

City Hall, Room 310
25 Dorrance Street
Providence, RI 02903
P: 401.421.7740, ext 577
F: 401.351.1056



Office of the Internal Auditor

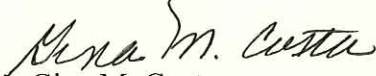
January 11, 2017

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

Dear Council President Aponte:

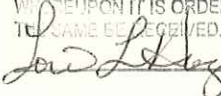
I am writing to formally submit to the City Council the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. Rhode Island state law requires that all general purpose, local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. This report was completed in accordance with Government Auditing Standards and in a timely fashion by the city's external audit firm, Blum Shapiro & Company.

Sincerely,


Gina M. Costa
Auditor/Budget Analyst

JAN 11 15 15 SJ

IN CITY COUNCIL
JAN 19 2017

READ
WHEN UPON IT IS ORDERED THAT
TO BE RECEIVED.
 CLERK

DEPT. OF CITY CLERK
PROVIDENCE, R.I.
2017 JAN 11 P 2: 27

FILED

CITY OF PROVIDENCE, RHODE ISLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2016



City of Providence
Finance Department
25 Dorrance Street, Providence, RI 02903

CITY OF PROVIDENCE, RHODE ISLAND
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Introductory Section

City Officials
As of June 30, 2016

Mayor
Jorge O. Elorza

City Council

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

Department Directors

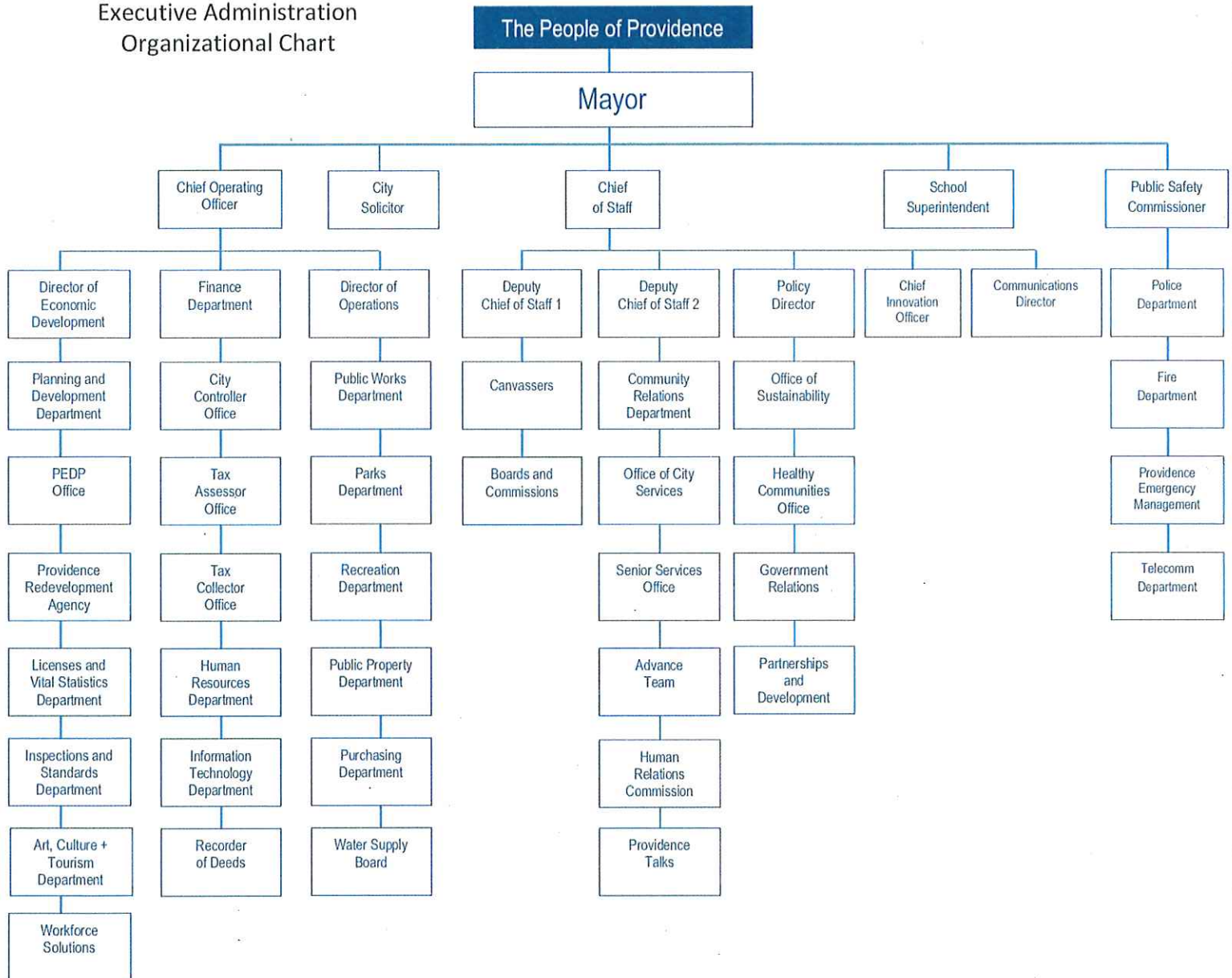
General Manager of Water Supply	Richard A. Caruolo
Commissioner of Public Safety & Acting Fire Chief	Steven M. Pare
Chief of Police Department	Col. Hugh T. Clements, Jr
Chief of Staff	Tony Simon
City Clerk	Lori L. Hagen
City Controller	J. Michael D'Antuono, CPA
City Solicitor	Jeffrey Dana, Esq
City Treasurer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



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Executive Administration Organizational Chart





CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

December 29, 2016

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

Honorable Members,

Rhode Island state law requires that all general purpose, local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. This report fulfills that requirement for the fiscal year (FY2016) that ended June 30, 2016.

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

Accountants and advisers from BlumShapiro have issued an unmodified ("clean") opinion on the City of Providence, Rhode Island's financial statements for the year ending June 30, 2016. A copy of their independent auditor's report is located at the front of the financial section of the report.

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

Profile of the Government

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

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



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

Facing Structural Deficit

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

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

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

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

On May 21, 2015, Mayor Elorza said the following of the PFM report and its implications for the City, "The report is in, and it shows us that Providence still has a structural deficit in the range of \$11 to \$19 million a year and that gap will continue to widen if we do not begin to immediately address the problem. We need to fix the structural budget imbalances that stand in the way of lasting fiscal strength instead of just kicking the can down the road and letting the problem grow worse."

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

FY2016 Budget

During his budget presentation to the City Council, Mayor Elorza discussed how the City was still struggling to fully recover in the wake of challenging financial times and emphasized a need for tough decisions and fiscal responsibility. The budget for FY2016 was signed into law on Thursday, June 11, 2015 and focuses on setting Providence on a firm path for the future.



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

The FY2016 budget held the line on commercial real estate taxes and did not raise property or car taxes. Costs were offset with a modest raise in fees for building permits and business licenses as well as added revenue streams from the expansion of parking meters throughout the city. The FY2016 budget also placed significantly less onus on one-time revenue sources.

FY2016 budget took a number of steps to promote and facilitate investment and business in the city, including creating a Liaison Business Facilitator position in the City's Economic Development office to assist potential investors and developers.

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

The FY2016 budget included a 2% increase in revenue through growth of the tax base, a modest increase in certain permitting fees (bringing the City in line with other municipalities in Rhode Island) and several items of new tax revenue, including \$500,000 from port equipment that was not previously on the tax rolls.

The FY2016 budget also fully budgeted changes to account for the City's required deficit reduction payments, all of which were made in a timely manner.

Development and Infrastructure

FY2016 saw a number of significant infrastructural investments throughout the City and also helped pave the way for increased development going forward.

Transportation Improvements – FY2016 saw the substantial completion of road paving under the City's \$40 million bond. The City has also completed phase three of its Downtown Circulator project, aimed at improving Downtown streets for all users. Additionally the City has been working closely with State transportation and public transit officials on the redesign of the 6-10 Connector highway, the Downtown Bus Hub in Capital Center, and the Downtown Transit Connector bus service.

Parking Meters -- The City has converted all single and multi-space parking meters to accept credit cards, making them more efficient and convenient. A Pay-By-Cell option is set to be introduced in January 2017. The City also received a modest increase in parking meter revenue from extended hours and the addition of several hundred parking spaces in commercial areas throughout the City.

Land of Opportunity -- The land that was freed up by the relocation of I-195 presents a once-in-a-lifetime opportunity for Providence and Rhode Island to create the economy of the future. The Elorza administration worked with State leaders, the City Council and the I-195 Commission to develop a standardized tax stabilization agreement for the district that will provide prospective developers with a clearer understanding of the incentives available to them when considering an investment on this land. Three projects have applied for stabilizations under this program. The City also entered into a memorandum of understanding with the I-195 Commission to assist with the review of projects proposed for



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

the I-195 land. To date, one project, the Bowen Center at Johnson and Wales University has been completed. Two other mixed-use projects have been approved. Elsewhere in the City, there has been a substantial uptick in development proposals, with hundreds of new dwelling units and six hotels either under construction or in the development review process.

Neighborhood Development -- In FY2016 Mayor Elorza and Council President Aponte announced the Providence Neighborhood Revitalization Act, a tax incentive program aimed at revitalizing neighborhoods, supporting women- and minority owned business and putting Providence residents to work. The program encourages economic development in the city's under-invested, low- to moderate-income neighborhoods by providing developers transparency and predictability. Nineteen of Providence's twenty-five neighborhoods have been designated as Opportunity Neighborhoods, eligible for the Neighborhood TSA.

Food Access Grant Program -- In November 2015, Mayor Elorza announced a Healthy Food Access Grant program, which offered businesses and community initiatives funding to help increase local food production and consumption, and increase access to, and affordability, of healthy foods, especially in areas with limited healthy food access.

Providence Design Catalyst -- With support from the Rhode Island School of Design, DESIGNxRI and Social Enterprise Greenhouse, the City offered the Providence Design Catalyst. The program provided grants up to \$35,000 to design-driven small businesses in the capital city looking to grow. Design is one of the fastest growing sectors locally and nationally. While the city's design talent continues to brew, sustaining and growing these creative entities is important to ensure a strong and active sector in Providence. This successful program will be replicated upon funding identification.

Port Expansion -- Last year, ProvPort secured a 14-acre parcel owned by the City which it will lease from 2015 to 2036 at a rate of \$140,000 per year. The expansion allowed ProvPort to increase capacity to accommodate a temporary structure that housed workspace for the construction of offshore wind turbines. Mayor Elorza is also seeking opportunities to expand commerce and better utilize the City's deep water channel. This year, the City worked with the State to craft a bond referendum that would allow land acquisition for the expansion of ProvPort to waterfront land north of Thurbers Avenue. The bond was approved by voters in November 2016.

Improving Public Service through Innovation

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



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Jorge O. Elorza, Mayor

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

Mayor's Center for City Services (MCCS) -- Upon taking office Mayor Elorza undertook a restructuring and refocusing of the Mayor's constituent service arm to provide a more streamlined, responsive and customer service oriented experience for residents seeking assistance from the City. Through innovative partnerships and systems the Mayor's Center for City Services is improving the speed and effectiveness of city services. In 2016, center staff assisted with and closed over 9,000 constituent cases.

PVD311 Hotline and Mobile Application -- In March 2016, the Elorza Administration launched the 3-1-1 hotline and PVD311 mobile application with the objective of making it easier to request city services. The tools connect constituents directly with City Hall and are results of the City's efforts to make local government more open, accountable, and responsive.

Mayor's Center for City Services' Community Office Hours -- The Community Office Hours initiative enabled the Mayor's Center for City Services to expand to every corner of Providence to better connect with residents. To date Community Office Hours have been held in twenty-five Providence's neighborhoods with visits to local grocery stores, farmers markets, and community events.

Customer Service Training -- The City partnered with AMICA to provide customer service training to MCCS staffers as well as other points of contact throughout city government. The City also added tools to help the public interface with City Hall, including wayfinding signs throughout the building, an information desk that is staffed by an MCCS representative by the first floor entrances to City Hall. In May, the City announced that 60% of municipal employees had gone through customer service training with expectations of reaching 100% by 2017.

CodeRED Emergency Notification System -- The Providence Emergency Management Agency and the City attained the CodeRED Emergency Notification System to alert Providence residents in emergency situations. The service allows emergency officials to notify residents and businesses by telephone, cell phone, text message, email and social media regarding time-sensitive emergency information.

Parks, Recreation and Healthy Communities

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



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Expanded Summer Recreation -- Mayor Elorza's administration was pleased to offer a wide range of activities for kids and support for families through its robust and affordable summer recreation programs in 2016. Led by Director of Recreation Services Michael Stephens, Parks and Recreation Superintendent Wendy Nilsson, and recreations staff from across the city, the line-up offered diverse and affordable programming including weekly sports camps, specialty camps, a new international day camp, and full day camps. In addition to continuing all previous Summer Recreation programs, the 2016 line-up introduced all new programs. With the City's efforts to address summer learning loss, day camps and sports camps provided campers literacy programming to enhance reading skills.

Fall Recreation Program -- For autumn 2015, Providence offered its first Fall Recreation Program with options that included more than 30 programs for residents of all ages. Youth activities included volleyball, kickball, karate, cheerleading, flag football, afterschool homework help, as well as arts, craft and nature programs. All were offered to city residents free of charge.

Winter Swim Program -- During the winter of 2015, the City introduced a swim program which included free swim lessons and activities at Pleasant View Elementary School. The program gave children the opportunity to learn to swim and remain active and engaged during the winter months.

Citywide Parks and Sports Fields Improvements -- Mayor Elorza spearheaded significant investments in renovations and improvements to parks and sports fields throughout the city to make them more inviting and accommodating to the residents that rely on them for exercise and play. Major projects included John Donigian Memorial Park, Collyer Park, Bucklin Street Park, and Roger Williams Park. Dozens of new signage in parks throughout the city were also installed.

Midnight Basketball -- For young adults, Mayor Elorza collaborated with community partners and other Rhode Island towns and cities to expand the Summer Midnight Basketball League. The Rhode Island Midnight Basketball league utilized several recreational parks and facilities throughout the city from 9 p.m. to midnight. With the primary objective of promoting camaraderie and athletic competition, the league was incredibly successful and featured teams representing Pawtucket, East Providence, Central Falls and North Providence.

Summer Meals Program -- With the assistance of Federal, State, and local community partners, and the U.S. Department of Agriculture (USDA), Providence offered free and nutritious meals to the children under the age of 18 through the Summer Food Service Program. Taking into consideration the population of students who depend on free or reduced meal options during the school year, offering this program during the summer months ensured that youth with limited access had an opportunity eat a healthy meal. The program was offered at 32 parks throughout the city and provided 48,000 meals, as well as 49,000 lunches and 38,000 breakfasts at 58 additional enrolled sites.



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Substance Abuse Prevention --The Healthy Communities Office worked to conduct a range of educational programs to reduce youth use of alcohol, tobacco and other drugs. A Prescription Drug Take Back Day was held in partnership with the DEA in Providence, again having one of the most successful take back events throughout the state. The Healthy Communities Office also organized informational events such as community addiction prevention forums and healthy community celebrations at local recreation centers.

