

LLOYD W. GRANOFF
Chairman

VINCENT A. CIANCI, JR.
Mayor



Providence Public Buildings Authority
"Building Pride in Providence"

November 21, 1997

Ms. Evelyn V. Fagnoli
President
Providence City Council
25 Dorrance Street
Providence, RI 02903

Dear Council President Fagnoli:

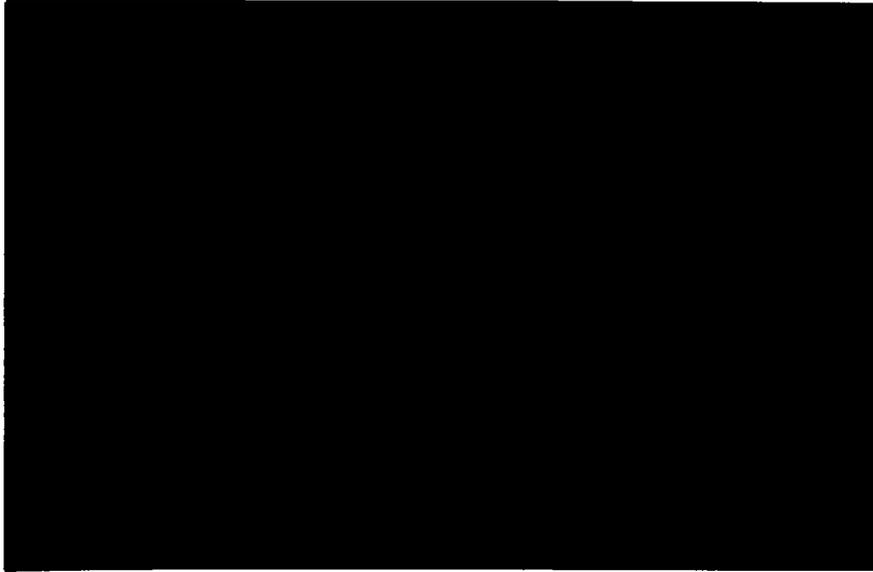
It is a pleasure to submit our annual report and audit to you. We are very pleased to tell you that with the Council's support in cooperation with Alan Sepe, we have been able to build and open on time the two new elementary schools that form the Leviton complex. These schools add space for over 1,200 new students to the Providence system. Not only have we been able to build this project on time and on budget, but the City has won an award from the Providence Preservation Society for its reuse of this older industrial building. You and the rest of the Council members that have continued to support our efforts to strengthen the Providence school system can be justly proud of these accomplishments.

In addition to this effort, a new science lab has been built in Central High School, additional classrooms were built at the Bridgham Middle School, the former St. Anthony's Parish School has been purchased and renovated for public use, the Bailey School has been opened, and the Magnolia Street Policing Station created.

Once again, the Board and staff of the PPBA wish to thank you for this opportunity to serve the people of Providence.

Sincerely,

Lloyd W. Granoff
Chairman



CAYER PRESCOTT
CLUNE CHATELLIER

CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1997**

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

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CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Providence Public Buildings Authority
Providence, Rhode Island

We have audited the accompanying combining balance sheet of the Providence Public Buildings Authority (a Component Unit of the City of Providence) as of June 30, 1997, and the related combining statement of revenue, expenditures, and changes in fund balances for the year then ended. These financial statements are the responsibility of the Providence Public Building Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Providence Public Buildings Authority as of June 30, 1996 were audited by other auditors whose report dated August 8, 1996 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Providence Public Buildings Authority as of June 30, 1997, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 1997 on our consideration of the Providence Public Building Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Cayer Prescott Clune & Chaffin, LLP

August 15, 1997

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**COMBINING BALANCE SHEET- ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1997 (WITH COMPARATIVE TOTALS FOR JUNE 30, 1996)**

