

The City policy for pension investments is under the oversight of the Board of Investment Commissioners. The Board contracts with an investment advisory firm and approves any new investment vehicles presented by the consultant. The Board follows all applicable state statutes and Section 17-189 of the City Ordinance, which states, "The Board of Investment Commissioners is authorized and empowered to execute the disposition and investment of the funds which are within its control in any securities and investments as would be acquired by prudent persons of discretion and intelligence in these matters, who are seeking a reasonable income and the preservation of their capital."

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

The City does not have a formal investment policy for its pension funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's policy is to limit its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations

The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer.

Custodial Credit Risk

Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015 \$46,207 of the city's bank balance of \$158,855 was uninsured and uncollateralized. (Amounts do not include PPBA, as such amounts cannot be separated.)

Investments

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a custodial credit risk policy.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and investment balances held by banks and other financial institutions for the City consist of the following at June 30, 2015:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 74,146
PPBA deposits with financial institutions	14,523
Water Supply Board deposits with financial institutions	38,151
School Lunch Program deposits with financial institutions	4,105
Total cash and cash equivalents	<u>130,925</u>
Investments	
Non-major Governmental Funds	
Mutual Funds	25,697
	<u>25,697</u>
Private Purpose Trust Funds	
Mutual Funds	1,772
	<u>1,772</u>
PPBA Investments	
Guaranteed Investment Contracts	7,943
	<u>7,943</u>
Water Supply Board	
Equity Mutual Funds	6,635
	<u>6,635</u>
Pension Trust Funds	
U.S. Government Securities	3,243 *
Corporate and Foreign Bonds	47,342 *
Common and Preferred Stocks	215,646 *
	<u>266,231</u>
Total Investments	<u>308,278</u>
Total cash, cash equivalents and investments	<u>\$ 439,203</u>

* These investments are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, in the City's name.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash, cash equivalents, and investments are classified in the accompanying financial statement as follows:

Cash and Cash Equivalents

Statement of Net Position

Cash and cash equivalents	\$ 93,860
Restricted cash and cash equivalents	33,354
	<u>127,214</u>

Fiduciary Funds

Cash and cash equivalents	3,711
	<u>3,711</u>

Total cash and cash equivalents

\$ 130,925

Investments

Statement of Net Position

Investments	\$ 32,332
Restricted investments	7,943
	<u>40,275</u>

Fiduciary Funds

Investments	266,231
Mutual funds	1,772
	<u>268,003</u>

Total investments

\$ 308,278

Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Government Securities	\$ 3,243	\$	\$ 492	\$ 2,751	
Corporate and Foreign Bonds	47,342	481	24,115	14,530	\$ 8,216
PPBA-Guaranteed Investment	7,943		272		7,671
TOTAL	\$ 58,528	\$ 481	\$ 24,879	\$ 17,281	\$ 15,887

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating of a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment:

Average Rating	Corporate and Foreign Bonds	PPBA- Guaranteed Investment Contracts
AAA	\$ 5,018	
AA+	1,675	
AA	772	
AA-	1,601	\$ 7,493
A3		
A+	2,829	
A	7,937	
A-	4,055	
BBB+	2,805	
BBB	4,621	
BBB-	3,596	
BB+	707	
BB	801	
BB-	50	
B+	542	
B	168	
B-		
CCC-		
Unrated	10,165	
	<u>\$ 47,342</u>	<u>\$ 7,493</u>

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2015, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows (in thousands):

	Due from Other Funds	Due to Other Funds
General Fund	\$ 43,397	\$ 50,436
School Fund	18,585	4,834
School Grants	2,117	9,551
Capital Projects	40	3,504
Non-Major Governmental Funds	21,963	19,305
Water Supply Board		1,394
School Lunch Program	1	251
Internal Service Fund	29,260	26,088
Total	<u>\$ 115,363</u>	<u>\$ 115,363</u>

Amounts owed among funds result principally from timing of payments to the City's general fund of \$43.3 million, payments to the City's health insurance and legal claims fund of \$29.2 million, and amounts owed to the school fund for current year expenditures of \$18.6 million. All of these amounts were paid subsequent to year-end. All other amounts owed are expected to be paid within one year.

Inter-fund transfers during the year ended June 30, 2015 were as follows (in thousands):

	Transfers from Other Funds	Transfers to Other Funds
General Fund	\$ 3,542	\$ 125,041
School Fund	126,220	282
School Grants	1,322	2,645
Capital projects	-	285
Non-Major Governmental Funds	293	3,124
Total	<u>\$ 131,377</u>	<u>\$ 131,377</u>

The most significant transfer in fiscal year 2015 was the appropriated operating subsidy from the City's general fund to the school fund.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows: (in thousands):

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 46,767	\$ -	\$ -	\$ 46,767
Construction in progress-City	425	629	425	629
Construction in progress-PPBA	22,104	6,311	-	28,415
Total capital assets, not being depreciated	69,296	6,940	425	75,811
Capital assets, being depreciated:				
Buildings	193,812	-	-	193,812
Improvements other than buildings	58,265	18,387	882	75,770
Machinery and equipment	78,218	7,483	3,184	82,517
Infrastructure	283,254	-	-	283,254
Building - leases-PPBA	420,804	92	-	420,896
Total capital assets being depreciated	1,034,353	25,962	4,066	1,056,249
Less accumulated depreciation for:				
Buildings	70,805	3,483	-	74,288
Improvements other than buildings	12,839	2,676	-	15,515
Machinery and equipment	58,112	5,093	873	62,332
Infrastructure	179,561	3,570	-	183,131
Building - leases	82,070	8,903	-	90,973
Total accumulated depreciation	403,387	23,725	873	426,239
Total capital assets, being depreciated, net	630,966	2,237	3,193	630,010
Governmental activities capital assets, net	\$ 700,262	\$ 9,177	\$ 3,618	\$ 705,821
	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 21,958	\$ 656	\$ -	\$ 22,614
Construction in progress-City	47,609	33,711	26,233	55,087
Other land improvements	18,682	-	-	18,682
Total capital assets, not being depreciated	88,249	34,367	26,233	96,383
Capital assets, being depreciated:				
Buildings and improvements	79,135	5,545	-	84,680
Improvements other than buildings	297,055	14,376	-	311,431
Machinery and equipment	30,877	709	-	31,586
Total capital assets being depreciated	407,067	20,630	-	427,697
Less accumulated depreciation for:				
Buildings	55,268	6,207	-	61,475
Improvements other than buildings	113,064	4,368	-	117,432
Machinery and equipment	27,173	738	-	27,911
Total accumulated depreciation	195,505	11,313	-	206,818
Total capital assets, being depreciated, net	211,562	9,317	-	220,879
Business-type activities capital assets, net	\$ 299,811	\$ 43,684	\$ 26,233	\$ 317,262

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

5. CAPITAL ASSETS (Continued)

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

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

Executive, legislative and judicial	\$ 10
Finance	73
Public safety	1,692
Public works	5,248
Recreation	7
Public lands and parks	1,651
Other departments	11,104
Education	3,940
Total depreciation expense	<u>\$ 23,725</u>

6. UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not available to liquidate liabilities of the current period. Governmental funds and governmental activities report unearned revenue in connection with resources that have been received, but not yet earned. At year-end, the various components of unearned revenue reported in governmental funds and governmental activities were as follows:

	Unearned Revenue
General Fund:	
Advance collections	\$ 8,097
Charges for services	5,493
	<u>\$ 13,590</u>
School Grants Fund	<u>\$ 2,459</u>
Other Non-Major Governmental Funds	<u>\$ 7,845</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

7. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2015 was as follows:

	(As restated)			Ending	Due Within
	Beginning	Increases	Decreases	Balance	One Year
	Balance				
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 99,501	\$ 23,765	\$ 31,005	\$ 92,261	\$ 8,300
Revenue bonds	59,799	44,910	50,488	54,221	4,577
Special obligation tax increment	6,170		3,445	2,725	2,725
Total bonds payable	165,470	68,675	84,938	149,207	15,602
Notes payable	2,474		92	2,382	97
Capital leases	9,663	7,000	2,848	13,815	3,508
Capital notes	20,843		1,185	19,658	1,240
Total bonds and notes payable	198,450	75,675	89,063	185,062	20,447
Net bond premium		6,061	529	5,532	165
Other Long-Term Liabilities:					
Claims and judgments	39,639		657	38,982	38,982
Compensated absences	35,270	1,086	182	36,174	3,617
Net pension liability	1,247,937	26,293	30,776	1,243,454	-
Other post employment liability	204,096	30,956		235,052	-
Total other long-term liabilities	1,526,942	58,335	31,615	1,553,662	42,599
Governmental activity long-term liabilities before PPBA reclassification	1,725,392	140,071	121,207	1,744,256	63,211
PPBA Debt	333,344	146,325	172,987	306,682	22,133
Government activity long-term liabilities	\$ 2,058,736	\$ 286,396	\$ 294,194	\$ 2,050,938	\$ 85,344

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds - water	\$ 74,269	\$ 8,000	\$ 4,095	\$ 78,174	\$ 4,629
PPBA - CITY	333,344	\$ 146,325	172,987	306,682	22,133
Total bonds	407,613	154,325	177,082	384,856	26,762
PPBA - net bond premium	6,276	15,919	761	21,434	1,832
PPBA - PAP notes*	117,802	27,554		145,356	-
Net pension liability	41,357	1,912		43,269	
Other post employment liability	5,385	1,286		6,671	-
Business-type activity long-term liabilities	\$ 578,433	\$ 200,996	\$ 177,843	601,586	28,594
Less PPBA Eliminations				(473,472)	(23,965)
Business-type activity long-term liabilities				\$ 128,114	\$ 4,629

* - Amount represents internal notes between the City and the PPBA and is therefore eliminated on the entity-wide statements. The \$166,790 difference between business type PPBA eliminations and governmental PPBA eliminations consists of \$145,366 of PAP loans between the City and PPBA and \$21,434 of net bond premium.

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

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements for bonds and notes payable at June 30, 2015 were as follows:

	Governmental Activities			PPBA			Total Government Entity-Wide		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 15,602	\$ 6,587	\$ 22,189	\$ 22,133	\$ 14,015	\$ 36,148	\$ 37,735	\$ 20,602	\$ 58,337
2017	13,080	6,062	19,142	28,223	13,035	41,258	41,303	19,097	60,400
2018	13,575	5,535	19,110	27,964	11,863	39,827	41,539	17,398	58,937
2019	13,148	4,958	18,106	28,274	10,733	39,007	41,422	15,691	57,113
2020	12,066	4,374	16,440	24,448	9,663	34,111	36,514	14,037	50,551
2021-2025	42,731	15,513	58,244	108,085	33,563	141,648	150,816	49,076	199,892
2026-2030	30,895	5,184	36,079	67,555	10,968	78,523	98,450	16,152	114,602
2031-2035	8,110	615	8,725	-	-	-	8,110	615	8,725
2036-2040	-	-	-	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-	-	-	-
	\$ 149,207	\$ 48,828	\$ 198,035	\$ 306,682	\$ 103,840	\$ 410,522	\$ 455,889	\$ 152,668	\$ 608,557

	Business-Type Activities			ARRA Principal		
	Principal	Forgiveness	Interest	Principal	Forgiveness	Interest
2016	\$ 26,762	\$ (389)	\$ 16,224	\$ 16,224	\$ 42,597	
2017	32,115	(204)	15,205	15,205	47,116	
2018	31,942	(207)	13,950	13,950	45,685	
2019	32,266	(211)	12,731	12,731	44,786	
2020	29,563	(216)	11,570	11,570	40,917	
2021-2025	128,205	(1,164)	41,305	41,305	168,346	
2026-2030	91,899	(1,345)	15,472	15,472	106,026	
2031-2035	12,104	(870)	1,737	1,737	12,971	
2036-2040	0	0	0	0	-	
2041-2045	-	-	-	-	-	
	384,856	(4,606)	128,194	128,194	508,444	
Less amount representing the PPBA	306,682	-	103,840	103,840	410,522	
	\$ 78,174	\$ (4,606)	\$ 24,354	\$ 24,354	\$ 97,922	

Total interest expense paid on general long-term liabilities for the year ended June 30, 2015 was approximately \$19,000.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Payable