Sustainability

In July 2015, Mayor Elorza became a leader on climate action by signing the Compact of Mayors, joining what is now a coalition of over 400 cities worldwide committed to tracking and reducing greenhouse gas emissions and preparing for the impacts of climate change. The City's Office of Sustainability has updated the City's sustainability plan to include these new goals and report progress on implementation. The City is leading by example in a number of areas and is now increasing its capacity to engage residents and businesses in taking action that will improve our environment, save money, and build stronger communities.

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

LED Streetlight Conversion -- The City is under contract with the Partnership for Rhode Island Streetlight Management (PRISM) to purchase and convert all 17,000 of the City's streetlights to LEDs. It is estimated that this will save the City approximately \$2.4 million annually on distribution charges, energy costs, and maintenance. It will also result in higher quality lighting throughout the city and reduce the City's municipal carbon footprint by 25 percent.

Municipal Energy Efficiency Projects -- Since 2010, the City has completed lighting retrofits, gas conversions, and other energy efficiency and conservation measures throughout City-owned buildings and schools. These conservation measures have resulted in considerable savings. With a \$1.2 million low interest loan from the Rhode Island Infrastructure Bank, five city-owned buildings will undergo upgrades that will reduce energy consumption in the five buildings by greater than 40%, saving more than \$400,000 after debt service over the useful life of the improvements. With similar upgrades, twelve school buildings have decreased their energy use and have seen improvements in their ENERGY STAR scores. The City also released a comprehensive municipal energy report in April 2016.



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Renewable Energy -- In April 2016, Mayor Elorza announced the launch of Solarize Providence, a three month effort to generate over 250 new solar projects in the city for an additional installed capacity of over 1.5 MW. The program offered steeply discounted prices for Providence residents and business to install solar on their property. The City also became the sixth 'Rhode Island Energy Champion' as part of National Grid's ongoing Rhode Island Energy Challenge: Find Your Four! Campaign grassroots outreach efforts helped the City reach its goal of signing up over 3,200 residents for the Challenge

SustainPVD Ambassadors -- In the spring of 2014, the City was awarded a grant to pilot a Recycling Ambassador Program. In August, SustainPVD Ambassadors were recruited and trained in both energy efficiency and recycling. Throughout the fall, the energy ambassadors supported the Find Your Four! residential energy conservation campaign by canvassing and attending events throughout the community. The recycling ambassadors developed a community-based marketing strategy to improve recycling rates in the Washington Park neighborhood and helped Providence Public Schools incorporate recycling tours into new science curriculum.

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

FY2016 Projected Surplus

The City is expecting to report a surplus of approximately \$10.3 million for FY2016. The FY2016 surplus included the required \$4.3 million payment that was appropriated for deficit reduction, as well as, a steady increase in tax collections of approximately \$2 million and departmental revenues, including an additional \$2 million in building permits and inspection fees, along with additional state PILOT of \$3 million, LED streetlight conversion rebates of \$1.8 million, along with expenditure reductions in self-insured medical, debt-service and various departmental spending.

The City made its earliest 100 percent ARC funding in the past eighteen years for FY2016, with payments paid by July 25, 2016, thereby earning the City nearly \$150,000 in pension interest credits, thus a savings to the general fund in FY2016.

With the expected \$10.3 million surplus for FY2016, the City's cumulative deficit will be reduced to approximately \$3.1 million. It should be noted that the FY2017 appropriation for deficit reduction is budgeted at \$6.1 million and assuming the FY2017 results of operation leads to a year-end balanced budget, as is expected, the City will have successfully eliminated the cumulative deficit 3 years earlier than planned under a deficit reduction plan that was approved by the City Council and the RI Auditor General in 2016, resulting in a cumulative surplus of approximately \$3.0 million at year-end June 30, 2017.



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

We have made strident efforts in increasing our FY2016 budget to reflect an additional \$5 million in medical expenditures, given that the prior 3 years running medical expense has surpassed budget by \$3.0-3.5 million annually. Building upon this change in FY2016, the FY2017 budget was further enhanced to support current increased expenditures, based upon current trend.

The City continues to regularly review non-essential spending and vacant positions to ascertain additional savings opportunities, where practical and possible.

Debt Administration

Outstanding government- and business-type activity bonds at June 30, 2016 totaled \$556,177,000. (Note 7 of this report represents more detailed information about the City's debt position.) The City has the following bond ratings:

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

Long-Term Financial Planning

As part of the annual budget process, the Finance and Planning Departments develops a five-year Capital Improvement Plan, the first year of which is the Capital Improvement Budget. This is to be submitted to the City Council and adopted along with the City's budget. This plan identifies costs and financing methods for capital projects the City expects to fund over the next five years.

The FY2017 Capital Improvement Budget included \$1 million for miscellaneous capital projects administered by the Department of Public Works. For FY2017, the Finance and Planning Departments are compiling a more comprehensive five-year plan that projects needs through FY 2022. The plan will address funding for roads, sidewalks, sewer and stormwater infrastructure, school facilities, and parks and recreation facilities.

Further, in recognition of the City's continued structural deficit and the Administration's desire to offer structural solutions, a 10-year fiscal Plan for the City was commissioned. With a grant from the Federal Government and local philanthropic support, the Administration presented a report in April of 2016 that provided a series of recommended options to get the City to structural surpluses by the end of the plan. These long-term recommended options are currently under review and consideration and have been assigned to smaller workgroups for further evaluation and development of implementation, where possible.



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

Acknowledgment

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

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

Respectfully submitted,

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

Robin Muksian, Ph.D
Chief Operating Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Providence
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

xiii
Executive Director/CEO

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Financial Section

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Providence, Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Providence, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Providence, Rhode Island, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2016, the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 16 to the financial statements, the beginning net position for governmental activities and business-type activities has been restated in order to correct transactions incorrectly recorded in prior years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on pages 62 through 67 and the pension schedules on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Providence, Rhode Island's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section and Annual Supplemental Transparency Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of the City of Providence, Rhode Island's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Providence, Rhode Island's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
December 29, 2016

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CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016.

Financial Highlights – Primary Government

Government – Wide Highlights

Net Position – The liabilities of the City's governmental activities exceeded its assets for the fiscal year ending June 30, 2016 by \$1,157 million (presented as "total net position"). Of this amount, a negative of \$1,362 million was reported as "unrestricted". The net investment in capital assets was \$204 million. The assets of the City's business-type activities exceed its liabilities by \$269 million. Of this amount, \$239 million represents the City's business-type activities net investment in capital assets.

Change in Net Position – The City's total net position decreased by \$29.8 million in fiscal year 2016. Net position of governmental activities decreased by \$52.4 million, while net position of business-type activities increased by \$22.6 million.

Fund Highlights

Governmental Funds – Fund Balances – As of June 30, 2016, the City's governmental funds reported a combined ending fund balance of \$62.9 million, a \$7.9 million increase from the prior year. Of the total fund balance reported, a negative \$3.2 million represents "unassigned fund balance".

Long-Term Obligations

The City's total long-term obligations related to its government activities had a net increase of \$116 million during the current fiscal year.

The total long-term obligations of the City's proprietary activities increased \$34 million during the current fiscal year.

Overview of the Financial Statements

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

Basic Financial Statements

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and (3) fiduciary. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are described below:

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Fund Financial Statements (continued)

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

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

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

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

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

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Fund Financial Statements (continued)

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the general and school funds – the only governmental funds for which legal budgets are adopted annually. In fiscal year 2016, there were no significant modifications to the budgets originally adopted for each fund.

Other Supplementary Information

Combining Financial Statements and Schedules

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve as a useful indicator of the government's financial position over time. The City's combined net position (government and business-type activities) totaled a deficit of \$889 million at the end of 2016, compared to a deficit of \$838 million at the end of the prior year.

The largest portion of the City's net position, \$443 million, reflect its investment in capital assets, like land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any outstanding related debt used to acquire that asset. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets can not be used to liquidate these liabilities.

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 234,662	\$ 74,753	\$ 309,415	\$ 236,775	\$ 68,108	\$ 304,883
Noncurrent assets	674,661	360,984	1,035,645	705,821	317,262	1,023,083
Total Assets	909,323	435,737	1,345,060	942,596	385,370	1,327,966
Deferred Outflows of Resources	105,991	6,349	112,340	35,001	1,157	36,158
Current liabilities	221,062	15,265	236,327	222,715	16,921	239,636
Noncurrent liabilities	1,921,118	157,876	2,078,994	1,811,195	123,485	1,934,680
Total Liabilities	2,142,180	173,141	2,315,321	2,033,910	140,406	2,174,316
Deferred Inflows of Resources	30,457	179	30,636	28,140		28,140
Net Position:						
Net investment in capital assets	204,262	239,088	443,350	219,179	239,088	458,267
Restricted		50,554	50,554		42,322	42,322
Unrestricted	(1,361,585)	(20,876)	(1,382,461)	(1,303,632)	(35,289)	(1,338,921)
Total Net Position	\$ (1,157,323)	\$ 268,766	\$ (888,557)	\$ (1,084,453)	\$ 246,121	\$ (838,332)

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Changes in Net Position

The City's net position decreased by \$52.5 million for governmental activities and increased by \$22.6 million for business-type activities for a combined decrease in net position of \$29.8 million. General fund revenues increased due to the success of increased tax collections and higher than budgeted departmental revenues, while expenditures for healthcare and pension costs came in higher than the budgeted amounts. Business-type activities increased due to large commitment to the replacement of infrastructure included in water rates in FY2016. Approximately 48.7% of the City's total governmental revenues were generated from taxes and payments in lieu of taxes, which is comparable to the prior year. 40.68% of revenues resulted from grants and contributions, including Federal Aid, which is an increase over the prior year. There were slight decreases in both, charges for various goods and services, which provided 6.3% of total revenues, while other revenues and investment and rental income accounted for 4% of total revenues, respectively. The City's expenses cover a range of services. The largest expenses were for school, public safety, retirement costs, and employee benefits. Revenues from business-type activities in fiscal year 2016 exceeded expenses by \$22.6 million. The Business-type activities reported an increase in revenue of 6.7%, while expenses increased 1.2% from the prior year.

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 49,591	\$ 110,175	\$ 159,766	\$ 93,444	\$ 104,165	\$ 197,609
Operating grants and contributions	320,191		320,191	282,583		282,583
Capital grants and contributions	2,569	471	3,040		1,098	1,098
General revenues:						
Property taxes	383,151		383,151	363,712		363,712
Grants not restricted for a specific purpose	17,586		17,586	16,658		16,658
Miscellaneous	13,944	2,218	16,162	19,176	-	19,176
Unrestricted investment earnings	117		117	1	485	486
Total revenues	787,149	112,864	900,013	775,574	105,748	881,322
Expenses:						
Executive, legislative and judicial	54,515		54,515	36,830		36,830
Finance	27,561		27,561	63,820		63,820
Public safety	219,557		219,557	180,430		180,430
Building inspection	4,960		4,960	4,496		4,496
Public works	12,360		12,360	26,959		26,959
Recreation	3,362		3,362	2,238		2,238
Public lands and parks	37,119		37,119	21,290		21,290
Education	430,501	16,010	446,511	422,730	15,152	437,882
Community development	27,758		27,758	17,981		17,981
Interest on long-term debt	21,908		21,908	19,859		19,859
Economic development		14,574	14,574		17,076	17,076
Water		59,635	59,635		56,898	56,898
Total expenses	839,601	90,219	929,820	796,633	89,126	885,759
Change in net position	(52,452)	22,645	(29,807)	(21,059)	16,622	(4,437)
Net position- beginning (as restated)	(1,104,871)	246,121	(858,750)	(1,063,394)	229,499	(833,895)
Net position- ending	\$ (1,157,323)	\$ 268,766	\$ (888,557)	\$ (1,084,453)	\$ 246,121	\$ (838,332)

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Business-Type Activities

The business-type activities increased the City's net position by \$22.6 million. This resulted primarily from a \$13.7 million increase in net position of the Water Supply Board. Additionally, there was an increase of net position of \$8.2 million by the Providence Public Building Authority, and an increase of \$749 thousand from the school lunch program all contributing to the overall increase.

Financial Analysis of the City's Individual Funds

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

Governmental Funds

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was a negative \$3.2 million, an increase of \$10.2 million from negative \$13.4 million the prior year. The increase in fund balance is due to an overall increase in revenues collected of \$25 million more than prior fiscal year offset by overall increases in expenditures of \$6.8 million, over the prior fiscal year. Other financing sources amounted to \$125 million, an increase of \$3million over the prior fiscal year. Increases in tax collections, fines and forfeitures, and other revenues offset the increases in expenditures and other financing sources for the fiscal year ending June 30, 2016. As a measure of the general funds' liquidity, it may be useful to compare both unassigned fund balance and total fund balance.

School Grants-Fund Balance – The school grant funds account for federal and state grants received and expended by the school system. The fiscal year 2016 school grants fund balance is reported at \$4.6 million, which is a \$2.2 million increase over fiscal year 2015. The inclusion of all state aid in fiscal 2016 was included in the School's general fund and excluded from the school grants fund.

School Fund – The school fund ended the year with a \$0 fund balance in accordance with City charter regulations. The expenditures were \$367 million as compared to \$361 million in the prior year. The inclusion of all state aid in fiscal 2016 was included in the School's general fund and excluded in the school grants fund.

Capital Projects Fund-Fund Balance – The capital projects fund accounts for resources to be used for the acquisition or construction of capital assets for housing and community improvement activities in the City, other than those financed by proprietary funds. The fiscal year 2016 capital projects fund balance is \$2.7 million. The \$2.5 million decrease from fiscal year 2016 is attributable most notably to capital outlays related to completion of the \$40 Million Road Bond Paving Initiative.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities above, the City's proprietary net position increased by \$22.6 million as a result of operations in the individual enterprise funds. This increase is primarily from a \$13.7 million increase in net position of the Water Supply Board, an increase of net position of \$8.2 million by the Providence Public Building Authority, and a \$749 thousand increase in the school lunch program for fiscal year 2016.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

General Fund Budgetary Highlights

The general fund incurred an uncombined surplus in FY 2016 of \$9.7 million. This will decrease the cumulative uncombined general fund balance to a negative \$12.1 million. The GASB 54 requirement for combining funds shows a cumulative general fund balance as a negative \$3.2 million. Total general fund revenues and transfers for the fiscal year were \$468 million and total general fund expenditures and transfers for the fiscal year were \$459 million.

Further details of favorable and unfavorable variances of revenue and expense items can be found in the Required Supplementary Information on pages 62 through 72 of the fiscal year 2016 Comprehensive Annual Financial Report.