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Totals (memorandum only)</u>	
	<u>General Fund</u>	<u>Capital Projects</u>	<u>General Long-Term Debt</u>	<u>General Fixed Assets</u>	<u>1997</u>	<u>(as restated) 1996</u>
<u>ASSETS</u>						
Assets:						
Cash and cash equivalents.....	\$3,683,149	\$10,772,517			\$14,455,666	
Investments.....	5,643,655				5,643,655	\$ 9,583,790
Gate income receivable	492,150				492,150	266,664
Property and equipment.....				\$70,753,169	70,753,169	64,489,206
Amount to be provided for retirement of general long-term debt.....			\$80,870,000		80,870,000	62,845,000
Total assets and other debits	\$9,818,954	\$10,772,517	\$80,870,000	\$70,753,169	\$172,214,640	\$137,184,660
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Revenue bonds payable			\$80,870,000		\$ 80,870,000	\$62,845,000
Accrued expenditures	\$ 172,949	\$1,129,548			1,302,497	89,086
Total liabilities	172,949	1,129,548	80,870,000		82,172,497	62,934,086
Fund equity:						
Investment in general fixed assets.....				\$70,753,169	70,753,169	64,489,206
Fund balances:						
Reserved for debt service	8,056,904				8,056,904	5,342,024
Unreserved	1,589,101	9,642,969			11,232,070	4,419,344
Total fund equity	9,646,005	9,642,969		70,753,169	90,042,143	74,250,574
TOTAL LIABILITIES AND FUND EQUITY	\$9,818,954	\$10,772,517	\$80,870,000	\$70,753,169	\$172,214,640	\$137,184,660

SEE NOTES TO FINANCIAL STATEMENTS.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1997 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1996)**

	<u>Governmental Fund Types</u>		<u>Totals (memorandum only)</u>	
	<u>General Fund</u>	<u>Capital Projects</u>	<u>1997</u>	<u>1996</u>
Revenue:				
Net investment income	\$ 686,705	\$ 513,860	\$1,200,565	\$ 565,682
Rental income	5,796,737		5,796,737	10,789,998
Net gate and fundraising income	400,568		400,568	569,503
Miscellaneous		4,883	4,883	94,109
Total revenue	6,884,010	518,743	7,402,753	12,019,292
Expenditures:				
Debt service	7,384,524		7,384,524	6,082,679
Capital expenditures		11,238,707	11,238,707	166,185
Litigation, accounting and other professional fees	181,593	97,738	279,331	132,277
Bond issuance costs	202,393	93,736	296,129	1,101,281
Administration	190,369	15,495	205,864	174,864
Total expenditures	7,958,879	11,445,676	19,404,555	7,657,286
Excess (deficiency) of revenue over (under) expenditures	(1,074,869)	(10,926,933)	(12,001,802)	4,362,006
Other financing sources (uses):				
Bond proceeds	21,529,408		21,529,408	
Proceeds of refunding bonds				36,225,000
Payment to refunded bond escrow agent				(34,509,115)
Transfers:				
Operating, net	(17,758,350)	17,758,350		
Total other financing sources	3,771,058	17,758,350	21,529,408	1,715,885
Excess of revenue and other financing sources over expenditures	2,696,189	6,831,417	9,527,606	6,077,891
Fund balance, beginning of year	6,949,816	2,811,552	9,761,368	3,683,477
Fund balance, end of year	\$ 9,646,005	\$9,642,969	\$19,288,974	\$9,761,368

SEE NOTES TO FINANCIAL STATEMENTS.

(CONCLUDED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

1. SIGNIFICANT ACCOUNTING POLICIES

Business Purpose and General Information

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

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

The accounting policies of the Authority conform to generally accepted principles for governmental units.

Basis of Presentation

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

The following fund types and account groups are used by the Authority:

Governmental Fund Types - used to account for all general activities. The acquisition, use and balances of expendable financial resources and related liabilities are accounted for through governmental funds using a current financial resources measurement focus whereby only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

General Fund - used to account for all financial resources, except those required to be accounted for in other funds.

Capital Projects Fund - used to account for revenues and expenditures for the acquisition or construction and renovations of the Authority's projects.

