

MATTHEW M. CLARKIN, JR.
Acting Deputy Director of Finance



DAVID N. CICILLINE
Mayor

Finance Department
"Building Pride In Providence"

June 15, 2007

Council President Peter S. Mancini and
Honorable Members of the City Council
City Hall
25 Dorrance Street
Providence, Rhode Island 02903

Dear Council President:

Please find attached the city's first-ever Comprehensive Annual Financial Report (CAFR) for fiscal year 2006.

If you have any questions, please feel free to contact me.

Sincerely

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.".

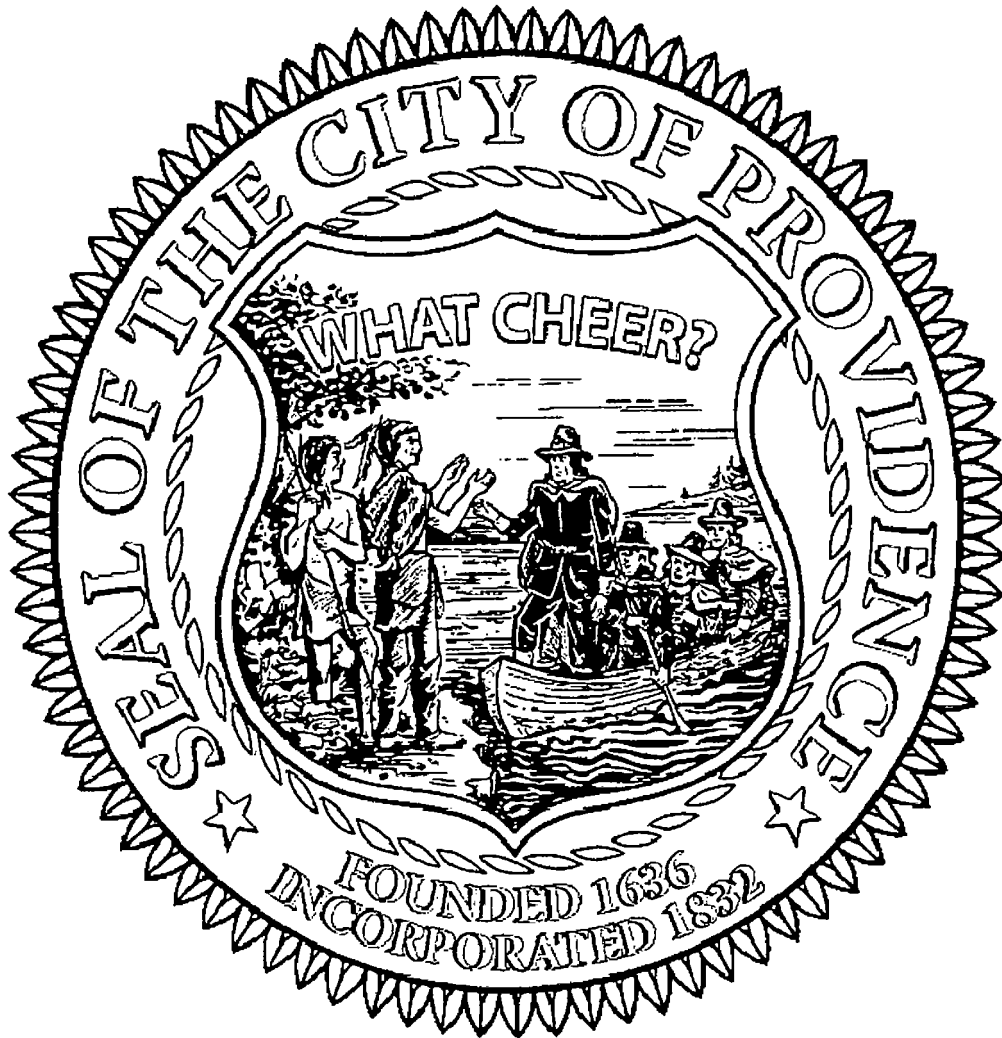
Matthew M. Clarkin, Jr.
Acting Deputy Director of Finance

IN CITY COUNCIL
JUN 21 2007

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.
A handwritten signature in black ink, appearing to read "Clerk".
CLERK

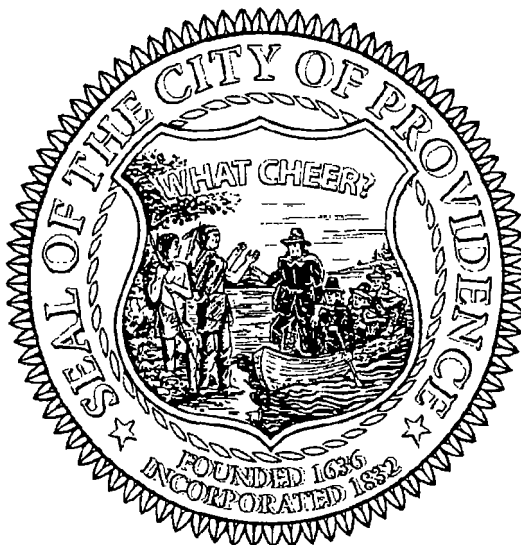
CITY OF PROVIDENCE, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2006



Department of Finance
25 Dorrance Street
Providence, Rhode Island

**CITY OF PROVIDENCE,
RHODE ISLAND**



**Comprehensive
Annual Financial Report**

for

**The Fiscal Year Ended
June 30, 2006**

Prepared By:

City of Providence Finance Department

CITY OF PROVIDENCE, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section



Finance Department, City Controller
"Building Pride in Providence"

January 31, 2007

City Council
Providence, Rhode Island

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control 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.

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Providence, Rhode Island's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides 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 City of Providence was incorporated in 1832, is located at the head of Narragansett Bay on the Providence River and is the major population, industrial, and commercial center of Rhode Island and the center of State government. Providence occupies a total land area of 18.1 square miles and an additional 1.9 square miles of water. The City is ranked first in population among the thirty-nine cities and towns in Rhode Island.

The City uses a Mayor- Council form of government. A Home Rule Charter was adopted in November 1980 and became fully effective on January 3, 1983. The City provides a full range of services including: General Government, Community Development, Administrative Services, Public Safety, Public Works, Sanitation, Planning and Development, Workforce Development, Recreation, Parks, and Education.

The City adopts an annual budget for the General Fund, including the School department. The legal level of control is by department.

Factors Affecting Financial Condition

According to 2003 data on employment furnished by the Rhode Island Department of Labor and Training, manufacturing industries employed 8.13% of the work force, with the jewelry industry being the largest single employer group. Service employment has continued to exceed manufacturing, now employing 61.49% of the work force. Several industrial parks, built as part of major urban renewal projects, are located in Providence. The Port of Providence has, with its neighboring City of East Providence, over 10 miles of commercial waterfront with 25 wharves and docks for medium and deep draft vessels. The channel has been deepened to 40 feet to accommodate larger vessels. Rail service and transit sheds are accessible to ships docking in the Port. The cargo entering and leaving the Port of Providence includes principally gasoline, fuel and diesel oil, cement and lumber.

The population of the City of Providence increased modestly between 1990 and 2000 from 160,728 to 173,618. The demographic profile of the City has changed considerably. Caucasians represent approximately 54.5% of the population, African Americans represent approximately 14.5%, Hispanics represent approximately 30%, Asians represent 6% and Native Americans represent roughly 1%.

MAJOR INITIATIVES

To provide comprehensive, long-term opportunities for Providence's diverse population, the City has recently embarked on a program to focus the City's assets—its institutions of higher education, its financial and corporate district, its cultural resources, and its nonprofit housing and community institutions, on a unified set of goals.

The City has succeeded in leveraging nearly \$100 million to improve its housing stock through related and new construction programs. With an emphasis on home ownership and owner occupancy, this program is the first of its kind to incorporate the City's resources with those of the Rhode Island Housing and Mortgage Finance Corporation and the State's leading banks. In collaboration with the State of Rhode Island, the development of the PNHC will also become the blueprint for identifying resources to expand and improve employment opportunities, health care, social services, crime prevention, recreation, and neighborhood revitalization programs.

Economic Development

Over the past few years the City of Providence has pursued an economic development strategy designed to foster growth and stability both in the downtown, and its neighborhoods. The objective of this strategy is to: (1) support the transition of the economy from one dependent primarily on manufacturing, to a diversified economic base with major service-oriented employment; (2) retain viable industry through the development of new industrial sites while promoting the establishment of new companies that have long-term potential for expansion; (3) revitalize the Port of Providence district's maritime and industrial activities; (4) broaden and enhance the residential tax base by planning and implementing revitalization projects and

programs in the City's neighborhoods; and (5) create a coherent development strategy for the downtown core which provides a focus for public investment and private capital.

Redevelopment Initiatives

Under contract with the City, Sasaki Associates, Inc. completed a redevelopment plan for over 200 acres of industrial land along the Providence River known as Narragansett Landing in 2003. The plan builds on a previous plan that Sasaki completed in 2000 that envisioned a conversion of the area to a mixed residential and commercial district. The current plan outlines the actions that the City should take to initiate the redevelopment of the area.

Another redevelopment district is Promenade, which encompasses land adjacent to the Woonasquatucket River between downtown and Olneyville,; it has seen a considerable amount of private development over the past three years. A \$57 million, 325-unit high-end residential apartment complex has been completed by the Texas-based JPI Company on land west of the Providence Place Mall. Feldco, Inc. has constructed the Eagle Square shopping center, a \$20 million project, at the corner of Atwells Avenue and Valley Street. The project was completed in 2004. Farther west, the Armory Revival Company and Struever Brothers of Baltimore are spending \$45 million to renovate a historic mill complex on Valley Street into office space and apartments (both market rate and affordable).

Commercial Expansion

Providence's employment base has experienced long-term shifts to high-grade employment in the service sector that are evidenced by the proliferation of newly constructed office and institutional buildings. Prior to 1983 there was approximately 3,760,000 square feet of office space in the City of Providence, in all categories. Currently, office space has increased to approximately 8,000,000 square feet. Substantial increases in Providence's office market are due to the completion of commercial buildings such as the Fleet Center, One Providence Washington Plaza, One La Salle Square, Gateway Center (home of the Shareholder Services Division of First Data Corporation), and the Citizens Bank Building. (Recent studies indicate an approximate average office vacancy rate of 11%. However, the vacancy rate varies greatly for the categories of A-, B- and C-class space. Respectively, these percentages are approximately 5.0%, 10.0% and 20.0%). Office development activity in downtown Providence has been reinforced by the recent groundbreaking of GTECH's new 10-story corporate headquarters.. With its close proximity to Boston, Providence expects to benefit from the tighter markets to the north for viable opportunities for growth..

Two significant mixed-use projects are underway on Atwells Avenue. Both projects will have retail space on the ground floor with condominiums on the upper floors. A total of approximately 120 new units will built in the next year.

Institutional Expansion

Institutional expansion recently completed or currently underway also represents a considerable investment in Providence. Collectively, since 1990 construction spending by the City's educational and health care institutions on completed projects, as well as projects planned for the near future, exceeds \$166 million.

Public Investment

The City has supported private investment in downtown Providence with major public capital investments. This support has resulted in new and rehabilitated office buildings and hotels; arts and entertainment facilities; and new specialty retail centers and restaurants. Major public sector projects presently consist of Capital Center, the Convention Center, and infrastructure improvements in the Promenade and Old Harbor Sectors of the City; and ongoing capital improvements to the City's public infrastructure, schools, public housing, port facilities, and roadways. Additionally, significant projects completed within the past fifteen years are Kennedy Plaza, a Federal and City investment of \$7 million, to refurbish roadway, public transit and pedestrian facilities in the core of the Central Business District; the Silver Spring Industrial Park, a \$4 million, 30-acre industrial site consisting of 16 development parcels; and. The City also facilitated a \$6.1 million loan to the Providence Performing Arts Center (PPAC) for expansion of its stage house, which was completed in 1995. Kennedy Plaza, which serves as a focal point outside of Providence City Hall, was the subject of a \$17 million renovation and reconfiguration sponsored by the Federal Transit Authority (FTA) through the Rhode Island Public Transportation Authority (RIPTA) in 2000. The Fleet Skating Center, an outdoor ice skating rink open to the public on an hourly fee basis, opened in November, 1998 in the former Francis Street bus loop. This facility is also convertible for other outdoor entertainment uses during the summer months and is currently being used for a Downtown Farmer's Market one day a week. The Rhode Island Public Transit Authority redesigned and improved the transit facilities which completed the redevelopment of Kennedy Plaza which opened in the Spring of 2002. In addition, the State Department of Transportation (RIDOT) has committed \$3.2 million to improve traffic circulation in the downtown area. The first phase of the project was to reconfigure Washington Street in 2003 from a one-way to two-way traffic pattern with state-of-the-art traffic signals and emergency overrides for fire vehicles. Other improvements include the reconfiguration of Empire and Weybosset Streets.

Debt Administration

Outstanding general obligation and revenue bonds at June 30, 2006 totaled \$403 million. Note 7 of this report presents more detailed information about the debt position of the City. The City's bond rating is as follows:

Moody's Investors Service	A3
Standard and Poors	A
Fitch	A

Cash Management

Cash temporarily available during the year was invested for periods ranging from 30 to 181 days to maturity. RI General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State or in any state or other tax-exempt political subdivision under certain conditions. Trust funds are also authorized to invest in corporate bonds, securities and other commercial paper. Three factors affect investment income: (1) interest rates, (2) fund balances available, and (3) cash flow management.

Risk Management

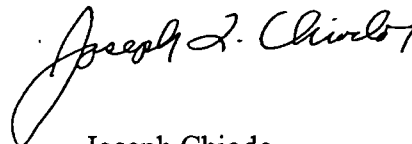
The City of Providence has a comprehensive program for managing all areas of risk, including health and life insurance for active and retired employees, workers' compensation, heart and hypertension, property and casualty, general liability, professional liability, and other exposures including theft, performance and surety.

The activities of the risk management program are accounted for in an internal service fund. This fund operates on a full accrual basis within self-retention levels. Each year, total risk management costs are charged as an insurance premium to departments based on formulas applying elements of exposure and loss history.

Acknowledgments

The preparation of this report could not have been accomplished without the dedication and hard work of the entire staff of the Finance Department. I would like to express my appreciation and gratitude to all members of the Department who assisted and contributed to its preparation. I also appreciate the assistance and dedication of the audit team from McGladrey and Pullen, LLP. Finally, I would like to thank the Mayor and the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

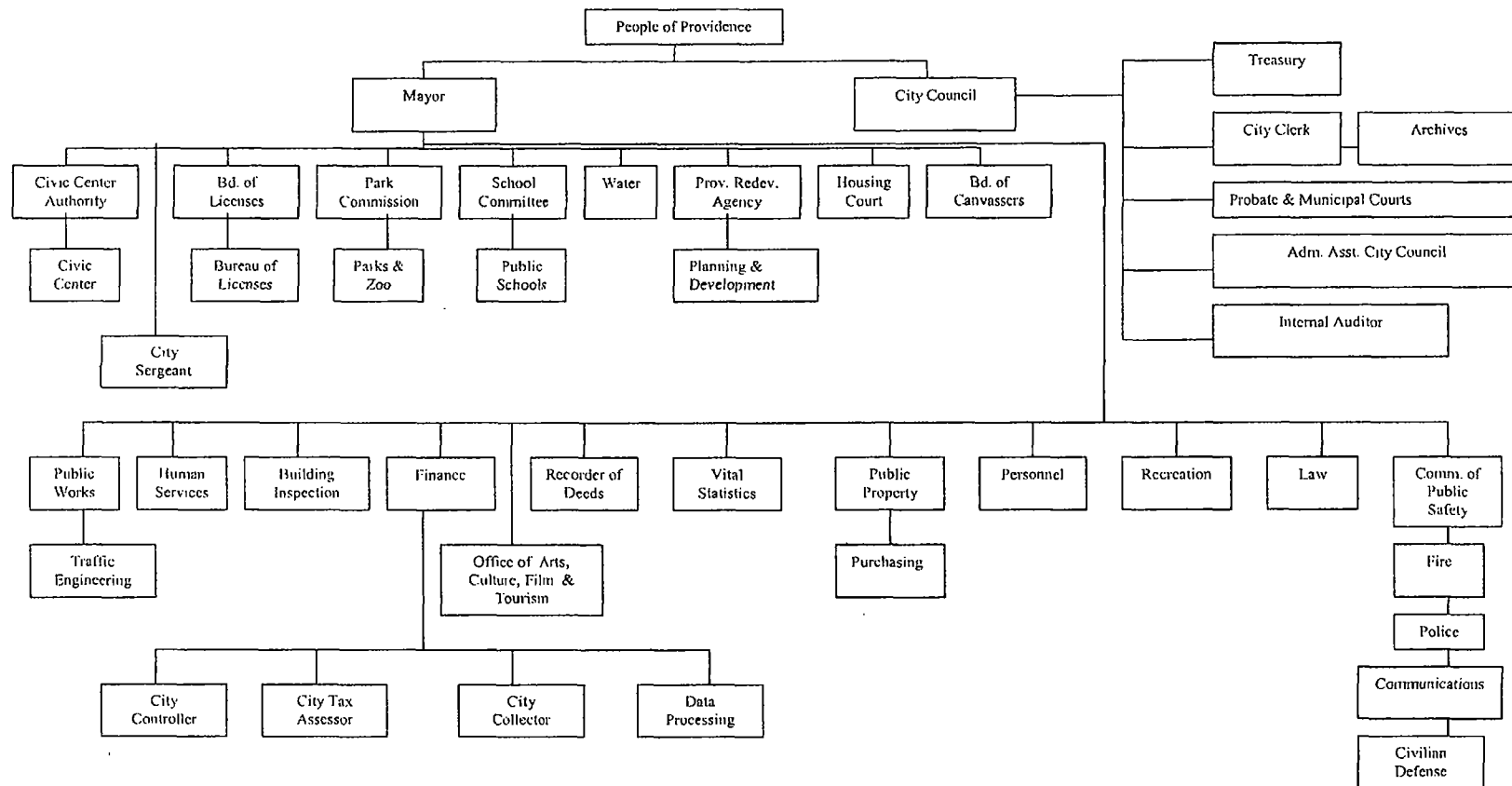
Respectfully submitted

A handwritten signature in black ink, appearing to read "Joseph A. Chiodo". The signature is fluid and cursive, with a large initial "J" and a stylized "C".