Capital Asset and Debt Administration

Capital Assets (Note 6 to the Basic Financial Statements)

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 46,086	\$ 23,836	\$ 69,922	\$ 46,767	\$ 22,614	\$ 69,381
Land Improvements					18,682	18,682
Building and Improvements	177,913	240,561	418,474	179,779	207,163	386,942
Machinery and Equipment	19,390	3,344	22,734	20,185	3,675	23,860
Infrastructure	96,556		96,556	100,123		100,123
Leased Assets	321,058		321,058	329,923	10,041	339,964
Construction in Progress	13,658	91,934	105,592	29,044	55,087	84,131
	<u>\$ 674,661</u>	<u>\$ 359,675</u>	<u>\$ 1,034,336</u>	<u>\$ 705,821</u>	<u>\$ 317,262</u>	<u>\$ 1,023,083</u>

The City's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$1,115 million, net of accumulated depreciation of \$440 million, leaving a net book value of \$675 million. This investment in capital assets included land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Debt Administration

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 83,961		\$ 83,961	\$ 92,261		\$ 92,261
Revenue Bonds	49,644	103,545	153,189	54,221	78,174	132,395
Unamortized Bond Premiums	4,963		4,963	5,532		5,532
Tax Increment Obligations			-	2,725		2,725
Capital Notes Payable	34,768		34,768	33,473		33,473
Notes Payable	2,749		2,749	2,382		2,382
PPBA Debt		314,064	314,064		328,116	328,116
	<u>\$ 176,085</u>	<u>\$ 417,609</u>	<u>\$ 593,694</u>	<u>\$ 190,594</u>	<u>\$ 406,290</u>	<u>\$ 596,884</u>

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

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

The City's total outstanding notes and bonds decreased by \$3 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.

The City of Providence maintains the following ratings from Wall Street's credit agencies for general obligation debt: a Baa2 rating from Moody's Investors Service, a BBB rating from Standard and Poor and a BBB- rating from Fitch. The City of Providence continues to perform long-term strategic planning in a pro-active attempt to control costs: examples of these costs are health insurance, pension costs, education, salaries and benefits and debt service. The City has negotiated with all of its unions to increase employee contributions for health insurance.

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

Requests for Information

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

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Basic Financial Statements

CITY OF PROVIDENCE
STATEMENT OF NET POSITION
JUNE 30, 2016
(In Thousands)

	Governmental Activities	Business-Type Activities	Totals*
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 90,204	\$ 18,349	\$ 108,553
Restricted cash and cash equivalents		42,042	42,042
Investments	16,327	15,475	31,802
Taxes receivable (net of allowance)	25,556		25,556
Intergovernmental receivable	47,723	1,082	48,805
Loan receivable (net of allowance)	26,076		26,076
Restricted receivables		61	61
Other receivable	13,367		13,367
Charges for service receivable (net of allowance)		9,615	9,615
Internal balances	12,567	(12,567)	
Other assets	2,842	569	3,411
Current portion of notes receivable		127	127
Total current assets	234,662	74,753	309,415
Noncurrent assets:			
Notes receivable		1,309	1,309
Capital assets, nondepreciable	59,744	115,770	175,514
Capital assets, depreciable, net	614,917	243,905	858,822
Total noncurrent assets	674,661	360,984	1,035,645
Total assets	909,323	435,737	1,345,060
Deferred Outflows of Resources:			
Differences between expected and actual experience	939	51	990
Changes of assumptions	46,262	2,493	48,755
Changes in projected investment earnings	38,388	1,277	39,665
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,528	2,528
City contributions made subsequent to the measurement date	20,402		20,402
Total deferred outflows of resources	105,991	6,349	112,340
Liabilities:			
Current liabilities:			
Warrants and accounts payable	22,846	6,735	29,581
Payable to retirement plan	48,369		48,369
Due to other governments	184		184
Accrued liabilities	42,369		42,369
Unearned revenue	16,337		16,337
Amounts payable with current restricted assets		4,637	4,637
Long term debt due within one year	90,957	3,893	94,850
Total current liabilities	221,062	15,265	236,327
Noncurrent liabilities:			
Due in more than one year	1,921,118	157,876	2,078,994
Total noncurrent liabilities	1,921,118	157,876	2,078,994
Total liabilities	2,142,180	173,141	2,315,321
Deferred Inflows of Resources:			
Differences between expected and actual experience	5,012	179	5,191
Changes of assumptions	7,008		7,008
Changes in projected investment earnings	14,886		14,886
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,551		3,551
Total deferred inflows of resources	30,457	179	30,636
Net Position:			
Net investment in capital assets	204,262	256,129	460,391
Restricted for Water Quality Protection		37,233	37,233
Restricted for debt service		14,409	14,409
Unrestricted	(1,361,585)	(39,005)	(1,400,590)
Total Net Position	\$ (1,157,323)	\$ 268,766	\$ (888,557)

* After internal receivables and payables have been eliminated

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Executive, legislative, and judicial	\$ 54,515	\$ 355	\$ 2	\$	(54,158)	\$	(54,158)
Finance	27,561	5,312			(22,249)		(22,249)
Public Safety	219,557	21,621	2,378		(195,558)		(195,558)
Building inspection	4,960	7,872			2,912		2,912
Public Works	12,360	295		2,083	(9,982)		(9,982)
Recreation	3,362	1,350	589		(1,423)		(1,423)
Public land and parks	37,119	2,109		486	(34,524)		(34,524)
Education	430,501	367	297,205		(132,929)		(132,929)
Community development	27,758	10,310	20,017		2,569		2,569
Interest on long-term debt	21,908				(21,908)		(21,908)
Total governmental activities	839,601	49,591	320,191	2,569	(467,250)	-	(467,250)
Business-type activities:							
Water Supply Board	59,635	70,842		471		11,678	11,678
PPBA	14,574	22,405				7,831	7,831
Nonmajor School lunch program	16,010	16,759				749	749
Total business-type activities	90,219	110,006	-	471	-	20,258	20,258
Total	\$ 929,820	\$ 159,597	\$ 320,191	\$ 3,040	(467,250)	20,258	(446,992)
General revenues:							
Taxes:							
Property taxes					344,012		344,012
Payment in lieu of taxes					39,139		39,139
Grants and contributions not restricted to specific programs					17,586		17,586
Investment earnings					117		117
Miscellaneous					13,944	2,387	16,331
Total general revenues					414,798	2,387	417,185
Change in Net Position					(52,452)	22,645	(29,807)
Net Position at Beginning of Year, as Restated					(1,104,871)	246,121	(858,750)
Net Position at End of Year					\$ (1,157,323)	\$ 268,766	\$ (888,557)

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(In Thousands)

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects		
ASSETS						
Cash and cash equivalents	\$ 26,327	\$ 26,329	\$ 9,015	\$ 2,492	\$ 22,185	\$ 86,348
Investments					16,329	16,329
Receivables, net:						
Taxes	25,556					25,556
Loans					26,076	26,076
Intergovernmental	35,806	1,189	7,603	101	3,023	47,722
Other	8,359	1,431		1,298	27	11,115
Due from other funds	50,888	19,507	3,507		22,218	96,120
Due from component unit	63					63
Other assets					574	574
Total Assets	\$ 146,999	\$ 48,456	\$ 20,125	\$ 3,891	\$ 90,432	\$ 309,903
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants and accounts payable	\$ 6,275	\$ 10,940	\$ 1,394	\$ 88	\$ 3,080	\$ 21,777
Accrued liabilities	4,852	31,674	62		662	37,250
Unearned revenues-other	4,441		2,644		9,256	16,341
Due to employee retirement plan	48,369					48,369
Due to other funds	61,171	5,842	11,369	1,114	18,745	98,241
Due to other governments	176		8			184
Total liabilities	125,284	48,456	15,477	1,202	31,743	222,162
Deferred inflows of resources:						
Unavailable revenue - taxes	22,983					22,983
Unavailable revenue - other receivables	1,890					1,890
Total deferred inflows of resources	24,873	-	-	-	-	24,873
Fund balances:						
Nonspendable					17,032	17,032
Restricted			4,648	2,689	31,780	39,117
Committed					9,877	9,877
Unassigned	(3,158)					(3,158)
Total fund balances	(3,158)	-	4,648	2,689	58,689	62,868
Total Liabilities and Fund Balances	\$ 146,999	\$ 48,456	\$ 20,125	\$ 3,891	\$ 90,432	\$ 309,903

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016
(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds	\$ 62,868
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 1,114,767	
Less accumulated depreciation	<u>(440,106)</u>	
Net capital assets		674,661

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	22,983
Accounts and other receivables	1,890
Deferred outflows:	
Difference between expected and actual experience	939
Changes in assumptions	46,262
Changes in projected and actual investment earnings	38,388
City contributions made subsequent to the measurement date	20,402

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

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Long-term liabilities, including bonds payable and deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(154,772)
PPBA debt	(294,314)
Unspent PPBA bond proceeds	11,554
Unamortized bond premium	(4,963)
Interest payable on bonds and notes	(5,127)
Compensated absences	(34,896)
Claims and Judgements	(31,441)
Capital lease	(16,350)
Net OPEB obligation	(270,979)
Net pension liability	(1,195,385)
Deferred inflows:	
Differences between expected and actual experience	(5,012)
Changes of assumptions	(7,008)
Changes in projected investment earnings	(14,886)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(3,551)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ (1,157,323)</u>
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The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects		
Revenues:						
Taxes	\$ 343,993	\$	\$	\$	\$	\$ 343,993
Departmental revenue	87,627	227,648			10,163	325,438
Federal and state grants and reimbursements	33,207	13,949	32,303	2,532	22,384	104,375
Investment and rental income	540				633	1,173
Fines and forfeitures	6,294					6,294
Other	6,221		992		2,153	9,366
Total revenues	<u>477,882</u>	<u>241,597</u>	<u>33,295</u>	<u>2,532</u>	<u>35,333</u>	<u>790,639</u>
Expenditures:						
Current:						
Executive, legislative, and judicial	14,995				839	15,834
Finance	43,199					43,199
Public safety	163,410				9,798	173,208
Building inspection	4,454					4,454
Public works	19,180					19,180
Recreation	2,005				1,203	3,208
Public lands and parks	18,473				1,168	19,641
Other departments	9,942					9,942
Grants	4,563					4,563
Education		367,406	31,681			399,087
Community development					21,299	21,299
Noncurrent:						
Capital outlays				11,487	334	11,821
Debt Service:						
Principal	40,987				1,828	42,815
Interest and other costs	22,015				782	22,797
Total expenditures	<u>343,223</u>	<u>367,406</u>	<u>31,681</u>	<u>11,487</u>	<u>37,251</u>	<u>791,048</u>
Excess (Deficiency) of Revenues over Expenditures	<u>134,659</u>	<u>(125,809)</u>	<u>1,614</u>	<u>(8,955)</u>	<u>(1,918)</u>	<u>(409)</u>
Other Financing Sources (Uses):						
Capital lease proceeds				6,043		6,043
Note payable proceeds				464		464
Transfers in	525	126,081	1,323		51	127,980
Transfers out	(124,897)	(272)	(2,507)		(304)	(127,980)
Total other financing sources (uses)	<u>(124,372)</u>	<u>125,809</u>	<u>(1,184)</u>	<u>6,507</u>	<u>(253)</u>	<u>6,507</u>
Net Change in Fund Balances	10,287	-	430	(2,448)	(2,171)	6,098
Fund Balances at Beginning of Year, as Restated	<u>(13,445)</u>	<u>-</u>	<u>4,218</u>	<u>5,137</u>	<u>60,860</u>	<u>56,770</u>
Fund Balance at End of Year	<u>\$ (3,158)</u>	<u>\$ -</u>	<u>\$ 4,648</u>	<u>\$ 2,689</u>	<u>\$ 58,689</u>	<u>\$ 62,868</u>

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 6,098
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	18,950
Depreciation expense	(24,990)

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 position differs from the change in fund balance by the cost of the assets sold.	(2,893)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	19
Accounts and other receivables - accrual basis change	(3,530)
Change in deferred outflows:	
Difference between expected and actual experience	(381)
Changes in assumptions	46,746
Changes in projected and actual investment earnings	25,579
City contributions made subsequent to the measurement date	(953)

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 has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of

long-term debt and related items are as follows:

Issuance of notes payable and capital leases	(6,507)
Bond principal payments	15,602
Note payable and capital lease principal payments	4,845
PPBA debt principal payments	22,368
Unspent PPBA bond proceeds	(11,400)
Amortization of premiums	569

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:

Compensated absences	1,278
Accrued interest	311
Net OPEB expense	(35,927)
Change in net pension liability	(106,330)
Claims and judgements	(1,002)
Deferred inflows:	
Differences between expected and actual experience	(5,012)
Changes of assumptions	1,193
Changes in projected investment earnings	5,052
Changes in proportion and differences between employer contributions and proportionate share of contributions	(3,551)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

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Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>(52,452)</u>
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The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016
(In Thousands)

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	Public Building Authority	Nonmajor School Lunch Program	Totals	Internal Service Fund
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,364	\$ 11,757	\$ 4,228	\$ 18,349	\$ 3,860
Restricted cash	42,042			42,042	
Investments		15,475		15,475	
Receivables, net	9,540		75	9,615	2,248
Restricted receivables	61			61	
Receivables- other governments			1,082	1,082	
Due from primary government		507,405		507,405	
Due from other funds				-	32,532
Inventories	569			569	
Current portion of notes receivable	127			127	
Other assets				-	2,268
Total current assets	54,703	534,637	5,385	594,725	40,908
Noncurrent assets:					
Notes receivable	1,309			1,309	
Capital assets:					
Land	23,836			23,836	
Buildings and improvements	103,049			103,049	
Improvements other than buildings	326,348			326,348	
Machinery and equipment	31,999			31,999	
Construction in progress	91,934			91,934	
	577,166			577,166	
Less accumulated depreciation	217,491			217,491	
Total noncurrent assets	360,984	-	-	360,984	-
Total assets	415,687	534,637	5,385	955,709	40,908
Deferred Outflows of Resources:					
Differences between expected and actual experience	51			51	
Changes of assumptions	2,493			2,493	
Changes in projected investment earnings	1,277			1,277	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,528			2,528	
Total deferred outflows of resources	6,349	-	-	6,349	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	4,010	1,435	1,290	6,735	1,058
Risk management claims payable					8,975
Due to other funds	644		684	1,328	29,461
Due to primary government		63		63	
Other		656		656	
Amounts payable from restricted assets	4,637			4,637	
Current portion of long-term debt and capital leases, net	3,893	28,748		32,641	
Total current liabilities	13,184	30,902	1,974	46,060	39,494
Noncurrent liabilities:					
Revenue bonds and PAP Loans, net	99,652	488,795		588,447	
Net pension liability	50,366			50,366	
Net OPEB obligation	7,858			7,858	
Total noncurrent liabilities	157,876	488,795	-	646,671	-
Total liabilities	171,060	519,697	1,974	692,731	39,494
Deferred Inflows of Resources:					
Net deferred charges on debt refunding		382		382	
Differences between expected and actual experience	179			179	
Total deferred inflows of resources	179	382	-	561	-
Net Position:					
Net investment in capital assets	256,129			256,129	
Restricted for Water Quality Protection	37,233			37,233	
Restricted for debt service		14,409		14,409	
Unrestricted	(42,565)	149	3,411	(39,005)	1,414
Total Net Position	\$ 250,797	\$ 14,558	\$ 3,411	\$ 268,766	\$ 1,414