The following is a schedule of changes in governmental bonds payable for the year ended June 30, 2015:

	Issue	Issued	Rate	Date	July 1, 2014	Additions	Retirements	June 30, 2015
December 2001- Taxable	12/1/2007	\$ 13,000	3.00-6.84%	1/15/2026	\$ 8,950		\$ 515	\$ 8,435
Judgement Bond	8/1/2000	\$ 6,825	4.75-5.375%	8/15/2015	1,295		1,295	
Revenue Refunding Bonds 2005 Series A	3/1/2005	\$ 67,315	3.0-5.0%	4/1/2029	48,380		48,380	
GO Refunding Bonds 2004 Series A	9/16/2004	\$ 34,395	2.5-5.5%	7/15/2019	16,705		16,705	
GO Refunding Bonds 2004 Series B	9/16/2004	\$ 12,135	2.37-5.41%	7/15/2019	6,065		6,065	
Special Obligation Bonds Series E	6/1/2006	\$ 24,465	4-5%	6/1/2016	6,170		3,445	2,725
Refunding Bonds 2010 Series A	12/21/2010	\$ 30,545	4.625-5%	6/30/2026	28,715		1,905	26,810
PRA Taxable Lease Revenue Bonds 2010 Series 1	8/27/2010	\$ 12,600	4.15%	10/15/2018	8,023		1,657	6,367
PRA Taxable Lease Revenue Bond 2010 Series 1	6/30/2011	\$ 3,145	4.90%	6/30/2021	2,995		50	2,945
PRA Taxable Lease Revenue Bond 2010 Series 2	6/30/2010	\$ 1,605	3.30%	6/30/2015	402		402	
GO Road Bond 2013 Series A	1/15/2013	\$ 39,345	5.00%	1/15/2033	37,770		1,345	36,425
GO Refunding Bonds 2014 Series A	7/8/2014	\$ 17,480	2-5%	7/15/2019		\$ 17,480	3,130	14,350
GO Refunding Bonds 2014 Series B	7/8/2014	\$ 6,285	1-3.25%	7/15/2019		6,285	45	6,240
PRA Refunding Bonds 2015 Series A	3/31/2015	\$ 44,910				44,910		44,910
Total governmental activities bonds payable					\$ 165,470	\$ 68,675	\$ 84,939	\$ 149,207

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements
June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (continued)

The following is a schedule of changes in bond payable in business activities for the year ended June 30, 2015:

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Revenue Bonds					\$ 74,269	\$ 8,000	\$ 4,095	\$ 78,174
1998 Series A	5/1/1998	\$ 28,270	3.85-5.10%	12/1/2018	1,230		220	1,010
1999 Series A	7/1/1999	\$ 39,750	4.10-5.5%	12/1/2019	1,385		200	1,185
2001 Series A	12/1/2001	\$ 9,995	3.25-5.125%	12/1/2021	1,210		125	1,085
2006 Series A	9/1/2006	\$ 60,000	4.0-5.0%	5/1/2027	45,955		43,360	2,595
2007 Series A	11/7/2007	\$ 75,000	3.75-5.5%	5/15/2028	61,245		56,390	4,855
2007 Series B	11/7/2007	\$ 16,470	3.75-5.5%	5/15/2021	9,135		1,165	7,970
2007 Series C	12/20/2007	\$ 75,000	3.5-5.0%	5/15/2028	60,845		56,270	4,575
2009 Series A	6/30/2009	\$ 12,000	6.25%	6/30/2021	8,052		947	7,105
2009 Series A QSCB	12/30/2009	\$ 22,320	1.92%	6/15/2025	16,400		1,480	14,920
2010 Series 1	11/15/2010	\$ 19,500	4.25%	12/1/2018	11,732		2,415	9,317
2011 Series A	4/28/2011	\$ 35,000	3.0-5.875%	6/15/2026	29,955		1,885	28,070
2010 Series A QSCB	12/7/2010	\$ 12,280	2.51%	5/15/2029	12,280			12,280
2010 Series B QSCB	12/7/2010	\$ 9,665	2.51%	5/15/2029	9,665			9,665
2013 Series A	11/19/2013	\$ 69,705	3.0-5.0%	5/14/2024	64,255		8,530	55,725
2015 Series A			3.0-5.0%			146,325		146,325
Total business-type activities bonds payable					\$ 407,613	\$ 154,325	\$ 177,082	\$ 384,856

Capital Notes

The principal forgiveness would be funded through the American Recovery and Reinvestment Act of 2009 (ARRA) and could total \$4,606. The following are the changes in notes payable for the year ended June 30, 2015:

Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance July 1, 2014	Additions	Retirement	Balance June 30, 2015
5/1/2003	\$ 20,820	1.70 - 4.25%	2024	\$ 13,985		\$ 1,185	\$ 12,800
5/1/2006	\$ 6,858	5.34 - 5.56%	2036	6,858		-	6,858
				\$ 20,843	\$ -	\$ 1,185	\$ 19,658

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

Notes Payable

At June 30, 2015, the City had notes outstanding relating to planning and development activities. These notes included \$2,382 of Section 108 loans payable through 2032 with interest rates ranging from .2% to 7.18%; \$92 was paid in 2015.

PPBA Eliminations

The Providence Public Building Authority (PPBA) issues long-term bonds for the acquisition and construction of capital assets. Upon acquisition or completion, these capital assets are leased to the City. Because the PPBA is included as a blended component unit in the accompanying statements, the capital assets and related debt are reported as part of the governmental activities and business-type activities columns in the government-wide statements as presented below. The respective amounts in the PPBA statements have been eliminated in the business-type activities column in order to properly reflect the debt and assets. The annual requirements to amortize the debt payable at June 30, 2015 are as follows:

	City	
	Principal	Interest
2016	\$ 22,133	\$ 14,015
2017	28,223	13,035
2018	27,964	11,863
2019	28,274	10,733
2020	24,448	9,663
2021-2025	108,085	33,563
2026-2030	67,555	10,968
	<u>\$ 306,682</u>	<u>\$ 103,840</u>

The City and the Water Supply Board entered into lease agreements with the PPBA relating to various capital projects. In connection with these lease agreements, the PPBA issued revenue bonds that will be repaid by the Water Board with the Water Quality Protection Charge. The City repays the PPBA as lease payments from general revenues. The PPBA debt to be repaid by the proprietary funds has been shown as debt in those funds' financial statements. PPBA debt to be repaid by the City is presented as debt of the governmental activities in the government-wide statement of net position.

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 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 \$37.1 million and the current 3% debt limit of the City is \$331.0 million based on taxable property as of December 31, 2014, of approximately \$11billion, leaving a remaining borrowing capacity of approximately \$294 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, 2015, the total outstanding debt of the City issued outside the 3% debt limit was \$55.1 million, excluding water bonds and sewer bonds which are deemed self-supporting.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

Debt Limit (Continued)

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.

Bond Anticipation Notes

The City had no bond anticipation transactions for the fiscal year ended June 30, 2015.

8. LEASE COMMITMENT

Property and equipment carried at approximately \$98,000 with approximately \$97,200 in accumulated depreciation, in the governmental activities is acquired under capital lease arrangements.

The City is obligated under various capital and operating leases to make the following aggregate annual lease payments (in thousands): Operating lease expenditures approximated \$2,030 for fiscal year ended June 30, 2015.

	Operating	Capital
2016	\$ 2,030	\$ 3,850
2017	2,030	3,892
2018		3,939
2019		1,481
2020		1,481
	<u>\$ 4,060</u>	<u>14,643</u>
Less: Interest		<u>828</u>
Present Value of minimum payments		<u>\$ 13,815</u>

9. RESTRICTED ASSETS AND RELATED LIABILITIES

The State of Rhode Island enacted the Public Drinking Water Protection Act of 1987 (the Act) that empowers suppliers of public drinking water to levy a surcharge (the Water Quality Protection Surcharge) of \$0.01 per hundred gallons of water for all customers. The Act was amended numerous times and effective July 1, 2002, the surcharge increased to \$0.0292 per hundred gallons of water for all customers. In addition to the increase, the Water Supply Board will retain 36.1% of the surcharge in its Water Quality Protection fund, remit 57% to the State Water Resources Board and retain 6.9% for general operations.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

9. **RESTRICTED ASSETS AND RELATED LIABILITIES (Continued)**

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 funds' balance.

10. **FUND BALANCE**

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. Committed Fund Balance represents that amount of fund balance which can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. The City's Council is considered to be the highest level of decision making authority. In accordance with the City Charter, the Council votes on the annual budget and on any resolutions proposed by the Committees. The passage of the Council's annual budget and proposed resolutions may result in the commitment of fund balance. At June 30, 2015 the components of fund balance are as follows:

Non-Spendable Fund Balance:

Loans receivable	\$	18,753
Trust agreements		288
	\$	<u>19,041</u>

Restricted Fund Balance:

Public lands and parks	\$	1,293
Law enforcement and fire prevention		647
Education		2,409
Federal programs		13,625
Trust agreements		16,241
Various future capital projects		<u>5,137</u>
Total Restricted Fund Balance	\$	<u>39,352</u>

Committed Fund Balance:

Committed for various capital projects	\$	9,439
Committed for public lands and parks		574
Total Committed Fund Balance	\$	<u>10,013</u>

The Water Supply Board has restricted net position of \$32 million at June 30, 2015. This represents the excess of restricted assets over liabilities payable from restricted assets unexpended water quality protection revenue.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. DEFINED BENEFIT PENSION PLANS

The City has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. These changes enhance the Plan's accounting and disclosure for the pension and expand the Required Supplemental Information (RSI) data with new schedules. These were issued to improve the financial reporting by state and local government pension plans. The following provides information required to be disclosed under GASB Statement No. 68.

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. A separate financial statement is not issued. The System is not included in the basic financial statements.

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

Plan Description

ERS is a single-employer defined benefit pension plan that covers most management employees of the City, except school teachers. 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 3%. Benefits are paid at varying amounts not to exceed 100% of final compensation for Class A (city) employees or 100% of final compensation for Class B at age 60 (police and fire). Final compensation is the average of the highest three years of base compensation including longevity pay earned by a member during his total service as an employee.

ERS is governed by an Employee Retirement Board provided by the Providence Home Rule Charter. The ERS consists of elected officials, management and employee representation and provides for establishing rules and regulations and is responsible for the administration and operation of the city employee retirement system. The Board has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the then members of the Board shall govern and be binding upon the Employer, Participants, and beneficiaries.

Membership of the ERS plan consisted of the following at June 30, 2015, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	3,109
Inactive employees entitled to but not yet receiving benefits	428
Active employees	2,986
Total	<u>6,523</u>

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the City. It is the policy of the City to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the asset allocation as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	79%
Core fixed income	5%
High yield fixed income	13%
Short-term governmental money market	3%
Total	<u>100%</u>

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended June 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	3.5 per year, before reflecting increases due to longevity
Investment rate of return	8.25 percent, net of pension plan investment expense, including inflation

The long-term expected rate of return on pension plan investments was determined using a building-block system in which best—estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.23%
Core fixed income	1.56%
High yield fixed income	3.89%
Short-term governmental money market	1.71%

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with no assumed pre-retirement mortality or turnover.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

The long-term expected rate of return on Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of June 30, 2015 are summarized as follows:

Asset Class	Determination of Economic Assumptions		Weighted Real Rate of Return
	Target Allocation	Long-Term Expected Rate of Return	
Domestic equity	79%	6.23%	4.92%
Core fixed income	5%	1.56%	0.08%
High yield fixed income	13%	3.89%	0.51%
Short-term governmental money market	3%	1.71%	0.05%
Total	100%		5.56%

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Contributions

Class A members and police officers are required to contribute 8% of their salary to the Plan. Class B members, other than police officers, are required to contribute 9.5% of their salary to the Plan. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City shall contribute from time to time amounts sufficient with the contributions of elected officials to provide the special pensions granted to them. The City's contributions to the ERS for the years ended June 30, 2015, 2014 and 2013 were \$66,876, \$62,140, and \$58,145, respectively.