Joseph Chiodo
Controller

CITY OF PROVIDENCE, RHODE ISLAND

ORGANIZATIONAL CHART



CITY OF PROVIDENCE, RHODE ISLAND

PRINCIPAL CITY OFFICIALS

As of June 30, 2006

CITY OFFICIALS

Mayor - David N. Cicilline

City Council:

Ward 1	- David Segal
Ward 2	- Rita Williams
Ward 3	- Kevin Jackson
Ward 4	- Carol Romano
Ward 5	- Patrick Butler
Ward 6	- Joseph DeLuca
Ward 7	- John Igliozi
Ward 8	- Ronald Allen
Ward 9	- Miguel Luna
Ward 10	- Luis Aponte
Ward 11	- Balbina Young
Ward 12	- Terrence Hassett
Ward 13	- John Lombardi
Ward 14	- Peter Mancini
Ward 15	- Josephine DiRuzzo

Chief of Staff	- Michael Mello
Chief of Operations	- Carol Grant
Chief of Administration	- John Simmons

City Clerk	- Michael Clement
City Solicitor	- Joseph Fernandez
Director of Communications	- William Trinke
Director of Finance	- Alexander Prignano
Director of Inspections	- Sam Shamoon
Director of Personnel	- Sybil Bailey
Director of Planning	- Thomas Deller
Director of Public Property	- Alan Sepe (Acting)
Director of Public Works	- John Nickelson
Director of Recreation	- Frank Santos
Fire Chief	- David Costa
Internal Auditor	- James Lombardi
Police Chief	- Dean Esserman
Recorder of Deeds	- Barbara Troncy
Registrar of Vital Statistics	- Ernesto Figueroa
Superintendent of Parks	- Alix Ogden
Superintendent of Schools	- Dr. Donnie W. Evans

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Financial Section

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Providence Public Building Authority (PPBA), which is both a major fund and a blended component unit of the City, which represents 11%, 1%, and 13%, respectively, of the assets, net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the Fund financial statements, insofar as it relates to amounts included for the PPBA, and the related effects on the business-type activities, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. 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 opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis, the budgetary comparison information and pension information on pages 3 through 12, pages 61 through 65, 67 and 69 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards," we have also issued our report dated November 3, 2006 on our consideration of the City of Providence, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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" and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund statements, capital asset schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund statements, capital asset schedules and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

McGladrey & Pullen, LLP

New Haven, Connecticut
November 3, 2006

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

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, 2006.

Financial Highlights

Government-Wide Highlights

Net Assets – The assets of the City's governmental activities exceeded its liabilities at fiscal year ending June 30, 2006 by \$33.7 million (presented as "total net assets.") Of this amount, \$11.3 million was reported as "unrestricted net assets." The net investment in capital assets was \$22.4 million. The assets of the City's business-type activities exceed its liabilities by \$182.5 million. Of this amount, \$157.5 million represented the net investment in capital assets.

Change in Net Assets – The City's total net assets increased by \$24.1 million in fiscal year 2006. Net assets of governmental activities increased by \$4.5 million, while net assets of the business-type activities increased by \$19.6 million.

Fund Highlights

Governmental Funds-Fund Balances – As of the close of fiscal year 2006, the City's governmental funds reported a combined ending fund balance of \$161.2 million, an increase of \$39.0 million over the prior year. Of the total fund balance reported, \$150.2 million represents the "unreserved fund balance" of which \$23.5 million pertains to Capital Project Funds, \$100.3 million is for non-major funds, \$19.3 million pertains to the general fund. \$7.1 million pertains to the school grants funds.

Long-Term Debt

The City's total long-term debt obligations related to its government activities decreased by \$11.9 million during the current fiscal year.

The total long-term debt of the City's proprietary activities decreased by \$17.3 million during the current fiscal year.

Overview of the Financial Statements

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

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the City – the ***Government-Wide Financial Statements*** and the ***Fund Financial Statements***. These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

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

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

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

- ◆ *Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with City government fall into this category, including the executive, legislative and judicial, 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. These business-type activities of the City include the operations of the City of Providence's Water Supply Board, and Providence Public Building Authority, as well as the last year of operations for the City of Providence's Civic Center. The City of Providence's Civic Center was sold on

December 4, 2005 to the Rhode Island Convention Center Authority. The City does not have any discretely presented component units.

Fund Financial Statements

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

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

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

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

The City has four governmental funds that are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major governmental funds are – the General Fund, the School Fund, the School Grants Fund and the Capital Projects Fund. All nonmajor governmental funds are presented in a single column. The basic governmental funds financial statements can be found immediately following the government-wide statements.

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the general and school funds - the only governmental funds for which legal budgets are adopted annually. In the 2006 fiscal year, there were no significant modifications to the budgets for both funds as originally adopted.

Other Supplementary Information

Combining Financial Statements and Schedules

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

Government-Wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$216.2 million at the end of 2006, compared to \$192.1 million at the end of the previous year.

The largest portion of the City's net assets, \$179.9 million, reflect its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire that asset that is still out standing. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City of Providence's Net Assets – Primary Government (In Thousands)

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 306,013	\$ 52,810	\$ 358,823	\$ 272,127	\$ 50,826	\$ 322,953
Capital assets	448,428	176,465	624,893	461,657	172,223	633,880
Total Assets	754,441	229,275	983,716	733,784	223,049	956,833
Current liabilities	100,460	27,864	128,324	146,594	40,275	186,869
Long-term liabilities	620,261	18,958	639,219	557,968	19,925	577,893
Total Liabilities	720,721	46,822	767,543	704,562	60,200	764,762
Net assets:						
Invested in capital assets, net of related debt	22,435	157,507	179,942	34,042	147,543	181,585
Unrestricted	11,200	7,437	18,637	(4,020)	(7,688)	(11,708)
Total Net Assets	\$ 33,720	\$ 182,453	\$ 216,173	\$ 29,222	\$ 162,848	\$ 192,070

Restricted net assets of \$17.5 million primarily represent water restricted funds that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets.

Changes in Net Assets

The City's net assets increased by \$4.5 million. Approximately 40.9% of the City's total governmental revenue came from taxes and payments in lieu of taxes, while 49.7% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 7.2% of the total revenues, while other revenue accounted for 1.1% of the total. Investment and rental income provided 1.1% of the total. The City's expenses cover a range of services. The largest expenses were for schools, public safety, retirement costs, and employee benefits. In 2006, governmental activity revenues exceeded expenses by \$4.5 million. The increase in net assets primarily relates to the sale of the Civic Center. The largest increase in expenses was for education expense, which was offset by a tax revenue increase. Revenues from business-type activities in 2006 exceeded expenses by \$8.2 million.

**The City of Providence's Changes in Net Assets – Primary Government
(In Thousands)**

	Year Ended June 30, 2006			Year Ended June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 50,390	\$ 62,081	\$ 112,471	\$ 52,117	\$ 62,585	\$ 114,702
Operating Grants and Contributions	285,179	-	285,179	272,003	-	272,003
Capital Grants and Contributions	15,199	1,309	16,508	13,115	1,464	14,579
General Revenues:						
Property Taxes	287,508	-	287,508	275,869	-	275,869
Grants not restricted to specific programs	49,546	-	49,546	45,781	-	45,781
Miscellaneous	7,407	9,204	16,611	782	245	1,027
Unrestricted investment earnings	8,033	2,227	10,260	4,465	1,670	6,135
Total Revenues	703,262	74,821	778,083	664,132	65,964	730,096
Expenses:						
Executive, legislative and judicial	15,552	-	15,552	15,514	-	15,514
Finance	32,655	-	32,655	38,517	-	38,517
Public Safety	170,273	-	170,273	152,354	-	152,354
Building inspection	5,455	-	5,455	4,578	-	4,578
Public works	30,275	-	30,275	28,223	-	28,223
Recreation	3,933	-	3,933	3,341	-	3,341
Public lands and parks	23,992	-	23,992	22,484	-	22,484
Education	373,591	-	373,591	361,220	-	361,220
Community development	21,175	-	21,175	16,758	-	16,758
Interest on long-term debt	21,863	-	21,863	26,134	-	26,134
Economic development	-	9,314	9,314	-	9,929	9,929
Water	-	43,661	43,661	-	42,421	42,421
Other	-	2,241	2,241	276	9,106	9,382
Total Expenses	698,764	55,216	753,980	669,399	61,456	730,855
Change in net assets	4,498	19,605	24,103	(5,267)	4,508	(759)
Net assets – beginning	29,222	162,848	192,070	34,489	158,340	192,829
Net assets - ending	\$ 33,720	\$ 182,453	\$ 216,173	\$ 29,222	\$ 162,848	\$ 192,070

Business-Type Activities

The business-type activities increased the City's net assets by \$19.6 million. This resulted primarily from a \$10.9 million increase in net assets of the Water Supply Board and an increase in net assets of \$8.8 million by the Civic Center as the fund closed. The PPBA had a decrease in net assets of \$.1 million. The sale of the Civic Center on December 4, 2005 resulted in a \$9.2 million increase in net assets and the final year of operations of the Civic center resulted in \$.4 million decrease in net assets.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$19.7 million. As a measure of the general funds' liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 4.9% of total general fund expenditures. The City continues to move toward the goal of maintaining a minimum fund balance of 5.0% of annual general fund budgetary expenditures.

School Grants-Fund Balance – The school grant funds account for federal and state grants received and expended by the school system. The fiscal year 2006 school grants fund balance is reported at \$7.1 million, a \$.1 million increase from fiscal year 2005. The increase relates to an increase of Title I grants in the current year.

School Fund – The school fund ended the year with a \$0 fund balance in accordance with City charter regulations. The expenditures were \$304.4 million as compared to \$293.7 million in the prior year, a 3.5% increase. The increase relates to the normal increase in the annual education budget.

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 2006 capital projects fund balance is \$23.5 million. The \$1.4 million decrease from fiscal year 2005 is attributable to the timing of borrowing and spending of the note proceeds.

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 assets increased by \$19.6 million as a result of operations in the individual enterprise funds and the sale of the Civic Center on December 4, 2005. The Water Supply Board showed an increase in net assets of \$10.9

million resulting from improved rate structure and cost savings. In addition, the net assets increased due to the gain from the sale of the Civic Center of \$9.2 million. The PPBA accounted for a \$.1 million decrease in net assets, which relates to a decrease in rental income in the current year.

General Fund Budgetary Highlights

The budgetary surplus of \$2.6 represents the City's twenty-sixth consecutive budget surplus and will increase the cumulative fund balance to \$19.7 million. The City achieved higher than budgeted collections in Taxes (\$6.6 million), PILOT (\$5.2 million), State Revenue (\$4.4 million), Interest Income (\$3.4 million), Recorder of Deeds Revenues (\$2.0 million) Building Permits (\$.9 million) and Transfers From Other Funds (\$3.0 million). There were also savings from refinancing debt, debt service reserves and interest on those reserves (\$2.0 million). These positive budget variances offset shortfalls from Public Safety & Fines Revenues (\$3.2 million), asset sales (\$4.7 million), and Fire Department Expenses of (\$11.3 million). The arbitrations of Local 799 Firefighters fiscal years 2002, 2003 and 2004 were settled in fiscal 2006. In addition (\$5.8 million) in transfers out was established a set aside for future obligations and settlements. The budget variances listed above were the major components of the \$2.6 million increase to fund balance for fiscal 2006, which increased the total fund balance to \$19.7 million.

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

	2000	2001	2002	2003	2004	2005	2006
Undesignated fund balance, beginning	\$ 5.6	\$ 6.8	\$ 7.3	\$ 8.3	\$ 10.2	\$ 12.5	\$ 16.7
Increase	1.2	0.5	1.0	1.9	2.3	4.2	2.6
Reallocation of Designated Fund Balance	-	-	-	-	-	-	0.4
Undesignated fund balance, ending	<u>\$ 6.8</u>	<u>\$ 7.3</u>	<u>\$ 8.3</u>	<u>\$ 10.2</u>	<u>\$ 12.5</u>	<u>\$ 16.7</u>	<u>\$ 19.7</u>

Capital Asset and Debt Administration

Capital Assets (Note 5 to the Basic Financial Statements)

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 45,709	\$ 10,289	\$ 55,998	\$ 57,182	\$ 10,258	\$ 67,440
Land Improvements	6,550	18,682	25,232	6,848	18,682	25,530
Buildings and Improvements	111,569	109,179	220,748	114,104	109,325	223,429
Machinery and Equipment	12,383	3,759	16,142	10,150	7,623	17,773
Infrastructure	119,093	-	119,093	124,465	-	124,465
Leased assets	130,162	11,406	141,568	133,516	11,717	145,233
Construction in Progress	22,962	23,150	46,112	15,392	14,618	30,010
Total	<u>\$ 448,428</u>	<u>\$ 176,465</u>	<u>\$ 624,893</u>	<u>\$ 461,657</u>	<u>\$ 172,223</u>	<u>\$ 633,880</u>

The City's investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$733.1 million, net of accumulated depreciation of \$284.7 million, leaving a net book value of \$448.4 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are

items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 119,215	\$ -	\$ 119,215	\$ 127,250	\$ -	\$ 127,250
Revenue bonds	66,500	14,708	81,208	67,315	18,567	85,882
Tax increment obligations	28,285	-	28,285	27,675	-	27,675
Capital leases payable	59,994	3,865	63,859	50,987	5,009	55,996
Notes payable	4,215	385	4,600	4,974	1,104	6,078
PPBA Debt	-	258,639	258,639	-	269,663	269,663
Total	\$ 278,209	\$ 277,597	\$ 555,806	\$ 278,201	\$ 294,343	\$ 572,544

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 \$16.7 million 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. As of the date of this report, the City has not issued variable rate debt or participated in interest rate swaps.

The City of Providence maintains the following ratings from Wall Street's credit agencies for general obligation debt: an A3 rating from Moody's Investors Service, and an A rating from Standard and Poor and Fitch.

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

Request for Information

This financial report is designed to provide a general overview of the City of Providence's finances for all of the City of Providence's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Providence, Finance Department, Providence City Hall, Room 304, Providence, RI 02903.

Basic Financial Statements

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF NET ASSETS

June 30, 2006 (in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals*
Assets			
Cash and investments	\$ 214,026	\$ 29,477	\$ 243,503
Restricted cash and investments	-	19,555	19,555
Taxes receivable (net of allowance)	25,520	-	25,520
Intergovernmental receivable	35,086	-	35,086
Loan receivable (net of allowance)	10,885	-	10,885
Charges for service receivable (net of allowance)	5,500	11,008	16,508
Internal balances	8,539	(8,539)	-
Other assets	1,630	403	2,033
Deferred charges	4,827	-	4,827
Restricted receivables	-	906	906
Capital assets, nondepreciable	68,671	52,121	120,792
Capital assets, depreciable, net	379,757	124,344	504,101
Total assets	754,441	229,275	983,716
Liabilities			
Warrants and accounts payable	26,063	19,945	46,008
Payable to retirement plan	49,434	-	49,434
Due to other governments	466	-	466
Accrued liabilities	23,798	3,015	26,813
Unearned revenue	699	1,639	2,338
Amounts payable with current restricted assets	-	3,265	3,265
Noncurrent liabilities:			
Due within one year	54,638	4,129	58,767
Due in more than one year	565,623	14,829	580,452
Total liabilities	720,721	46,822	767,543
Net Assets			
Investment in capital assets, net of related debt	22,435	157,507	179,942
Restricted	-	17,515	17,515
Unrestricted	11,285	7,431	18,716
Total net assets	\$ 33,720	\$ 182,453	\$ 216,173

The notes to the financial statements are an integral part of this statement.