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	Public Building Authority	Non-major School Lunch Program	Totals	Internal Service Fund
Operating Revenues:					
Charges for sales and services	\$ 70,842	\$	\$ 16,609	\$ 87,451	\$ 102,618
Federal and state grants and reimbursements			143	143	
Lease receipts		20,543		20,543	
Other		1,862	7	1,869	4,248
Total operating revenues	<u>70,842</u>	<u>22,405</u>	<u>16,759</u>	<u>110,006</u>	<u>106,866</u>
Operating Expenses:					
Cost of sales and services	27,457		16,010	43,467	
Health claims					105,452
Administration	18,823	535		19,358	
Depreciation and amortization	10,673	30		10,703	
Total operating expenses	<u>56,953</u>	<u>565</u>	<u>16,010</u>	<u>73,528</u>	<u>105,452</u>
Operating Income (Loss)	<u>13,889</u>	<u>21,840</u>	<u>749</u>	<u>36,478</u>	<u>1,414</u>
Non-operating Revenues (Expenses):					
Investment income	375	407		782	
Interest expense	(2,682)	(14,009)		(16,691)	
Other revenues	1,605			1,605	
Total non-operating expenses	<u>(702)</u>	<u>(13,602)</u>	<u>-</u>	<u>(14,304)</u>	<u>-</u>
Net Income (Loss) Before Capital Grants and Contributions	13,187	8,238	749	22,174	1,414
Capital Grants and Contributions	<u>471</u>			<u>471</u>	
Change in Net Position	13,658	8,238	749	22,645	1,414
Net Position, Beginning, as Restated	<u>237,139</u>	<u>6,320</u>	<u>2,662</u>	<u>246,121</u>	<u>-</u>
Net Position, Ending	<u>\$ 250,797</u>	<u>\$ 14,558</u>	<u>\$ 3,411</u>	<u>\$ 268,766</u>	<u>\$ 1,414</u>

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Water Supply Board	Public Building Authority	Non-major School Lunch Program	Totals	Internal Service Fund
Cash Flows from Operating Activities:					
Cash received from customers and other	\$ 71,188	\$ 19,081	\$ 16,601	\$ 106,870	\$ 106,866
Cash received from intergovernmental sources			475	475	
Cash paid to vendors	(24,401)	(1,023)	(16,485)	(41,909)	(106,012)
Cash paid to employees	(17,785)		(468)	(18,253)	
Net cash provided by (used in) operating activities	<u>29,002</u>	<u>18,058</u>	<u>123</u>	<u>47,183</u>	<u>854</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(53,086)			(53,086)	
Interest paid on debt	(2,682)	(14,009)		(16,691)	
Proceeds from bond issuance	30,000	24,514		54,514	
Proceeds from notes receivable	169			169	
Repayment of long-term debt and capital leases	(4,629)	(24,204)		(28,833)	
Capital grants	471			471	
Net cash provided by (used in) capital and related financing activities	<u>(29,757)</u>	<u>(13,699)</u>	<u>-</u>	<u>(43,456)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Purchase of investment securities		(7,532)		(7,532)	
Investment income	375	407		782	
Net cash provided by (used in) investing activities	<u>375</u>	<u>(7,125)</u>	<u>-</u>	<u>(6,750)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(380)	(2,766)	123	(3,023)	854
Cash and Cash Equivalents, July 1, 2015	44,786	14,523	4,105	63,414	3,006
Cash and Cash Equivalents, Unrestricted, June 30, 2016	<u>(2,364)</u>	<u>(11,757)</u>	<u>(4,228)</u>	<u>(18,349)</u>	<u>(3,860)</u>
Cash and Cash Equivalents, Restricted, June 30, 2016	<u>\$ 42,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,042</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash					
Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 13,889	\$ 21,840	\$ 749	\$ 36,478	\$ 1,414
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	10,673	29		10,702	
(Increase) decrease in receivables	190		318	508	(656)
(Increase) decrease in inventories	258			258	
(Increase) decrease in other assets	300			300	
(Increase) decrease in deferred outflows of resources	(5,192)			(5,192)	
(Increase) decrease in due from other funds			1	1	(3,272)
Increase (decrease) in accounts payable and accrued expenses	1,171	(713)	(1,378)	(920)	(437)
Increase (decrease) in due to other funds	(750)	(982)	433	(1,299)	3,373
Increase (decrease) in other payables	179	(2,116)		(1,937)	
Increase (decrease) in net pension liability	7,097			7,097	
Increase (decrease) in OPEB obligation	1,187			1,187	
Increase (decrease) in risk management claims payable					432
Net Cash Provided by (Used in) Operating Activities	<u>\$ 29,002</u>	<u>\$ 18,058</u>	<u>\$ 123</u>	<u>\$ 47,183</u>	<u>\$ 854</u>

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	<u>Employee Retirement Plan</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets:			
Investments, at fair value:			
U.S. Government securities	\$ 11,336	\$	\$
Corporate and foreign bonds	40,740		
Corporate equity securities	94,544		
Mutual funds	84,548	1,711	
Alternative Investments	9,861		
Total investments	<u>241,029</u>	<u>1,711</u>	
Cash and cash equivalents	<u>17,504</u>	<u>12</u>	<u>1,587</u>
Receivables:			
Loans receivable	26,028		
Due from other funds	48,841		
Other	41		2
Total receivables	<u>74,910</u>	<u>-</u>	<u>2</u>
Total assets	<u>333,443</u>	<u>1,723</u>	<u>\$ 1,589</u>
Liabilities:			
Accounts payable	9		\$
Due to other funds	147		10
Due to student group			707
Other payables			872
Total liabilities	<u>156</u>	<u>-</u>	<u>\$ 1,589</u>
Net Position Restricted for Pensions	<u>\$ 333,287</u>	<u>\$ 1,723</u>	

The accompanying notes are an integral part of the financial statements

CITY OF PROVIDENCE, RHODE ISLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Employee Retirement Plan	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 70,704	\$
Employees	12,043	
Donations		19
Total contributions	<u>82,747</u>	<u>19</u>
Investment Earnings:		
Net investment income (loss)	<u>7,844</u>	<u>70</u>
Total additions	<u>90,591</u>	<u>89</u>
Deductions:		
Benefits	108,193	142
Administrative expenses	184	
Total deductions	<u>108,377</u>	<u>142</u>
Change in Net Position	(17,786)	(53)
Net Position Restricted for Pension Benefits, July 1, 2015	<u>351,073</u>	<u>1,776</u>
Net Position Restricted for Pension Benefits, June 30, 2016	<u>\$ 333,287</u>	<u>\$ 1,723</u>

The accompanying notes are an integral part of the financial statements

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CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(Amounts expressed in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

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

CITY OF PROVIDENCE, RHODE ISLAND
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JUNE 30, 2016
(Amounts expressed in thousands)

Individual Component Unit Disclosure

The component unit provides services entirely or almost entirely to the City or otherwise exclusively or almost exclusively benefits the City, even though they do not provide services directly to it. The component unit has been reported as if it was part of the primary government through a method of inclusion known as blending. A description of the component unit, criteria for inclusion and its relationship with the City is as follows:

Providence Public Buildings Authority

The Providence Public Buildings Authority ("PPBA") was created by an act of the Rhode Island General Assembly and was empowered by resolution of the Providence City Council on August 13, 1987, and by resolution of the Public Finance Board, created under Section 42-10.11 of the General Laws of Rhode Island, on February 12, 1988. Membership is comprised of 5 members appointed by the Mayor and approved by the City Council. The PPBA is presented as a blended enterprise fund.

The purpose of the PPBA is to acquire, construct, maintain, renovate, repair and operate public facilities and public equipment through the use of public financing for the City. These activities are structured as financing leases between the PPBA and the City. The future payments to be received on these leases is presented as "Due from Primary Government" on the PPBA Statement of Net Position. These activities allow the PPBA to provide for the conduct of the executive, legislative and judicial functions of the government. The PPBA is obligated to pay the principal and interest on any financing solely from the rents, revenues and receipts derived under the lease agreements with the City or from receipts on the disposition of the assets being financed. The PPBA's administrative expenses are paid on an annual basis by the lessee in the form of additional rent.

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

The Providence Redevelopment Agency

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

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

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

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands)

Government-Wide Fund Financial Statements

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The effect of inter-fund activity has not been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF PROVIDENCE, RHODE ISLAND
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(Amounts expressed in thousands)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands)

- The *Capital Projects Fund* accounts for resources to be used for the acquisition or construction of capital assets for the housing and community improvement activities in the City.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

Interfund Receivables and Payables

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

Pension Plan Accounting

Employees' Retirement System of the City of Providence

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.

Funding Policy

The City makes contributions at the discretion of management.

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts expressed 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.

Cash Equivalents

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

Investments

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

Property Taxes

The City's property tax is levied each year on July 1 based on the assessed property value, as of the prior December 31, for all real property, tangible property, equipment and motor vehicles located in the City. Assessed values of real property were established by the City Assessor's office at 100% of appraised market value based on 2012 State mandated statistical updated valuations less exemptions. Assessed values of tangible property and equipment and motor vehicles are determined annually at 100% of market value, and a \$1,000 exemption on motor vehicle assessments. Payments on the gross levy are due in equal quarterly installments in July, October, January, and April. Property taxes attach as an enforceable lien on property when levied.

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. The property tax receivable allowance of \$35,607 is equal to 58.2% of outstanding property taxes at June 30, 2016.

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
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(Amounts expressed 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 \$5,000 to \$100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital asset, as applicable.

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

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds from project specific debt issued over the same period.

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(Amounts expressed in thousands)

Self-Insurance

The City is self-insured in most areas of risk, subject to certain third-party "stop loss" coinsurance. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health insurance claims. Claims incurred but not paid, including those which have not been reported, are accrued as long-term obligations in the government-wide and internal service fund financial statements. Obligations are paid out of the General Fund and the Internal Service Funds.

Compensated Absences

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pension in the government-wide and business-type activities, enterprise funds statements of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to pensions in the in the government-wide and business-type activities, enterprise funds statements of net position. A deferred inflow of resources related to pension results from

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(Amounts expressed in thousands)

differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, loans receivable and other receivables. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available. The City also reports a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

This category represents the net position of the City, which are restricted by outside parties or enabling legislation.

Unrestricted Net position or Deficits

This category represents the net position of the City, which do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Deficits require future funding.

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

Non-spendable Fund Balance

This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash.

Restricted Fund Balance

This includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

This includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands)

changes the specified use by taking the same type of action it employed to previously commit those amounts usually through city ordinance. The City Council is the highest level of decision-making authority for the City of Providence and utilizes City Ordinances to vote on the City's budget and resolutions proposed by the various committees.

Assigned Fund Balance

This includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City of Providence does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used.

Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Fund Balance Flow Assumptions

The City of Providence does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the City considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the

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.

**CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

(Amounts expressed in thousands)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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.

Excess of expenditures over appropriations

- The executive, legislative and judicial line was overspent by \$2,291
- The public safety line was overspent by \$1,072
- The recreation line was overspent by \$32

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.

CITY OF PROVIDENCE, RHODE ISLAND
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(Amounts expressed in thousands)

Investments

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

Interest Rate Risk

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

Concentrations

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

Custodial Credit Risk

Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$124,088 of the City's bank balance of \$167,486 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging banks trust department, not in City's name		<u>124,088</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>124,088</u></u>

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(Amounts expressed in thousands)

Cash Equivalents

At June 30, 2016, the City's cash equivalents amounted to \$41,974. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations). The pools all have maturities of less than one year.

Santander Investment	\$	255
Webster Bank Investment		36
Bank RI CD		260
Coastway Bank CD		670
Home Loan Investment Bank CD		150
State Street		10,883
BNY Mellon		21,394
US Bank		7,887
Morgan Stanley		363
Wainwright Investment		76
		<u>76</u>
Total	\$	<u>41,974</u>

Investments

As of June 30, 2016, the City had the following investments:

	Total Value	Fair Value	NAV	Investment Maturities (Years)		
				Less Than 1	1 - 10	More Than 10
Interest-bearing investments at fair value:						
Certificate of Deposit	\$ 859	\$ 859	\$	\$ 250	\$ 609	\$
U.S. Government Securities	11,452	11,452			11,452	
Foreign Bonds	1,493	1,493		1,493		
U.S. Government Agencies	7,721	7,721		7,721		
Corporate Bonds	39,325	39,325		1,880	29,266	8,179
Total interest-bearing investments at fair value	60,850	60,850	-	11,344	41,327	8,179
Guaranteed Investment Contracts (NAV)	7,755	-	7,755	-	7,755	-
Total Interest Bearing Investments	68,605	\$ 60,850	\$ 7,755	\$ 11,344	\$ 49,082	\$ 8,179
Common Stock	93,972					
Mutual Funds	101,532					
Preferred Stock	572					
Limited Partnership Units	1,045					
Alternative Investments	8,816					
Total Investments	\$ 274,542					

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands)

Presented below is the rating of investments for each debt investment type:

<u>Average Rating</u>	<u>Corporate Bonds</u>	<u>U.S. Government Securities</u>	<u>Certificate of Deposit</u>	<u>Guaranteed Investment Contract</u>	<u>Foreign Bonds</u>	<u>U.S. Government Agencies</u>
Aaa	\$ 9,524	\$ 11,336	\$	\$	\$	\$
Aa1	427					
Aa2	661	116				
Aa3	1,210					
A1	1,702			7,755		
A2	4,871					
A3	3,957					
Baa1	4,541					
Baa2	4,320					
Baa3	2,632					
Ba1	906					
Ba2	1,232					
Ba3	570					
B1	515					
B2	221					
Unrated	2,036		859		1,493	7,721
	<u>\$ 39,325</u>	<u>\$ 11,452</u>	<u>\$ 859</u>	<u>\$ 7,755</u>	<u>\$ 1,493</u>	<u>\$ 7,721</u>

The City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. The new disclosure is presented below:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
U.S. Government Securities	\$ 11,452	\$ 11,452	\$	\$
U.S. Government Agencies	7,721		7,721	
Corporate Bonds	39,325		39,325	
Common Stock	93,972	93,972		
Preferred Stock	572	572		
Mutual Funds	101,532	101,532		
Limited Partnership Units	1,045			1,045
Foreign Bonds	1,493	1,493		
Alternative Investments	8,816	8,816		
Total investments by fair value level	<u>265,928</u>	<u>\$ 217,837</u>	<u>\$ 47,046</u>	<u>\$ 1,045</u>
Investments recorded at net asset value:				
Guaranteed Investment Contracts	7,755			
Investments not recorded at fair value:				
Certificates of Deposit	<u>859</u>			
Total Investments	<u>\$ 274,542</u>			