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Investment Policy

The City policy for pension investments is under the oversight of the Board of Investment Commissioners. The Board contracts with an investment advisory firm and approves any new investment vehicles presented by the consultant. The Board follows all applicable state statutes and Section 17-189 of the City Ordinance, which states, "The Board of Investment Commissioners is authorized and empowered to execute the disposition and investment of the funds which are within its control in any securities and investments as would be acquired by prudent persons of discretion and intelligence in these matters, who are seeking a reasonable income and the preservation of their capital."

Net Pension Liability

The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability of the Retirement System were as follows:

	June 30, 2015		June 30, 2014	
Total pension liability	\$	1,252	\$	1,230
Plan fiduciary net position	\$	351	\$	358
City's net pension liability	\$	901	\$	873
Plan fiduciary net position as a percentage of the total pension liability		28.04%		29.08%

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/14	1,230,289	357,712	872,577
Changes for the year:			
Service Cost	17,783	-	17,783
Interest	98,938	-	98,938
Differences between expected and actual experience	1,650	-	1,650
Changes in benefit terms	-	-	-
Changes in assumptions	841	-	841
Contributions - employer	-	66,876	(66,876)
Contributions - employee	-	11,624	(11,624)
Net investment income	-	12,702	(12,702)
Benefit payments, including refund of employee contributions	(97,651)	(97,651)	-
Administration expenses	-	(195)	195
Other changes	-	-	-
Net Changes	21,561	(6,644)	28,205
Balance at 6/30/15	1,251,850	351,068	900,782

Additional information as of the latest actuarial valuation follows:

Valuation Date	1-Jul-14
Actuarial cost method	Individual entry age method
Amortization cost method	Approximate level percent of payroll-open
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market value
	Actuarial assumptions:
Investment rate of return	8.25%
Inflation rate	3.5%
Projected salary increases	3.5% per year before reflecting increases due to longevity compensation
Cost of living adjustments	No COLA for next 8 years, 3% thereafter

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Mortality rates for healthy retirees were based on RP-2000 Combined Healthy Mortality Table projected 21 years with Scale AA from 2000 for Class A employees and RP-2000 Combined Healthy Blue Collar Mortality Table projected 21 years with Scale AA from 2000 for Class B employees. Disabled retiree mortality rates were based on RP-2000 Combined Healthy Mortality Table set forward 3 years.

Discount Rate: The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the City of Providence's contributions will be made at the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the Retirement System, calculated using the discount rate of 8.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Discount (8.25%)	1% Increase (9.25%)
Net pension liability	\$ 1,031,998	\$ 900,782	\$ 789,874

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$80,279. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,320	
Changes of assumption	673	
Net difference between projected and actual earnings on pension plan investments	12,809	
Total	\$ 14,802	

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	3,700
2017		3,700
2018		3,700
2019		3,700
Thereafter		-
	\$	<u>14,800</u>

Payable to the Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

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

Effective July 1, 2012, the State administered retirement system which covers local teachers and certain municipal employees was modified to include both defined benefit and defined contribution plan components.

Plan Description

Certain employees of the City's School System participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Employees Retirement System of the State of Rhode Island (Continued)

Plan Description

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit provisions

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, City's teachers were required to contribute 3.75% of their annual covered salary. The City and the State are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by City; the rates were 22.60% and 20.68% of annual covered payroll for the fiscal year ended June 30, 2015 for the State and City, respectively. The City contributed \$21.4 million, \$18.7 million and \$16.2 million for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

(b) Employees Retirement System of the State of Rhode Island (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the City's School Department reported a liability of \$231,542 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the City's School Department as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Providence School Department were as follows:

Providence School Department proportionate share of the net pension liability	\$ 231,542
State's proportionate share of the net pension liability associated with the Providence School Department	<u>158,779</u>
Total net pension liability	<u>\$ 390,321</u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The City's School District proportion of the net pension liability was based on a projection of the City's School District long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2014 the City's School District proportion was 9.51%.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for teachers (determined on a funding basis) decreased from 59.6% to 58.2%.

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Employees Retirement System of the State of Rhode Island (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2015 the City's School District recognized gross pension expense of \$27,133 and revenue of \$11 million for support provided by the State. At June 30, 2015 the City's School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources	
Contributions subsequent to the measurement date:	<u>\$ 21,355</u>
Deferred inflows of resources	
Changes of assumptions:	\$ 8,201
Net difference between projected and actual earnings on pension plan investments:	<u>19,938</u>
Total:	<u>\$ 28,139</u>

\$21,355 reported as deferred outflows of resources related to pensions resulting from the City's School Department contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2015	\$ 6,146
2016	6,146
2017	6,146
2018	6,146
2019	1,161
thereafter	<u>2,394</u>
Total:	<u>\$ 28,139</u>

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

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

Inflation	2.75%
Salary increases	3.5% to 6.5%
Investment rate of return	7.50%

Mortality — male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target Allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
Total	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

11. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Employees Retirement System of the State of Rhode Island (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.50%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
289,978	231,542	171,908

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Teachers Defined Contribution Pension Plan

Plan Description

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The City's School District recognized pension expense of \$721 for the fiscal year ended June 30, 2015.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

(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, a multi-employer plan. The pension cost charged to the general fund for these purposes amounted to \$4.2 million for the year ended June 30, 2015.

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

12. POSTEMPLOYMENT BENEFITS

Plan Description

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health insurance program administered by the City. The City provides for a portion of the lifetime health care benefits to substantially all retired employees and their spouses. Health care benefits were paid to 4,449 retired participants and spouses during the fiscal year ended June 30, 2015 and are paid substantially on a pay as you go basis. Health care benefits are provided through the City's self-insured health insurance program covering both active and retired employees. The financial activity of these programs is reported as an internal service fund. The Plan does not issue a separate financial report. These benefits are provided for and amended under various provisions of Rhode Island General Law, City Ordinances and the terms of collective bargaining agreements.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through provisions of Rhode Island General Law, City Ordinances and through collective bargaining. The required contribution is based on pay as you go financing requirements. For fiscal year 2015 the City contributed approximately \$30,696 to the health insurance program on behalf of retirees. Plan members contributed approximately \$2,606 or 8.5% of the total contributed. The plan can cover 100% of the costs of the benefit, however, retirees and their spouses are potentially required to fund a portion of the Plan costs depending upon the class an employee has been assigned and their date of hire. Current employee co-share for the retiree health insurance benefit requires a co-share of .01 of final average salary with a maximum limit of \$400.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (amounts in thousands):

Annual contribution	\$ 62,189
Interest on net OPEB obligation	8,379
Adjustment to annual required contributions	<u>(7,630)</u>
Annual OPEB cost (expense)	62,938
Contributions made	<u>30,696</u>
Increase in net OPEB obligation	32,242
Net OPEB obligation - beginning of year	<u>209,481</u>
Net OPEB obligation - end of year	<u><u>\$ 241,723</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

12. *POSTEMPLOYMENT BENEFITS (Continued)*

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 62,938	48.77%	\$ 241,723
6/30/2014	\$ 65,830	45.00%	\$ 209,481
6/30/2013	\$ 74,246	48.72%	\$ 173,271

Funding Status and Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
7/1/2014	\$ -	\$ 980,674	\$ 980,974	0.00%	\$ 270,706	362.27%
7/1/2013		\$ 1,032,887	\$ 1,032,887	0.00%	\$ 267,341	386.36%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after five years. Both rates included a 3.5% inflation assumption (formerly 4.5%). The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 1, 2012, was 30 years.

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

13. COMMITMENTS AND CONTINGENCIES

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

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

The City is committed under contracts for outstanding projects approximating \$7 million as of June 30, 2015.

14. RELATED PARTY TRANSACTIONS

The City leases certain properties from the PPBA. The estimated future minimum lease payments required under these agreements coincide with the principal and interest payments on bonds issued by the PPBA. The leases terminate between 2015 and 2028. 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 (see Notes 5 and 7).

15. RISK MANAGEMENT

The City is self-insured in most areas of risk; due to "stop loss" insurance, the city is responsible for a maximum of \$1million per claimant per year for health care claims. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health insurance claims. The City does, however, purchase commercial insurance for all buildings leased from the PPBA. The City's Counsel defends the City in any lawsuits that arise from the normal course of operations. At no time during the past three years have insurance settlements exceeded coverage.

The City's health insurance program provides coverage to the City's employees and retirees through United Healthcare and Blue Cross - Blue Shield of Rhode Island (BCBS). In 1997, the City first went to a self-insured program with BCBS and United Health Care. BCBS and United Health Care act as third-party agents for the City in the payment of the various claim plans used by the City. Costs incurred for the operation of BCBS and United Health Care plans are accounted for in an internal service fund. Costs to the City are paid by all funds based on "working rates" established by a third party medical consultant.

The City is required to record liabilities for self-insured claims if it is probable that a loss has been incurred and the amount can be reasonable 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 risk management liability for the fiscal years ended June 30, 2015 and June 30, 2014 are below. Legal claims and incurred but not reported claims for health benefits are recorded in the City's internal service fund. Accrued workers' compensation claims are recorded on the entity-wide statements. This schedule presents the activity for all self-insured risks.

	<u>2015</u>	<u>2014</u>
Beginning of year	\$39,639	\$42,660
Incurred claims	103,264	100,900
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health, legal and workers' compensation.....	<u>103,921</u>	<u>103,921</u>
Total	<u>\$ 38,982</u>	<u>\$39,639</u>
Legal claims	\$28,638	\$29,188
Health – IBNR.....	6,308	6,154
Workers' compensation.....	<u>4,036</u>	<u>4,297</u>
Total	<u>\$ 38,982</u>	<u>\$39,639</u>

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2015

16. RESTATEMENT

The net position of the Governmental Activities has been restated as of June 30, 2014 to reflect the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date. Also, retained earnings of business type activities has been restated to reflect correction of liabilities which were overstated at June 30, 2014. The following reflects the effect of implementation of GASB Statement No. 68, GASB Statement No. 71, and the correction of error:

Governmental activities	
Net Position, June 30, 2014 as originally stated	\$ (142,987)
GASB 68 implementation	(1,074,806)
Net Position, July 1, 2014 as restated	<u>\$ (1,217,793)</u>
Business-type activities	
Net Position, June 30, 2014 as originally stated	\$ 268,847
GASB 68 implementation	(41,357)
Correction of liabilities	2,009
Net Position, July 1, 2014 as restated	<u>\$ 229,499</u>

17. SUBSEQUENT EVENT

Subsequent to fiscal year 2015, the Providence Water Supply Board, an Enterprise fund of the City of Providence entered into a finance agreement with the Rhode Island Infrastructure Bank (formerly known as Rhode Island Clean Water Finance Agency). The Bond issuance agreement is for \$30,000,000 in Series 2015A Bonds.