Account Groups - the general long-term obligations and general fixed assets account groups are used to account for all long-term obligations and general fixed assets, respectively.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (for example, when the amount of the transaction can be determined and is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.). Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Cash and Cash Equivalents

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

Investments

Investments, which included money market mutual funds, U.S. treasury notes, and bank investment contracts, are recorded at cost.

The cost of investments sold is determined using the specific identification method. Net investment income for the year ended June 30, 1997 includes a realized gain of \$263.

Property and Equipment

Property and equipment are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are capitalized in the general fixed assets account group. Purchased fixed assets are valued as cost where historical records are available, or at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Construction period interest cost is not capitalized. Assets in the general fixed assets account group are not depreciated.

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.

Project Acquisition Promissory Notes Payable

The Authority executed project acquisition promissory notes payable to the City for certain properties conveyed by the City to the Authority. The notes bear interest ranging from 6.75% to 10% and are due upon the expiration of the leases for the properties to which they relate. The related lease agreements require the City to make lease payments to the Authority equal to all principal and interest payments due under the notes. Therefore, principal and interest payable under the notes, along with related rental income and debt service expenditures, have not been recorded in the accompanying financial statements. Project acquisition promissory notes payable at June 30, 1997 is \$18,691,400.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

Comparative totals have been presented in the accompanying financial statements to provide an understanding of changes in financial position and operations. The totals represent the aggregate of the fund types and account groups. No consolidating or other eliminating entries were made in arriving at the totals. Thus, they do not represent consolidated information and are for informational purposes only.

Investment Income

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

Gate and Fundraising Income

Gate and fundraising income relating to zoo admissions, less actual expenses of the zoo are recognized when earned.

Other Matters

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

2. INVESTMENTS

The Authority's investments consist of Federated Investor's Money Market Obligations, Fidelity Institutional Cash Portfolio (money market mutual funds), U.S. Treasury Notes, and bank investment contracts. The various bond documents restrict the types of investments the Authority is permitted to purchase. The Authority's investments at year end are classified into three categories based on the level of risk assumed by the Authority. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

2. INVESTMENTS (Continued)

<u>Description</u>	<u>Category</u>			<u>Total Carrying Value</u>	<u>Total Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury bills		\$ 474,770		\$ 474,770	\$482,289
Bank investment contracts		<u>5,168,885</u>		5,168,885	5,168,885
		<u>\$5,643,655</u>			
Investments not subject to categorization:					
Money market mutual funds				<u>14,382,012</u>	<u>14,382,012</u>
Total investments				20,025,667	20,033,186
Less: amounts classified as cash equivalents				<u>14,382,012</u>	<u>14,382,012</u>
NET TOTAL				<u>\$5,643,655</u>	<u>\$5,651,174</u>

The carrying value of principal cash of \$73,654 and investments of \$20,025,667 relate to the balance sheet totals as follows:

Principal cash	\$ 73,654
Add:	
Investments classified as cash equivalents for financial statement purposes	<u>14,382,012</u>
Cash and cash equivalents per balance sheet	<u>\$14,455,666</u>
Total investments per footnote	\$20,025,667
Investments classified as cash equivalents for financial statements purposes	<u>14,382,012</u>
Investments per balance sheet	<u>\$ 5,643,655</u>

3. PROPERTY AND EQUIPMENT

	<u>Balance 7/1/96</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/97</u>
Land	\$13,788,115	\$ 73,000	\$ 212,707	\$13,648,408
Building and improvements	49,846,015	11,059,434	4,757,082	56,148,367
Furniture and fixtures	855,076	106,273	4,955	956,394
Total	<u>\$64,489,206</u>	<u>\$11,238,707</u>	<u>\$4,974,744</u>	<u>\$70,753,169</u>