CITY OF PROVIDENCE, RHODE ISLAND
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4. RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>School Fund</u>	<u>School Grants Fund</u>	<u>Capital Projects</u>	<u>Water Supply Board</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 61,163	\$	\$	\$	\$	\$	\$ 61,163
Intergovernmental	35,806	1,189	7,603	101		4,105	48,804
User charges					10,783		10,783
Loans						56,427	56,427
Notes					1,436		1,436
Accounts and other	46,139	1,431		1,298	61	2,393	51,322
Gross receivables	<u>143,108</u>	<u>2,620</u>	<u>7,603</u>	<u>1,399</u>	<u>12,280</u>	<u>62,925</u>	<u>229,935</u>
Less allowance for uncollectibles:							
Taxes	35,607						35,607
User charges					1,243		1,243
Loans						4,323	4,323
Accounts and other	37,780						37,780
Total allowance	<u>73,387</u>				<u>1,243</u>	<u>4,323</u>	<u>78,953</u>
Net Total Receivables	<u>\$ 69,721</u>	<u>\$ 2,620</u>	<u>\$ 7,603</u>	<u>\$ 1,399</u>	<u>\$ 11,037</u>	<u>\$ 58,602</u>	<u>\$ 150,982</u>

CITY OF PROVIDENCE, RHODE ISLAND
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5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2016 is presented below:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 50,951	\$ 109,540
School Fund	19,507	5,842
School Grants Fund	3,507	11,369
Capital Projects Fund		1,114
Nonmajor Governmental Funds	22,218	18,745
Water Supply Board		644
School Lunch Program		684
Agency Fund		10
Employee Retirement Plan	48,841	147
Internal Service Fund	32,532	29,461
	<u>\$ 177,556</u>	<u>\$ 177,556</u>

A summary of interfund transfers is presented below:

	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
General Fund	\$ 525	\$ 124,897
School Fund	126,081	272
School Grants Fund	1,323	2,507
Nonmajor Governmental Funds	51	304
	<u>\$ 127,980</u>	<u>\$ 127,980</u>

CITY OF PROVIDENCE, RHODE ISLAND
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6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 46,767	\$	\$ 681	\$ 46,086
Construction in progress - City	629	1,396	979	1,046
Construction in progress - PPBA	6,188	6,424		12,612
Total capital assets not being depreciated	<u>53,584</u>	<u>7,820</u>	<u>1,660</u>	<u>59,744</u>
Capital assets being depreciated:				
Buildings	193,812	-	7,815	185,997
Improvements other than buildings	75,770	7,042	91	82,721
Machinery and equipment	82,517	5,025	5,429	82,113
Infrastructure	283,254			283,254
Building - PPBA leases	420,896	42		420,938
Total capital assets being depreciated	<u>1,056,249</u>	<u>12,109</u>	<u>13,335</u>	<u>1,055,023</u>
Less accumulated depreciation for:				
Buildings	74,288	3,226	5,730	71,784
Improvements other than buildings	15,515	3,590	84	19,021
Machinery and equipment	62,332	5,700	5,309	62,723
Infrastructure	183,131	3,567		186,698
Buildings - leases	90,973	8,907		99,880
Total accumulated depreciation	<u>426,239</u>	<u>24,990</u>	<u>11,123</u>	<u>440,106</u>
Total capital assets being depreciated, net	<u>630,010</u>	<u>(12,881)</u>	<u>2,212</u>	<u>614,917</u>
Governmental Activities Capital Assets, Net	<u>\$ 683,594</u>	<u>\$ (5,061)</u>	<u>\$ 3,872</u>	<u>\$ 674,661</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 22,614	\$ 1,222	\$	\$ 23,836
Scituate Reservoir Project	55,087			55,087
Construction in progress	18,682	71,877	53,712	36,847
Total Capital assets not being depreciated	<u>96,383</u>	<u>73,099</u>	<u>53,712</u>	<u>115,770</u>
Capital assets being depreciated:				
Buildings and improvements	84,680	18,369		103,049
Improvements other than building	311,431	14,917		326,348
Machinery and equipment	31,586	413		31,999
Total Capital assets being depreciated	<u>427,697</u>	<u>33,699</u>	<u>-</u>	<u>461,396</u>
Less accumulated depreciation for:				
Buildings and improvements	61,475	5,329		66,804
Improvements other than building	117,432	4,600		122,032
Machinery and equipment	27,911	744		28,655
Total accumulated depreciation	<u>206,818</u>	<u>10,673</u>	<u>-</u>	<u>217,491</u>
Total capital assets being depreciated, net	<u>220,879</u>	<u>23,026</u>	<u>-</u>	<u>243,905</u>
Business-type activities capital assets, net	<u>\$ 317,262</u>	<u>\$ 96,125</u>	<u>\$ 53,712</u>	<u>\$ 359,675</u>

CITY OF PROVIDENCE, RHODE ISLAND
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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 transactions are eliminated.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Executive, legislative and judicial	\$	14
Finance		81
Public Safety		1,888
Public Works		6,055
Recreation		7
Public land and parks		11,434
Education		3,964
Community development		<u>1,547</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>24,990</u></u>
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Business-type activities:

Water Supply Board	\$	<u><u>10,673</u></u>
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7. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 92,261	\$	\$ 8,300	\$ 83,961	\$ 7,855
Revenue bonds	54,221		4,577	49,644	5,225
Special obligation tax increment	2,725		2,725		
Add unamortized premiums	<u>5,532</u>		<u>569</u>	<u>4,963</u>	
Total bonds payable	154,739		16,171	138,568	13,080
Notes payable	2,382	464	97	2,749	284
Capital leases	13,815	6,043	3,508	16,350	3,643
Capital notes	<u>19,658</u>		<u>1,240</u>	<u>18,418</u>	<u>1,295</u>
Total bonds, notes, and leases payable	190,594	6,507	21,016	176,085	18,302
Claims and judgements	38,982	1,434		40,416	40,416
Compensated absences	36,174	667	1,945	34,896	3,490
Net pension liability	1,089,055	106,330		1,195,385	
Net OPEB obligation	<u>235,052</u>	<u>35,927</u>		<u>270,979</u>	
PPBA debt	<u>306,682</u>	<u>10,000</u>	<u>22,368</u>	<u>294,314</u>	<u>28,749</u>
Governmental Activities Long-Term Liabilities	<u>\$ 1,896,539</u>	<u>\$ 160,865</u>	<u>\$ 45,329</u>	<u>\$ 2,012,075</u>	<u>\$ 90,957</u>

CITY OF PROVIDENCE, RHODE ISLAND
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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.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds payable:					
Revenue bonds - water	\$ 78,174	\$ 30,000	\$ 4,629	\$ 103,545	\$ 3,893
PPBA - City	306,682	10,000	22,368	294,314	28,749
PPBA - Bond premiums	21,434	152	1,836	19,750	
Total bonds and notes payable	406,290	40,152	28,833	417,609	32,642
PPBA - PAP notes*	145,356	58,123		203,479	
Net pension liability	43,269	7,097		50,366	
Net OPEB liability	6,671	1,187		7,858	
Business-Type Activities Long-Term Liabilities	\$ 601,586	\$ 106,559	\$ 28,833	679,312	32,642
Less PPBA Eliminations				(517,543)	(28,749)
Business-Type Activities Long-Term Liabilities				\$ 161,769	\$ 3,893

*Amount represents internal loans between the City and the PPBA and is therefore eliminated on the entity-wide statements. The \$223,229 difference between business type PPBA eliminations and governmental PPBA eliminations consists of \$203,479 of PAP loans between the City and PPBA and \$19,750 of net bond premium.

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

Debt service requirements for bonds and notes payable at June 30, 2016 were as follows:

Governmental Activities				PPBA				Total Government Entity-Wide			
Year Ending June 30,	Principal	Interest	Total	Year Ending June 30,	Principal	Interest	Total	Year Ending June 30,	Principal	Interest	Total
2017	\$ 14,659	\$ 6,579	\$ 21,238	2017	\$ 28,749	\$ 12,320	\$ 41,069	2017	\$ 43,408	\$ 18,899	\$ 62,307
2018	15,087	6,004	21,091	2018	28,644	10,977	39,621	2018	43,731	16,981	60,712
2019	14,729	5,363	20,092	2019	28,119	9,872	37,991	2019	42,848	15,235	58,083
2020	13,725	4,713	18,438	2020	25,048	8,830	33,878	2020	38,773	13,543	52,316
2021	9,889	4,183	14,072	2021	23,830	7,779	31,609	2021	33,719	11,962	45,681
2022-2026	52,244	16,560	68,804	2022-2026	105,074	24,812	129,886	2022-2026	157,318	41,372	198,690
2027-2031	26,515	10,098	36,613	2027-2031	52,145	4,623	56,768	2027-2031	78,660	14,721	93,381
2032-2036	7,576	7,417	14,993	2032-2036	2,705	263	2,968	2032-2036	10,281	7,680	17,961
Total	\$ 154,424	\$ 60,917	\$ 215,341	Total	\$ 294,314	\$ 79,476	\$ 373,790	Total	\$ 448,738	\$ 140,393	\$ 589,131

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Business-Type Activities				
Year Ending June 30,	ARRA Principal			
	Principal	Forgiveness	Interest	Total
2017	\$ 32,642	\$ (204)	\$ 14,862	\$ 47,300
2018	33,982	(270)	13,637	47,349
2019	33,431	(275)	12,430	45,586
2020	30,398	(280)	11,275	41,393
2021	29,305	(287)	10,101	39,119
2022-2026	133,867	(1,541)	33,658	165,984
2027-2031	82,952	(1,779)	9,671	90,844
2032-2036	21,282	(1,028)	1,525	21,779
Total	397,859	(5,664)	107,159	499,354
Less amount representing the PPBA	294,314	-	79,476	373,790
	<u>\$ 103,545</u>	<u>\$ (5,664)</u>	<u>\$ 27,683</u>	<u>\$ 125,564</u>

Bonds Payable

The following is a schedule of changes in bonds payable for the year ended June 30, 2016:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2015	Issued	Retired	Balance Outstanding June 30, 2016
Governmental Activities:								
December 2001 - Taxable	12/1/2007	1/15/2026	3.0-6.8	\$ 13,000	\$ 8,435	\$ -	\$ 550	\$ 7,885
Special Obligation Bonds Series E	6/1/2006	6/1/2016	4.0-5.0	24,465	2,725	-	2,725	-
Refunding Bonds 2010 Series A	12/21/2010	6/30/2026	4.6-5.0	30,545	26,810	-	1,965	24,845
PRA Taxable Lease Revenue Bonds 2010 Series 1	8/27/2010	10/15/2018	4.2	12,600	6,367	-	1,726	4,641
PRA Taxable Lease Revenue Bonds 2010 Series 2	6/30/2011	6/30/2021	4.9	3,145	2,945	-	491	2,454
GO Road Bond 2013 Series A	1/15/2013	1/15/1933	5.0	39,345	36,425	-	1,385	35,040
GO Refunding Bonds 2014 Series A	7/8/2014	7/15/2019	2.5	17,480	14,350	-	3,270	11,080
GO Refunding Bonds 2014 Series B	7/8/2014	7/15/2019	1.0-3.25	6,285	6,240	-	1,130	5,110
PRA Refunding Bonds 2015 Series A	3/31/2015	4/1/2029	2.0-5.0	44,910	44,910	-	2,360	42,550
Total governmental activities bonds payable					\$ 149,207	\$ -	\$ 15,602	\$ 133,605
Business-Type Activities:								
Water Revenue Bonds					\$ 78,174	\$ 30,000	\$ 4,629	\$ 103,545
1998 Series A	5/1/1998	12/1/2018	3.9-5.1	28,270	1,010	-	235	775
1999 Series A	7/1/1999	12/1/2019	4.1-5.5	39,750	1,185	-	215	970
2001 Series A	12/1/2001	12/1/2021	3.3-5.1	9,995	1,085	-	135	950
2006 Series A	9/1/2006	5/1/2027	4.0-5.0	60,000	2,595	-	2,595	-
2007 Series A	11/7/2007	5/15/2028	3.8-5.5	75,000	4,855	-	1,390	3,465
2007 Series B	11/7/2007	5/15/2021	3.8-5.5	16,470	7,970	-	1,210	6,760
2007 Series C	12/20/2007	5/15/2028	3.5-5.0	75,000	4,575	-	1,115	3,460
2009 Series A	6/30/2009	6/30/2021	6.3	12,000	7,105	-	1,008	6,097
2009 Series A QSCB	12/30/2009	6/15/2025	1.9	22,320	14,920	-	1,480	13,440
2010 Series 1	11/15/2010	12/1/2018	4.3	19,500	9,317	-	2,520	6,797
2011 Series A	4/28/2011	6/15/2026	3.0-5.9	35,000	28,070	-	1,950	26,120
2010 Series A QSCB	12/7/2010	5/15/2029	2.5	12,280	12,280	-	-	12,280
2010 Series B QSCB	12/7/2010	5/15/2029	2.5	9,665	9,665	-	-	9,665
2013 Series A	11/19/2013	5/14/2024	3.0-5.0	69,705	55,725	-	8,515	47,210
2015 Series A	5/1/2015	5/15/2028	3.0-5.0	146,325	146,325	-	-	146,325
2015 Series B	12/1/2015	5/15/2035	2.0-4.0	10,000	-	10,000	-	10,000
Total Business-type activities bonds payable					\$ 384,856	\$ 40,000	\$ 26,997	\$ 397,859

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Capital Notes

The following table below shows the changes in capital notes payable for the year ended June 30, 2016. These capital notes are eligible for principal forgiveness through the American Recovery and Reinvestment Act of 2009 (ARRA) and could total \$5,664.

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2015	Issued	Retired	Balance Outstanding June 30, 2016
Port of Providence 2003 Series A	5/1/2003	9/1/2023	1.7-4.3	\$ 20,820	\$ 12,800	\$ -	\$ 1,240	\$ 11,560
Port of Providence 2006 Series A	5/1/2006	9/1/2036	5.3-5.6	6,858	6,858	-	-	6,858
Total governmental activities capital notes payable					\$ 19,658	\$ -	\$ 1,240	\$ 18,418

Notes Payable

The following are the changes notes payable for the year ended June 30, 2016:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2015	Issued	Retired	Balance Outstanding June 30, 2016
HUD Section 108 Loan	2/1/2010	8/1/1931	0.2-7.2	\$ 10,000	\$ 2,382	\$ -	\$ 97	\$ 2,285
School Building Authority Capital Fund Loan Bond	6/30/2016	6/1/2026	1.9	1,831	-	464	-	464
Total governmental activities notes payable					\$ 2,382	\$ 464	\$ 97	\$ 2,749

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, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 28,749	\$ 12,320
2018	28,644	10,977
2019	28,119	9,872
2020	25,048	8,830
2021	23,830	7,779
2022-2026	105,074	24,812
2027-2031	52,145	4,623
2032-2036	2,705	263
Total	\$ 294,314	\$ 79,476

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

Debt Limit

Except as explained below, under Rhode Island law, the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. The current outstanding debt of the City subject to the 3% debt limit is \$35.0 million and the current 3% debt limit of the City is \$334.4 million based on taxable property as of December 31, 2015, of approximately \$11.1 billion, leaving a remaining borrowing capacity of approximately \$299.4 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, 2014, the total outstanding debt of the City issued outside the 3% debt limit was \$48.9 million, excluding water bonds and sewer bonds which 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.