CITY OF PROVIDENCE

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 General Fund Revenues and Expenditures-Budgetary Basis
 Budget and Actual
 For the Year Ended June 30, 2015 (in thousands)

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Tax revenues:				
Property taxes	\$ 330,358	\$ 330,358	\$ 328,993	\$ (1,365)
Interest on overdue taxes	5,000	5,000	5,110	110
	335,358 -	335,358 -	334,103 -	(1,255)
Payments in lieu of taxes	26,227	26,227	28,088	1,861
Tax stabilization plans	5,347	5,347	5,373	26
State revenue	36,309	36,309	33,708	(2,601)
Fines	6,400 -	6,400	4,559	(1,841)
Investment interest	-	-	1	1
Miscellaneous	2,500	2,500	654	(1,846)
	76,783 -	76,783 -	72,383 -	(4,400)
Executive, legislative, and judicial:				
Mayor's Office			75	75
Law Department	-	-	5	5
City clerk	8	8	10	2
Probate court	158	158	146	(12)
Housing court	25	25	32	7
	191 -	191 -	268 -	77
Finance:				
City collector	684	684	583	(101)
City controller	-	-	11	11
City assessor	-	-	1	1
	684 -	684 -	595 -	(89)
Public safety:				
Commissioner of public safety	60	60	79	19
Police department	1,113	1,113	398	(715)
Fire department	923	923	646	(277)
Communications	693	693	831	138
Traffic engineering	3,168	3,168	2,443	(725)
	5,957 -	5,957 -	4,397 -	(1,560)
Building inspection department:				
Building inspection administration	4,261	4,261	4,376	115
Zoning board of review	56	56	50	(6)
Building board of review	10	10	6	(4)
	4,327 -	4,327 -	4,432 -	105

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 General Fund Revenues and Expenditures-Budgetary Basis
 Budget and Actual, Continued
 For the Year Ended June 30, 2015 (in thousands)

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Public works:				
Environmental control	8	8	25	17
Highway	202	202	975	773
Sewer construction and maintenance	9	9	6	(3)
	<u>219</u>	<u>219</u>	<u>1,006</u>	<u>787</u>
Public lands and parks:				
Recreation	-	-	66	66
North Burial Ground	236	236	318	82
	<u>236</u>	<u>236</u>	<u>384</u>	<u>148</u>
Other departments:				
Recorder of deeds	2,535	2,535	2,381	(154)
Vital statistics	314	314	345	31
Bureau of canvassers			69	69
Bureau of licenses	1,578	1,578	1,479	(99)
Emergency Management	150	150	139	(11)
WSB reimbursement	889	889	839	(50)
WSB medical reimbursement	375	375	-	(375)
Room tax	1,820	1,820	1,764	(56)
Meals and beverage tax	4,918	4,918	4,928	10
Blue Cross reimbursement	-	-	6	6
Planning and urban development	2,028	2,028	58	(1,970)
Arts, Culture, Film & Tourism	126	126	127	1
Providence Place Mall	300	300	300	-
Voluntary payments in lieu of taxes	8,303	8,303	9,906	1,603
Human Service	323	323	-	(323)
	<u>23,659</u>	<u>23,659</u>	<u>22,341</u>	<u>(1,318)</u>
Public Properties	<u>128</u>	<u>128</u>	<u>317</u>	<u>189</u>
Transfers:				
Transfer from rescue runs	4,400	4,400	4,596	196
Transfer from police/fire detail fund	1,700	1,700	2,037	337
Transfer from special revenue			2,378	2,378
Transfer from other non-major			31	31
Transfer from Road Bond Fund	125	125	285	160
Transfer from School Department	-	-	282	282
Transfers from North Burial Ground	350	350	282	(68)
Transfer from Other funds	4,000	4,000	284	(3,716)
	<u>10,575</u>	<u>10,575</u>	<u>10,175</u>	<u>(400)</u>
Total	<u>\$ 458,117</u>	<u>\$ 458,117</u>	<u>\$ 450,401</u>	<u>\$ (7,716)</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
General Fund Revenues and Expenditures-Budgetary Basis
Budget and Actual, Continued
For the Year Ended June 30, 2015 (in thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	variance with Final Budget Positive/ (Negative)
	Original	Final		
Executive, legislative and judicial:				
Mayor's office	\$ 2,585	\$ 2,585	\$ 2,355	\$ 230
City Council	1,056	1,056	922	134
City sergeant	69	69	69	-
City clerk	868	868	669	199
Law department	4,301	4,301	5,861	(1,560)
Municipal court	1,843	1,843	1,494	349
Probate court	444	444	429	15
Housing court	451	451	457	(6)
Contingencies-Mayor	99	99	107	(8)
	<u>11,716</u>	<u>11,716</u>	<u>12,363</u>	<u>(647)</u>
Finance:				
Finance Director	597	597	799	(202)
City controller	1,189	1,189	1,235	(46)
Employees retirement office	394	394	416	(22)
Data processing	2,502	2,502	2,409	93
City collector	2,236	2,236	2,572	(336)
City assessor	1,780	1,780	1,709	71
Board of tax assessment review	14	14	15	(1)
Treasury department	505	505	496	9
Personnel	1,731	1,731	2,017	(286)
Heat, light and power	7,000	7,000	7,640	(640)
Debt service	66,906	66,906	57,527	9,379
Employee Death Benefit	200	200	134	66
Workers compensation	1,875	1,875	1,773	102
Unemployment compensation	226	226	137	89
Elected officials pension contribution	131	131	-	131
	<u>87,286</u>	<u>87,286</u>	<u>78,879</u>	<u>8,407</u>
Public safety:				
Commissioner of public safety	1,450	1,450	1,360	90
Police department	68,610	68,610	69,588	(978)
Fire department	70,177	70,177	72,526	(2,349)
Communications department	8,591	8,591	8,873	(282)
Traffic Engineering	1,174	1,174	1,204	(30)
	<u>150,002</u>	<u>150,002</u>	<u>153,551</u>	<u>(3,549)</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 General Fund Revenues and Expenditures-Budgetary Basis
 Budget and Actual, Continued
 For the Year Ended June 30, 2015 (in thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	variance with Final Budget Positive/ (Negative)
	Original	Final		
Building inspection department:				
Building inspection administration	1,599	1,599	1,495	104
Structures and zoning division	1,831	1,831	1,519	312
Plumbing, drainage, and gas piping division	362	362	358	4
Electrical installations division	339	339	353	(14)
Zoning board of review	17	17	17	-
Building and housing board of review	14	14	9	5
Building inspection code enforcement	-	-	247	(247)
Building inspection prosecution	219	219	241	(22)
	<u>4,381</u>	<u>4,381</u>	<u>4,239</u>	<u>142</u>
Public works:				
Public works administration	750	750	775	(25)
Engineering and sanitation	729	729	642	87
Environmental control	8,800	8,800	9,539	(739)
Highway	4,038	4,038	4,582	(544)
Snow removal	1,600	1,600	2,414	(814)
Parking administration	451	451	699	(248)
Sewer construction and maintenance	756	756	832	(76)
Garage maintenance and equipment repair	839	839	748	91
	<u>17,963</u>	<u>17,963</u>	<u>20,231</u>	<u>(2,268)</u>
Recreation:				
Recreation seasonal	736	736	930	(194)
	<u>736</u>	<u>736</u>	<u>930</u>	<u>(194)</u>
Public lands and parks:				
Grounds maintenance services	5,520	5,520	5,406	114
Forestry services	1,132	1,132	981	151
Zoological services	2,704	2,704	2,788	(84)
Park environmental services (Greenhouse)	521	521	532	(11)
Park programming (Roger Williams Park)	1,480	1,480	1,298	182
Superintendent of parks	1,059	1,059	1,124	(65)
North Burial Grounds	696	696	652	44
	<u>13,112</u>	<u>13,112</u>	<u>12,781</u>	<u>331</u>
Other departments:				
Recorder of deeds	484	484	469	15
Vital statistics	308	308	301	7
Board of canvassers	1,115	1,115	1,083	32
Bureau of licenses	784	784	782	2

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
General Fund Revenues and Expenditures-Budgetary Basis
Budget and Actual, Continued
For the Year Ended June 30, 2015 (in thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Other departments, Continued:				
Emergency Management	651	651	606	45
Planning and urban development	5,236	5,236	4,102	1,134
Administration to City Council	974	974	875	99
Internal auditor	363	363	378	(15)
Archives	282	282	281	1
Human relations commission	78	78	73	5
Department of human services	562	562	317	245
Office of Arts, Culture, Film & Tourism	629	629	818	(189)
Providence Housing Authority	10	10	7	3
League of Cities	12	12	12	-
Ceremonies	9	9	4	5
P.E.R.A.	114	114	70	44
	11,611	11,611	10,178	1,433
Grants:				
Providence Public Library	3,824	3,824	3,545	279
Providence plan commission	25	25	-	25
Community centers	234	234	-	234
Crossroads	109	109	29	80
P.A.S.A.	250	250	250	-
Institute of Non-Violence	73	73	-	73
Grants (Transfer to Mary Sharpe)	25	25	-	25
Grant Expenditure	500	500	727	(227)
	5,040	5,040	4,551	489
Public properties	6,508	6,508	6,282	226
Transfers:				
Transfers to School Department	124,897	124,897	124,897	-
Transfer to Active Medical	-	-	2,414	(2,414)
Transfer to Retiree Benefits	21,605	21,605	23,975	(2,370)
Transfer to Public Safety Inspection			144	(144)
Deficit Reduction	3,260	3,260	-	3,260
	149,762	149,762	151,430	(1,668)
Total	\$ 458,117	\$ 458,117	\$ 455,415	\$ 2,702

(CONCLUDED)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 Schedule of Revenues and Expenditures-Budget and Actual-
 School Fund
 For the Year Ended June 30, 2015 (in thousands)

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Federal and state revenue	\$ 214,897	\$ 214,897	\$ 214,897	\$ -
Other revenue	6,435	6,435	6,627	192
Transfers from other funds	124,897	124,897	124,897	-
Master lease proceeds				-
Total revenues	346,229	346,229	346,421	192
Expenditures:				
Education	346,229	346,229	346,139	90
Transfer to other funds			282	(282)
Total expenses	346,229	346,229	346,421	(192)
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -

CITY OF PROVIDENCE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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

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

- At least sixty days prior to July 1, the Mayor submits a proposed operating budget for the upcoming fiscal year to the City Council. The operating budget includes proposed expenditures and the means of financing appropriations over expected revenues.
- The final budget is legally enacted through passage of an ordinance.
- The Mayor is authorized to make minor transfers of budgeted amounts between departments. Significant budget revisions or transfers must be approved by the City Council.

The General and School funds are the only governmental funds that have legally adopted annual budgets. The "actual amounts" presented in the accompanying schedules are presented on a budgetary basis.

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

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

	General Fund	School Fund
Total budgetary revenues and transfers per schedule	\$ 450,401	\$ 346,421
Reclassification of:		
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System		14,361
Refunding bonds issued	23,765	
Premiums on bond reoffering	1,125	
Revenue from various other special revenue funds combined with General Fund per GASB 54 requirements	6,065	
Total revenues and transfers per financial statements	\$ 481,356	\$ 360,782
Total budgetary expenditures and transfers per schedule	\$ 455,415	\$ 346,421
Reclassification of:		
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System		14,361
Payments to refunded bond escrow agent	24,658	
Bond issuance costs	232	
Expenses and transfers of various other special revenue funds combined with General Fund per GASB 54 requirements	5,824	
Total expenditures and transfers per financial statements	\$ 486,129	\$ 360,782

CITY OF PROVIDENCE
REQUIRED SUPPLEMENTARY INFORMATION – FUNDING STATUS
JUNE 30, 2015

Other Post-Employment Benefits

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
7/1/2014	\$ -	\$ 980,674	\$ 980,974	0.00%	\$ 270,706	362.27%
7/1/2013		\$ 1,032,887	\$ 1,032,887	0.00%	\$ 267,341	386.36%
7/1/2012	\$ -	\$ 1,190,552	\$ 1,190,552	0.00%	\$ 260,546	456.95%
7/1/2011	\$ -	\$ 1,149,115	\$ 1,149,115	0.00%	\$ 266,731	430.81%
7/1/2010	\$ 1,040	\$ 1,212,615	\$ 1,211,575	0.09%	\$ 267,593	452.77%
7/1/2009	\$ 1,040	\$ 1,498,491	\$ 1,497,451	0.07%	\$ 268,871	556.94%
7/1/2008	\$ 1,035	\$ 593,903	\$ 592,868	0.17%	\$ 274,827	215.72%

CITY OF PROVIDENCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2015

	2015	2014
Total Pension Liability		
Service cost	\$ 17,783	\$ 18,844
Interest	98,938	96,007
Changes of benefit plans		--
Differences between expected and actual experience	1,650	--
Changes of assumptions	841	--
Benefit payments, including refunds of member contributions	<u>(97,651)</u>	<u>(96,570)</u>
Net Change in Total Pension Liability	21,561	18,281
Total Pension Liability - Beginning	<u>1,230,289</u>	<u>1,212,008</u>
Total Pension Liability - Ending (a)	<u><u>\$ 1,251,850</u></u>	<u><u>\$ 1,230,289</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	66,876	\$ 62,140
Contributions - member	11,624	10,873
Net Investment income	12,702	47,003
Benefit payments, including refunds of member contributions	(97,651)	(96,570)
Administrative expense	<u>(195)</u>	<u>(1,519)</u>
Net Change in Plan Fiduciary Net Position	(6,644)	21,927
 Plan Fiduciary Net Position - Beginning	<u>357,712</u>	<u>335,785</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 351,068</u></u>	<u><u>\$ 357,712</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>\$ 900,782</u></u>	<u><u>\$ 872,577</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total		
Pension Liability	28.04%	29.08%
 Covered Employee Payroll	\$ 142,504	\$ 139,893
 Net Pension Liability as a Percentage of		
Covered-Employee Payroll	632.11%	623.75%

CITY OF PROVIDENCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
June 30, 2015

	2015	2014
Actuarially determined contribution	\$ 66,876	\$ 61,615
Contributions in relation to the actuarially determined contribution	<u>66,876</u>	<u>62,140</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ (525)</u>
Covered-employee payroll	\$ 142,504	\$ 139,893
Contributions as a percentage or covered-employee payroll	46.93%	44.42%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age
Amortization method:	Level dollar for the 1995 deferral liability and increasing 3.5% per year for the remaining unfunded liability.
Remaining amortization period:	Market value of assets as reported by the City less unrecognized returns in each of the last five years plus the discounted contribution paid by the city in the following year. Unrecognized return is equal to the difference between the actual market return and the expected market return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Inflation:	3.5%
Salary increases:	3.5% per year before reflecting increases due to longevity compensation.
Investment rate of return:	8.25%, net of pension plan investment and administrative expenses, including inflation.
Cost of living adjustments:	10-year freeze as of January 1, 2013 and 3% thereafter.
Benefit changes:	There have been no changes in benefit provisions since GASB 67/68 implementation
Assumption changes:	The actuarial assumptions used to reflect the assumptions proposed in the Experience Investigation for the Five Year Period Ending June 30, 2011 submitted to the Board on April 2, 2012, with the following exception: The retirement rate for Class B participants is 100% at age 60.