* After internal receivables and payables have been eliminated.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006 (in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Executive, legislative, and judicial	\$ (15,552)	\$ 234	\$ 142	\$ -	\$ (15,176)	\$ -	\$ (15,176)
Finance	(32,655)	24,526	683	-	(7,446)	-	(7,446)
Public Safety	(170,273)	16,336	3,039	-	(150,898)	-	(150,898)
Building inspection	(5,455)	4,817	-	-	(638)	-	(638)
Public Works	(30,275)	244	3,171	-	(26,860)	-	(26,860)
Recreation	(3,933)	90	599	-	(3,244)	-	(3,244)
Public land and parks	(23,992)	1,216	-	-	(22,776)	-	(22,776)
Education	(373,591)	2,802	252,043	15,199	(103,547)	-	(103,547)
Community development	(21,175)	125	25,502	-	4,452	-	4,452
Interest on long-term debt	(21,863)	-	-	-	(21,863)	-	(21,863)
Total governmental activities	(698,764)	50,390	285,179	15,199	(347,996)	-	(347,996)
Business-type activities:							
PPBA	(9,314)	7,825	-	-	-	(1,489)	(1,489)
Water Supply Board	(43,661)	52,432	-	1,309	-	10,080	10,080
Civic Center	(2,241)	1,824	-	-	-	(417)	(417)
Total business-type activities	(55,216)	62,081	-	1,309	-	8,174	8,174
Total primary government	\$ (753,980)	\$ 112,471	\$ 285,179	\$ 16,508	(347,996)	8,174	(339,822)
General revenues:							
Taxes:							
Property taxes					260,629	-	260,629
Payments in lieu of taxes					26,879	-	26,879
Grants and contributions not restricted to specific programs					49,546	-	49,546
Investment income					8,033	2,227	10,260
Gain on disposal of capital assets					3,563	-	3,563
Miscellaneous					696	-	696
Special items:							
Gain on sale of capital assets					3,148	9,204	12,352
Total general revenues					352,494	11,431	363,925
Change in net assets					4,498	19,605	24,103
Net assets - beginning					29,222	162,848	192,070
Net assets - ending					\$ 33,720	\$ 182,453	\$ 216,173

The notes to the financial statements are an integral part of this statement

CITY OF PROVIDENCE, RHODE ISLAND

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006 (in thousands)

	Major Funds				Other	Total
	General Fund	School Fund	School Grants Fund	Capital Projects	Nonmajor Governmental Funds	Governmental Funds
Assets						
Cash and investments	\$ 69,418	\$ 124	\$ 16,064	\$ 23,887	\$ 98,339	\$ 207,832
Receivables, net:						
Taxes	25,520	-	-	-	-	25,520
Loans	-	-	-	-	10,885	10,885
Intergovernmental	24,374	157	10,555	-	-	35,086
Other	238	2,298	12	47	2,905	5,500
Due from other funds	3,042	36,712	-	8	8,608	48,370
Other assets	1,400	-	-	-	230	1,630
Total assets	\$ 123,992	\$ 39,291	\$ 26,631	\$ 23,942	\$ 120,967	\$ 334,823
Liabilities						
Warrants and accounts payable	\$ 6,109	\$ 14,661	\$ 2,430	\$ 367	\$ 2,496	\$ 26,063
Accrued liabilities	4,103	7,863	5	-	59	12,030
Unearned revenues	-	-	653	-	46	699
Deferred revenue	21,349	-	-	-	2,838	24,187
Due to other funds	72,491	16,767	16,251	34	4,661	110,204
Due to other governments	256	-	171	-	39	466
Total liabilities	104,308	39,291	19,510	401	10,139	173,649
Fund balances						
Reserved for:						
Loans	-	-	-	-	10,885	10,885
Unreserved:						
Designated for future uses	433	-	-	-	11,146	11,579
Undesignated:						
General Fund	19,251	-	-	-	-	19,251
School grants	-	-	7,121	-	-	7,121
Capital projects	-	-	-	23,541	-	23,541
Special Revenue	-	-	-	-	88,797	88,797
Total fund balances	19,684	-	7,121	23,541	110,828	161,174
Total liabilities and fund balances	\$ 123,992	\$ 39,291	\$ 26,631	\$ 23,942	\$ 120,967	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	448,428
Net pension obligations	(120,526)
Deferred charges	4,827
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(470,627)
Internal service funds are used by management to charge the costs of self-insurance and legal claims to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	4,765
Unspent PPBA bond proceeds	5,679
Net assets of governmental activities	\$ 33,720

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006 (in thousands)

	Major Funds				Other	Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects	Nonmajor Governmental Funds	
REVENUES						
Taxes	\$ 285,966	\$ -	\$ -	\$ -	\$ -	\$ 285,966
Departmental revenue	16,958	1,547	-	21	15,351	33,877
Federal and state grants and reimbursements	72,133	190,400	61,642	964	20,488	345,627
Investment and rental income	10,124	53	-	842	10,286	21,305
Fines and forfeitures	5,486	-	-	-	-	5,486
Other	-	-	1,254	-	3,013	4,267
Total revenues	390,667	192,000	62,896	1,827	49,138	696,528
EXPENDITURES						
Current:						
Executive, legislative, and judicial	11,868	-	-	-	1,127	12,995
Finance	124,458	-	-	92	264	124,814
Public safety	95,231	-	-	2,903	10,012	108,146
Building inspection	2,600	-	-	-	-	2,600
Public works	13,919	-	-	-	-	13,919
Recreation	2,076	-	-	-	863	2,939
Public lands and parks	12,873	-	-	1,016	2,322	16,211
Education	-	304,432	61,493	985	-	366,910
Community development	-	-	-	88	21,057	21,145
Noncurrent:						
Capital outlays	-	-	-	6,279	-	6,279
Debt Service	20,964	-	-	727	2,437	24,128
Total expenditures	283,989	304,432	61,493	12,090	38,082	700,086
Excess (deficiency) of revenues over expenditures	106,678	(112,432)	1,403	(10,263)	11,056	(3,558)
OTHER FINANCING SOURCES (USES)						
Capital leases issued	-	-	-	9,145	-	9,145
Capital notes issued	-	-	-	-	9,081	9,081
Payment to refunding bonds escrow agent	(28,244)	-	-	-	-	(28,244)
Premium on bond issued	778	-	-	-	-	778
Proceeds from sale of real estate	-	-	-	-	6,440	6,440
Transfers in	13,995	112,432	1,393	-	10,333	138,153
Transfers out	(119,305)	-	(2,393)	(271)	(16,301)	(138,270)
Proceeds on refunding bonds issued	28,675	-	-	-	-	28,675
Total other financing sources (uses)	(104,101)	112,432	(1,000)	8,874	9,553	25,758
SPECIAL ITEMS						
Proceeds from sale (Note 17)	-	-	-	-	16,805	16,805
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	2,577	-	403	(1,389)	37,414	39,005
FUND BALANCES, beginning	17,107	-	6,718	24,930	73,414	122,169
FUND BALANCES, ending	\$ 19,684	\$ -	\$ 7,121	\$ 23,541	\$ 110,828	\$ 161,174

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006 (in thousands)**

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

Net change in fund balances – total governmental funds	\$	39,005
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(312)
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The net effect of various sale transactions involving capital assets is to decrease net assets. In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(12,917)
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Net expense of certain activities of internal service funds is reported with governmental activities.	(3,482)
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Revenues recognized in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(21,755)
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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.	9,239
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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.	(5,280)
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Change in net assets of governmental activities	\$	<u>4,498</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2006 (in thousands)

ASSETS	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
Current assets:					
Cash and investments	\$ 4,200	\$ 25,277	\$ -	\$ 29,477	\$ 6,194
Restricted cash and investments	19,555	-	-	19,555	-
Receivables, net	11,008	-	-	11,008	-
Restricted receivables	906	-	-	906	-
Rentals receivable	-	239,639	-	239,639	-
Due from other funds	41	-	-	41	15,458
Inventories	403	-	-	403	-
Total current assets	36,113	264,916	-	301,029	21,652
Noncurrent assets:					
Capital assets:					
Land	10,289	-	-	10,289	-
Buildings and improvements	59,010	-	-	59,010	-
Improvements other than buildings	163,976	-	-	163,976	-
Machinery and equipment	24,150	-	-	24,150	-
Construction in progress	23,150	-	-	23,150	-
	280,575	-	-	280,575	-
Less accumulated depreciation	104,110	-	-	104,110	-
Net capital assets	176,465	-	-	176,465	-
Total assets	212,578	264,916	-	477,494	21,652
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	5,373	2,420	-	7,793	9,460
Claims payable	-	-	-	-	7,229
Unearned revenue	1,639	-	-	1,639	-
Due to other funds	2,901	-	-	2,901	198
Other	-	1,846	-	1,846	-
Amounts payable from restricted assets	3,265	-	-	3,265	-
Line of credit	385	-	-	385	-
Current portion of long-term debt and capital leases	3,744	11,823	-	15,567	-
Total current liabilities	17,307	16,089	-	33,396	16,887
Noncurrent liabilities:					
Revenue bonds	11,879	246,816	-	258,695	-
Capital leases	2,950	-	-	2,950	-
Total noncurrent liabilities	14,829	246,816	-	261,645	-
Total liabilities	32,136	262,905	-	295,041	16,887
NET ASSETS					
Invested in capital assets, net of related debt	157,507	-	-	157,507	-
Restricted	16,746	769	-	17,515	-
Unrestricted	6,189	1,242	-	7,431	4,765
Total net assets	\$ 180,442	\$ 2,011	\$ -	\$ 182,453	\$ 4,765

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS

For the Year Ended June 30, 2006 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
OPERATING REVENUES					
Charges for sales and services	\$ 52,432	\$ -	\$ 1,824	\$ 54,256	\$ 81,806
Lease receipts	-	7,825	-	7,825	-
Other	-	-	-	-	283
Total operating revenues	52,432	7,825	1,824	62,081	82,089
OPERATING EXPENSES					
Cost of sales and services	21,449	264	2,114	23,827	-
Health claims	-	-	-	-	85,688
Administration	11,106	359	-	11,465	-
Depreciation	9,891	-	127	10,018	-
Total operating expenses	42,446	623	2,241	45,310	85,688
Operating income (loss)	9,986	7,202	(417)	16,771	(3,599)
NONOPERATING REVENUES (EXPENSES):					
Investment income	864	1,363	-	2,227	-
Interest expense	(1,215)	(8,691)	-	(9,906)	-
Total nonoperating expenses	(351)	(7,328)	-	(7,679)	-
Net income (loss) before contributions and transfers	9,635	(126)	(417)	9,092	(3,599)
Capital contributions	1,309	-	-	1,309	-
Transfers in	-	-	-	-	117
	1,309	-	-	1,309	117
Special items:					
Gain on sale of capital assets	-	-	9,204	9,204	-
Change in net assets	10,944	(126)	8,787	19,605	(3,482)
FUND NET ASSETS, beginning	169,498	2,137	(8,787)	162,848	8,247
FUND NET ASSETS, ending	\$ 180,442	\$ 2,011	\$ -	\$ 182,453	\$ 4,765

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2006 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
Cash Flows From Operating Activities					
Cash received from customers and other	\$ 54,914	\$ 19,159	\$ 4,212	\$ 78,285	\$ 82,527
Cash paid to vendors	(12,963)	(576)	(5,297)	(18,836)	(76,450)
Cash paid to employees	(16,622)	(46)	-	(16,668)	
Net cash provided by (used in) operating activities	25,329	18,537	(1,085)	42,781	6,077
Cash Flows From Noncapital Financing Activities					
Custodial assets	-	(54)	-	(54)	-
Due to other funds	2,297	-	(9,425)	(7,128)	-
Transfers in	-	-	-	-	117
Net cash (used in) provided by noncapital financing activities	2,297	(54)	(9,425)	(7,182)	117
Cash Flows From Capital and Related Financing Activities					
Acquisition of capital assets	(16,798)	(10,226)	-	(27,024)	-
Interest paid on debt	(1,215)	(8,713)	-	(9,928)	-
Proceeds from sale of capital assets	-	-	11,695	11,695	-
Repayment of long-term debt and capital leases	(3,849)	(11,055)	(1,107)	(16,011)	-
Repayment of line of credit	(330)	-	(389)	(719)	-
Capital grants	1,309	-	-	1,309	-
Net cash provided by (used in) capital and related financing activities	(20,883)	(29,994)	10,199	(40,678)	-
Cash Flows From Investing Activities					
Purchase of investment securities	(144)	(205)	-	(349)	-
Investment income	864	1,314	-	2,178	-
Net cash provided by investing activities	720	1,109	-	1,829	-
Net increase (decrease) in cash and cash equivalents	7,463	(10,402)	(311)	(3,250)	6,194
Cash and Cash Equivalents					
Beginning	14,816	17,289	311	32,416	-
Ending	\$ 22,279	\$ 6,887	\$ -	\$ 29,166	\$ 6,194
Investments, end of year	\$ 1,476	\$ 18,390	\$ -	\$ 19,866	\$ -
Cash and investment on the statement of net assets	\$ 23,755	\$ 25,277	\$ -	\$ 49,032	\$ 6,194

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, *Continued*

For the Year Ended June 30, 2006 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 9,986	\$ 7,202	\$ (417)	\$ 16,771	\$ (3,599)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	9,891	-	127	10,018	-
Changes in assets and liabilities:					
Receivables	2,482	11,335	650	14,467	438
Inventories	755	-	-	755	-
Other assets	77	-	1,738	1,815	-
Due from other funds	-	-	-	-	7,436
Accounts payable and accrued expenses	2,055	-	(3,183)	(1,128)	1,802
Unearned revenue	83	-	-	83	-
Net cash provided by (used in) operating activities	\$ 25,329	\$ 18,537	\$ (1,085)	\$ 42,781	\$ 6,077
Non-Cash Capital and Related Financing Activities					
Debt transferred to General Fund	\$ -	\$ -	\$ 1,060	\$ 1,060	\$ -
Disposal of capital assets	\$ -	\$ -	\$ 2,491	\$ 2,491	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2006 (in thousands)

	Employee Retirement Plan	Private Purpose Trust Fund Funds	Agency Fund
ASSETS			
Investments, at fair value:			
U.S. Government securities	\$ 3,879	\$ -	\$ -
Corporate and foreign bonds	15,374	-	-
Corporate equity securities	250,856	-	-
Mutual funds	12,626	960	-
Total investments	282,735	960	-
Cash and cash equivalents	9,698	14	872
Receivables:			
Loans receivable	21,459	-	-
Other	25	3	-
Total receivables	21,484	3	-
Due from other funds	49,448	-	6
Total assets	363,365	977	878
LIABILITIES			
Accounts payable	48	-	858
Due to other funds	-	-	20
Total liabilities	48	-	878
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	\$ 363,317	\$ 977	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2006 (in thousands)

	Employee Retirement Plan	Private Purpose Trust Fund Funds
ADDITIONS		
Contributions:		
Employer	\$ 49,510	\$ -
Employees	11,000	16
Total contributions	60,510	16
Investment Earnings:		
Net appreciation in the fair value of investments	29,863	30
Interest	3,128	3
Dividends	3,501	26
Total investment earnings	36,492	59
Less investment expenses	2,024	-
Net investment earnings	34,468	59
Total additions	94,978	75
DEDUCTIONS		
Benefits	64,583	20
Refunds of contributions	3,411	-
Administrative expenses	118	-
Total deductions	68,112	20
Change in net assets	26,866	55
NET ASSETS		
Beginning of year	336,451	922
End of year	\$ 363,317	\$ 977

The notes to the financial statements are an integral part of this statement.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 (in thousands)

Note 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 ½ hours from New York by automobile or rail.

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

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and the blended component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Individual Component Unit Disclosure

The component unit provides services entirely or almost entirely to the City or otherwise exclusively or almost exclusively benefit 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 Building Authority

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

The purpose of the PPBA is to acquire, construct, maintain, renovate, repair and operate public facilities and public equipment through the use of public financing for lease to the

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2006 (in thousands)**

City. These activities allow the PPBA to provide for the conduct of the executive, legislative and judicial functions of the government. The PPBA is obligated to pay the principal and interest on any financing solely from the rents, revenues and receipts derived under the lease agreements with the City or from receipts on the disposition of the assets being financed. The PPBA's administrative expenses are paid on an annual basis by the lessee in the form of additional rent.