CITY OF PROVIDENCE, RHODE ISLAND
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8. LEASE COMMITMENT

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

The City is obligated under various capital and operating leases to make the following aggregate annual lease payments: Lease expenditures approximated \$2,030 for fiscal year ended June 30, 2016.

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Capital</u>
2017	\$ 2,030	\$ 4,010
2018		5,577
2019		3,119
2020		3,119
2021		1,638
2022-2023		1,232
Total payments	\$ <u>2,030</u>	18,695
Less interest		<u>(2,345)</u>
Principal Balance		\$ <u>16,350</u>

9. RESTRICTED ASSETS AND RELATED LIABILITIES

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

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.

CITY OF PROVIDENCE, RHODE ISLAND
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10. FUND EQUITY

The components of fund balance at June 30, 2016 are as follows:

	<u>General</u>	<u>School Grants Fund</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Loans	\$	\$	\$	\$ 16,896	\$ 16,896
Trust				136	136
Restricted for:					
Trust				15,438	15,438
Education		4,648			4,648
Capital Projects			2,689		2,689
Federal Programs				14,187	14,187
Public lands and parks				1,063	1,063
Law enforcement and fire prevention				1,092	1,092
Committed to:					
Capital Projects				9,574	9,574
Public lands and parks				303	303
Unassigned	(3,158)				(3,158)
Total Fund Balances	\$ (3,158)	\$ 4,648	\$ 2,689	\$ 58,689	\$ 62,868

11. DEFINED BENEFIT PENSION PLANS

The City contributes to two defined benefit pension plans - the Employees' Retirement System of the City of Providence (ERS), a single employer plan; and the Employees' Retirement System of the State of Rhode Island (the System), a cost-sharing multiple employer plan. The ERS is presented in the accompanying financial statements as a pension trust fund. A separate financial statement is not issued. The System is not included in the basic financial statements.

A. Employees' Retirement System of the City of Providence (ERS)

Plan Description

ERS is a single-employer defined benefit pension plan that covers most management employees of the City, except school teachers. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided to retirees and beneficiaries at varying percentages ranging from 0% to 3%. Benefits are paid at varying amounts not to exceed 100% of final compensation for Class A (city) employees or 100% of final compensation for Class B at age 60 (police and fire). Final compensation is the average of the highest three years of base compensation including longevity pay earned by a member during his total service as an employee.

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

Membership of the ERS plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	3,094
Inactive employees entitled to but not yet receiving benefits	432
Active employees	<u>3,012</u>
Total	<u><u>6,538</u></u>

Contributions

Class A members and police officers are required to contribute 8% of their salary to the Plan. Class B members, other than police officers, are required to contribute 9.5% of their salary to the Plan. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City shall contribute from time to time amounts sufficient with the contributions of elected officials to provide the special pensions granted to them.

Basis of Accounting

Financial statements are prepared using the accrual basis of accounting for the defined benefit pension plan. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

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Investment Policy

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
Domestic Equity	39.25%	6.49%	-2.20%
International Developed Markets Equity	13.25%	7.16%	-5.50%
International Emerging Markets Equity	1.50%	9.46%	-5.50%
Core Fixed Income	29.00%	1.68%	4.40%
Hedge fund, GTAA, risk parity	13.00%	3.60%	26.70%
Private Equity	4.00%	11.04%	-15.30%
Total Portfolio	100.00%		2.60%
Long-Term Inflation Expectation			3.50%
Long-Term Expected Nominal Return			6.10%

* Long-Term Returns are provided by Segal Group, Inc. The returns are geometric means.

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Retirement System at June 30, 2016 were as follows:

Total pension liability	\$ 1,318,341
Plan fiduciary net position	<u>(333,287)</u>
Net Pension Liability	\$ <u>985,054</u>
Plan fiduciary net position as a percentage of the total pension liability	25.28%

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5%
Investment rate of return	8.00%

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with scale BB2D, set forward 1 year post-retirement.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included along with the pension plan's long-term target asset allocation. Since the rates term rates shown above are geometric averages. The impact of asset allocation and rebalancing is not reflected in the expected return. An expected rate of return of 8.00% was used.

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2015	\$ 1,251,850	\$ 351,073	\$ 900,777
Changes for the year:			
Service cost	18,405		18,405
Interest on total pension liability	100,333		100,333
Differences between expected and actual experience	(4,367)		(4,367)
Changes in assumptions	60,313		60,313
Employer contributions		70,704	(70,704)
Member contributions		12,043	(12,043)
Net investment income (loss)		7,844	(7,844)
Benefit payments, including refund to employee contributions	(108,193)	(108,193)	
Administrative expenses		(184)	184
Net changes	66,491	(17,786)	84,277
Balances as of June 30, 2016	\$ 1,318,341	\$ 333,287	\$ 985,054

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Sensitivity in the Net Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	<u>1% Decrease in Discount Rate (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase in Discount Rate (9.00%)</u>
Net Pension Liability as of June 30, 2016	\$ 1,133,633	\$ 985,054	\$ 860,777

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

For the year ended June 30, 2016, the City recognized pension expense of \$108,377. At June 30, 2016, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 990	\$ 3,494
Changes of assumptions	48,755	
Net difference between projected and actual earnings on pension plan investments	24,976	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,528</u>	<u>2,528</u>
Total	\$ <u>77,249</u>	\$ <u>6,022</u>

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

Year Ended June 30,

2017	\$ 18,732
2018	18,732
2019	18,732
2020	<u>15,031</u>
Total	\$ <u>71,227</u>

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B. Employees Retirement System of the State of Rhode Island

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

Plan Description

The Employees' Retirement System (ERS) Plan (the Plan) was established and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapter 8 - 10, inclusive, of Title 36, and public school teachers under the provisions of chapters 15 - 17, inclusive, of Title 16 of the Rhode Island General Laws.

The Plan covers most State employees other than certain personnel at the State colleges and university. The Plan also covers teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Membership in the Plan is mandatory for all covered state employees and teachers.

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

City covered payroll under the plan during 2016 was \$148,594.

Benefits Provided

The Plan provides benefits based on various eligibility dates, final average compensation (FAC), and years of service credit. For members eligible to retire as of September 30, 2009, their FAC will be based on the highest three consecutive annual salaries. FAC for all other members will be based on the highest five consecutive years of salary. Members vest in the benefits after five years of service. Retirement eligibility dates vary based on years of service as of June 30, 2012. Eligibility, benefit calculations for current retirees, and retirement dates are detailed in the Employees' Retirement System of Rhode Island Actuarial Valuation as of June 30, 2015 which can be located on the ERSRI website under reports and publications. Active employees with more than 20 years of service at July 1, 2012 will receive a retirement benefit equal to 2% of the monthly FAC. All other active employees (i.e. less than 20 years of active service at July 1, 2012) will receive a benefit of 2% for years of service up until June 30, 2012. The benefit drops to 1% for service after June 30, 2012. A defined contribution plan was added for all employees with less than 20 years of service at July 1, 2012.

Death and disability benefits are provided under the Plan. After retirement, death benefits are based on the form of annuity elected. In addition, a lump-sum death benefit is payable upon the death of any retired member, regardless of option elected. This lump sum is equal to a percentage of the lump-sum death benefit that was available to the member at the time of retirement. Percentages depend upon the number of years retired when death occurred. A member is eligible for disability retirement provided they have at least five years of service or if the disability is work-related. Ordinary disability is the benefit payable under the retirement formula. Accidental disability benefits are 66 2/3 of salary for members who are permanently and totally disabled from engaging in any occupation as determined by the Retirement Board.

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Contributions

Rhode Island general laws set the contribution rates of participating employees at 10.75% of salary (3.75% to the defined benefit trust and 7.0% to the defined contribution plan) effective July 1, 2012, except that those employees with more than 10 years of service but less than 20 years of service as of July 1, 2012 are eligible for a higher rate of contribution into the defined contribution plan.

Actuarially determined contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The actuarially determined contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; (c) interest on the unfunded frozen actuarial liability; and a percentage of payroll contribution into the defined contribution plan. Normal cost is determined using the individual entry age cost method with frozen initial liability.

As prescribed by Rhode Island general law, the State pays the entire portion of the actuarially determined contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. This resulted in a contribution rate paid by the State on behalf of City teachers of 9.41%. The City's contribution rate was 13.73%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teachers' Pensions

At June 30, 2016, the City reported a liability of \$260,697 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the City as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the pension liability	\$	260,697
State's proportionate share of the pension liability associated with the City associated with the City		<u>178,100</u>
Total Net Pension Liability	\$	<u><u>438,797</u></u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The City proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2015 the City's proportion was 9.47%

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For the year ended June 30, 2016, the City recognized gross pension expense for the teachers' Plan of \$20,402 and revenue of \$13,837 for support provided by the State. At June 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 1,697
Changes of assumptions		7,008
Net difference between projected and actual earnings on pension plan investments	14,689	14,886
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,023
City contributions made subsequent to the measurement date	<u>20,402</u>	
Total	<u>\$ 35,091</u>	<u>\$ 24,614</u>

The \$20,402 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The proportionate share reported as deferred inflows of resources related to pensions will be recognized over 7.47 years in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (2,866)
2018	(2,866)
2019	(2,866)
2020	2,096
2021	(1,576)
Thereafter	<u>(1,847)</u>
Total	<u>\$ (9,925)</u>

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.50% to 13.5%
Investment rate of return	7.50%

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

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Global Equity:	38.00%	
US Equity		6.93%
International Developed		7.32%
International Emerging Markets		9.52%
Equity Hedge Funds	8.00%	3.98%
Private Equity	7.00%	9.99%
Core Fixed Income	15.00%	2.18%
Absolute Return Hedge Funds	7.00%	3.98%
Infrastructure	3.00%	5.70%
Real Estate	8.00%	4.85%
Other Real Return Assets:	11.00%	-
Master Limited Partnerships		4.51%
Credit		4.51%
Inflation Linked Bonds		1.24%
Cash, Overlay, Money Market	3.00%	7.80%
Total Portfolio	<u>100.00%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

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

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Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability as of June 30, 2016	\$ 326,912	\$ 260,697	\$ 206,491

Pension Plan Fiduciary Net Position

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

Teachers Defined Contribution Pension Plan

Plan Description

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after 3 years of service. Benefit terms and contributions required under the plan by both employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The City's School District recognized pension expense of \$1,556 for the fiscal year ended June 30, 2016.

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

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 incurred by the City for these purposes amounted to \$2,721 for the year ended June 30, 2016.

12. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

OPEB Funding Policy

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

The following is a current census of the City benefit participants as of July 1, 2014:

	(not in thousands)
Active members	4,765
Retirees	4,499
	<hr/>
Total	9,264
	<hr/> <hr/>

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

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The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	Other Post Employment Benefits (OPEB)
Annual recommended contribution (ARC)	\$ 64,724
Interest on net OPEB obligation	9,731
Adjustment to annual recommended contribution	(8,861)
Annual OPEB cost	65,594
Contributions made	(30,042)
Increase in net OPEB obligation	35,552
Net OPEB obligation, beginning of year	243,285
Net OPEB Obligation, End of Year	\$ 278,837

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2014, 2015 and 2016 were is presented below:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/14	\$ 65,830	\$ 29,620	45.0 %	\$ 209,481
6/30/15	62,938	29,134	46.3	243,285
6/30/16	65,594	30,042	45.8	278,837

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

In the July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of .5% to an ultimate rate of 5% after five years. Both rates included a 3.5% inflation assumption. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 1, 2014, was 30 years.

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Required Supplemental Information - OPEB

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funding Status and Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
7/1/12	\$ -	\$ 1,190,552	0%	\$ 260,546	457%
7/1/13	-	1,032,887	0	267,341	386
7/1/14	-	980,674	0	270,706	362

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Actual Contribution	Percentage ARC Contributed
6/30/14	\$ 65,210	\$ 29,620	45.4%
6/30/15	62,189	29,134	46.8
6/30/16	64,724	30,042	46.4

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.

The City is committed under contracts for outstanding projects approximating \$10.6 million as of June 30, 2016.

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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 2018 and 2035. 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 6 and 7).

15. RISK MANAGEMENT

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

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

The City is required to record liabilities for self-insured claims if it is probable that a loss has been incurred and the amount can be 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, 2016 and June 30, 2015 are below. Legal claims and incurred but not reported claims for health benefits are recorded in the City's internal service fund. Accrued workers' compensation claims are recorded on the entity-wide statements. This schedule presents the activity for all self-insured risks.

	<u>2016</u>	<u>2015</u>
Beginning of the year	\$ 38,982	\$ 39,639
Incurred claims	105,452	103,264
Less: payment of claims attributable to events of both the current and prior fiscal years:		
Health, legal and workers' compensation	<u>104,018</u>	<u>103,921</u>
Total	<u>\$ 40,416</u>	<u>\$ 38,982</u>
Legal Claims	\$ 29,988	\$ 28,638
Health - IBNR	6,340	6,308
Workers' Compensation	<u>4,088</u>	<u>4,036</u>
Total	<u>\$ 40,416</u>	<u>\$ 38,982</u>

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16. RESTATEMENT

The City has determined that certain transactions were recorded incorrectly in a prior year.

School Grants Fund

The beginning fund balance of the School Grants Fund has been restated to record a prior period adjustment for revenue that had been earned in prior years but had not been recognized in those periods.

Governmental Activities

The beginning net position in the government-wide financial statements was overstated due to construction in progress (CIP) being overstated in a prior year. The assets originally recorded in the CIP account had been transferred to the appropriate fixed asset categories; however, the CIP was never reduced by those amounts. Additionally, the beginning net position in the government-wide financial statements was understated due to the failure to recognize revenue in the School Grants Fund as mentioned above.