CITY OF PROVIDENCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
June 30, 2015

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	17.50%	17.50%

CITY OF PROVIDENCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF PROVIDENCE SCHOOL DISTRICT PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
June 30, 2015

Employees' Retirement System

	2015
Employer's proportion of the net pension liability	9.51%
Employer's proportionate share of the net pension liability	\$ 231,542
State's proportionate share of the net pension liability associated with the school district	158,779
Total	\$ 390,321
Employer's covered employee payroll	\$ 159,247
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	145%
Plan fiduciary net position as a percentage of the total pension liability	61.40%

Notes:

1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**CITY OF PROVIDENCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF PROVIDENCES SCHOOL DISTRICT CONTRIBUTIONS**

Employees' Retirement System

	2015
Actuarially determined contribution	\$ 21,356
Contributions in relation to the actuarially determined contribution	<u>21,356</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 159,252
Contributions as a percentage of covered- employee payroll	13.41%

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION

CITY OF PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Neighborhood Housing Fund – is used for Administrative and Program Expenses primarily related to Housing Repair Loan Programs and Downpayment/Closing Assistance Programs. Also income related to Tax Stabilization Agreements.

Federal Funds Fund – is used to account for Administrative and Program Expenses and Program Income primarily related to the following federally funded programs: Community Development Block Grant, Emergency Shelter Grant and Housing Opportunities for Persons with Aids.

PEDC Fund - is used to account for Administrative and Program Expenses and Program Income primarily related to loans and grants for business start-ups, expansion, and operating costs (Industrial, Commercial and Operating Accounts).

PRA Fund – Is used to account for Administrative and Program Expenses and Program Income primarily related to the sale, rent and upkeep of Providence Redevelopment Agency controlled land and buildings. Expenses related to implementation of redevelopment projects.

Other P&D – is used to account for Good Faith Deposits – Deposits to secure vacant lots of the PRA until closing. There is also the Lead Fund which is primarily for expenses and income related to federally funded programs that supply loans to homeowners for remediation work, income from federal grants and City Bond dollars.

Other Special Revenue Funds – is used to account for various smaller special revenue funds used by the City.

Skating Rink – is used to account for the operations of the Skating Rink.

WDO – is used to account for proceeds received from the federal government for workforce development services.

Capital Proceeds Fund – is used to account for various smaller operations. It primarily consists of a Trust Fund that has spending stipulations for various City operations, and proceeds received for public safety and seizure.

CITY OF PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015 (in thousands)

	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P & D	Other Special Revenue Fund	Skating Rink	WDO	Capital Proceeds Fund	Nonmajor Governmental Funds	Totals
ASSETS											
Cash and cash equivalents	\$ 1,618	\$ 793	\$ 1,080	\$ 5,214	\$ 277	\$ 2,304	\$ 136	\$ 205	\$ 618	\$ 870	\$ 13,915
Investments				5,891		172			3,354	16,280	25,697
Receivables, net:											
Loans	5,999	7,590	12,911			429		434			26,500
Intergovernmental		1,292		5		36					2,160
Other					494	292		5	13,542	289	36
Due from other funds	347	3,801	2,842	351							21,963
Other assets				854							854
Total assets	\$ 7,964	\$ 13,476	\$ 17,633	\$ 12,315	\$ 771	\$ 3,233	\$ 136	\$ 644	\$ 17,514	\$ 17,439	\$ 91,125
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Warrants and accounts payable	\$ 115	\$ 946	\$ 226	\$ 253		\$ 338	\$	\$ 380	\$ -	\$ 188	\$ 2,445
Accrued liabilities	181			452				36			669
Unearned revenue	145	7,590	12			98			8,075	722	7,845
Due to other funds	490	4,537	3,013	1,236	630	369	50	183			19,305
Total liabilities	931	13,073	3,251	1,941	630	805	50	599	8,075	910	30,265
FUND BALANCES (DEFICITS)											
Nonspendable	5,854		12,899							288	19,041
Restricted	1,179	403	1,483	10,374	141	1,854	86	45	9,439	16,241	31,806
Committed						574					10,013
Unassigned											
Total fund balances (deficits)	7,033	403	14,382	10,374	141	2,428	86	45	9,439	16,529	60,860
Total liabilities and fund balances (deficits)	\$ 7,964	\$ 13,476	\$ 17,633	\$ 12,315	\$ 771	\$ 3,233	\$ 136	\$ 644	\$ 17,514	\$ 17,439	\$ 91,125

CITY OF PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2015 (in thousands)

	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other Special Revenue Fund	Skating Rink	WDO	Capital Proceeds Fund	Other Nonmajor Governmental Funds	Totals
Revenues											
Departmental											
Intergovernmental											
Investment and rental income	6	\$ 6,305	\$ 221	\$ 8,919	\$ 228	\$ 5,883	\$ 584	\$ 5,236	\$ 53	\$ -	\$ 10,287
Other	1	100	1	157	1	235			590	1,012	17,954
									20		1,303
	7	6,435	222	9,087	228	7,773	584	5,235	643	1,076	1,651
Total Revenues											31,195
Expenditures											
Current:											
Executive, legislative, and judicial						67				775	842
Finance											
Public safety						2,982		5,440			8,422
Recreation						554	559				1,113
Public lands and parks						844				256	1,100
Community development	130	5,881	424	6,786	209						13,430
Debt service											
Principal		92		2,200							2,292
Interest and other costs		11		796							807
Capital outlay											
	130	5,984	424	9,782	209	1,256	559	5,440		41	1,297
Total expenditures											29,303
Excess (deficiency) of revenue over expenditures	(123)	452	(202)	(695)	19	1,973	25	(204)	643	4	1,892
Other Financing Sources (Uses)											
Refunding bonds issued											44,910
Payments to refunded bond escrow agent											(49,709)
Bond premium											4,936
Transfers in						144				149	283
Transfers out						(2,409)			(284)	(431)	(3,124)
Total other financing sources (uses)											(2,654)
Net change in fund balance (deficit)	(123)	452	(202)	(556)	19	(292)	25	(204)	359	(278)	(802)
Fund Balance (deficit), beginning of year	7,155	(49)	14,584	10,932	122	2,720	61	249	9,880	18,807	61,662
Fund Balance (deficit), end of year	\$ 7,033	\$ 403	\$ 14,382	\$ 10,374	\$ 141	\$ 2,428	\$ 85	\$ 45	\$ 9,439	\$ 16,529	\$ 60,860

CITY OF PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT TRUST FUNDS

Other Nonmajor governmental funds are used to account for permanent trust funds.

CITY OF PROVIDENCE, RHODE ISLAND

COMBINING BALANCE SHEET

BY GRANT ACCOUNT

JUNE 30, 2015 (in thousands)

	Federal Grants	Direct Federal Grants	State Grants	Grants From Other Sources	Indirect Costs	Sports Complex	Totals
ASSETS							
Cash and investments	\$ 1,270	\$ 8	\$ 1,198	\$ 2,171	\$ 821	\$	\$ 5,468
Receivables, net:							
Other governments	8,728		1,715	237			10,680
Other				13	1		14
Due from other funds	213		193	13	1,474	224	2,117
Total assets	\$ 10,211	\$ 8	\$ 3,106	\$ 2,434	\$ 2,296	\$ 224	\$ 18,279

LIABILITIES AND FUND BALANCES

LIABILITIES							
Accounts payable	\$ 1,700	\$	198	\$ 1,939		\$	3,837
Unearned revenue	18		1,992	449			2,459
Due to other funds	8,209		13	6	1,323		9,551
Due to other governments	15	8					23
Total liabilities	\$ 9,942	\$ 8	\$ 2,203	\$ 2,394	\$ 1,323	\$ -	\$ 15,870

FUND BALANCES

Restricted:	269		903	40	973	224	2,409
Total fund balances (deficits)	269	-	903	40	973	224	2,409
Total liabilities and fund balance	\$ 10,211	\$ 8	\$ 3,106	\$ 2,434	\$ 2,296	\$ 224	\$ 18,279

CITY OF PROVIDENCE, RHODE ISLAND

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BY GRANT FUND
JUNE 30, 2015 (in thousands)**

	Federal Grants	Direct Federal Grants	State Grants	Grants From Other Sources	Indirect Costs	Sports Complex	Totals
REVENUES:							
Federal and state governments	\$ 41,562		\$ 2,122	451		\$ 82	\$ 44,135
Miscellaneous				586			668
Total revenues	41,562	\$ -	2,122	1,037	\$ -	82	44,803
EXPENDITURES:							
Personnel services	15,462		60	307			15,829
Employee benefits	7,599		2	59			7,660
Other supplies							-
Equipment	2,387		1,948	246			4,581
Miscellaneous services	11,703		84	44			11,831
Other services	515			233		53	801
Pupil transportation	251		14	1			266
Repairs	0			41			41
Office supplies	2,290		8	97			2,395
Education supplies	8		6				14
Textbooks	25						25
Total expenditures	40,240	-	2,122	1,028	-	53	43,443
OTHER FINANCING SOURCES (USES)							
Transfer to other funds	(1,322)				(1,323)		(2,645)
Transfer from other funds					1,322		1,322
Total other financing sources (uses)	(1,322)	-	-	-	(1)	-	(1,323)
Net change in fund balances (deficit)	-	-	-	9	(1)	29	37
Fund balance, beginning of year	269	-	903	31	974	195	2,372
Fund balance, end of year	\$ 269	\$ -	\$ 903	\$ 40	\$ 973	\$ 224	\$ 2,409

CITY OF PROVIDENCE

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for others.