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

4. REVENUE BONDS

1990 Series A and Series B

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

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

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

The annual principal and interest payments required to amortize the 1990 Series B Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 510,000	\$ 811,210	\$ 1,321,210
1999	540,000	776,815	1,316,815
2000	585,000	739,398	1,324,398
2001	625,000	698,550	1,323,550
2002	670,000	654,185	1,324,185
2003	715,000	606,045	1,321,045
2004	770,000	553,685	1,323,685
2005	825,000	496,444	1,321,444
2006	890,000	434,275	1,324,275
2007	940,000	367,937	1,307,937
2008	1,030,000	296,525	1,326,525
2009	1,105,000	219,131	1,324,131
2010	1,190,000	135,938	1,325,938
2011	1,280,000	46,400	1,326,400
	<u>\$11,675,000</u>	<u>\$6,836,538</u>	<u>\$18,511,538</u>

1991 Series

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

The Proceeds from the bonds were used to repay a line of credit evidenced by the Authority's \$4,000,000 Taxable Bond Anticipation Notes, 1991 Series 8, issued to finance the initial costs of renovating the Veazie Street School Project and the Modular Classrooms Project, to pay the remaining costs of the Series 1991 Projects, to fund a Debt Service Reserve Fund, to pay costs of issuance, and to provide for capitalized interest.

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

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

4. REVENUE BONDS (Continued)

1992 Series A

In July 1992, the Authority sold \$4,235,000 1992 Series A Revenue Bonds. These bonds have an interest rate of 5% and mature through December 15, 1997.

The proceeds from the bonds were used to refund \$4,150,000 Revenue Bond Anticipation Notes, 1991 Series 2, issued to fund the Roger Williams Park Zoo "Plains of Africa Exhibit" Project, to pay the remaining costs of the project, to fund a Debt Service Reserve Fund, and to pay costs of issuance.

The annual principal and interest payments required to amortize the 1992 Series A Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	<u>\$3,450,000</u>	<u>\$86,250</u>	<u>\$3,536,250</u>

1995 Series A

In March 1995, the Authority sold \$4,000,000 1995 Series A Revenue Bonds. These bonds have interest rates ranging from 5% to 7.50% and mature through December 15, 1999.

The proceeds from the bonds, along with \$1,399,817 received from the Providence Water Supply Board were used to refund the Authority's \$4,740,000 Revenue Bond Anticipation Notes, 1994 Series 1, which were used to fund the Scituate Reservoir II Project, to pay administrative expenses of the Authority and costs of issuance, and to fund the Debt Service Reserve Fund for the 1995 Series A Bonds.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 800,000	\$111,200	\$ 911,200
1999	850,000	67,150	917,150
2000	900,000	22,950	922,950
	<u>\$2,550,000</u>	<u>\$201,300</u>	<u>\$2,751,300</u>

1995 Series B

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

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

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

4. REVENUE BONDS (Continued)

1995 Series B (continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$240,000	\$ 393,025	\$ 633,025
1999	255,000	375,453	630,453
2000	270,000	356,815	626,815
2001	285,000	337,113	622,113
2002	305,000	318,607	623,607
2003	320,000	302,700	622,700
2004	340,000	287,020	627,020
2005	355,000	270,163	625,163
2006	375,000	252,090	627,090
2007	400,000	232,515	632,515
2008	420,000	211,395	631,395
2009	445,000	188,682	633,682
2010	470,000	164,200	634,200
2011	495,000	137,898	632,898
2012	525,000	109,847	634,847
2013	560,000	79,730	639,730
2014	590,000	48,563	638,563
2015	630,000	16,537	646,537
	<u>\$7,280,000</u>	<u>\$4,082,353</u>	<u>\$11,362,353</u>

1996 Series A

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

The proceeds from the bonds, along with \$375,000 received from the City which is reported as rental income for the year ended June 30, 1996, were used to provide funds to effect the advance refunding of the Authority's outstanding \$22,295,000 1990 Series A Bonds and the Authority's outstanding \$13,100,000 1991 Series Bonds, to fund the Debt Service Reserve Fund requirement for the 1996 Series A Bonds, and pay costs of issuance.