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

Government-wide fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

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

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. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

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.

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.

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 Building Authority* accounts for the activities related to acquisition, construction and leasing of capital assets to the City.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 (in thousands)

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* is used to account for assets held by the City in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for its business-type activities and enterprise funds subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the government's internal service funds are charges to customers for sales and services. Operating expenses for 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 nonoperating revenues and expenses.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

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.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." 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.

Governmental Funds:

The net pension obligation, the cumulative difference between annual pension cost and the City's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The pension obligation is recorded as a non-current liability in the government-wide financial statements.

Funding Policy:

The City makes contributions at the discretion of management.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

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 2003 State mandated statistical updated valuations less Homestead exemptions for up to five residential units. Assessed values of tangible property and equipment and motor vehicles are determined annually at 100% of market value, with a State mandated, 10-year phase-out on tangible inventory property and a State-mandated \$4,500 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

The City considers certificates of deposit 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. Inventory on hand at year-end is not material.

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

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

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 \$25,000 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.

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	Years
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:

	Civic Center Authority	Water Supply Board
Buildings, source of supply, structures and improvements	10-30 years	5-75 years
Improvements, other than buildings	-	3-75 years
Machinery and equipment	3-20 years	3-50 years

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2006 (in thousands)**

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 and life 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.

All trade and property tax receivables for governmental and proprietary funds are reported net of an allowance for uncollectibles, totaling \$30,000 and \$2,173, 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.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 (in thousands)

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 is recognized as an expenditure as it comes due.

Fund equity and net assets

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

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets - This category represents the net assets of the City, which are restricted by outside parties or enabling legislation.

Unrestricted Net Assets or Deficits - This category represents the net assets of the City, which are not restricted for any project or other purpose. Deficits require future funding.

In the fund financial statements, fund balances of governmental funds are classified in separate categories. The three categories, and their general meanings, are as follows:

Reserved fund balance – indicates that portion of fund equity which is not available for appropriation or is legally segregated for specific future use.

Unreserved-Designated fund balance – indicates that portion of fund equity for which the City has made tentative plans.

Unreserved and undesignated fund balance and deficits – indicates that portion of fund equity which is available for appropriation and expenditure in future periods. Deficits require future funding.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

Note 2. Reconciliation of Governmental Activities and Governmental Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the governmental activities statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. 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 \$(470,627) difference is as follows:

Bonds and notes payable	\$ (391,689)
Add: premiums and discounts	3,447
Leases payable	(19,579)
Capital notes payable	(40,415)
Accrued interest payable	(4,268)
Compensated absences	(30,546)
Deferred revenue, net of related debt	24,187
Workers compensation	(4,264)
Claims and judgements	<u>(7,500)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ (470,627)</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and governmental activities statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets 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 \$(312) difference are as follows:

Capital outlay - governmental funds	\$ 9,913
PPBA capital outlay	8,108
Depreciation expense	<u>(18,333)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (312)</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

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 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." The details of this \$9,239 difference are as follows:

Long-Term Liabilities issued or incurred:	
Issuance of general obligation refunding bonds	\$ (28,675)
Issuance of capital notes	(18,226)
Premiums on current refunding	(778)
Assumption of debt	(1,060)
Principal repayments:	
General obligation bonds	19,756
Capital leases	8,418
Capital notes	801
Notes payable	759
Payment to escrow agent for refunding	<u>28,244</u>
Net adjustment to increase net changes in fund balances -	
total governmental funds to arrive at changes in net assets of	
governmental activities	<u>\$ 9,239</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 \$5,280 difference are as follows:

Compensated absences	\$ (409)
Accrued interest	1,131
Workers compensation	(1,355)
Net pension obligation	(4,132)
Claims and judgements	2,600
Amortization of refunding items	385
Unsettled labor contracts	<u>(3,500)</u>
Net adjustment to decrease net changes in fund balances - total	
governmental funds to arrive at changes in net assets of	
governmental activities	<u>\$ (5,280)</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 (in thousands)

Note 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's policy for investments other than pension plan investments is summarized below. The Finance Director has responsibility for the type of investments the City makes. The City's policy allows them to invest, but is not limited to the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; and (4) commercial paper with a rating of at least A1/P1.

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."

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.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

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, 2006 \$218,210 of the entity's bank balance of \$241,855 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, Continued

June 30, 2006 (in thousands)

Cash and investments of the City consist of the following at June 30, 2006:

Cash and Cash Equivalents

Deposits with financial institutions	\$ 223,928
PPBA deposits with financial institutions	6,887
	<u>230,815</u>

Investments

Special Revenue Funds	
Equity Mutual Funds	16,111
Municipal Bonds	6,850 *
	<u>22,961</u>

Private Purpose Trust Funds

Equity Mutual Funds	<u>960</u>
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PPBA Investments

Guaranteed Investment Contracts	13,866
U.S. Government Securities	2,360
U.S. Government Agencies	2,164
	<u>18,390</u>

Water Supply Board

Equity Mutual Funds	<u>1,476</u>
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Pension Trust Funds

U.S. Government Securities	3,879 *
Corporate and foreign bonds	15,374 *
Common and Preferred Stocks	250,856 *
Equity Mutual Funds	12,626
	<u>282,735</u>

Total investments

326,522

Total cash and investments

\$ 557,337

* 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, Continued

June 30, 2006 (in thousands)

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 243,503
Restricted cash and investments	19,555
	<u>263,058</u>
Fiduciary Funds:	
Cash and cash equivalents	10,584
Investments	283,695
	<u>294,279</u>
Total cash and investments	<u><u>\$ 557,337</u></u>

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	\$ 3,879	\$ -	\$ 982	\$ 2,897	\$ -
Corporate and Foreign Bonds	15,374	1,325	9,834	2,566	1,649
Municipal Bonds	6,850	-	-	-	6,850
PPBA-Guaranteed Investment Contracts	13,866	1,791	3,378	-	8,697
PPBA-U.S. Government Securities	2,360	2,360	-	-	-
PPBA-U.S. Government Agencies	2,164	1,798	366	-	-
TOTAL	<u><u>\$ 44,493</u></u>	<u><u>\$ 7,274</u></u>	<u><u>\$ 14,560</u></u>	<u><u>\$ 5,463</u></u>	<u><u>\$ 17,196</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

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 by 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	Municipal Bonds	PPBA- Guaranteed Investment Contracts	PPBA- U.S. Government Agencies
AAA	\$ 4,615	\$ 6,850	\$ 3,257	\$ -
AA	-	-	5,440	-
AA-	672	-	-	-
A+	1,088	-	-	-
A	1,226	-	5,169	-
A-	1,460	-	-	-
BBB+	1,696	-	-	-
BBB	1,109	-	-	-
BBB-	1,348	-	-	-
BB+	159	-	-	-
BB	125	-	-	-
BB-	51	-	-	-
B	75	-	-	-
Unrated	1,750	-	-	2,164
	<u>\$ 15,374</u>	<u>\$ 6,850</u>	<u>\$ 13,866</u>	<u>\$ 2,164</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

Note 4. Interfund Receivables, Payables and Transfers

As of June 30, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows (in thousands):

	Due From Other Funds	Due to Other Funds
General Fund	\$ 3,042	\$ 72,491
School Fund	36,712	16,767
School Grants	-	16,251
Capital Projects	8	34
Fiduciary Funds	49,454	20
Non-Major Governmental Funds	8,608	4,661
Water Board	41	2,901
Internal Service Fund	15,458	198
Totals	\$ 113,323	\$ 113,323

Amounts owed among funds result principally from timing of payments to the City's retirement system of \$49.4 million, payments to the City's health insurance and legal claims fund of \$15.5 million, and amounts owed to the school fund for current year expenditures of \$27.1 million. All of these amounts were paid subsequent to year-end. All other amounts owed are expected to be paid within one year.

Interfund transfers during the year ended June 30, 2006 were as follows (in thousands):

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 13,995	\$ 119,305
School Fund	112,432	-
School Grants	1,393	2,393
Capital Projects	-	271
Non-Major Governmental Funds	10,333	16,301
Internal Service Funds	117	-
Totals	\$ 138,270	\$ 138,270

The most significant transfer in fiscal 2006 was the appropriated operating subsidy from the City's general fund to the school fund.

Another significant transfers was appropriated from the City's General Fund to a non-major governmental fund for future obligations and settlements.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows (in thousands):

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 57,182	\$ -	\$ 11,473	\$ 45,709
Construction in progress-City	1,181	459	905	735
Construction in progress-PPBA	14,211	8,016	-	22,227
Total capital assets, not being depreciated	72,574	8,475	12,378	68,671
Capital assets, being depreciated:				
Buildings	173,688	1,190	8,078	166,800
Improvements other than buildings	12,685	218	-	12,903
Machinery and equipment	54,085	5,391	2,398	57,078
Infrastructure	263,988	2,655	-	266,643
Building - leases	160,963	92	-	161,055
Total capital assets being depreciated	665,409	9,546	10,476	664,479
Less accumulated depreciation for:				
Buildings	59,584	3,242	7,595	55,231
Improvements other than buildings	5,837	516	-	6,353
Machinery and equipment	43,935	3,102	2,342	44,695
Infrastructure	139,523	8,027	-	147,550
Building - leases	27,447	3,446	-	30,893
Total accumulated depreciation	276,326	18,333	9,937	284,722
Total capital assets, being depreciated, net	389,083	(8,787)	539	379,757
Governmental activities capital assets, net	\$ 461,657	\$ (312)	\$ 12,917	\$ 448,428

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 principally in the governmental activities column and the related lease transactions are eliminated.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 (in thousands)

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,258	\$ 31	\$ -	\$ 10,289
Construction in progress	14,618	15,384	6,852	23,150
Other land improvements	18,682	-	-	18,682
Total capital assets, not being depreciated	43,558	15,415	6,852	52,121
Capital assets, being depreciated:				
Buildings	43,902	566	18,870	25,598
Improvements other than buildings	157,202	6,774	-	163,976
Machinery and equipment	26,595	895	3,340	24,150
Leased assets	14,730	-	-	14,730
Total capital assets being depreciated	242,429	8,235	22,210	228,454
Less accumulated depreciation for:				
Buildings	33,832	2,217	19,672	16,377
Improvements other than buildings	57,947	6,070	-	64,017
Machinery and equipment	18,972	1,419	-	20,391
Leased assets	3,013	312	-	3,325
Total accumulated depreciation	113,764	10,018	19,672	104,110
Total capital assets, being depreciated, net	128,665	(1,783)	2,538	124,344
Business-type activities capital assets, net	\$ 172,223	\$ 13,632	\$ 9,390	\$ 176,465

Business-type activities:

Depreciation expense - Water Board
Depreciation expense - Civic Center

\$ 9,891
127
\$ 10,018

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

Executive, legislative and judicial	\$ 49
Finance	1,505
Public safety	1,194
Building inspection	6
Public works	8,352
Recreation	8
Public lands and parks	875
Education	6,344
Total depreciation expense	<u>\$ 18,333</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

Note 6. Deferred Revenue/Unearned Revenue

Governmental funds report deferred 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 and deferred revenue reported in governmental funds and governmental activities were as follows:

	Unearned Revenue	Deferred Revenue
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 21,114
Charges for services	-	235
School Grants:		
Grant drawdowns prior to meeting all eligibility requirements	653	-
Nonmajor Funds:		
Charges for services	-	2,838
Deferred loan fees	46	-
	<u>\$ 699</u>	<u>\$ 24,187</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 127,250	\$ -	\$ 8,035	\$ 119,215	\$ 6,885
Revenue bonds	67,315	-	815	66,500	4,505
Special obligation tax increment	27,675	28,675	28,065	28,285	2,025
Total bonds payable	222,240	28,675	36,915	214,000	13,415
Notes payable	4,974	-	759	4,215	878
Capital leases	27,997	-	8,418	19,579	6,177
Capital notes	22,990	18,226	801	40,415	2,912
Total bonds and notes payable	278,201	46,901	46,893	278,209	23,382
Deferred items from refunding	(4,070)	(569)	1,192	(3,447)	-
Other Long-Term Liabilities:					
Claims and judgments	15,897	88,804	83,748	20,953	-
Compensated absences	30,137	25,131	24,722	30,546	20,000
Net pension obligation	116,394	4,132	-	120,526	-
Total other long-term liabilities	162,428	118,067	108,470	172,025	20,000
Governmental activity long-term liabilities before PPBA reclassification	436,559	164,399	154,171	446,787	43,382
PPBA Debt	183,990	-	10,516	173,474	11,256
Governmental activity long-term liabilities	\$ 620,549	\$ 164,399	\$ 164,687	\$ 620,261	\$ 54,638

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, 2006 (in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 17,507	\$ -	\$ 2,799	\$ 14,708	\$ 2,829
PPBA-City	183,990	-	10,516	173,474	11,256
Total bonds-PPBA and City	201,497	-	13,315	188,182	14,085
Capital leases	5,009	-	1,144	3,865	915
Line of credit	1,104	20	739	385	385
Claims and judgements	579	-	579	-	-
PPBA - PAP Loans	81,803	-	-	81,803 *	-
PPBA - Water	3,870	-	508	3,362	567
PPBA Civic Center	1,060	-	1,060	-	-
Business-type activity long-term liabilities	\$ 294,922	\$ 20	\$ 17,345	277,597	15,952
Less PPBA Eliminations				(258,639)	(11,823)
Business-type activity long-term liabilities				\$ 18,958	\$ 4,129

* Amount represents internal loans between the City and the PPBA and is therefore eliminated on the entity-wide statements.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

Bonds Payable

Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Date(s)	Annual Payment	Balance June 30, 2006
May 1997	4.40 - 5.50	\$ 23,435	2011	\$ 1,555 - 1,655	\$ 7,965
August 2000	4.75 - 5.38	6,825	2015	370 - 665	5,195
December 2001	3.00 - 6.84	71,620	2026	310 - 2,530	59,215
July 2002	1.75 - 3.00	7,820	2006	1,495 - 1,475	1,475
September 2004	2.37 - 5.41	46,530	2019	250 - 3,135	45,365
March 2005	3.00 - 5.00	67,315	2029	815 - 4,020	66,500
June 2006	4.00 - 5.75	28,675	2010	40 - 3,445	28,285
Total governmental activities- bonds payable					214,000
March 1996	3.50 - 7.21	37,467	2011	509 - 2,474	16,341
April 2001	2.33	5,000	2006	1,022 - 1,046	1,046
December 2001	3.61	2,500	2021	97 - 167	2,101
December 2002	1.95	2,000	2007	395 - 415	820
January 2005	2.22	8,102	2014	723 - 915	7,378
December 2000	5.20 - 7.75	9,220	2010	960 - 1,270	5,685
September 2000	3.25 - 5.13	10,435	2010	375 - 785	8,900
December 1997	4.30 - 6.50	1,925	2007	215 - 235	460
July 1995	4.70 - 7.10	7,500	2016	215 - 630	4,535
December 2006	5.38 - 6.50	21,225	2016	940 - 1700	14,370
May 1998	3.85 - 5.10	28,270	2018	1,285 - 2,000	20,370
July 1999	4.10 - 5.50	39,750	2019	1,520 - 3,095	31,555
May 2000	5.50 - 5.85	18,770	2020	655 - 1,540	15,830
March 2003	2.50 - 5.00	31,000	2023	1,155 - 2,205	28,720
June 2003	3.00 - 5.00	31,000	2023	1,070 - 2,205	28,885
December 2002	3.00 - 5.00	1,186	2008	198	1,186
Total business-type activities- bonds payable					188,182

Capital Notes

Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Date(s)	Annual Payment	Balance June 30, 2006
April 2003	1.70 - 4.25	\$ 23,655	2013	\$ 100 - 1,130	\$ 22,190
July 2005	5.75	2,223	2011	345 - 397	2,223
November 2005	3.61	9,145	2010	1,702 - 1,961	9,145
May 2006	5.34 - 5.56	6,857	2036	325 - 697	6,587
Total capital notes					40,145

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 (in thousands)

The annual debt service requirements to amortize long-term bonds, notes and capital notes, are as follows (in thousands):

	Governmental Activities			PPBA			Total Governmental Entity-Wide		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 17,205	\$ 11,319	\$ 28,524	\$ 11,256	\$ 8,087	\$ 19,343	\$ 28,461	\$ 19,406	\$ 47,867
2008	16,831	10,851	27,682	12,557	7,621	20,178	29,388	18,472	47,860
2009	16,329	10,205	26,534	11,881	7,110	18,991	28,210	17,315	45,525
2010	16,761	9,553	26,314	12,147	6,392	18,539	28,908	15,945	44,853
2011	17,230	8,862	26,092	12,689	5,804	18,493	29,919	14,666	44,585
2012-2016	68,012	33,874	101,886	52,599	21,165	73,764	120,611	55,039	175,650
2017-2021	50,500	19,091	59,720	46,865	8,363	55,228	97,365	27,454	124,819
2022-2026	38,803	11,187	49,990	13,480	892	14,342	52,283	12,079	64,362
2027-2031	14,540	7,528	22,068	-	-	-	14,540	7,528	22,068
2032-2036	2,071	7,105	9,176	-	-	-	2,071	7,105	9,176
2037-2041	348	1,487	1,835	-	-	-	348	1,487	1,835
	<u>\$ 258,630</u>	<u>\$ 131,062</u>	<u>\$ 379,821</u>	<u>\$ 173,474</u>	<u>\$ 65,434</u>	<u>\$ 238,878</u>	<u>\$ 432,104</u>	<u>\$ 196,496</u>	<u>\$ 628,600</u>

	Business-Type Activities		
	Principal	Interest	Total
2007	\$ 14,085	\$ 8,541	\$ 22,626
2008	14,423	7,998	22,421
2009	13,352	7,436	20,788
2010	13,670	6,662	20,332
2011	14,259	6,017	20,276
2012-2016	57,153	21,617	78,770
2017-2021	47,622	8,460	56,082
2022-2026	13,618	895	14,513
	<u>188,182</u>	<u>67,626</u>	<u>255,808</u>
Less amount representing the PPBA	<u>173,474</u>	<u>65,434</u>	<u>238,908</u>
	<u>\$ 14,708</u>	<u>\$ 2,192</u>	<u>\$ 16,900</u>

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

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 (in thousands)

Notes Payable

At June 30, 2006, the City had several notes outstanding relating to planning and development activities. These notes included \$371 of notes payable through 2011 with an interest rate of 7.35%. The notes are payable in annual installments of approximately \$79,000. These notes also included \$2,530 of Section 108 loans payable through 2013 with interest rates ranging from 3.82% to 7.18%; \$680 was paid in 2006. In addition, the City has a note payable of \$1,314 outstanding relating to the Fleet Skating Center. The interest rate on the note varies.