CITY OF PROVIDENCE, RHODE ISLAND

Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2015 (in thousands)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
AGENCY FUND				
Assets				
Cash and cash equivalents	\$ 1,281	\$ 1,623	\$ 1,385	\$ 1,519
Other receivables	14		12	2
Total Assets	<u>\$ 1,295</u>	<u>\$ 1,623</u>	<u>\$ 1,397</u>	<u>\$ 1,521</u>
Liabilities				
Other payables	\$ 650	\$ 205	\$ -	\$ 855
Due to student group	645	1,402	1,381	666
Total Liabilities	<u>\$ 1,295</u>	<u>\$ 1,607</u>	<u>\$ 1,381</u>	<u>\$ 1,521</u>

CITY OF PROVIDENCE

CAPITAL ASSETS

CITY OF PROVIDENCE, RHODE ISLAND

Capital Assets Used in the Operation of Governmental Funds
For the Year Ended June 30, 2015 (in thousands)

Governmental funds capital assets, net of related
 accumulated depreciation

Land	\$ 46,767
Improvements other than buildings	60,255
Buildings and improvements	119,524
Buildings - leases	329,923
Infrastructure	100,123
Machinery and equipment	20,185
Construction in progress - City	629
Construction in progress - PPBA	28,415
	<u>\$ 705,821</u>

Investments in governmental funds capital assets:
 Assets put into service as of June 30, 2015

\$ 705,821

CITY OF PROVIDENCE

STATISTICAL SECTION

This part of the City of Providence, Rhode Island's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule I
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 22,435	\$ 51,350	\$ 80,301	\$ 102,250	\$ 122,820	\$ 127,340	\$ 122,997	\$ 117,449	\$ 199,002	\$ 219,179
Unrestricted	11,285	765	(29,054)	(63,215)	(143,890)	(233,086)	(261,508)	(263,762)	(341,989)	(1,458,031)
Total governmental activities net assets	\$ 33,720	\$ 52,115	\$ 51,247	\$ 39,035	\$ (21,070)	\$ (105,746)	\$ (138,511)	\$ (146,313)	\$ (142,987)	\$ (1,238,852)
Business-type activities:										
Net investment in capital assets	\$ 157,507	\$ 165,284	\$ 143,479	\$ 159,670	\$ 179,800	\$ 201,281	\$ 213,758	\$ 217,210	\$ 225,544	\$ 239,088
Restricted	17,515	19,470	54,745	44,280	31,037	18,809	20,943	35,112	36,627	42,322
Unrestricted	7,431	8,178	8,465	6,622	3,503	11,661	10,986	6,403	6,676	(35,289)
Total business-type activities net assets	\$ 182,453	\$ 192,932	\$ 206,689	\$ 210,572	\$ 214,340	\$ 231,751	\$ 245,687	\$ 258,725	\$ 268,847	\$ 246,121
Primary government:										
Net investment in capital assets	\$ 179,942	\$ 216,634	\$ 223,780	\$ 261,920	\$ 302,620	\$ 328,621	\$ 336,755	\$ 334,659	\$ 424,546	\$ 458,267
Restricted	17,515	19,470	54,745	44,280	31,037	18,809	20,943	35,112	36,627	42,322
Unrestricted	18,716	8,943	(20,589)	(56,593)	(140,387)	(221,425)	(250,522)	(257,559)	(335,313)	(1,493,320)
Total primary government net assets	\$ 216,173	\$ 245,047	\$ 257,936	\$ 249,607	\$ 193,270	\$ 126,005	\$ 107,176	\$ 112,412	\$ 125,860	\$ (992,731)

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 2
Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Executive, legislative, and judicial	\$ 15,552	\$ 22,761	\$ 19,352	\$ 32,624	\$ 42,202	\$ 40,382	\$ 51,677	\$ 36,944	\$ 36,036	\$ 36,830
Finance	32,655	106,740	119,373	111,908	59,345	58,740	57,819	58,462	49,261	63,820
Public safety	170,273	110,246	111,183	106,243	182,787	178,374	157,676	170,854	169,742	180,430
Building inspection	5,455	2,495	2,717	2,946	4,806	4,636	4,126	4,264	4,381	4,496
Public works	30,275	21,992	18,384	17,079	23,030	28,451	25,754	15,752	23,965	26,959
Recreation	3,933	2,939	3,089	2,771	3,285	1,593	1,644	1,876	2,131	2,238
Public land and parks	23,992	17,535	17,249	5,523	21,069	24,572	19,437	21,941	20,825	21,290
Education	373,591	380,730	387,624	377,736	381,096	388,612	379,768	395,215	402,539	422,730
Community development	21,175	23,432	20,811	26,110	31,150	21,467	18,687	24,297	18,901	17,981
Interest on long-term debt	21,863	18,639	17,056	27,360	27,389	26,699	32,365	26,817	19,984	19,859
Total governmental activities expenses	698,764	707,509	716,838	710,300	776,159	773,526	748,953	756,422	747,765	796,633
Business-type activities:										
PPBA	9,314	11,790	14,900	17,222	17,696	18,949	19,992	19,396	19,322	17,076
Water Supply Board	43,661	46,105	47,610	50,381	52,303	47,483	50,461	52,553	56,271	56,898
Civic Center	2,241									
Non-major School lunch program				12,044	12,194	12,836	13,908	14,422	15,448	15,152
Total business-type activities expenses	55,216	57,895	62,510	79,647	82,193	79,268	84,361	86,371	91,041	89,126
Total primary government expenses	753,980	765,404	779,348	789,947	858,352	852,794	833,314	842,793	838,806	885,759
Program revenue:										
Governmental activities:										
Charges for services:										
Executive, legislative, and judicial	234	788	265	241	222	203	232	222	198	191
Finance	24,526	34,717	18,779	16,928	42,926	51,412	63,264	68,955	67,590	60,636
Public safety	16,336	14,831	20,867	22,222	19,515	16,252	11,384	11,776	12,050	11,908
Building inspection	4,817	6,379	4,993	4,240	3,599	3,405	4,112	4,503	4,036	4,376
Public works	244	2,259	202	213	219	132	193	229	516	318
Recreation	90	418	361	416	231	226	206	211	196	547
Public land and parks	1,216	4,004	410	438	311	581	136	264	321	317
Education	2,802	1,526	1,621	8,309	11,691	11,704	12,558	12,174	12,599	15,151
Community development	125	7,233	8,397	8,982	375	88	10	-	-	-
Operating grants and contributions:										
Executive, legislative, and judicial	142	1								
Finance	683	61								
Public safety	3,039	2,702	4,924	7,348	3,084	2,200	3,183	183	51	56
Public works	3,171	-								
Recreation	599	703	743	329	349	296	261	442	395	484
Public land and parks	-	4,679	4,714	177						
Education	252,043	248,239	248,949	235,234	238,267	243,134	225,661	247,624	252,226	275,252
Community development	25,502	15,472	13,758	11,943	14,645	15,856	12,518	13,005	8,292	6,791
Capital grants and contributions:										
Finance										
Education	15,199	15,039	13,908	15,872						
Total governmental activities program revenue:	350,768	359,051	342,891	332,892	335,434	345,489	333,718	359,588	358,470	376,027

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 2
 Changes In Net Position, Continued
 Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program revenue:										
Business-type activities:										
Charges for services:										
PPBA	7,825	10,988	15,712	9,835	16,362	18,548	20,996	20,020	19,652	18,861
Water Supply Board	52,432	52,749	56,032	59,575	54,976	64,017	61,726	61,070	62,872	69,501
Civic Center	1,824	-	-	-	-	-	-	-	-	-
Non-major School lunch program				12,040	12,446	12,986	14,548	15,124	15,414	15,803
Capital grants and contributions:										
Water Supply Board	1,309	1,613	898	775	773	510	200	2,100	3,304	1,098
Total business-type activities										
program revenues	63,390	65,350	72,642	82,225	84,557	96,061	97,470	98,314	101,242	105,263
Total primary government program revenues	414,158	424,401	415,533	415,117	419,991	441,550	431,188	457,902	459,712	481,290
Net (expense) revenue:										
Governmental activities	(347,996)	(348,458)	(373,947)	(377,408)	(440,725)	(428,037)	(415,235)	(396,834)	(389,295)	(420,606)
Business-type activities	8,174	7,455	10,132	2,578	2,364	16,793	13,109	11,943	10,201	16,137
Total primary government net expense	(339,822)	(341,003)	(363,815)	(374,830)	(438,361)	(411,244)	(402,126)	(384,891)	(379,094)	(404,469)
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	260,629	257,776	272,366	284,775	289,837	286,998	320,591	325,960	331,133	335,624
Payments in lieu of taxes	26,879	20,124	19,575	19,680	19,103	23,115	23,461	25,645	27,110	28,088
Grants and contributions not restricted to specific programs	49,546	51,967	42,787	38,048	40,070	25,619	21,473	19,296	18,158	16,658
Investment income	8,033	19,779	19,905	1,230	252	153	100	84	1	1
Gain (loss) on disposal	3,563	-	409	-	-	-	-	-	-	-
Miscellaneous	696	17,207	18,037	21,525	31,358	17,473	16,846	18,290	18,871	19,176
Transfers	-	-	-	-	-	-	-	(243)	-	-
Sale of building and land	3,148	-	-	-	-	-	-	-	-	-
Total governmental activities	352,494	366,853	373,079	365,258	380,620	353,358	382,471	389,032	395,273	399,547
Business-type activities:										
Investment earnings	2,227	3,024	3,625	1,243	1,404	618	827	852	662	485
Transfers	-	-	-	-	-	-	-	243	-	-
Special items:										
Sale of building and land	9,204	-	-	-	-	-	-	-	-	-
Total business-type activities	11,431	3,024	3,625	1,243	1,404	618	827	1,095	662	485
Total primary government	363,925	369,877	376,704	366,501	382,024	353,976	383,298	390,127	395,935	400,032
Changes in net position:										
Governmental activities	4,498	18,395	(868)	(12,150)	(60,105)	(74,679)	(32,764)	(7,802)	5,978	(21,059)
Business-type activities	19,605	10,479	13,757	3,821	3,768	17,411	13,936	13,038	10,863	16,622
Total primary government	\$ 24,103	\$ 28,874	\$ 12,889	\$ (8,329)	\$ (56,337)	\$ (57,268)	\$ (18,828)	\$ 5,236	\$ 16,841	\$ (4,437)

(CONCLUDED)

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 3

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Designated for future uses	\$ 433	\$ 550	\$ -	\$ -	\$ 1,378	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/ Unassigned	19,251	21,614	22,361	17,361	2,080	3,725	(11,399)	(9,827)	(8,672)	(13,445)
Total General Fund	\$ 19,684	\$ 22,164	\$ 22,361	\$ 17,361	\$ 3,458	\$ 3,725	\$ (11,399)	\$ (9,827)	\$ (8,672)	\$ (13,445)
All Other Governmental Funds:										
Nonspendable						\$ 16,428	\$ 19,818	\$ 19,932	\$ 18,770	\$ 19,041
Restricted						36,253	35,103	71,066	51,378	39,352
Committed						12,194	9,275	10,268	9,530	10,013
Unassigned						3,686	(262)	(18)		
Reserved	\$ 10,885	\$ 10,157	\$ 11,729	\$ 14,183	\$ 15,882					
Unreserved:										
Designated for future uses	11,146	16,026	18,045	16,754						
Special Revenue						9,311				
Undesignated:										
Capital Projects	23,541	14,513	7,394	9,807	7,081					
Special Revenue	95,918	76,976	57,678	42,400	20,041					
Permanent Trust		18,223	14,932	11,821	12,794					
Total all other government funds	\$ 141,490	\$ 135,895	\$ 109,778	\$ 94,965	\$ 65,109	\$ 68,561	\$ 63,934	\$ 101,248	\$ 79,678	\$ 68,406