A payment of \$34,509,115 was deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the 1990 Series A and 1991 Bonds. As a result, the 1990 Series A and 1991 Series Bonds are considered defeased and the liability for those bonds has been removed from the general long-term account group. The amount of defeased debt outstanding at June 30, 1997 is \$29,855,000.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

4. REVENUE BONDS (Continued)

1996 Series A (continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$1,585,000	\$ 1,606,220	\$ 3,191,220
1999	1,705,000	1,543,590	3,248,590
2000	1,765,000	1,473,308	3,238,308
2001	1,980,000	1,395,050	3,375,050
2002	2,065,000	1,307,545	3,372,545
2003	2,155,000	1,213,627	3,368,627
2004	2,255,000	1,113,275	3,368,275
2005	2,365,000	1,005,833	3,370,833
2006	2,475,000	890,855	3,365,855
2007	2,610,000	767,510	3,377,510
2008	2,725,000	635,440	3,360,440
2009	2,865,000	494,257	3,359,257
2010	3,005,000	344,573	3,349,573
2111	3,115,000	188,512	3,303,512
2012	2,020,000	54,540	2,074,540
	<u>\$34,690,000</u>	<u>\$14,034,135</u>	<u>\$48,724,135</u>

1996 Series B

In December 1996, the Authority sold \$21,225,000 1996 Series B Revenue Bonds. These bonds have interest rates ranging from 5.375% to 6.5% and mature through December 15, 2017.

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

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

4. REVENUE BONDS (Continued)

1996 Series B (continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 585,000	\$ 1,147,204	\$ 1,732,204
1999	625,000	1,107,879	1,732,879
2000	670,000	1,065,791	1,735,791
2001	715,000	1,020,779	1,735,779
2002	760,000	972,841	1,732,841
2003	810,000	921,816	1,731,816
2004	855,000	876,254	1,731,254
2005	895,000	835,984	1,730,984
2006	940,000	792,156	1,732,156
2007	990,000	744,611	1,734,611
2008	1,040,000	693,341	1,733,341
2009	1,095,000	638,351	1,733,351
2010	1,155,000	579,274	1,734,274
2011	1,215,000	516,013	1,731,013
2012	1,285,000	448,665	1,733,665
2013	1,355,000	377,385	1,732,385
2014	1,430,000	301,475	1,731,475
2015	1,505,000	220,763	1,725,763
2016	1,600,000	135,375	1,735,375
2017	1,700,000	45,688	1,745,688
	<u>\$21,225,000</u>	<u>\$13,441,645</u>	<u>\$34,666,645</u>

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

5. LEASES

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

School Administration Building and School Buildings Project

The premises were acquired and/or renovated by the Authority with the proceeds from the \$13,000,000 1988 Series A General Revenue Bonds. The lease commenced on December 15, 1988 and terminates on September 15, 2010.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

5. LEASES (Continued)

Carousel Project

This project relates to the installation and construction of a carousel at the Roger Williams Park. The project was financed with the initial issuance of \$1,500,000 in Revenue Bond Anticipation Notes. The lease commenced on September 6, 1989 and terminates September 15, 2010.

Scituate Reservoir Project

This project relates to the acquisition and maintenance of parcels of land surrounding the Scituate Reservoir. It was financed with portion of the proceeds from the initial issuance of \$7,500,000 in Revenue Bond Anticipation Notes. The lease commenced on June 14, 1990 and terminates on September 15, 2010.

Municipal Facilities Project

This project relates to renovations and improvements made to City Hall, renovations to fire stations, repairs to City swimming pools and recreation centers, and repairs and improvements to other municipal buildings and facilities. The project was financed with the initial issuance of \$6,500,000 in Revenue Bond Anticipation Notes. The lease commenced on September 13, 1990 and terminates September 15, 2010.

Scituate Reservoir II Project

This project relates to the acquisition and maintenance of parcels of land surrounding the Scituate Reservoir. It was financed with proceeds from the issuance of \$4,740,000 in General Revenue Bond Anticipation Notes and the \$4,000,000 1995 Series A Revenue Bonds (see Note 4). The lease commenced on March 19, 1991 and terminates on September 15, 2021.