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, 2006 are as follows:

Year Ending June 30:	City		Water Supply Board		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 11,256	\$ 8,087	\$ 567	\$ 158	\$ 11,823	\$ 8,245
2008	12,558	7,621	560	131	13,118	7,752
2009	11,880	7,110	589	102	12,469	7,212
2010	12,147	6,391	618	71	12,765	6,462
2011	12,689	5,804	612	39	13,301	5,843
2012-2016	52,599	21,165	416	11	53,015	21,176
2017-2021	46,865	8,363	-	-	46,865	8,363
2022-2026	13,480	893	-	-	13,480	893
	<u>\$ 173,474</u>	<u>\$ 65,434</u>	<u>\$ 3,362</u>	<u>\$ 512</u>	<u>\$ 176,836</u>	<u>\$ 65,946</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 \$0.01 per hundred gallons 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 have been shown as debt in those funds' financial statements. PPBA debt to be repaid by the City is presented as debt of the governmental activities in the government-wide statement of net assets.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

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 \$23.4 million and the current 3% debt limit of the City is \$210.7 million based on taxable property as of December 31, 2005, of approximately \$7.0 billion, leaving a remaining borrowing capacity of approximately \$187.3 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, 2006, the total outstanding debt of the City issued outside the 3% debt limit was \$95.7 million, excluding water bonds and sewer bonds that are deemed self-supporting.

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

Bond Anticipation Notes

The City had no bond anticipation notes outstanding as of June 30, 2006.

Bond anticipation note transactions for the year ended June 30, 2006 were as follows:

Outstanding, July 1, 2005	\$ 2,223
Borrowings	-
Repayments	(2,223)
Outstanding, June 30, 2006	<u>\$ -</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2006 (in thousands)**

In-Substance Defeasance - Prior Years

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2006, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements, was approximately \$108 million.

2005 Special Obligation Tax Increment Refunding Bond - In-Substance Defeasance - City

During November 2005, the City issued \$28,675 of special obligation tax increment refunding bonds with interest rates ranging from 4.00% to 7.00%, which was used to advance refund portions of the outstanding principal amounts of general obligation bonds of the City dated January 1995, February 1995 and April 1996, (the "Refunding Bonds"). Of the net proceeds of \$29,453 (after payment of underwriters fees and other costs), \$28,402 was placed in an irrevocable trust fund under an Escrow Agreement dated June 2006 between the City and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the dates the payments are due.

The City advance refunded the above bonds to reduce total debt service payments over the next 10 years by approximately \$4,550 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,066.

The balance in escrow was approximately \$28,000 at June 30, 2006. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Note 8. Lease Commitments

Property and equipment carried at approximately \$90,390, with approximately \$27,900 in accumulated depreciation, in the governmental activities is being acquired under capital lease arrangements.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

The City is obligated under various capital and operating leases to make the following aggregate annual lease payments (in thousands):

	<u>Operating</u>	<u>Capital</u>
2007	\$ 2,030	\$ 6,910
2008	2,030	4,985
2009	2,030	4,405
2010	2,030	2,897
2011	2,030	1,383
Thereafter	8,120	1,021
Total minimum lease payments	<u>\$ 18,270</u>	21,601
Less interest		<u>2,022</u>
Present value of minimum payments		<u>\$ 19,579</u>

Minimum future lease payments under capital leases for the proprietary funds as of June 30, 2006, for each of the next five fiscal years and thereafter are as follows (in thousands):

	<u>Water Supply Board</u>
2007	\$ 1,079
2008	1,070
2009	1,034
2010	990
Total minimum lease payments	<u>4,173</u>
Less interest	<u>308</u>
Present value of minimum payments	<u>\$ 3,865</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 (in thousands)

Sale-Leaseback

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

2007	\$	1,079
2008		1,070
2009		1,034
2010		990
Total minimum lease payments	\$	<u>4,173</u>

Note 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.

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.

Note 10. Fund Equity

The following non-major funds had fund deficits as of June 30, 2006 (in thousands):

Governmental		
WDO	\$	41
Skating Rink		551
Title I		40
Title IV		3
	\$	<u>635</u>

These deficits are expected to be eliminated through transfers from the City's general fund and from other revenue sources.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

Reserved fund balances at June 30, 2006 are as follows (in thousands):

Non-Major Governmental Funds:

Reserved for loans	<u>\$ 10,885</u>
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The City has also designated \$433 in the general fund and \$11,146 in the non-major Governmental Funds. This amount will be appropriated in the fiscal 2006 budget.

The Water Supply Board has restricted net assets of \$16.7 million at June 30, 2006. This represents the excess of restricted assets over liabilities payable from restricted assets unexpended water quality protection revenue.

Note 11. Employee Retirement Systems

The City contributes to two defined benefit pension plans - the Employees' Retirement System of the City of Providence (ERS), a single employer plan; and the Employees' Retirement System of the State of Rhode Island (the System), a cost-sharing multiple employer plan. The ERS is presented in the accompanying financial statements as a pension trust fund. 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 and Contribution Information*

Membership of the ERS plan consisted of the following at June 30, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,891
Active plan members:	
Vested	1,808
Nonvested	<u>1,235</u>
	<u>5,934</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 (in thousands)

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2006
Actuarial cost method	Individual entry age method
Amortization method	Approximate level percent of payroll-open
Remaining amortization period	24 years (for original unfunded)
Asset valuation method	5-year moving average of market values
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	2007-2011 - 4.5%
	2012-2016 - 4.75%
Cost-of-living adjustments	3% to 6%

Plan Description

ERS is a single-employer defined benefit pension plan that covers most management employees of the City, except school teachers and employees of the Civic Center Authority. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided to retirees and beneficiaries at varying percentages ranging from 0% to 6%.

Contributions

Class A members 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 ½% 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, 2006, 2005 and 2004 were \$49,510, \$45,455 and \$39,765, respectively.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

- *Annual Pension Cost and Net Pension Obligation (NPO)*

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

	(In Thousands)
Annual required contribution	\$ 51,454
Interest on NPO	9,893
Amortization of NPO	(7,705)
Annual pension cost	53,642
Contributions made	(49,510)
Increase in net pension obligation	4,132
Net pension obligation, beginning of year	116,394
Net pension obligation, end of year	<u>\$ 120,526</u>

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

- *Plan Description*

All full-time teachers including superintendents, principals, school nurses and certain other school officials (classified employees) in the Providence School Department participate in the Employees Retirement System of the State of Rhode Island (System), a cost-sharing multiple-employer public retirement system. The System provides retirement, death and disability benefits, all of which are established by State statute. The System issues a publicly available financial report that includes the financial statements and required supplementary information for the System. That report may be obtained by contacting the State of Rhode Island.

- *Funding Policy*

System members are required by State statute to contribute 9.5% of their salary to the System. The School Department contributions are based on a percentage of annual compensation of active members, half of which is payable by the State of Rhode Island. The School Department contributions made for the years ended June 30, 2006, 2005 and 2004 were approximately \$12.8, \$11.0 million and \$10.4 million, respectively, and were equal to the required contributions for each year.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2006 (in thousands)**

(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 \$1.2 million for the year ended June 30, 2006.

Note 12. Postemployment Benefits

Under various union contracts, the City pays health care benefits for certain retired employees and funds these benefits on a cash (pay-as-you-go) basis. Currently, approximately 3,000 retirees receive these benefits. During the year ended June 30, 2006, the cost of retiree health care benefits recorded by the City amounted to \$33.6 million (see Note 18 regarding a new pronouncement related to post-employee benefits.)

Note 13. 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.

Note 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 2010 and 2012. The City, in turn, subleases a portion of this property to the School Department. At the expiration of the leases, the City, at its option, can purchase the properties for a nominal amount (see Notes 5 and 7).

Note 15. Risk Management

The City is self-insured in most areas of risk, subject to certain third-party "stop loss" coinsurance of \$225 per claim for health insurance. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health and life 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

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 (in thousands)

normal course of operations. At no time during the past three years have insurance settlements exceeded coverage.

The City's health insurance program provides coverage to the City's employees and retirees through Healthmate and Blue Cross - Blue Shield of Rhode Island (BC/BS). In 1997, the City first went to a self-insured program with BC/BS and United Health Care. BC/BS and United Health Care act as a third-party agents for the City in the payment of the various claim plans used by the City. Costs incurred for the operation of BC/BS 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 reasonably estimated. The City has established a liability based on historical trends of previous years, where available, and attorney's estimates of pending matters and lawsuits in which the City is involved.

Changes in the risk management liability for the fiscal years ended June 30, 2006 and June 30, 2005 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.

	2006	2005
Beginning of year	\$ 15,897	\$ 16,456
Incurred claims	88,804	78,380
Less payments of claims attributable to events of both the current and prior fiscal years:		
Health, legal and workers compensation	83,748	78,939
	<u>\$ 20,953</u>	<u>\$ 15,897</u>
Legal claims	\$ 9,460	\$ 6,759
Health - IBNR	7,229	6,229
Workers compensation	4,264	2,909
	<u>\$ 20,953</u>	<u>\$ 15,897</u>

Note 16. Subsequent Events

The PPBA issued \$60,000 of General Obligation Bonds in September 2006. The bonds will be payable in annual installments through 2016 with interest rates ranging from 3.58% to 3.96%.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

Note 17. Special Item

On December 5, 2005, the City and the Providence Civic Center Authority sold the land, building and various improvements of the Dunkin Donut's Center (Providence Civic Center) for the sum of \$28,500. The City was the seller of the land, and the Civic Center Authority was the seller of the building and all improvements. This transaction was accounted for in the accompanying financial statements as a special item. The Civic Center recognized proceeds from the sale of \$11,695, the value of the assets sold were \$2,491, resulting in a gain on sale of \$9,226. The Miscellaneous Special Revenue Fund recognized proceeds of approximately \$16,800 in the fund statements. In the governmental activities statement, the proceeds of \$16,800 were offset by capital assets (land) of approximately \$11,241 and the assumption of certain long-term liabilities related to former Authority employees, and the remaining balance of a bond payable in the amount of \$1,060.

Note 18. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2006 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- ◆ GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued April 2004, will be effective in phases using the same criteria applied in the implementation of the new governmental reporting model, starting with periods beginning after June 30, 2006. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.
- ◆ GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the City beginning with its year beginning after June 30, 2007. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 (in thousands)

- ◆ Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," issued September 2006, is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

**SUPPLEMENTAL COMBINING AND NONMAJOR
FUND STATEMENTS AND SCHEDULES**

General Fund

CITY OF PROVIDENCE, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -

BUDGET AND ACTUAL

For the Year Ended June 30, 2006 (in thousands)

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Tax revenues:				
Property taxes	\$ 203,319	\$ 203,319	\$ 209,251	\$ 5,932
Tangible tax	27,742	27,742	28,154	412
Excise tax	17,391	17,391	17,768	377
Interest on overdue taxes	5,700	5,700	5,621	(79)
	254,152	254,152	260,794	6,642
Payments in lieu of taxes	21,071	21,071	26,280	5,209
Tax stabilization plans	6,600	6,600	6,600	-
State revenue	60,716	60,716	65,102	4,386
Fines	7,000	7,000	5,486	(1,514)
Rents	8,660	8,660	8,662	2
Investment interest	1,100	1,100	4,503	3,403
Miscellaneous	27	27	63	36
Executive, legislative, and judicial:				
City clerk	8	8	7	(1)
Probate court	233	233	217	(16)
Housing court	20	20	9	(11)
	261	261	233	(28)
Finance:				
Data processing	230	230	230	-
City collector	550	550	680	130
City assessor	5	5	3	(2)
Treasury department	-	-	1	1
Personnel	-	-	1	1
	785	785	915	130
Public safety:				
Commissioner of public safety	55	55	55	-
Police department	2,010	2,010	50	(1,960)
Fire department	620	620	877	257
Communications department	-	-	27	27
Traffic engineering	750	750	720	(30)
	3,435	3,435	1,729	(1,706)
Building inspection department:				
Building inspection administration	3,800	3,800	4,700	900
Zoning board of review	80	80	103	23
Building board of review	25	25	11	(14)
Structures and zoning	-	-	2	2
	3,905	3,905	4,816	911

(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, 2006 (in thousands)

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Environmental control	3	3	10	7
Highway	100	100	183	83
Snow removal	-	-	380	380
Sewer construction and maintenance	15	15	49	34
	118	118	622	504
Public lands and parks:				
North Burial Ground	-	-	177	177
Other departments:				
Recorder of deeds	3,500	3,500	5,505	2,005
Vital statistics	350	350	315	(35)
Board of canvassers	-	-	1	1
Bureau of licenses	1,306	1,306	1,351	45
Civil defense preparedness	191	191	208	17
WSB reimbursement	702	702	598	(104)
JTPA/planning reimbursement	500	500	286	(214)
Room tax	750	750	1,180	430
Tax stabilization	-	-	1	1
School department master lease	2,100	2,100	1,382	(718)
Planning and urban development	-	-	157	157
Providence Place Mall	200	200	200	-
Voluntary payments in lieu of taxes	3,900	3,900	3,910	10
Port of Providence	125	125	114	(11)
Restitution payments	-	-	91	91
	13,624	13,624	15,299	1,675
Public properties	1,270	1,270	107	(1,163)
Attrition revenue	1,440	1,440	1,440	-
Transfers:				
Transfers from Hurricane Barrier	50	50	-	(50)
Transfer from revolving funds	-	-	6,800	6,800
Transfer from parking tickets	1,000	1,000	1,760	760
Transfer from rescue runs	1,800	1,800	1,812	12
Transfers from sewer use	-	-	100	100
Transfer from police detail fund	1,650	1,650	1,650	-
Transfer from expendable trust	6,374	6,374	1,714	(4,660)
Transfers from North Burial Ground	125	125	160	35
	10,999	10,999	13,996	2,997
Total	\$ 395,163	\$ 395,163	\$ 416,824	\$ 21,661