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 4
Changes in Fund Balances: Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 285,966	\$ 281,432	\$ 273,956	\$ 283,631	\$ 290,338	\$ 290,704	\$ 214,355	\$ 324,058	\$ 330,449	\$ 334,103
Departmental revenue	33,877	67,352	64,136	73,545	65,786	73,025	95,336	92,683	88,042	89,769
Federal and state grants and reimbursements	345,627	338,863	334,533	298,742	302,272	305,814	285,120	306,195	306,232	316,291
Investment and rental income	21,305	19,779	21,201	16,234	19,742	4,829	1,454	4,358	4,358	1,843
Fees and forfeitures	5,486	4,307	7,241	7,464	7,663	8,143	7,341	6,030	6,066	4,559
State Fiscal Stabilization Funds				10,209	13,246	4,406	1,437	-	-	-
Other	4,267	17,207	15,628	15,491	11,867	12,796	15,492	15,076	14,514	17,334
Total revenues	696,528	728,930	716,695	705,336	710,934	692,717	720,535	747,359	749,661	763,899
Expenditures:										
Current:										
Executive, legislative, and judicial	12,995	9,852	10,264	11,100	14,239	12,695	15,364	11,649	11,090	13,354
Finance	124,814	106,674	112,142	103,561	43,447	39,526	49,661	50,743	44,540	47,741
Public safety	108,146	103,111	109,197	103,795	166,254	163,909	151,655	153,492	161,866	163,213
Building inspection	2,600	2,462	2,886	4,391	4,391	4,308	3,901	3,931	4,096	4,239
Public works	13,919	13,423	14,323	15,650	19,064	21,806	26,179	18,963	18,852	20,264
Recreation	2,579	2,909	2,992	2,656	2,902	1,470	1,532	1,750	2,004	2,101
Public lands and parks	16,211	23,718	14,884	14,382	19,138	21,716	21,034	20,458	21,415	20,560
Other departments	-	5,742	5,394	5,917	9,262	9,767	10,185	7,877	9,203	10,178
Grants	-	4,331	4,148	4,086	4,239	4,185	4,297	4,231	4,233	4,531
Education	366,910	377,793	385,721	380,577	383,636	378,572	362,649	382,618	368,489	403,943
Community development	21,145	19,101	16,663	22,024	26,621	17,282	14,390	20,066	14,668	13,430
Noncurrent:										
Capital outlays	6,279	19,627	14,570	7,903	2,856	10,782	2,587	4,638	23,341	22,881
Debt service principal payments	10,000	32,267	35,051	36,229	46,653	41,158	43,866	42,844	45,161	40,481
Debt service interest and other payments	14,128	18,976	14,622	20,591	26,201	28,706	32,427	26,869	21,118	20,277
Total expenditures	700,086	739,988	742,615	732,039	769,193	757,882	738,927	749,929	770,076	787,313
Excess of revenues (under) expenditures	(3,558)	(11,058)	(25,920)	(26,703)	(58,259)	(58,165)	(18,392)	(2,590)	(20,415)	(23,414)
Other financing sources (uses):										
Capital leases issued	9,145	7,547	-	6,952	14,500	-	-	-	-	7,000
Capital notes issued	9,081	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	87,584	2,366	39,345	-	-
Refunding bonds issued	-	-	-	-	-	(29,425)	-	2,125	-	68,675
Payment to refunding bonds escrow agent	-	-	-	-	-	-	-	250	-	(74,367)
Premium on bond issued	-	-	-	-	-	-	-	-	-	6,061
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of real estate	6,440	-	-	-	-	-	-	-	-	-
Transfers in	138,153	139,458	156,231	145,201	165,765	139,461	133,903	129,707	129,617	131,377
Transfers out	(138,270)	(139,458)	(156,231)	(145,201)	(165,765)	(139,461)	(133,903)	(129,590)	(129,617)	(131,377)
Proceeds on refunding bonds issued	28,675	29,910	-	-	-	-	-	-	-	-
Total other financing sources (uses)	25,758	7,943	-	6,952	14,500	58,159	2,366	41,477	-	7,309
Special items										
Proceeds from sale	16,805	-	-	-	-	-	-	-	-	-
Net changes in fund balance	\$ 39,005	\$ (3,115)	\$ (25,920)	\$ (19,731)	\$ (43,759)	\$ (6)	\$ (16,026)	\$ 38,887	\$ (20,415)	\$ (16,045)
Debt service as a percentage of noncapital expenditures	3.5%	7.1%	6.8%	7.9%	9.5%	9.3%	10.3%	9.3%	8.9%	8.0%

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 5

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

(in thousands)

Tax Year	Real Estate	Tangible Taxes	Excise Taxes	Total
2006	209,251	28,154	17,768	255,173
2007	211,732	28,440	15,685	255,857
2008	226,176	26,087	16,564	268,827
2009	231,186	30,080	16,963	278,229
2010	234,687	34,262	15,559	284,508
2011	234,519	34,032	16,221	284,772
2012	239,855	35,437	24,280	299,572
2013	248,593	35,185	25,939	309,717
2014	251,201	39,006	26,599	316,806
2015	251,770	45,652	32,025	329,447
Change 2006-2015	20.3%	62.2%	80.2%	29.1%

Source: City records.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 6

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands)

(unaudited)

Fiscal Year	Real Property	Tangible Personal Property	Motor Vehicle	Exemptions	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	9,496,709	636,126	241,061	(3,139,525)	7,234,371	-0.76%	35.36	8,818,102	82.04%
2007	9,651,377	657,840	599,020	(3,593,637)	7,314,600	1.11%	35.17	8,511,287	85.94%
2008	13,721,337	631,015	638,107	(4,781,679)	10,208,780	39.57%	26.62	10,295,260	99.16%
2009	13,664,004	746,260	658,076	(4,838,398)	10,229,942	0.21%	25.53	10,316,601	99.16%
2010	13,657,654	830,243	610,997	(4,838,398)	10,260,496	0.30%	28.87	10,347,414	99.16%
2011	10,358,912	926,252	616,722	(2,858,134)	9,043,752	-11.86%	35.37	9,120,363	99.16%
2012	10,346,045	850,314	644,247	(2,960,325)	8,880,281	-1.81%	36.28	8,955,507	99.16%
2013	9,290,516	969,783	701,908	(2,43,985)	10,718,222	20.70%	34.14	10,809,018	99.16%
2014	9,309,946	1,054,906	702,310	(295,059)	10,772,103	0.50%	34.62	10,891,457	98.41%
2015	9,487,244	1,137,126	720,527	(291,806)	11,053,091	2.61%	37.88	11,058,286	97.47%

Source: City Records

Weighted Average Rate Calculation

Tot. R/E	9,487,244						
Tangible	1,137,126						
Excise	720,527						
Tot. Assessment	11,344,897						
		% of Assessment	Tax Rate	Tot Direct Rate			
Tot. Res. R/E	7,025,672	62%	33.10	20.50			
Comm. R/E	2,461,572	22%	36.75	7.97			
Tangible	1,137,126	10%	55.80	5.59			
Excise	720,527	6%	60.00	3.81			
		1.00		37.88			

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 7

Principal Property Taxpayers Current Year and Ten Years Ago (unaudited)

2015				2006			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxes	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Narragansett Electric Company	\$340,607,658	1	4.56%	Narragansett Electric Co	\$179,765,078	1	2.47%
OMNI Rhode Island LLC	\$75,022,029	2	0.77%	Fleet Center Associates	\$96,514,144	2	1.32%
Motiva Enterprises LLC	\$59,864,170	3	0.73%	Capital Properties Inc	\$69,612,969	3	0.95%
Prospect Charter Care	\$61,483,357	4	0.64%	RI Hospital Trust Natl Bank	\$39,989,985	4	0.55%
Westminster Partners LLC	\$55,206,938	5	0.56%	Blue Cross And Blue Shield Of Rhode Is	\$35,379,664	5	0.49%
1 Financial Holdings LLC	\$52,214,670	6	0.53%	Textron Realty Corporation	\$34,276,371	6	0.47%
One Citizens Plaza Holdings LLC	\$44,731,064	7	0.47%	Providence Gas Company	\$33,535,939	7	0.46%
Textron Realty Corporation	\$44,200,558	8	0.46%	The Providence Journal Company	\$44,438,599	8	0.61%
Regency Plaza	\$43,781,400	9	0.45%	Laurelmead Cooperative	\$31,273,237	9	0.43%
Athena Providence Place	\$46,399,581	10	0.43%	Providence Realty Associates LP	\$30,613,183	10	0.42%
CoxCom	\$24,593,000	11	0.40%	Avalon Properties Inc	\$27,208,393	11	0.37%
Blue Cross & Blue Shield	\$32,532,307	12	0.36%	Edward E Zuker (trustee)	\$26,341,817	12	0.36%
Avalon Properties Inc	\$33,159,723	13	0.34%	One Twenty One South Main Street Llc	\$21,945,671	13	0.30%
10 Memorial Boulevard Owner LLC	\$31,031,973	14	0.32%	Alpine Realty Providence LLC	\$20,773,953	14	0.28%
Laurelmead Cooperative	\$30,494,192	15	0.31%	Home Depot Usa Inc	\$19,173,114	15	0.26%
High Rock Westminster St	\$30,090,943	16	0.31%	One Financial Center Plaza LLC	\$18,484,616	16	0.25%
ARC Hospitality Providence LLC	\$27,658,998	17	0.30%	Historic Hotel Partners Of Prov Lp	\$18,436,330	17	0.25%
PRU LLP	\$23,258,242	18	0.24%	Jefferson At Providence Place Apartmen	\$18,403,259	18	0.25%
One Financial Center Plaza LLC	\$21,524,278	19	0.22%	Foundry Parcel Fifteen Associates Llc	\$18,253,832	19	0.25%
380 Westminster Street LLC	\$19,565,960	20	0.20%	Elizabeth T Corson Westminster Trust	\$17,165,725	20	0.24%
Total	\$ 1,097,421,039		12.59%		\$ 801,585,879		11.00%

Source: City Records

total levy for 2015 tax roll \$351,854,212.92
total levy for 2006 tax roll \$256,688,743.04

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 8 Property Tax Levies And Collections Last Ten Fiscal Years (unaudited)

Fiscal Year Ended June 30:	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	259,979,819	243,165,192	93.53%	10,093,173	253,258,365	97.41%
2007	261,951,088	246,952,069	94.27%	9,843,792	256,795,861	98.03%
2008	275,853,725	255,874,916	92.76%	13,202,033	269,076,949	97.54%
2009	287,281,144	269,559,441	93.83%	11,344,069	280,903,510	97.78%
2010	294,186,862	276,463,184	93.98%	10,082,341	286,545,525	97.40%
2011	307,014,942	277,131,464	90.27%	7,794,001	284,925,465	92.81%
2012	324,460,407	299,707,126	92.37%	9,955,783	309,662,909	95.44%
2013	332,768,119	310,510,342	93.31%	9,327,788	319,838,130	96.11%
2014	340,814,523	317,730,599	93.23%	7,208,829	324,939,428	95.34%
2015	345,156,658	321,248,525	93.07%	-	321,248,525	93.07%

Source: City Tax Collector Records

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 9
Ratios of Net General Bonded Debt Outstanding by Type
Last Ten Fiscal Years
(unaudited)
(in thousands)

Fiscal Year	Governmental Activities										Business-Type Activities					Net General	
	General Obligation Bonds	Revenue Bonds	Special Obligation Tax Increment	PPBA Debt	Capital Notes and Leases	Notes Payable	Net Bond Premium	Deferred Items from Financing	Line of Credit	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Debt Per Capita	Obligation Bonds to Estimated Actual Value		
2006	119,215	66,500	28,285	173,474	59,994	4,215	-	(3,477)	385	18,070	3,865	470,526	**	674	1.35%		
2007	112,845	64,525	26,260	222,415	58,453	3,434	-	(4,610)	300	11,879	2,950	498,451	**	638	1.33%		
2008	105,075	62,445	23,755	361,011	49,300	2,546	-	(5,184)	-	45,043	2,000	645,991	**	1731	0.86%		
2009	96,735	60,295	21,150	358,750	47,628	2,336	-	(4,666)	-	43,573	990	628,791	**	542	0.80%		
2010	88,260	58,080	18,435	360,663	52,286	798	-	(4,184)	-	55,299	-	629,637	**	495	0.73%		
2011	80,935	73,140	15,575	411,617	45,433	585	-	(3,792)	-	53,010	-	676,503	**	4826	0.67%		
2012	73,815	68,860	12,585	388,487	39,554	2,776	1,906	(3,284)	-	52,489	-	637,188	**	**	0.61%		
2013	105,661	65,934	9,450	363,919	35,127	2,777	1,788	(722)	-	78,087	-	662,021	**	**	0.88%		
2014	99,501	59,799	6,170	333,344	30,506	2,474	6,276	(363)	-	74,269	-	611,976	**	**	0.83%		
2015	92,261	54,221	2,725	306,682	33,473	2,382	5,532	-	-	78,174	-	575,450	**	**	0.77%		

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

* Amounts were included in general obligation bonds.