	<u>Governmental Activities</u>	<u>School Grants Fund</u>
Net position as previously reported at June 30, 2015	\$ (1,084,453)	\$ 2,409
Adjustments:		
To remove construction in progress from Governmental Activities capital assets	(22,227)	
To add revenue from prior years that had not been recognized	<u>1,809</u>	<u>1,809</u>
Net Position as Restated as of July 1, 2015	\$ <u>(1,104,871)</u>	\$ <u>4,218</u>

**Required Supplementary
Information**

CITY OF PROVIDENCE, RHODE ISLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Revenues and Transfers	Budgeted Amounts		Actual	Variance Positive/ (Negative)
	Original	Final		
Tax revenues:				
Property taxes	\$ 336,649	\$ 336,649	\$ 338,470	\$ 1,821
Interest on overdue taxes	4,500	4,500	5,523	1,023
	<u>341,149</u>	<u>341,149</u>	<u>343,993</u>	<u>2,844</u>
Payments in lieu of taxes	27,110	27,110	30,144	3,034
Tax stabilization plans	5,647	5,647	5,222	(425)
State revenue	38,029	38,029	33,207	(4,822)
Fines	7,000	7,000	6,294	(706)
Investment interest			1	1
Miscellaneous			5,971	5,971
	<u>77,786</u>	<u>77,786</u>	<u>80,839</u>	<u>3,053</u>
Executive, legislative, and judicial:				
Mayor's Office				
Law Department			36	36
City clerk	9	9	9	
Probate court	159	159	164	5
Housing court	35	35	25	(10)
	<u>203</u>	<u>203</u>	<u>234</u>	<u>31</u>
Finance:				
City collector	680	680	595	(85)
City controller			13	13
City assessor	496	496	400	(96)
Personnel Department			1	
	<u>1,176</u>	<u>1,176</u>	<u>1,009</u>	<u>(168)</u>
Public safety:				
Commissioner of public safety	90	90	80	(10)
Police department	1,321	1,321	2,115	794
Fire department	683	683	1,098	415
Communications	688	688	695	7
Traffic engineering	4,505	4,505	3,398	(1,107)
	<u>7,287</u>	<u>7,287</u>	<u>7,386</u>	<u>99</u>
Building inspection department:				
Building inspection administration	5,616	5,616	7,815	2,199
Zoning board of review	36	36	49	13
Building board of review	10	10	8	(2)
	<u>5,662</u>	<u>5,662</u>	<u>7,872</u>	<u>2,210</u>

(Continued on next page)

CITY OF PROVIDENCE, RHODE ISLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Revenues and Transfers	Budgeted Amounts		Actual	Variance Positive/ (Negative)
	Original	Final		
Public works:				
Environmental control	\$ 24	\$ 24	\$ 21	\$ (3)
Highway	216	216	227	11
Sewer construction and maintenance	7	7	10	3
	<u>247</u>	<u>247</u>	<u>258</u>	<u>11</u>
Public lands and parks:				
Recreation			42	42
North Burial Ground	250	250	347	97
	<u>250</u>	<u>250</u>	<u>389</u>	<u>139</u>
Other departments:				
Recorder of deeds	2,532	2,532	2,729	197
Vital statistics	323	323	338	15
Bureau of licenses	1,729	1,729	1,519	(210)
Emergency Management	135	135	220	85
WSB reimbursement	839	839	839	
Room tax	2,183	2,183	1,941	(242)
Meals and beverage tax	5,117	5,117	5,261	144
Tax Stabilization			19	19
Planning and urban development	1,845	1,845	28	(1,817)
Arts, Culture, Film & Tourism	160	160	99	(61)
Providence Place Mall	300	300	300	
Voluntary payments in lieu of taxes	8,233	8,233	8,894	661
Port Providence	396	396	345	(51)
	<u>23,792</u>	<u>23,792</u>	<u>22,532</u>	<u>(1,260)</u>
Public Properties	<u>128</u>	<u>128</u>	<u>409</u>	<u>281</u>
Transfers:				
Transfer from rescue runs	4,700	4,700	5,082	382
Transfer from police/fire detail fund	2,135	2,135	1,745	(390)
Transfer from School Department			272	272
Transfers from North Burial Ground	350	350	253	(97)
Transfer from Other funds	2,600	2,600		(2,600)
	<u>9,785</u>	<u>9,785</u>	<u>7,352</u>	<u>(2,433)</u>
Total	\$ <u>467,465</u>	\$ <u>467,465</u>	472,273	\$ <u>4,807</u>

Budgetary revenues are different than GAAP revenues because:

Funds consolidated with the General Fund under GASB 54

6,134

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 478,407

CITY OF PROVIDENCE, RHODE ISLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance Positive/ (Negative)
	Original	Final		
Executive, legislative and judicial:				
Mayor's office	\$ 2,681	\$ 2,681	\$ 2,370	\$ 311
City Council	1,187	1,187	1,049	138
City sergeant	71	71	80	(9)
City clerk	992	992	765	227
Law department	4,938	4,938	6,874	(1,936)
Municipal court	1,649	1,649	2,665	(1,016)
Probate court	455	455	473	(18)
Housing court	437	437	434	3
Contingencies-Mayor	99	99	90	9
	<u>12,509</u>	<u>12,509</u>	<u>14,800</u>	<u>(2,291)</u>
Finance:				
Finance Director	658	658	712	(54)
City controller	1,266	1,266	1,180	86
Employees retirement office	400	400	314	86
Data processing	2,992	2,992	2,690	302
City collector	2,365	2,365	2,591	(226)
City assessor	2,470	2,470	2,252	218
Board of tax assessment review	17	17	14	3
Treasury department	578	578	628	(50)
Personnel	1,775	1,775	2,025	(250)
Heat, light and power	6,500	6,500	5,990	510
Debt service	62,877	62,877	63,002	(125)
Employee Death Benefit	200	200	477	(277)
Workers compensation	1,980	1,980	1,899	81
Unemployment compensation	165	165	145	20
	<u>84,243</u>	<u>84,243</u>	<u>83,919</u>	<u>324</u>
Public safety:				
Commissioner of public safety	1,509	1,509	1,209	300
Police department	71,345	71,345	70,561	784
Fire department	74,325	74,325	75,526	(1,201)
Communications department	8,689	8,689	9,146	(457)
Traffic Engineering	1,382	1,382	1,880	(498)
	<u>157,250</u>	<u>157,250</u>	<u>158,322</u>	<u>(1,072)</u>

(Continued on next page)

CITY OF PROVIDENCE, RHODE ISLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance Positive/ (Negative)
	Original	Final		
Building inspection department:				
Building inspection administration	\$ 1,733	\$ 1,733	\$ 1,646	\$ 87
Structures and zoning division	1,725	1,725	1,771	(46)
Plumbing, drainage, and gas piping division	379	379	388	(9)
Electrical installations division	344	344	387	(43)
Zoning board of review	17	17	19	(2)
Building and housing board of review	14	14	11	3
Building inspection code enforcement				
Building inspection prosecution	235	235	232	3
	<u>4,447</u>	<u>4,447</u>	<u>4,454</u>	<u>(7)</u>
Public works:				
Public works administration	769	769	784	(15)
Engineering and sanitation	894	894	1,021	(127)
Environmental control	9,688	9,688	9,359	329
Highway	4,138	4,138	4,206	(68)
Snow removal	1,900	1,900	1,527	373
Parking administration	555	555	535	20
Sewer construction and maintenance	799	799	775	24
Garage maintenance and equipment repair	836	836	868	(32)
	<u>19,579</u>	<u>19,579</u>	<u>19,075</u>	<u>504</u>
Recreation:				
Recreation seasonal	<u>1,973</u>	<u>1,973</u>	<u>2,005</u>	<u>(32)</u>
Public lands and parks:				
Grounds maintenance services	4,528	4,528	4,514	14
Forestry services	1,210	1,210	1,306	(96)
Zoological services	2,778	2,778	2,858	(80)
Park environmental services (Greenhouse)	561	561	519	42
Park programming (Roger Williams Park)	1,471	1,471	1,263	208
Superintendent of parks	1,138	1,138	1,133	5
North Burial Grounds	710	710	693	17
	<u>12,396</u>	<u>12,396</u>	<u>12,286</u>	<u>110</u>
Other departments:				
Recorder of deeds	497	497	519	(22)
Vital statistics	320	320	327	(7)
Board of canvassers	828	828	713	115
Bureau of licenses	801	801	775	26

(Continued on next page)

CITY OF PROVIDENCE, RHODE ISLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Expenditures and Transfers	Budgeted Amounts		Actual	Variance Positive/ (Negative)
	Original	Final		
Other departments, Continued:				
Emergency Management	\$ 646	\$ 646	\$ 585	\$ 61
Planning and urban development	5,132	5,132	3,706	1,426
Administration to City Council	1,196	1,196	1,065	131
Internal auditor	370	370	399	(29)
Archives	286	286	285	1
Human relations commission	81	81	41	40
Department of human services	643	643	228	415
Office of Arts, Culture, Film & Tourism	709	709	715	(6)
Providence Housing Authority	9	9	6	3
League of Cities	12	12		12
Ceremonies	9	9	4	5
P.E.R.A.	115	115	24	91
Non-Departmental	680	680	550	130
	<u>12,334</u>	<u>12,334</u>	<u>9,942</u>	<u>2,392</u>
Grants:				
Providence Public Library	3,825	3,825	3,545	280
Providence plan commission	25	25	21	4
Community centers	261	261	540	(279)
Crossroads	109	109	109	
P.A.S.A.	250	250	250	
Institute of Non-Violence	73	73	73	
Grants (Transfer to Mary Sharpe)	25	25	25	
Grant Expenditure	500	500		500
	<u>5,068</u>	<u>5,068</u>	<u>4,563</u>	<u>505</u>
Public properties	6,283	6,283	6,000	283
Transfers:				
Transfers to School Department	124,897	124,897	124,897	
Transfer to Retiree Benefits	22,155	22,155	22,282	(127)
Deficit Reduction	4,330	4,330		4,330
	<u>151,382</u>	<u>151,382</u>	<u>147,179</u>	<u>4,203</u>
Total	\$ <u>467,464</u>	\$ <u>467,464</u>	462,545	\$ <u>4,919</u>

Budgetary expenditures are different than GAAP expenditures because:

Funds consolidated with the General Fund under GASB 54

5,575

Total Expenditures and Other Financing Uses as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds -
Exhibit IV

\$ 468,120

**CITY OF PROVIDENCE, RHODE ISLAND
SCHOOL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)**

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal and state revenue	\$ 222,770	\$ 222,770	\$ 222,770	\$
Other revenue	6,435	6,435	6,174	(261)
Transfers from other funds	124,897	124,897	124,897	
Total revenues	<u>354,102</u>	<u>354,102</u>	<u>353,841</u>	<u>(261)</u>
Expenditures:				
Education	354,102	354,102	353,569	533
Transfer to other funds			272	(272)
Total expenses	<u>354,102</u>	<u>354,102</u>	<u>353,841</u>	<u>261</u>
Excess of Revenue over Expenditures	\$ -	\$ -	\$ -	\$ -

Budget - GAAP Reconciliation: A reconciliation of revenues and expenditures between the accounting treatment required by GAAP and budgetary requirements is as follows:

	<u>School Unrestricted</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis - June 30, 2016	\$ 353,841	\$ 353,841
State teachers' retirement on-behalf payments	<u>13,837</u>	<u>13,837</u>
Balance, GAAP Basis - June 30, 2016	<u>\$ 367,678</u>	<u>\$ 367,678</u>

CITY OF PROVIDENCE, RHODE ISLAND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS*
(In Thousands)

	2016	2015	2014
Total pension liability:			
Service cost	\$ 18,405	\$ 17,783	18,844
Interest	100,333	98,938	96,007
Differences between expected and actual experience	(4,367)	1,650	
Changes of assumptions	60,313	841	
Benefit payments, including refunds of member contributions	(108,193)	(97,651)	(96,570)
Net change in total pension liability	66,491	21,561	18,281
Total pension liability - beginning	1,251,850	1,230,289	1,212,008
Total pension liability - ending	1,318,341	1,251,850	1,230,289
Plan fiduciary net position:			
Contributions - employer	70,704	66,876	62,140
Contributions - member	12,043	11,624	10,873
Net investment income	7,849	12,702	47,003
Benefit payments, including refunds of member contributions	(108,193)	(97,651)	(96,570)
Administrative expense	(184)	(195)	(1,519)
Net change in plan fiduciary net position	(17,781)	(6,644)	21,927
Plan fiduciary net position - beginning	351,068	357,712	335,785
Plan fiduciary net position - ending	333,287	351,068	357,712
Net Pension Liability - Ending	\$ 985,054	\$ 900,782	872,577
Plan fiduciary net position as a percentage of the total pension liability	25.28%	28.04%	29.08%
Covered-employee payroll	\$ 145,874	\$ 142,504	139,893
Net pension liability as a percentage of covered-employee payroll	675.28%	632.11%	623.75%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

CITY OF PROVIDENCE, RHODE ISLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST THREE FISCAL YEARS*
(In Thousands)

	2016	2015	2014
Actuarially determined contribution	\$ 70,704	\$ 66,876	\$ 61,615
Contributions in relation to the actuarially determined contribution	70,704	66,876	62,140
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (525)
Covered-employee payroll	\$ 145,874	\$ 142,504	\$ 139,893
Contributions as a percentage of covered-employee payroll	48.47%	46.93%	44.42%

Notes to Schedule

Valuation date: July 1, 2015
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar for the 1995 deferral liability and increasing 3.5% per year for the remaining unfunded liability.
Remaining amortization period	Market value of assets as reported by the City less unrecognized returns in each of the last five years plus the discounted contribution paid by the city in the following year. Unrecognized return is equal to the difference between the actual market return and the expected market return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Inflation	3.5%
Salary increases	3.5% per year before reflecting increases due to longevity
Investment rate of return	8.00%, net of pension plan investment and administrative expenses, including inflation.
Cost of living adjustments:	10-year freeze as of January 1, 2013 and 3% thereafter.
Benefit changes:	There have been no changes in benefit provisions since GASB 67/68 implementation
Assumption changes:	The actuarial assumptions used to reflect the assumptions proposed in the Experience Investigation for the Five Year Period Ending June 30, 2011 submitted to the Board on April 2, 2012, with the following exception: The retirement rate for Class B participants is 100% at age 60.