CITY OF PROVIDENCE, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2006 (in thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Executive, legislative and judicial:				
Mayor's office	\$ 1,993	\$ 1,993	\$ 1,938	\$ 55
City Council	889	889	796	93
City sergeant	32	32	31	1
City clerk	661	661	533	128
Law department	2,652	2,652	6,021	(3,369)
Municipal court	547	547	1,864	(1,317)
Probate court	248	248	274	(26)
Housing court	243	243	255	(12)
Contingencies-Mayor	110	110	156	(46)
Contingencies-City Council	40	40	17	23
	<u>7,415</u>	<u>7,415</u>	<u>11,885</u>	<u>(4,470)</u>
Finance:				
Finance director	382	382	526	(144)
City controller	1,004	1,004	969	35
Employees retirement office	361	361	321	40
Data processing	2,219	2,219	1,959	260
City collector	1,844	1,844	1,870	(26)
City assessor	1,174	1,174	1,010	164
Board of tax assessment review	16	16	13	3
Treasury department	271	271	264	7
Personnel	840	840	859	(19)
Heat, light and power	5,690	5,690	5,474	216
Employees Retirement System contributions	39,992	39,992	39,992	-
Laborers legal fees	166	166	145	21
Local 1033 benefits-Public Employees Health Services	2,185	2,185	2,137	48
Laborers International Pension contributions	1,454	1,454	1,351	103
Debt service	28,883	28,883	28,005	878
Interest on bonded debt	19,742	19,742	18,653	1,089
FICA	4,000	4,000	3,855	145
Medical insurance	38,186	38,186	39,018	(832)
Workers compensation	1,410	1,410	1,819	(409)
Unemployment compensation	190	190	119	71
Reserve for anticipated tax abatements	549	549	206	343
	<u>150,558</u>	<u>150,558</u>	<u>148,565</u>	<u>1,993</u>
Public safety:				
Commissioner of public safety	327	327	356	(29)
Police department	42,515	42,515	40,124	2,391
Fire department	36,491	36,491	47,816	(11,325)
Communications department	5,842	5,842	5,852	(10)
Traffic Engineering	1,203	1,203	1,083	120
	<u>86,378</u>	<u>86,378</u>	<u>95,231</u>	<u>(8,853)</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, 2006 (in thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Building inspection department:				
Building inspection administration	1,006	1,006	1,058	(52)
Structures and zoning division	649	649	585	64
Plumbing, drainage, and gas piping division	113	113	116	(3)
Electrical installations division	194	194	171	23
Mechanical equipment and installation division	158	158	170	(12)
Zoning board of review	31	31	41	(10)
Building and housing board of review	13	13	13	-
Building inspection code enforcement	402	402	352	50
Building inspection prosecution	140	140	94	46
	<u>2,706</u>	<u>2,706</u>	<u>2,600</u>	<u>106</u>
Public works:				
Public works administration	578	578	649	(71)
Engineering and sanitation	358	358	351	7
Environmental control	7,915	7,915	7,876	39
Highway	2,582	2,582	3,237	(655)
Snow removal	800	800	1,051	(251)
Sewer construction and maintenance	426	426	379	47
Garage maintenance and equipment repair	402	402	376	26
	<u>13,061</u>	<u>13,061</u>	<u>13,919</u>	<u>(858)</u>
Recreation:				
Recreation	1,050	1,050	1,033	17
Recreation seasonal	775	775	1,043	(268)
	<u>1,825</u>	<u>1,825</u>	<u>2,076</u>	<u>(251)</u>
Public lands and parks:				
Grounds maintenance services	2,604	2,604	2,476	128
Forestry services	758	758	731	27
Zoological services	1,606	1,606	1,857	(251)
Park environmental services	494	494	458	36
Park programming	1,193	1,193	1,297	(104)
Superintendent of parks	1,058	1,058	958	100
North Burial Grounds	457	457	448	9
	<u>8,170</u>	<u>8,170</u>	<u>8,225</u>	<u>(55)</u>
Other departments:				
Recorder of deeds	485	485	623	(138)
Vital statistics	218	218	189	29
Board of canvassers	362	362	330	32
Bureau of licenses	422	422	480	(58)

(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, 2006 (in thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Other departments, Continued:				
Civil defense preparedness	356	356	445	(89)
Planning and urban development	2,000	2,000	1,824	176
Administration to City Council	654	654	478	176
Internal auditor	260	260	226	34
Archives	140	140	126	14
Department of human services	371	371	224	147
Providence Housing Authority	40	40	52	(12)
League of Cities	12	12	12	-
Public celebrations	10	10	4	6
Office of Arts, Culture, Film & Tourism	351	351	348	3
P.E.R.A.	257	257	164	93
	5,938	5,938	5,525	413
Grants:				
Providence Public Library	3,000	3,000	3,008	(8)
Rhode Island Historical Society	9	9	9	-
Capital Center	50	50	50	-
Providence Plan Commission	150	150	150	-
Providence Center	200	200	200	-
Mary E. Sharpe Tree Fund	30	30	-	30
Community centers	350	350	350	-
Crossroads	50	50	100	(50)
Institute of Non-Violence	100	100	100	-
Procap	92	92	92	-
	4,031	4,031	4,059	(28)
Public properties	3,795	3,795	4,649	(854)
Purchasing	287	287	282	5
Transfers:				
Transfers to School Department	110,998	110,998	111,431	(433)
Transfer to Other Funds	-	-	5,800	(5,800)
	110,998	110,998	117,231	(6,233)
Total	\$ 395,162	\$ 395,162	\$ 414,247	\$ (19,085)

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School Fund

CITY OF PROVIDENCE, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
SCHOOL FUND**

For the Year Ended June 30, 2006 (in thousands)

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and state revenue	\$ 186,124	\$ 186,124	\$ 184,639	\$ (1,485)
Other revenue	3,803	3,803	1,600	(2,203)
Transfers from other funds	110,359	110,359	111,431	1,072
Master lease proceeds	-	-	980	980
Total revenues	300,286	300,286	298,650	(1,636)
Expenditures:				
Education	300,286	300,286	298,650	1,636
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2006

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

	General Fund	School Fund
Total budgetary revenues and transfers per schedule	\$ 416,824	\$ 298,650
Reclassification of:		
PPBA payments recorded at gross	1,147	-
Lease receipts used for debt service	(10,044)	(980)
Refunding bond proceeds and premium income	29,453	-
Retirement reimbursements	(287)	-
Blue Cross/Blue Shield reimbursement	(1,538)	-
Attrition "revenue"	(1,440)	-
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System	-	6,762
Total revenues and transfers per financial statements	\$ 434,115	\$ 304,432
Total budgetary expenditures and transfers per schedule:	\$ 414,247	\$ 298,650
Reclassification of:		
PPBA payments recorded at gross	1,147	-
Lease receipts used for debt service	(10,044)	(980)
Refunding bond costs and payment to escrow	29,453	-
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System	-	6,762
Blue Cross/Blue Shield reimbursement	(1,538)	-
Attrition "revenue"	(1,440)	-
Retirement reimbursements	(287)	-
Total expenditures and transfers per financial statements	\$ 431,538	\$ 304,432

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information - Pension Schedules June 30, 2006

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2006
Actuarial cost method	Individual entry age method
Amortization method	Approximate level percent of payroll-open
Remaining amortization period	24 years (for original unfunded)
Asset valuation method	5-year moving average of market values
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	2007-2011 - 4.5%
	2012-2016 - 4.75%
Cost-of-living adjustments	3% to 6%

SCHEDULE OF FUNDING PROGRESS (Dollar Amounts in Thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2001	\$ 341,986	\$ 821,363	\$ 479,377	41.64%	\$ 116,493	411.51%
2002	340,550	867,457	526,907	39.26%	114,265	461.13%
2003	334,929	899,336	564,407	37.24%	115,015	490.72%
2004	372,128	1,025,345	653,217	36.29%	115,548	565.32%
2005	376,690	993,029	616,339	37.93%	118,600	519.68%
2006	393,768	1,052,805	659,036	37.40%	126,458	521.15%

SCHEDULE OF CONTRIBUTIONS FROM THE CITY

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	\$ 38,899	60.60%
2002	42,442	64.18%
2003	42,008	80.25%
2004	46,321	85.99%
2005	49,329	92.15%
2006	51,454	96.22%

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for special revenues that are legally restricted to expenditures for particular purposes.

Neighborhood Housing Fund - is used to account 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 or public safety and seizure.

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CITY OF PROVIDENCE, RHODE ISLAND

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2006 (in thousands)

	Special Revenue			
	Neighborhood Housing	Federal Funds	PEDC	PRA
ASSETS				
Cash and investments	\$ 3,901	\$ 885	\$ 6,054	\$ 26,990
Receivables, net:				
Loans	3,256	-	7,629	-
Other	-	-	-	-
Due from other funds	-	2,043	531	2
Other assets	-	-	3	221
Total assets	\$ 7,157	\$ 2,928	\$ 14,217	\$ 27,213
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Warrants and accounts payable	\$ 338	\$ 715	\$ 177	\$ 311
Accrued liabilities	-	-	3	-
Unearned revenue	-	1	45	-
Deferred revenue	-	-	-	-
Due to other funds	32	315	2,021	1,095
Due to other governments	-	-	-	-
Total liabilities	370	1,031	2,246	1,406
FUND BALANCES (DEFICITS)				
Reserved for:				
Loans	3,256	-	7,629	-
Designated for future	-	-	-	-
Unreserved:				
Undesignated	3,531	1,897	4,342	25,807
Total fund balances (deficits)	6,787	1,897	11,971	25,807
Total liabilities and fund balances (deficits)	\$ 7,157	\$ 2,928	\$ 14,217	\$ 27,213

Special Revenue						
Other P&D	Other Special Revenue Fund	Skating Rink	WDO	Capital Proceeds Fund	Totals	
\$ 162	\$ 12,473	\$ 77	\$ 36	\$ 47,761	\$ 98,339	
-	-	-	-	-	10,885	
-	2,805	-	100	-	2,905	
-	5,982	-	-	50	8,608	
-	-	-	6	-	230	
<u>\$ 162</u>	<u>\$ 21,260</u>	<u>\$ 77</u>	<u>\$ 142</u>	<u>\$ 47,811</u>	<u>\$ 120,967</u>	
\$ 112	\$ 621	\$ -	\$ 121	\$ 101	\$ 2,496	
-	-	30	-	26	59	
-	-	-	-	-	46	
-	2,838	-	-	-	2,838	
1	567	598	23	9	4,661	
-	-	-	39	-	39	
<u>113</u>	<u>4,026</u>	<u>628</u>	<u>183</u>	<u>136</u>	<u>10,139</u>	
-	-	-	-	-	10,885	
-	11,146	-	-	-	11,146	
49	6,088	(551)	(41)	47,675	88,797	
<u>49</u>	<u>17,234</u>	<u>(551)</u>	<u>(41)</u>	<u>47,675</u>	<u>110,828</u>	
<u>\$ 162</u>	<u>\$ 21,260</u>	<u>\$ 77</u>	<u>\$ 142</u>	<u>\$ 47,811</u>	<u>\$ 120,967</u>	

CITY OF PROVIDENCE, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICITS)

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006 (in thousands)

	Special Revenue			
	Neighborhood Housing	Federal Funds	PEDC	PRA
REVENUES				
Departmental	\$ 125	\$ -	\$ -	\$ -
Intergovernmental	18	12,661	687	-
Investment and rental income	-	-	806	7,348
Other	-	623	1	60
Total revenues	143	13,284	1,494	7,408
EXPENDITURES				
Executive, legislative, and judicial	-	-	-	-
Finance	-	-	-	-
Public safety	-	-	-	-
Recreation	-	-	-	-
Public lands and parks	-	-	-	-
Debt service	-	-	142	2,295
Community development	322	13,844	645	6,129
Total expenditures	322	13,844	787	8,424
Excess (deficiency)	(179)	(560)	707	(1,016)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	271	-	-
Transfers out	-	-	-	(2,223)
Proceeds from sale of real estate	-	-	-	2,123
Capital notes issued	-	-	-	9,081
Total other financing sources (uses)	-	271	-	8,981
SPECIAL ITEMS				
Proceeds from sale of Civic Center land	-	-	-	-
Net change in fund balance (deficit)	(179)	(289)	707	7,965
FUND BALANCES (DEFICITS), beginning of year	6,966	2,186	11,264	17,842
FUND BALANCES (DEFICITS), end of year	\$ 6,787	\$ 1,897	\$ 11,971	\$ 25,807

Special Revenue						
Other P&D	Other Special Revenue Fund	Skating Rink	WDO	Capital Proceeds Fund	Totals	
\$ -	\$ 14,403	\$ 390	\$ -	\$ 433	\$ 15,351	
77	3,950	-	2,791	304	20,488	
-	198	-	-	1,934	10,286	
16	-	-	-	2,313	3,013	
93	18,551	390	2,791	4,984	49,138	
-	988	-	-	139	1,127	
-	-	-	-	264	264	
-	6,641	-	2,741	630	10,012	
-	863	-	-	-	863	
-	1,295	340	-	687	2,322	
-	-	-	-	-	2,437	
117	-	-	-	-	21,057	
117	9,787	340	2,741	1,720	38,082	
(24)	8,764	50	50	3,264	11,056	
-	9,327	-	-	735	10,333	
-	(12,129)	-	-	(1,949)	(16,301)	
-	-	-	-	4,317	6,440	
-	-	-	-	-	9,081	
-	(2,802)	-	-	3,103	9,553	
-	-	-	-	16,805	16,805	
(24)	5,962	50	50	23,172	37,414	
73	11,272	(601)	(91)	24,503	73,414	
\$ 49	\$ 17,234	\$ (551)	\$ (41)	\$ 47,675	\$ 110,828	

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School Grants Fund

Nonmajor Governmental Funds

Special Revenue Funds

School Grant Fund - is used to account for the revenues and expenditures of various federal and state school grants received by the School Department by grant.

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CITY OF PROVIDENCE, RHODE ISLAND

**COMBINING SCHEDULE OF ASSETS, LIABILITIES AND ACCOUNT BALANCES (DEFICITS)
BY GRANT ACCOUNT**

June 30, 2006 (in thousands)

	Title I	Title IV	Miscellaneous Programs	Special Education
ASSETS				
Cash and short-term investments	\$ 726	\$ -	\$ 4,956	\$ 1,709
Receivables:				
Other governments	5,090	129	2,337	1,938
Other	-	-	-	-
Total assets	\$ 5,816	\$ 129	\$ 7,293	\$ 3,647
LIABILITIES AND ACCOUNT BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 384	\$ 129	\$ 812	\$ 213
Accrued liability	5	-	-	-
Unearned revenue	-	-	653	-
Due to:				
Other funds	5,467	3	3,932	3,427
Other governments	-	-	171	-
Total liabilities	5,856	132	5,568	3,640
ACCOUNT BALANCE (DEFICIT)				
Unreserved	(40)	(3)	1,725	7
Total liabilities and fund balance (deficits)	\$ 5,816	\$ 129	\$ 7,293	\$ 3,647

Bilingual	State Reimbursable	Indirect Cost	School Lunch	Totals
\$ -	\$ 6,774	\$ 1,163	\$ 736	\$ 16,064
458	-	-	603	10,555
-	-	-	12	12
\$ 458	\$ 6,774	\$ 1,163	\$ 1,351	\$ 26,631

\$ 81	\$ 25	\$ -	\$ 786	\$ 2,430
-	-	-	-	5
-	-	-	-	653
327	2,351	179	565	16,251
-	-	-	-	171
408	2,376	179	1,351	19,510

50	4,398	984	-	7,121
\$ 458	\$ 6,774	\$ 1,163	\$ 1,351	\$ 26,631

CITY OF PROVIDENCE, RHODE ISLAND

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
ACCOUNT BALANCES (DEFICITS) BY GRANT ACCOUNT**

For the Year Ended June 30, 2006 (in thousands)

	Title I	Title V	Miscellaneous Programs	Special Education
REVENUES				
Federal and state governments	\$ 22,682	\$ 456	\$ 15,164	\$ 8,391
Miscellaneous	-	-	-	-
Total revenues	22,682	456	15,164	8,391
EXPENDITURES				
Personnel services	13,856	33	7,499	4,477
Employee benefits	5,726	-	1,728	2,021
Other supplies	2	-	14	997
Equipment	1,673	-	1,138	21
Miscellaneous services	-	362	1,477	-
Other services	209	-	1,046	594
Pupil transportation	145	-	55	-
Repairs	-	-	73	-
Office supplies	31	9	10	-
Education supplies	-	38	-	-
Textbooks	369	-	1,233	32
Total expenditures	22,011	442	14,273	8,142
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(671)	(14)	(435)	(249)
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	(671)	(14)	(435)	(249)
Net change in fund balances (deficits)	-	-	456	-
ACCOUNT BALANCES (DEFICITS), beginning of year	(40)	(3)	1,269	7
ACCOUNT BALANCES (DEFICITS), end of year	\$ (40)	\$ (3)	\$ 1,725	\$ 7