** Information not available.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 10
Direct Governmental Activities Debt
For the Year Ended June 30, 2015
(unaudited)
(in thousands)

Governmental Unit	Debt Outstanding
General obligation debt:	
General obligation bonds	\$ 92,261
Revenue bonds	54,221
Special obligation tax increment	2,725
Notes payable	2,382
Capital leases	13,815
Capital notes	19,658
PPBA debt-City	306,682
PPBA net bond premium	5,532
Total direct debt	\$ 497,276

Note: The City of Providence is not subject to the debt of overlapping governments.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 11
Legal Debt Margin Information
For the Year Ended June 30, 2015
(unaudited)
(in thousands)

Legal Debt Margin Calculation for Fiscal Year 2015

Taxable Property	\$	11,047,169
Debt limit (3% of taxable property)		331,415
Debt applicable to limit:		
General obligation bonds		92,261
Less: debt not subject to 3% limit		<u>55,170</u>
Total net debt applicable to limit		<u>37,091</u>
Legal debt margin	\$	<u><u>294,324</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 12

Legal Debt Margin Information
Last Ten Fiscal Years and Current Year Computation
(unaudited)
(in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 210,700	\$ 219,400	\$ 294,163	\$ 306,899	\$ 309,438	\$ 266,408	\$ 273,279	\$ 321,547	\$ 323,251	\$ 331,415
Total net debt applicable to limit	23,400	19,400	16,247	13,078	9,914	6,750	4,340	41,235	39,065	37,090
Legal debt margin	187,300	200,000	277,916	293,821	299,524	259,658	268,939	280,312	284,186	294,325
Total net debt applicable to the limit as a percentage of debt limit	12%	10%	6%	4%	3%	3%	2%	15%	14%	13%
Debt outstanding issued outside the 3% debt limit*	\$ 95,700	\$ 93,400	\$ 88,828	\$ 83,657	\$ 78,346	\$ 74,185	\$ 69,475	\$ 65,950	\$ 60,435	\$ 55,170

* The State of Rhode Island General Assembly has, by Special Act, permitted the City to incur indebtedness outside the 3% debt limit. This amount excludes water and sewer bonds that are deemed self-supporting.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 13 Pledged-Revenue Coverage Last Ten Fiscal Years (unaudited) (in thousands)

Water Supply Board						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	52,432	42,446	9,986	509	183	14.43
2007	52,749	45,181	7,568	537	158	10.89
2008	56,032	46,410	9,622	561	131	13.90
2009	59,575	48,796	10,779	590	102	15.58
2010	54,976	50,845	4,131	618	71	6.00
2011	64,017	46,054	17,963	61	24	211.33
2012	61,726	49,212	12,514	115	41	80.22
2013	61,070	50,305	10,765	na	na	na
2014	62,872	54,394	8,478	na	na	na
2015	69,501	54,760	14,741	na	na	na

Redevelopment Revenue Bonds				
Fiscal Year	Collections	Debt Service		Coverage
		Principal	Interest	
2006	-	*	-	-
2007	-	*	-	-
2008	-	*	-	-
2009	-	*	-	-
2010	-	*	-	-
2011	-	*	-	-
2012	-	*	-	-
2013	-	*	-	-
2014	-	*	-	-
2015	-	*	-	-

Civic Center Bonds						
Fiscal Year	Charges	Operating Expenses	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
2006	1,824	2,241	(417)	***	-	-
2007	-	-	-	***	-	-
2008	-	-	-	***	-	-
2009	-	-	-	***	-	-
2010	-	-	-	***	-	-
2011	-	-	-	***	-	-
2012	-	-	-	***	-	-
2013	-	-	-	***	-	-
2014	-	-	-	***	-	-
2015	-	-	-	***	-	-

Providence Public Building Authority Revenue				
Fiscal Year	Collections	Debt Service		Coverage
		Principal	Interest	
2006	7,825	10,516	8,713	0.41
2007	10,988	11,058	9,829	0.53
2008	15,712	27,874	13,124	0.38
2009	9,835	15,261	16,675	0.31
2010	16,362	20,407	16,715	0.44
2011	18,548	25,491	17,429	0.43
2012	20,966	23,130	19,607	0.49
2013	20,020	24,568	18,368	0.47
2014	19,652	25,663	17,486	0.46
2015	18,861	26,661	12,483	0.48

* Bond was fully refunded in 2005.

** Not available.

*** Note: The Civic Center Authority was sold on December 5, 2005.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 14 Demographic and Economic Statistics Last Ten Fiscal Years (unaudited)

Fiscal Year Ended June 30	Population***	Personal Income	Per Capita Income****	Median Age***	School Enrollment**	Unemployment(*) Rate
2006	176,862	(1)	(1)	30.4	25,190	6.9%
2007	176,862	(1)	(1)	30.4	24,494	6.1%
2008	178,400	(1)	26,867	28.1	24,494	10.5%
2009	178,400	(1)	26,867	28.1	23,710	13.1%
2010	178,400	(1)	26,867	28.2	23,710	11.7%
2011	178,400	(1)	26,867	28.2	23,500	10.9%
2012	178,042	(1)	20,735	28.5	23,520	12.9%
2013	178,042	(1)	19,489	28.5	23,872	11.1%
2014	178,432	(1)	21,512	28.7	23,827	9.9%
2015	178,432	(1)	21,512	28.7	23,765	7.1%

(1) Unavailable

* Source: Rhode Island Department of Labor and Training

** RI Department of Education

*** Source: U.S. Bureau of the Census

**** Source U.S. Bureau of Economic Analysis

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 15 Principal Employers 2013 and 2004 (unaudited)

Employer	2013*			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Brown University	4,600	1	4.30%	3,251	2	2.78%
Rhode Island Hospital	4,200	2	3.93%	6,063	1	5.19%
Life Span (Mgmt. Svcs. including Miriam Mgmt Svcs.)	1,990	3	1.86%			
Women & Infants Hospital	1,800	4	1.68%	2,800	4	2.40%
Roger Williams Medical Center	1,470	5	1.38%	1,340	6	1.15%
The Miriam Hospital	1,263	6	1.18%	2,161	5	1.85%
Belo Corp/Providence Journal	870	7	0.81%	964	11	0.82%
Mars 2000	850	8	0.80%			
Providence College	799	9	0.75%			
AAA Southern New England	700	10	0.66%			
Johnson & Wales University	700	11	0.66%	1,200	8	1.03%
Butler Hospital	699	12	0.65%	800	16	0.68%
H. Carr & Sons Inc.	500	13	0.47%			
National Grid	450	14	0.42%	1,304	10	1.12%
Employment 2000	400	15	0.37%			
Verizon Wireless	400	16	0.37%			
Gilbane Building Co.	400	17	0.37%			
Wal-mart Stores	350	18	0.33%			
Jewel Case Corp.	300	19	0.28%			
Nordstrom Inc.	300	20	0.28%			

* most recent information available

Sources: Commerce RI, (f/k/a Rhode Island Economic Development Corp.)

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 16
Full-Time Equivalent Employees By Functional Program
Last Ten Fiscal Years
(unaudited)

Functions/Program	Full-Time Equivalent Employees as of June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Executive, Legislative, Judicial and Finance:										
City Council	15	15	15	15	15	15	15	15	15	15
City Council Administration	10.5	11	11	11	11	11	-	-	-	-
Internal Auditor	2	2	2	2	2	4	-	-	-	-
City Sergeant	1	1	1	1	1	1	1	1	1	1
City Clerk	9.5	9	9	9	11	11	11	11	10	9
Personnel	16	16	14	14	12	12	13	13	12	12
Finance	18	19	23	18	24	24	22	22	30	23
Computer Services	13	13	13	13	5	5	7	7	0	7
Legal	26	27	25	26	25	24	23	23	22	22
Courts	23	23	23	24	24	24	23	23	23	23
Retirement	4	4	4	5	5	5	5	5	5	5
Board Tax Assessment	4	4	5	5	5	5	5	5	5	5
City Treasurer	5	5	5	6	7	6	6	5	5	5
City Collector	15	15	15	15	15	15	13	14	18	16
City Assessor	18	18	18	15	16	15	15	17	16	18
Recreation and Public Land and Parks:										
Neighborhood Parks & Recreation Svcs	57	57	56	60	61	44	44	44	44	47
Recreation	-	-	-	-	-	21	21	20	20	20
Zoo	31	31	31	31	31	31	31	31	31	37
Forestry	13	13	15	15	15	14	14	14	14	14
Parks	52	49	51	49	51	48	48	48	49	45
Greenhouse	8	8	6	10	11	11	11	11	11	11
Public Property	31	31	31	32	30	30	31	31	33	24
Public Safety:										
Police Department	552	544	529	562	594	594	589	581	592	592
Commissioner's Office	8	9	9	9	9	8	8	8	7	7
Firefighters' Department	509	507	438	433	450	467	489	487	487	484
Communication	67	69	69	73	76	76	76	76	78	78
Emergency Mgmt./Homeland Security	5	5	5	6	6	6	-	-	-	-
Public Works:										
Administration	8	8	8	8	8	8	8	7	10	10
Engineering	7	7	8	8	8	8	7	7	7	7
Environmental Control	8	8	8	11	12	12	13	12	12	12
Highway and Bridge Maintenance	49	50	50	52	50	50	50	50	50	48
Sewer Maintenance	9	9	9	10	12	12	12	10	10	9
Miscellaneous	0	0	3	3	1	1	120	117	45	45
Garage	7	7	7	9	9	9	9	9	9	8
Parking Administration	3	-	-	-	-	-	-	-	-	-
Traffic Engineering	9	9	9	8	13	13	13	13	12	12
Building Inspection	55	57	42	55	60	60	49	49	13	12
Miscellaneous:										
Recorded Deeds	5	5	6	7	7	7	-	-	-	-
Planning & Development	44	47	44	50	54	46	-	-	-	-
Arts, Culture & Tourism	4	4	4	4	5	5	-	-	-	-
Human Relations	1	1	1	1	3	3	-	-	-	-
Human Services	8	7	7	3	2	4	-	-	-	-
PERA	1	1	1	2	3	3	-	-	-	-
Board of Canvassers	13	8	8	8	8	8	-	-	-	-
Board of Licenses	11	11	11	13	12	11	-	-	-	-
Vital Statistics	4	5	11	5	5	5	-	-	-	-
City Archivist	3	3	3	3	3	3	-	-	-	-
School Department	3,260	3,241	3,224	3,226	3,236	3,157	3,284	3,300	3,345	3,333
Total	5,022	4,993	4,887	4,945	5,023	4,952	5,086	5,086	5,041	5,016

Source: City Records.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 17

Operating Indicators By Function/Program
Last Ten Fiscal Years
(unaudited)
(in thousands)

Function/Program	Fiscal year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police:										
Calls for service	122	115	114	118	125	139	145	138	149	190
Fire:										
Total fire calls	40	42	41	44	10	11	14	13	14	13
Total rescue calls *	-	-	-	-	31	31	27	27	26	25
Building safety:										
Total building permits	8	7	8	8	8	10	8	7	3,210	8,250
Total value all permits	190,735	155,160	215,485	162,913	198,251	146,236	234,191	217,629	TBD	251,400
Public service:										
Residential garbage collected (ton)	70	70	71	73	74	77	79	81	TBD	69

Source: City Records

* Reported as total fire and rescue

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 18 Capital Asset Statistics By Function/Program Last Ten Fiscal Years (unaudited)

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety:										
Fire, Fire Stations	15	15	15	15	15	15	15	15	15	15
Fire trucks	23	23	23	23	23	23	23	23	23	28
Public Works:										
Bridges	27	27	27	27	27	27	27	27	27	53
Streets (Miles)	370	370	370	370	370	370	370	370	370	417
Manholes	20	20	20	20	20	20	20	20	20	20
Catch Basins	12	12	12	12	12	12	12	12	12	12
Drain Inlets	4	4	4	4	4	4	4	4	4	
Parks & Recreation:										
Acreage	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	
Parks	124	124	124	124	124	124	124	124	124	141
Golf Course	2	2	2	2	2	2	2	2	2	1
Baseball/Softball Diamonds	40	40	40	40	40	40	40	40	40	1
Greenhouse	6	6	6	6	6	6	6	6	6	1
Soccer/Football Fields	11	11	11	11	11	11	11	11	11	1
Water Parks	9	9	9	9	9	9	9	9	9	3
Museum	1	1	1	1	1	1	1	1	1	1
Swimming pools	6	6	6	6	6	6	6	6	6	6
Recreation Centers	10	10	10	10	10	10	10	10	10	12
Zoo	1	1	1	1	1	1	1	1	1	1
Community Centers										
Water:										
Lakes	10	10	10	10	10	10	10	10	10	10
Wastewater:										
Sanitary Sewer Lines (miles)	300	300	300	300	300	300	300	300	300	415

Source: City Records