Veazie Street School Project

This project includes constructions, renovation, rehabilitation, improvements, and necessary furnishings and equipping of Veazie Street Elementary School. The lease commenced on December 1, 1991, and terminates on December 1, 2012.

Roger Williams Park Zoo "Plains of Africa Exhibit" Project

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

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

5. LEASES (Continued)

Feinstein School Project

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

1996 School Projects

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

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

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

Also, the obligations of the City to pay rents under the lease agreements is subject to and dependent upon appropriations being made by the City for such purposes. Such appropriations are dependent upon the City's budgetary process and are therefore dependent on the City's general financial resources and factors affecting those resources. Rental income from the City under leases totaled \$5,780,237 for the year ended June 30, 1997. Additional rents to pay administrative expenses to the Authority received from the City totaled \$16,500 for the year ended June 30, 1997.

Note 4 presents the estimated future minimum lease payments required for bond principal retirement and interest to be received from the City. However, to the extent that the principal and interest payments were provided for from the proceeds of the bonds or from net gate income, the City is not required to make lease payments to the Authority.

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

6. COMMITMENT AND CONTINGENCIES

The Authority is a defendant in three pending or threatened actions, and is subject to an unasserted claim, relating to personal injuries allegedly sustained at construction sites. The cases are in the preliminary stages and the Authority's legal counsel is presently not able to estimate the total amount of the claims. The ultimate outcome of these matters cannot be determined. Management does not expect these matters to result in outcomes having a material adverse effect on the Authority's financial position.

(CONTINUED)

PROVIDENCE PUBLIC BUILDINGS AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**

6. COMMITMENT AND CONTINGENCIES (Continued)

The Authority is committed under various contracts for projects in the amount of \$3,042,000 at June 30, 1997.

7. LONG-TERM DEBT

All long-term indebtedness of the Authority is accounted for in the General Long-Term Account Group. The following schedule reflects the change in long-term debt as shown in the General Long-Term Debt Account Group during fiscal year 1997:

	Restated Balance <u>July 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 1997</u>
General revenue bonds payable	<u>\$62,845,000</u>	<u>\$21,225,000</u>	<u>\$3,200,000</u>	<u>\$80,870,000</u>

8. RESTATEMENTS

The following restatements to the financial statements were made:

The June 30, 1996 balance sheet has been restated by \$36,225,000 to increase general revenue bonds payable and amount to be provided for retirement of general long-term obligations due to the omission of the 1996 Series A general revenue bonds payable from the June 30, 1996 balance sheet.

9. SUBSEQUENT EVENTS

Subsequent to June 30, 1997, the Authority received notice of an unasserted claim related to the condemnation of property in Scituate, Rhode Island.

(CONTINUED)



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island

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

Board of Directors
Providence Public Buildings Authority
Providence, Rhode Island

We have audited the financial statements of the Providence Public Buildings Authority as of and for the year ended June 30, 1997, and have issued our report thereon dated August 15, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Providence Public Buildings Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Providence Public Buildings Authority in a separate letter dated August 15, 1997.

This report is intended for the information of the Board of Directors, and management of the Authority. However, this report is a matter of public record and its distribution is not limited.

August 15, 1997

**CAYER PRESCOTT
CLUNE CHATELLIER**

CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island

**COMMUNICATION OF MATTERS PRESCRIBED
BY STATEMENT ON AUDITING STANDARDS #61**

To the Board of Directors
Providence Public Buildings Authority
Providence, Rhode Island

We have audited the financial statements of Providence Public Buildings Authority for the year ended June 30, 1997, and have issued our report thereon dated August 15, 1997. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated June 18, 1997, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Providence Public Buildings Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Providence Public Buildings Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year ended June 30, 1997. We noted no transactions entered into by Providence Public Buildings Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Providence Public Buildings Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have significant effect on the Providence Public Buildings Authority's financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Providence Public Buildings Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of Providence Public Buildings Authority and management of Providence Public Buildings Authority and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

CAYER PRESCOTT CLUNE & CHATELLIER, LLP

Cayer Prescott Clune & Chatellier LLP

August 15, 1997