Bilingual	State Reimbursable	Indirect Cost	School Lunch	Totals
\$ 1,273	\$ 3,337	\$ -	\$ 10,339	\$ 61,642
-	-	-	1,254	1,254
1,273	3,337	-	11,593	62,896
859	3,406	52	565	30,747
106	239	-	-	9,820
8	-	49	-	1,070
-	12	-	12	2,856
-	-	-	10,772	12,611
64	138	-	11	2,062
18	-	-	-	218
-	-	-	8	81
104	10	-	8	172
-	-	-	1	39
90	88	5	-	1,817
1,249	3,893	106	11,377	61,493
(24)	-	(1,000)	-	(2,393)
-	-	1,393	-	1,393
(24)	-	393	-	(1,000)
-	(556)	287	216	403
50	4,954	697	(216)	6,718
\$ 50	\$ 4,398	\$ 984	\$ -	\$ 7,121

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Fiduciary Funds

Fiduciary Funds

Agency Fund - is used to account for assets held by the City in a trustee capacity for others.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

For the Year Ended June 30, 2006 (in thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
AGENCY FUND				
Assets	\$ 2,211	\$ 311,843	\$ 313,176	\$ 878
Liabilities	\$ 2,211	\$ 315,741	\$ 317,074	\$ 878

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Capital Assets Schedules

CITY OF PROVIDENCE, RHODE ISLAND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

June 30, 2006 (in thousands)

Governmental funds capital assets, net of related
accumulated depreciation

Land	\$ 45,709
Improvements other than buildings	6,550
Buildings and improvements	111,569
Building - leases	130,162
Infrastructure	119,093
Machinery and equipment	12,383
Construction in progress - City	735
Construction in progress - PPBA	22,227
	<hr/>
	\$ 448,428

Investments in governmental funds capital assets:

Assets put into service as of June 30, 2006	<hr/>
	\$ 448,428

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Statistical Section

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. 87

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 96

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. 102

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 108

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. 112

CITY OF PROVIDENCE, RHODE ISLAND

Net Assets By Component Last Five Fiscal Years* (accrual basis of accounting) (in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ 53,605	\$ 41,960	\$ 52,962	\$ 34,042	\$ 22,435
Unrestricted	(28,531)	(43,153)	(18,473)	(4,820)	11,285
Total governmental activities net assets	\$ 25,074	\$ (1,193)	\$ 34,489	\$ 29,222	\$ 33,720
Business-type activities:					
Invested in capital assets, net of related debt	\$ 122,073	\$ 130,055	\$ 137,962	\$ 147,543	\$ 157,507
Restricted	11,532	22,650	16,411	16,193	17,515
Unrestricted	6,888	(1,004)	3,967	(888)	7,431
Total business-type activities net assets	\$ 140,493	\$ 151,701	\$ 158,340	\$ 162,848	\$ 182,453
Primary government:					
Invested in capital assets, net of related debt	\$ 175,678	\$ 172,015	\$ 190,924	\$ 181,585	\$ 179,942
Restricted	11,532	22,650	16,411	16,193	17,515
Unrestricted	(21,643)	(44,157)	(14,506)	(5,708)	18,716
Total primary government net assets	\$ 165,567	\$ 150,508	\$ 192,829	\$ 192,070	\$ 216,173

* GASB Statement No. 34 Implemented in Fiscal Year 2002

CITY OF PROVIDENCE, RHODE ISLAND

Changes In Net Assets

Last Five Fiscal Years*

(accrual basis of accounting)

(in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses:					
Governmental activities:					
Executive, legislative, and judicial	\$ 9,993	15,042	\$ 11,240	\$ 15,514	\$ 15,552
Finance	101,795	110,366	96,286	38,517	32,655
Public safety	99,231	87,529	87,558	152,354	170,273
Building inspection	2,884	2,617	2,537	4,578	5,455
Public works	20,438	20,611	24,119	28,223	30,275
Recreation	3,933	2,585	2,751	3,341	3,933
Public land and parks	14,444	14,378	16,654	22,484	23,992
Education	289,534	309,029	351,656	361,220	373,591
Community development	22,929	19,218	20,632	16,758	21,175
Interest on long-term debt	14,246	23,945	14,531	26,134	21,863
Other	1,679	-	-	-	-
Total governmental activities expenses	581,106	605,320	627,964	669,123	698,764
Business-type activities:					
PPBA	8,561	9,426	11,496	9,929	9,314
Water Supply Board	34,154	37,868	39,184	42,421	43,661
Civic Center	6,853	6,691	7,743	9,106	2,241
Total business-type activities expenses	49,568	53,985	58,423	61,456	55,216
Total primary government expenses	630,674	659,305	686,387	730,579	753,980
Program revenue:					
Governmental activities:					
Charges for services:					
Executive, legislative, and judicial	261	245	238	224	234
Finance	9,130	6,912	19,273	22,216	24,526
Public safety	16,413	14,751	16,078	19,412	16,336
Building inspection	2,367	2,845	4,381	4,660	4,817
Public works	103	185	208	258	244
Recreation	-	64	94	91	90
Public land and parks	1,278	952	1,133	1,271	1,216
Education	987	1,201	1,942	1,931	2,802
Community development	-	-	-	2,054	125
Operating grants and contributions:					
Executive, legislative, and judicial	6,153	5,157	410	136	142
Finance	652	1,339	1	269	683
Public safety	876	918	1,733	1,696	3,039
Public works	-	-	3,474	3,044	3,171
Recreation	595	466	504	570	599
Public land and parks	-	109	32	-	-
Education	209,042	214,700	242,517	248,927	252,043
Community development	15,612	17,959	22,198	17,361	25,502

* GASB Statement No. 34 implemented in fiscal year 2002.

CITY OF PROVIDENCE, RHODE ISLAND

Changes In Net Assets, Continued
Last Five Fiscal Years*
(accrual basis of accounting)
(in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Program revenue, Continued:					
Governmental activities, Continued:					
Capital grants and contributions:					
Finance	11,599	11,868	13,609	-	-
Education	-	-	-	13,115	15,199
Total governmental activities					
program revenue	275,068	279,671	327,825	337,235	350,768
Business-type activities:					
Charges for services:					
PPBA	7,958	10,850	7,110	8,197	7,825
Water Supply Board	43,264	46,661	49,168	48,807	52,432
Civic Center	4,220	4,159	5,306	5,581	1,824
Capital grants and contributions:					
Water Supply Board	1,824	1,236	1,197	1,464	1,309
Civic Center	533	707	-	-	-
Total business-type activities					
program revenues	57,799	63,613	62,781	64,049	63,390
Total primary government program					
revenues	332,867	343,284	390,606	401,284	414,158
Net (expense) revenue:					
Governmental activities	(306,038)	(325,649)	(300,139)	(331,888)	(347,996)
Business-type activities	8,231	9,628	4,358	2,593	8,174
Total primary government net expense	(297,807)	(316,021)	(295,781)	(329,295)	(339,822)
General revenues and other changes in net assets:					
Governmental activities:					
Property taxes	211,566	223,186	257,116	258,213	260,629
Payments in lieu of taxes	22,485	17,000	17,078	17,656	26,879
Grants and contributions not restricted to					
specific programs	37,957	36,947	42,869	45,781	49,546
Investment income	5,556	8,458	4,191	4,465	8,033
Gain (loss) on disposal	-	-	-	(31)	3,563
Miscellaneous	-	14,191	(3,430)	782	696
Transfers	(430)	(400)	(600)	(245)	-
Sale of building and land	-	-	-	-	3,148
Total governmental activities	277,134	299,382	317,224	326,621	352,494

* GASB Statement No. 34 implemented in fiscal year 2002.

CITY OF PROVIDENCE, RHODE ISLAND

Changes In Net Assets, Continued
 Last Five Fiscal Years*
(accrual basis of accounting)
(in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Business-type activities:					
Investment earnings	1,504	1,179	1,681	1,670	2,227
Miscellaneous	425	-	-	-	-
Transfers	430	400	600	245	-
Special items:					
Sale of building and land	-	-	-	-	9,204
Total business-type activities	2,359	1,579	2,281	1,915	11,431
Total primary government	279,493	300,961	319,505	328,536	363,925
Changes in net assets:					
Governmental activities	(28,904)	(26,267)	17,085	(5,267)	4,498
Business-type activities	10,590	11,207	6,639	4,508	19,605
Total primary government	\$ (18,314)	\$ (15,060)	\$ 23,724	\$ (759)	\$ 24,103

* GASB Statement No. 34 implemented in fiscal year 2002.

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CITY OF PROVIDENCE, RHODE ISLAND

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year			
	1997	1998	1999	2000
General Fund:				
Designated for future uses	\$ 2,288	\$ 2,285	\$ 403	\$ 403
Unreserved	3,005	3,228	5,243	6,462
Total General Fund	\$ 5,293	\$ 5,513	\$ 5,646	\$ 6,865
All Other Governmental Funds:				
Reserved	\$ 23,849	\$ 32,478	\$ 33,848	\$ 74,409
Unreserved:				
Designated for future uses	-	-	-	-
Undesignated:				
School Grants	3,120	3,115	3,353	3,436
Capital Projects	59,980	63,876	24,501	26,367
Special Revenue	(4,249)	(7,903)	(4,297)	8,325
Permanent Trust	-	-	-	-
Total all other government funds	\$ 82,700	\$ 91,566	\$ 57,405	\$ 112,537

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ -	\$ 10,200	\$ 900	\$ 2,290	\$ 401	\$ 433
7,323	8,328	10,226	12,532	16,706	19,251
\$ 7,323	\$ 18,528	\$ 11,126	\$ 14,822	\$ 17,107	\$ 19,684
\$ 67,467	\$ 71,557	\$ 51,922	\$ 10,264	\$ 11,758	\$ 10,885
-	-	-	11,035	11,146	11,146
2,169	7,382	6,675	7,314	6,718	7,121
21,133	-	-	26,942	24,930	23,541
(246)	17,197	14,027	19,519	50,510	88,797
-	14,440	18,048	20,673	-	-
\$ 90,523	\$ 110,576	\$ 90,672	\$ 95,747	\$ 105,062	\$ 141,490

CITY OF PROVIDENCE, RHODE ISLAND

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

	Fiscal Year			
	1997	1998	1999	2000
Revenues:				
Taxes	\$ 177,920	\$ 189,126	\$ 192,301	\$ 203,242
Departmental revenue	6,793	3,524	3,656	4,948
Federal and state grants and reimbursements	156,176	165,337	201,565	222,524
Investment and rental income	13,157	22,511	17,858	25,413
Fines and forfeitures	3,448	1,841	2,873	3,721
Other	36,883	44,244	38,848	39,565
Total revenues	394,377	426,583	457,101	499,413
Expenditures:				
Current:				
Executive, legislative, and judicial	4,587	4,790	4,630	6,455
Finance	33,971	59,996	62,437	47,952
Public safety	59,478	62,288	72,384	69,559
Building inspection	2,505	2,249	2,390	2,637
Public works	8,509	9,080	10,148	10,275
Recreation	1,162	1,296	1,412	1,576
Public lands and parks	6,827	6,950	7,465	7,675
Education	182,163	201,253	224,414	240,914
Community development	-	-	-	-
Other departments	15,675	20,453	10,245	4,792
Grants	2,956	3,279	3,404	3,504
Public properties	3,652	15,249	2,515	3,198
Other	33,775	7,505	20,870	31,291
Program expenditures	1,646	11,736	22,394	110
Noncurrent:				
Capital outlays	12,195	10,969	23,538	61,841
Debt service	33,788	918	13,653	35,558
Total expenditures	402,889	418,011	481,899	527,337
Excess of revenues (under) expenditures	(8,512)	8,572	(24,798)	(27,924)
Other financing sources (uses):				
Capital leases issued	-	-	-	-
Capital notes issued	-	-	-	-
Payment to refunding bonds escrow agent	(23,020)	-	-	-
Premium on bond issued	97,084	32,447	10,424	128,287
Proceeds from sale of real estate	-	-	-	-
Transfers in	224	235	218	182
Transfers out	(23)	(386)	(20)	-
Proceeds on refunding bonds issued	-	-	-	-
Total other financing sources (uses)	74,265	32,296	10,622	128,469
Special Items				
Proceeds from sale	-	-	-	-
Net changes in fund balance	\$ 65,753	\$ 40,868	\$ (14,176)	\$ 100,545
Debt service as a percentage of noncapital expenditures	8.6%	0.2%	3.0%	7.6%

Fiscal Year						
2001	2002	2003	2004	2005	2006	
\$ 211,527	\$ 216,770	\$ 243,838	\$ 262,873	\$ 270,302	\$ 285,966	
7,861	23,554	8,728	31,352	32,911	33,877	
252,851	288,410	281,956	326,516	329,141	345,627	
28,195	10,445	13,315	17,047	15,628	21,305	
3,898	3,773	3,805	5,231	5,597	5,486	
47,778	10,473	26,223	4,075	3,772	4,267	
552,110	553,425	577,865	647,094	657,351	696,528	
18,971	9,528	15,417	11,285	11,074	12,995	
54,715	86,126	94,124	98,836	119,565	124,814	
76,399	85,399	85,498	95,137	95,110	108,146	
2,639	2,704	2,592	2,610	2,521	2,600	
12,240	12,134	12,481	13,426	12,866	13,919	
1,731	3,758	2,611	2,766	2,470	2,939	
8,337	13,036	13,565	15,411	14,446	16,211	
257,444	282,021	299,911	338,485	345,255	366,910	
-	22,929	19,218	20,185	18,942	21,145	
5,229	-	-	-	-	-	
4,042	-	-	-	-	-	
2,951	-	-	-	-	-	
31,831	-	-	-	-	-	
209	-	-	-	-	-	
32,934	31,890	16,504	10,979	5,709	6,279	
43,635	35,719	50,382	33,138	30,976	24,128	
553,307	585,244	612,303	642,258	658,934	700,086	
(1,197)	(31,819)	(34,438)	4,836	(1,583)	(3,558)	
-	79,995	34,851	4,535	7,435	9,145	
-	-	-	-	-	9,081	
-	(22,038)	(27,319)	-	(111,980)	(28,244)	
17,216	-	-	-	3,013	778	
-	-	-	-	-	6,440	
64,120	103,521	97,306	118,126	112,305	138,153	
(103,220)	(103,951)	(97,706)	(118,726)	(112,550)	(138,270)	
-	-	-	-	114,960	28,675	
(21,884)	57,527	7,132	3,935	13,183	25,758	
-	-	-	-	-	16,805	
\$ (23,081)	\$ 25,708	\$ (27,306)	\$ 8,771	\$ 11,600	\$ 39,005	
8.4%	6.5%	8.5%	5.2%	4.7%	3.5%	

CITY OF PROVIDENCE, RHODE ISLAND

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

(in thousands)

Fiscal Year	Real Estate	Tangible Taxes	Excise Taxes	Total
1997	\$ 117,490	\$ 35,768	\$ 18,742	\$ 172,000
1998	123,496	39,087	18,827	181,410
1999	123,120	40,671	19,476	183,267
2000	131,962	44,777	17,880	194,619
2001	143,781	47,202	20,544	211,527
2002	167,962	30,512	18,294	216,768
2003	181,222	28,834	16,782	226,838
2004	193,896	31,121	18,254	243,271
2005	203,258	28,378	17,131	248,767
2006	209,251	28,154	17,768	255,173
Change 1997-2006	78.1%	-21.3%	-5.2%	48.4%

Source: City records.

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CITY OF PROVIDENCE, RHODE ISLAND

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands)

(unaudited)

Fiscal Year	Residential Property	Tangible Personal Property ⁽¹⁾	Motor Vehicle	Exemptions	Total Taxable Assessed Value	Percent Growth
1997	\$ 5,431,824	\$ 526,025	\$ 312,067	\$ (1,279,611)	\$ 4,990,305	0.00%
1998	5,469,679	566,684	310,633	(1,282,655)	5,064,341	1.48%
1999	5,436,099	584,914	325,322	(1,291,537)	5,054,798	-0.19%
2000	5,437,478	622,022	296,593	(1,296,243)	5,059,850	0.10%
2001	5,375,740	646,851	268,898	(1,261,983)	5,029,506	-0.50%
2002	6,208,931	632,987	258,320	(1,102,234)	5,998,004	18.54%
2003	6,162,597	636,696	232,133	(1,052,670)	5,978,756	-0.32%
2004	6,154,269	672,482	243,658	(1,082,370)	5,988,039	0.16%
2005	9,484,121	638,720	222,344	(3,055,179)	7,290,006	21.74%
2006	9,496,709	636,126	241,061	(3,139,525)	7,234,371	-0.76%

Source: City Records

Note: The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year. There are no overlapping governments that collect property taxes from City residents.

⁽¹⁾ Includes assessments for non-related manufacturer's office furniture, fixtures and equipment.

Total Direct Tax Rate	Actual Taxable Value	Assessed Value as a Percentage of Actual Value
73.00	364,292,265	1.37%
76.78	388,840,102	1.30%
76.78	388,107,390	1.30%
76.78	388,495,283	1.30%
76.78	386,165,471	1.30%
76.78	460,526,747	1.30%
76.78	459,048,886	1.30%
76.78	459,761,634	1.30%
76.78	559,726,661	1.30%
76.78	555,455,005	1.30%

CITY OF PROVIDENCE, RHODE ISLAND

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

Taxpayer	2005			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Narragansett Electric Co.	\$ 179,765,078	1	2.47%	\$ 164,156,851	1	3.29%
Fleet Center Associates	96,514,144	2	1.32%	49,239,400	5	0.99%
Capital Properties, Inc.	69,612,969	3	0.95%	126,536,803	2	2.54%
RI Hospital Trust National Bank	39,989,985	5	0.55%	54,439,738	3	1.09%
Blue Cross and Blue Shield of Rhode Island	35,379,664	6	0.49%	39,800,500	7	0.80%
Textron Realty Corporation	34,276,371	7	0.47%	37,751,210	8	0.76%
Providence Gas Company	33,535,939	8	0.46%	47,884,188	6	0.96%
The Providence Journal Company	44,438,599	4	0.61%	51,876,826	4	1.04%
Laurelmead Cooperative	31,273,237	9	0.43%	-	-	0.00%
Providence Realty Associates LP	30,613,183	10	0.42%	-	-	0.00%
Avalon Properties Inc.	27,208,393	11	0.37%	-	-	0.00%
Edward E. Zucker (trustee)	26,341,817	12	0.36%	-	-	0.00%
One Twenty One South Main Street, LLC	21,945,671	13	0.30%	-	-	0.00%
Alpine Realty Providence LLC	20,773,953	14	0.28%	-	-	0.00%
Home Depot USA, Inc.	19,173,114	15	0.26%	-	-	0.00%
One Financial Center Plaza LLC	18,484,616	16	0.25%	-	-	0.00%
Historic Hotel Partners of Providence, LP	18,436,330	17	0.25%	-	-	0.00%
Jefferson At Providence Place Apartments, LP	18,403,259	18	0.25%	-	-	0.00%
Foundry Parcel Fifteen Associates, LLC	18,253,832	19	0.25%	-	-	0.00%
Elizabeth T. Corson Westminster Trust	17,165,725	20	0.24%	-	-	0.00%
Total	\$ 801,585,879		11.00%	\$ 571,685,516		11.46%

Source: City Records

CITY OF PROVIDENCE, RHODE ISLAND

Property Tax Levies And Collections

Last Ten Fiscal Years

(unaudited)

Fiscal Year Ended June 30:	Net 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
1997	\$ 182,245,127	\$ 168,638,011	92.53%	\$ 11,949,676	\$ 180,587,687	99.09%
1998	196,309,904	179,290,303	91.33%	12,051,284	191,341,587	97.47%
1999	198,276,055	180,839,604	91.21%	11,903,302	192,742,906	97.21%
2000	206,444,935	191,437,915	92.73%	10,209,612	201,647,527	97.68%
2001	214,851,680	199,539,625	92.87%	10,741,936	210,281,561	97.87%
2002	221,121,470	208,194,767	94.15%	11,500,233	219,695,000	99.35%
2003	228,040,394	215,494,344	94.50%	8,775,461	224,269,805	98.35%
2004	240,581,574	231,862,834	96.38%	4,605,251	236,468,085	98.29%
2005	248,700,567	240,140,679	96.56%	5,403,778	245,544,457	98.73%
2006	254,005,375	243,165,192	95.73%	-	243,165,192	95.73%

Source: City Tax Collector Records

Note: The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year.

CITY OF PROVIDENCE, RHODE ISLAND

Ratios of Net General Bonded Debt Outstanding by Type

Last Ten Fiscal Years

(unaudited)

(in thousands)

Fiscal Year	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income	Net Debt Per Capita
	General Obligation Bonds	Revenue Bonds	Special Obligation Tax Increment	PPBA Debt	Capital Notes and Leases	Notes Payable	Line of Credit	Revenue Bonds	Capital Leases			
1997	\$ 178,970	\$ -	*	\$ 71,183	\$ 25,893	\$ -	\$ -	\$ 24,787	\$ 13,508	\$ 314,341	**	845
1998	166,655	-	*	95,334	26,889	6,176	-	22,671	12,582	330,307	**	780
1999	153,665	-	*	92,410	28,053	2,847	-	22,396	11,811	311,182	**	710
2000	140,215	68,000	*	146,853	38,615	2,659	-	24,677	11,316	432,335	**	594
2001	102,735	69,430	33,275	141,811	44,602	2,349	-	26,823	9,990	431,015	**	591
2002	147,250	66,750	32,040	143,534	48,084	7,764	-	27,129	8,621	481,172	**	851
2003	140,340	65,445	30,700	200,120	50,123	6,904	-	28,856	7,391	529,879	**	808
2004	131,875	64,085	29,250	192,768	47,959	5,966	789	22,135	6,105	500,932	**	760
2005	127,250	67,315	27,675	182,930	50,987	4,974	1,104	22,437	5,009	489,681	**	**
2006	119,215	66,500	28,285	173,474	59,994	4,215	385	18,070	3,865	474,003	**	**

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

Direct Governmental Activities Debt

For the Year Ended June 30, 2006

(unaudited)

(in thousands)

Governmental Unit	Debt Outstanding
General obligation debt:	
General obligation bonds	\$ 119,215
Revenue bonds	66,500
Special obligation tax increment	28,285
Notes payable	4,215
Capital leases	19,579
Capital notes	40,415
PPBA debt-City	173,474
Total direct debt	<u><u>\$ 451,683</u></u>

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

CITY OF PROVIDENCE, RHODE ISLAND

Legal Debt Margin Information

Last Ten Fiscal Years and Current Year Computation

(unaudited)

(in thousands)

										Legal Debt Margin Calculation for Fiscal Year 2006	
										Taxable Property	\$ 7,000,000
										Debt limit (3% of taxable property)	210,700
										Debt applicable to limit:	
										General obligation bonds	119,000
										Less: debt not subject to 3% limit ⁽¹⁾	97,500
										Total net debt applicable to limit	216,500
										Legal debt margin	\$ 187,300
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Debt limit	\$ 178,200	\$ 180,900	\$ 180,500	\$ 180,700	\$ 179,600	\$ 179,600	\$ 179,400	\$ 218,700	\$ 206,500	\$ 210,700	
Total net debt applicable to limit	51,400	47,400	43,000	39,000	35,300	33,200	29,500	31,600	27,500	23,400	
Legal debt margin	126,800	133,500	137,500	141,700	144,300	146,400	149,900	187,100	179,000	187,300	
Total net debt applicable to the limit as a percentage of debt limit	41%	36%	31%	28%	24%	23%	20%	17%	15%	12%	
Debt outstanding issued outside the 3% debt limit*	\$ 130,200	\$ 116,900	\$ 108,200	\$ 99,200	\$ 100,900	\$ 114,000	\$ 110,900	\$ 102,500	\$ 99,800	\$ 95,700	

* 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.

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CITY OF PROVIDENCE, RHODE ISLAND

Pledged-Revenue Coverage

Last Ten Fiscal Years

(unaudited)

(in thousands)

Fiscal Year	Water Supply Board						Redevelopment Revenue Bonds			
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Collections	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
1997	\$ 30,402	\$ 22,286	\$ 8,116	\$ -	**	\$ -	\$ -	\$ -	\$ -	\$ -
1998	31,916	23,311	8,605	-	**	-	-	-	-	-
1999	39,809	29,838	9,971	-	**	-	-	-	-	-
2000	41,558	32,961	8,597	-	**	-	5,394	-	-	-
2001	42,613	34,530	8,083	-	**	-	11,584	-	-	-
2002	41,699	32,925	8,774	425	**	20.60	4,767	1,250	-	3.80
2003	45,177	36,759	8,418	443	179	13.50	4,360	1,305	-	3.40
2004	49,168	37,614	11,554	464	229	16.70	6,624	1,360	3,662	1.32
2005	48,807	40,871	7,936	516	207	11.00	6,858	*	-	-
2006	52,432	42,446	9,986	509	183	14.43	-	-	-	-

* Bond was fully refunded in 2005.

** Not available.

*** Bonds were refunded.

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

Providence Public Building Authority Revenue				Civic Center Bonds					
Collections	Debt Service		Coverage	Charges	Operating Expenses	Net Available Revenues	Debt Service		Coverage
	Principal	Interest					Principal	Interest	
\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
-	-	-	-	3,180	4,246	(1,066)	-	-	-
-	-	-	-	4,100	5,929	(1,829)	-	-	-
-	-	-	-	4,569	6,394	(1,825)	190	109	(6.1)
-	-	-	-	3,934	6,153	(2,219)	195	99	(7.5)
7,958	6,330	7,666	0.57	4,645	6,744	(2,099)	205	109	(6.7)
10,850	6,630	7,782	0.75	4,159	6,592	(2,433)	215	99	(7.7)
7,110	7,322	6,943	0.50	5,492	7,659	(2,167)	225	68	(7.4)
8,197	9,838	9,189	0.43	4,885	8,949	(4,064)	235	151	(10.4)
7,825	10,516	8,713	0.41	1,824	2,241	(417)	****	-	-

CITY OF PROVIDENCE, RHODE ISLAND

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
1997	160,728	(1)	(1)	(1)	(1)	6.7%
1998	160,728	(1)	(1)	(1)	(1)	6.2%
1999	160,728	(1)	(1)	(1)	(1)	5.4%
2000	173,618	(1)	(1)	28.1	26,190	5.0%
2001	173,618	(1)	(1)	28.1	26,500	6.1%
2002	173,618	(1)	(1)	28.1	27,000	6.1%
2003	173,618	(1)	(1)	28.1	26,900	6.4%
2004	173,618	(1)	(1)	28.1	25,400	6.1%
2005	176,862	(1)	(1)	30.4	26,200	* 6.3%
2006	176,862	(1)	(1)	30.4	26,050	** (1)

(1) Unavailable

* Source: Rhode Island Department of Labor and Training

** Projected

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

CITY OF PROVIDENCE, RHODE ISLAND

Principal Employers

2005 and 1997

(Unaudited)

Employer	2005		1997	
	Employees	Rank	Employees	Rank
Rhode Island Hospital	6,063	1	5,000	1
Brown University	3,251	2	3,000	2
Bank of America/Fleet National Bank	3,040	5	1,168	10
Women and Infants Hospital	2,800	3	2,006	4
The Miriam Hospital	2,161	4	1,300	9
Roger Williams Medical Center	1,340	7	1,600	7
Citizens Bank	1,289	8	2,200	3
Johnson & Wales University	1,200	9	1,500	8
Verizon	1,115	6	-	6
Blue Cross/Blue Shield of Rhode Island	1,066	10	1,800	5
Providence Journal	964	11	1,800	5
Veteran's Administration Medical Center	946	12	-	-
Rhode Island School of Design	900	14	900	12
Rhode Island College	856	15	-	-
Gilbane Building Company	856	16	-	-
Butler Hospital	800	21	-	-
Manpower Inc.	750	17	-	-
St. Joseph Hospital for Specialty Care	750	18	1,000	11
Pinkerton Northeast	700	20	-	-
Lifespan Corporate Services	652	19	-	-

Sources: Rhode Island Department of Labor and Training

CITY OF PROVIDENCE, RHODE ISLAND

Full-Time Equivalent Employees By Functional Program
Last Ten Fiscal Years
(Unaudited)

Functions/Program	Full-Time Equivalent Employees as of June 30			
	2006	2005	2004	2003
Executive, Legislative, Judicial and Finance:				
City Council	15	15	15	15
City Sergeant	1	1	1	1
City Clerk	9	9	10	10
Personnel	12	12	10	10
Finance	23	30	33	30
Computer Services	7	-	-	-
Legal	22	22	22	20
Courts	23	23	24	23
Retirement	5	5	5	5
Board Tax Assessment	5	5	5	5
City Treasurer	5	5	5	5
City Collector	16	18	20	19
City Assessor	18	16	20	19
Recreation and Public Land and Parks:				
Grounds Maintenance	47	52	62	64
Recreation	20	20	22	28
Zoo	37	37	36	35
Forestry	14	16	17	17
Parks	45	39	39	49
Greenhouse	11	14	14	12
Public Property	24	25	29	28
Public Safety:				
Police department	592	563	584	587
Commissioner's Office	7	7	7	7
Firefighters' Department	484	485	508	511
Communication	78	78	84	97
Public Works:				
Administration	10	10	10	9
Engineering	7	8	7	6
Environmental Control	12	12	12	26
Highway and Bridge Maintenance	48	48	56	42
Sewer Maintenance	9	10	9	9
Miscellaneous	45	44	47	52
Garage	8	9	9	8
Traffic Engineering	12	11	11	-
Building Inspection	12	13	14	15
School Department	3,333	3,342	3,473	3,435
Total	5,016	5,004	5,220	5,199

Source: City Records.

Full-Time Equivalent Employees as of June 30					
2002	2001	2000	1999	1998	1997
15	15	15	15	15	15
1	1	1	1	1	1
10	10	9	9	9	9
11	9	7	9	9	7
30	22	23	23	23	23
-	5	2	3	2	2
21	20	21	23	22	21
24	25	18	21	20	18
5	4	5	5	5	5
5	5	5	5	5	5
5	5	4	5	4	4
18	16	15	18	18	15
22	20	21	23	23	21
66	58	66	62	61	66
28	25	22	24	25	22
34	34	29	33	31	29
17	16	16	18	20	16
56	48	39	47	44	39
12	13	11	11	11	11
29	28	27	30	29	27
590	592	532	550	519	532
10	8	11	12	23	11
511	510	490	500	500	490
99	94	83	88	88	83
10	10	9	10	9	9
7	7	5	6	6	5
25	24	18	19	17	18
44	44	32	35	35	32
9	9	11	7	11	11
55	56	51	50	50	51
9	9	6	8	7	6
-	-	-	-	-	-
14	14	15	15	15	15
3,382	3,243	N/A	N/A	N/A	N/A
5,174	4,999	1,619	1,685	1,657	1,619

CITY OF PROVIDENCE, RHODE ISLAND

Operating Indicators By Function/Program Last Ten Fiscal Years (Unaudited)

Function/Program	Calendar Year			
	2006	2005	2004	2003
Police:				
Calls for service	190	190	190	190
Fire:				
Total fire calls	13	13	13	13
Total rescue calls	25	25	25	25
Building safety:				
Total building permits	8,250	7,759	7,418	5,914
Total value all permits	251,400	172,700	315,400	166,000
Public service:				
Residential garbage collected (ton)	69	69	69	69

Source: City Records

Calendar Year					
2002	2001	2000	1999	1998	1997
190	190	150	170	170	170
13	15	15	12	12	12
26	26	26	23	23	23
5,165	5,145	5,821	5,608	5,289	5,781
140,300	107,800	106,600	144,800	86,600	99,600
60	60	60	70	70	70

CITY OF PROVIDENCE, RHODE ISLAND

Capital Asset Statistics By Function/Program Last Ten Fiscal Years (Unaudited)

Function/Program	2006	2005	2004	2003
Public Safety:				
Fire, Fire Stations	15	15	15	15
Fire trucks	28	28	28	28
Public Works:				
Traffic signals				
Collection Trucks				
Bridges	53	53	53	53
Streets (Miles)	417	417	417	417
Manholes	20	20	20	20
Catch Basins	12	12	12	12
Parks & Recreation:				
Acreage				
Parks	141	141	141	141
Golf Course	1	1	1	1
Baseball/Softball Diamonds	1	1	1	1
Greenhouse	1	1	1	1
Soccer/Football Fields	1	1	1	1
Water Parks	3	3	3	3
Museum	1	1	1	1
Swimming pools	6	6	6	6
Recreation Centers	12	12	12	12
Zoo	1	1	1	1
Community Centers				
Water:				
Lakes	10	10	10	10
Wastewater:				
Sanitary Sewer Lines (miles)	415	415	415	415

Source: City Records

* - Indicator not available.

2002	2001	2000	1999	1998	1997
15	15	15	16	16	16
28	28	28	28	28	28
53	53	53	53	53	53
417	417	417	417	417	366
20	12	12	-	-	-
12	12	12	12	12	12
141	141	110	110	110	110
1	1	1	-	-	-
1	-	-	-	-	-
1	1	1	1	4	4
1	-	-	-	-	-
3	3	3	2	2	2
1	1	1	-	-	-
6	6	6	-	-	6
12	12	12	-	-	7
1	1	1	1	1	1
10	10	10	10	10	10
415	415	415	415	315	315

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