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**CITY OF PROVIDENCE, RHODE ISLAND
SCHEDULE OF INVESTMENT RETURNS
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.60%	3.30%	17.50%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

CITY OF PROVIDENCE, RHODE ISLAND
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS
(In Thousands)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.76%	0.76%
City's proportionate share of the net pension liability	\$ 260,697	\$ 231,542
State's proportionate share of the net pension liability associated with the City	<u>178,100</u>	<u>158,779</u>
Total	<u>\$ 438,797</u>	<u>\$ 390,321</u>
City's covered-employee payroll	\$ 148,594	\$ 153,873
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57%	66%
Plan fiduciary net position as a percentage of the total pension liability	57.60%	61.40%

Notes:

- 1.) The amounts presented for each fiscal year were determined as of the 6/30 measurement date prior to the fiscal year-end.
- 2.) This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

CITY OF PROVIDENCE, RHODE ISLAND
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST TWO FISCAL YEARS
(In Thousands)

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	20,402	20,634
Contributions in relation to the actuarially determined contribution	\$ <u>20,402</u>	\$ <u>20,634</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 148,594	\$ 153,873
Contributions as a percentage of its covered-employee payroll	13.7%	13.4%

Notes:

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

2.) This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

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**Supplemental, Combining and Individual
Fund Statements and Schedules**

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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

CITY OF PROVIDENCE, RHODE ISLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016
(In Thousands)

	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P & D	Other Special Revenue Fund	Skating Rink	WDO	Capital Proceeds Fund	Other Nonmajor Governmental Funds	Totals
ASSETS											
Cash and cash equivalents	\$ 1,496	\$ 967	\$ 2,721	\$ 10,735	\$ 281	\$ 2,439	\$ 161	\$ 12	\$ 2,404	\$ 969	\$ 22,185
Investments						170			1,053	15,106	16,329
Receivables, net:											
Loans	5,648	8,039	12,208	181		449		450			26,076
Intergovernmental		2,119		5		27					3,023
Other						67		5	13,542	332	27
Due from other funds	498	4,205	2,744	331	494						22,218
Other assets	250			324							574
Total assets	\$ 7,892	\$ 15,330	\$ 17,673	\$ 11,576	\$ 775	\$ 3,152	\$ 161	\$ 467	\$ 16,999	\$ 16,407	\$ 90,432
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Warrants and accounts payable	\$ 17	\$ 1,818	\$ 231	\$ 33	\$	\$ 512	\$	\$ 371	\$	\$ 98	\$ 3,080
Accrued liabilities	181			445				36			662
Unearned revenue	207	8,039	753			203		54			9,256
Due to other funds	503	4,641	3,304	1,357	634	140		6	7,425	735	18,745
Total liabilities	908	14,498	4,288	1,835	634	855		467	7,425	833	31,743
FUND BALANCES											
Nonspendable	5,441		11,455							136	17,032
Restricted	1,543	832	1,930	9,741	141	1,994	161			15,438	31,780
Committed						303			9,574		9,877
Unassigned											
Total fund balances	6,984	832	13,385	9,741	141	2,297	161	-	9,574	15,574	58,689
Total Liabilities and Fund Balances	\$ 7,892	\$ 15,330	\$ 17,673	\$ 11,576	\$ 775	\$ 3,152	\$ 161	\$ 467	\$ 16,999	\$ 16,407	\$ 90,432

CITY OF PROVIDENCE, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other Special Revenue Fund	Skating Rink	WDO	Capital Proceeds Fund	Other Nonmajor Governmental Funds	Totals
Revenues:											
Departmental	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental	72	12,196		9,001		562	600	6,491			10,163
Investment and rental income	3		289	357		3,268					22,384
Other	61	106	3	25		213			43	60	633
	136	12,302	292	546		1,290			92	55	2,153
Total Revenues				9,929		5,333	600	6,491	135	115	35,333
Expenditures:											
Current:											
Executive, legislative, and judicial						130				709	839
Finance											
Public safety						3,262		6,536			9,798
Recreation						678	525				1,203
Public lands and parks						1,060				108	1,168
Community development	185	11,762	1,289	8,063							21,299
Debt service:											
Principal		97		1,731							1,828
Interest and other costs		14		768							782
Capital outlay:											
Total expenditures	185	11,873	1,289	10,562		334	525	6,536		817	37,251
Excess (Deficiency) of Revenue over Expenditures	(49)	429	(997)	(633)		(131)	75	(45)	135	(702)	(1,918)
Other Financing Sources (Uses):											
Transfers in										51	51
Transfers out										(304)	(304)
Total other financing sources (uses)										(253)	(253)
Net Change in Fund Balance	(49)	429	(997)	(633)		(131)	75	(45)	135	(955)	(2,171)
Fund Balance, Beginning of Year	7,033	403	14,382	10,374	141	2,428	86	45	9,439	16,529	60,860
Fund Balance, End of Year	\$ 6,984	\$ 832	\$ 13,385	\$ 9,741	\$ 141	\$ 2,297	\$ 161	\$ -	\$ 9,574	\$ 15,574	\$ 58,689

Agency Funds

AGENCY FUNDS

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

CITY OF PROVIDENCE, RHODE ISLAND
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Exhibit B-1

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Assets:				
Cash and cash equivalents	\$ 1,519	\$ 1,450	\$ 1,382	\$ 1,587
Other receivables	<u>2</u>			<u>2</u>
Total Assets	<u>\$ 1,521</u>	<u>\$ 1,450</u>	<u>\$ 1,382</u>	<u>\$ 1,589</u>
Liabilities:				
Other payables	\$ 855	\$ 27	\$	\$ 872
Due to other funds		10		10
Due to student group	<u>666</u>	<u>1,423</u>	<u>1,382</u>	<u>707</u>
Total Liabilities	<u>\$ 1,521</u>	<u>\$ 1,460</u>	<u>\$ 1,382</u>	<u>\$ 1,589</u>

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**Annual Supplementary
Transparency Report**

City of Providence
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

Exhibit C-1

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Property Tax Collection	\$ 329,160,525	\$ -
Prior Year Property Tax Collection	9,309,746	-
Interest & Penalty	5,522,631	-
PILOT & Tax Treaty (excluded from certified levy)	14,897,463	-
Other Local Property Taxes	-	-
Licenses and Permits	9,705,581	-
Fines and Forfeitures	6,293,871	-
Investment Income	985	-
Departmental	12,535,767	-
Rescue Run Revenue	5,352,856	-
Police & Fire Detail	6,610,009	-
Other Local Non-Property Tax Revenues	-	-
Tuition	-	-
Impact Aid	-	-
Medicaid	-	4,877,792
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	-
CDBG	1,329,663	-
COPS Grants	613,092	-
SAFER Grants	-	-
Other Federal Aid Funds	6,082,394	31,638,767
MV Excise Tax Reimbursement	1,882,415	-
State PILOT Program	30,127,835	-
Distressed Community Relief Fund	6,202,808	-
Library Resource Aid	-	-
Library Construction Aid	-	-
Public Service Corporation Tax	2,298,821	-
Meals & Beverage Tax	5,260,911	-
Hotel Tax	1,940,994	-
LEA Aid	-	222,770,257
Housing Aid Capital Projects	22,656,088	-
Housing Aid Bonded Debt	-	-
State Food Service Revenue	-	143,478
Incentive Aid	-	-
Property Revaluation Reimbursement	399,199	-
Other State Revenue	665,233	688,149
Other Revenue	7,467,267	17,697,574
Local Appropriation for Education	-	124,896,611
Regional Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 486,316,154	\$ 402,712,628
Transfer from Capital Projects Funds	\$ -	\$ -
Transfer from Other Funds	525,284	-
Debt Proceeds	-	-
Other Financing Sources	-	-
Rounding	-	-
Total Other Financing Sources	\$ 525,284	\$ -

EXPENDITURES	General Government	Finance	Social Services	Information Technology	Planning	Libraries	Public Works	Parks and Rec	Police Department
Compensation- Group A	\$ 10,369,240	\$ 4,566,020	\$ 2,083,845	\$ 903,363	\$ 4,313,237	\$ -	\$ 4,552,986	\$ 7,619,713	\$ 29,530,512
Compensation - Group B	-	-	-	-	-	-	-	-	5,071,835
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	84,963	13,829	-	21,837	10,551	-	478,043	304,210	2,449,347
Overtime - Group B	-	-	-	-	-	-	-	-	249,539
Police & Fire Detail	-	-	-	-	-	-	-	-	4,148,959
Active Medical Insurance - Group A	1,930,999	911,621	183,774	209,753	1,008,282	-	1,248,601	1,770,447	5,663,271
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	947,577
Active Dental Insurance- Group A	142,689	71,593	16,041	14,081	73,856	-	102,453	137,856	490,153
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	100,474
Payroll Taxes	677,567	336,762	88,211	67,816	355,771	-	360,943	611,188	832,299
Life Insurance	110,456	-	-	-	-	-	-	-	-
Defined Contribution- Group A	-	-	-	-	-	-	-	-	-
Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	952,848	239,137	181,304	27,718	325,774	-	356,110	491,582	746,282
Other Benefits- Group B	-	-	-	-	-	-	-	-	351,447
Local Pension- Group A	2,469,217	1,269,556	327,829	251,754	1,171,875	-	1,244,233	1,808,826	21,264,330
Local Pension - Group B	-	-	-	-	-	-	-	-	1,684,370
State Pension- Group A	-	-	-	-	-	-	-	-	-
State Pension - Group B	-	-	-	-	-	-	-	-	-
Other Pension	318,169	181,356	37,769	26,299	206,744	-	314,787	434,206	290,116
Purchased Services	7,025,912	2,081,144	76,886	356,885	1,112,613	-	1,552,102	795,962	677,029
Materials/Supplies	1,307,417	20,011	32,387	135,166	18,392	-	490,065	261,584	538,200
Software Licenses	-	-	-	638,476	-	-	-	-	-
Capital Outlays	135	-	-	-	-	-	146,430	-	-
Insurance	69,019	-	-	-	-	-	-	-	-
Maintenance	595,680	3,068	-	18,388	6,168	-	1,109,484	146,190	42,928
Vehicle Operations	1,266	-	-	-	-	-	171,302	34,463	116,273
Utilities	2,069,965	-	27,757	18,440	-	-	-	616	10,445
Contingency	685,591	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	3,920,858	-	-
Revaluation	-	524,000	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	414,430	-	-
Trash Removal & Recycling	-	-	-	-	-	-	8,414,588	-	-
Claims & Settlements	1,362,934	-	-	-	-	-	-	-	-
Community Support	1,017,912	-	-	-	-	-	-	-	-
Other Operation Expenditures	359,307	-	3,718,106	-	607,280	3,545,000	105,168	63,133	5,525
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 31,551,285	\$ 10,218,098	\$ 6,773,908	\$ 2,689,976	\$ 9,210,543	\$ 3,545,000	\$ 24,982,583	\$ 14,479,976	\$ 75,210,911

City of Providence
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

Exhibit C-1

<u>EXPENDITURES</u>	Fire Department	Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ 29,333,205	\$ 4,250,689	\$ 823,417	\$ -	\$ -	\$ -	\$ 98,346,228	\$ 164,673,978
Compensation - Group B	2,116,465	-	-	-	-	-	7,188,301	31,147,161
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	10,474,187	455,903	4,288	-	-	-	14,297,158	29,463
Overtime - Group B	132,576	-	-	-	-	-	382,115	407,178
Police & Fire Detail	661,437	-	-	-	-	-	4,810,396	-
Active Medical Insurance - Group A	5,698,489	900,834	109,275	-	-	-	19,635,345	23,093,804
Active Medical Insurance- Group B	250,383	-	-	-	-	-	1,197,960	10,092,341
Active Dental Insurance- Group A	451,121	64,379	8,459	-	-	-	1,572,681	2,121,926
Active Dental Insurance- Group B	22,660	-	-	-	-	-	123,134	975,443
Payroll Taxes	604,041	351,619	60,126	-	-	-	4,346,342	14,445,982
Life Insurance	-	-	-	-	-	-	110,456	151,082
Defined Contribution- Group A	-	-	-	-	-	-	-	1,553,374
Defined Contribution - Group B	-	-	-	-	-	-	-	2,316
Other Benefits- Group A	427,829	231,312	18,331	-	-	-	3,998,228	4,114,314
Other Benefits- Group B	78,667	-	-	-	-	-	430,114	4,781,072
Local Pension- Group A	24,238,123	1,163,515	232,163	-	-	-	55,441,421	-
Local Pension - Group B	628,584	-	-	-	-	-	2,312,954	-
State Pension- Group A	-	-	-	-	-	-	-	21,806,031
State Pension - Group B	-	-	-	-	-	-	-	8,055,611
Other Pension	70,754	220,847	15,232	-	-	-	2,116,280	-
Purchased Services	187,937	37,622	33,993	-	-	-	13,938,084	69,456,759
Materials/Supplies	751,492	141,660	32,226	-	-	-	3,728,600	7,348,532
Software Licenses	-	-	-	-	-	-	638,476	381,751
Capital Outlays	-	-	-	-	-	-	146,565	5,818,076
Insurance	-	-	-	-	-	-	69,019	563,695
Maintenance	49,383	421,221	453,784	-	-	-	2,846,294	18,936,204
Vehicle Operations	9,843	338	3,400	-	-	-	336,884	60,781
Utilities	-	905,593	40	-	-	-	3,032,855	3,135,677
Contingency	-	-	-	-	-	-	685,591	-
Street Lighting	-	-	-	-	-	-	3,920,858	-
Revaluation	-	-	-	-	-	-	524,000	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	414,430	-
Trash Removal & Recycling	-	-	-	-	-	-	8,414,588	-
Claims & Settlements	-	-	-	-	-	-	1,362,934	401,688
Community Support	-	-	-	-	-	-	1,017,912	-
Other Operation Expenditures	271,712	-	-	-	-	-	8,675,231	1,027,601
Local Appropriation for Education	-	-	-	124,896,611	-	-	124,896,611	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	17,488,242	-	17,488,242	-
Municipal Debt- Interest	-	-	-	-	8,063,238	-	8,063,238	-
School Debt- Principal	-	-	-	-	23,595,925	-	23,595,925	-
School Debt- Interest	-	-	-	-	13,965,907	-	13,965,907	-
Retiree Medical Insurance- Total	-	-	-	-	-	22,282,460	22,282,460	6,680,774
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	656
OPEB Contribution- Total	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 76,458,888	\$ 9,145,533	\$ 1,794,734	\$ 124,896,611	\$ 63,113,312	\$ 22,282,460	\$ 476,353,817	\$ 401,263,270

Transfer to Capital Project Funds	\$ -	\$ -
Transfer to Other Funds	-	-
Payment to Bond Escrow Agent	-	-
Other Financing Uses	-	-
Total Other Financing Uses	\$ -	\$ -
Net Change in Fund Balance	10,487,621	1,449,358
Fund Balance - beginning of year	(13,034,343)	6,608,000
Fund Balance - end of year	\$ (2,546,722)	\$ 8,057,358

City of Providence
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Municipal
Fiscal Year Ended June 30, 2016

Exhibit C-2

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
General Fund	\$ 477,882,000	\$ 525,000	\$ 343,223,000	\$ 124,897,000	\$ 10,287,000	\$ (13,445,000)	\$ (3,158,000)
Non-major Governmental Funds (excluding WDO)	28,841,736	51,000	30,715,351	304,000	(2,126,615)	60,815,615	58,689,000
WDO	6,491,264		6,535,649		(44,385)	44,385	0
Totals per audited financial statements	\$ 513,215,000	\$ 576,000	\$ 380,474,000	\$ 125,201,000	\$ 8,116,000	\$ 47,415,000	\$ 55,531,000

Reconciliation from financial statements to MTP2

Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2
Remove non-reportable revenues/expenses from non-major governmental funds
Rounding

\$ -	\$ -	124,896,611	(124,896,611)	-	-	-	-
(26,898,981)	(51,000)	(29,018,272)	(304,000)	2,372,291	(60,449,343)	(58,077,052)	(58,077,052)
135	284	1,478	(389)	(670)		(670)	(670)
\$ 486,316,154	\$ 525,284	\$ 476,353,817	\$ -	\$ 10,487,621	\$ (13,034,343)	\$ (2,546,722)	\$ (2,546,722)

City of Providence
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2016

Exhibit C-3

Per Audited Fund Financial Statements Fund Description	Total Other		Total		Total Other		Net Change in Fund Balance	Fund Balance/ (Deficit)		Fund Balance/ (Deficit)
	Total Revenue	Financing Sources	Expenditures	Uses	Financing Uses	Balance		- Beginning	- Ending	
School Fund	\$ 241,597,000	\$ 126,081,000	\$ 367,406,000	\$ 272,000	\$ 272,000	\$ -	\$ -	\$ -	\$ -	\$ -
School Grants Fund	33,295,000	1,323,000	31,681,000	2,507,000	2,507,000	430,000	4,218,000	4,648,000	4,648,000	
Non-major School Lunch Program	16,759,000		16,010,000			749,000	2,662,000	3,411,000	3,411,000	
Totals per audited financial statements	\$ 291,651,000	\$ 127,404,000	\$ 415,097,000	\$ 2,779,000	\$ 2,779,000	\$ 1,179,000	\$ 6,880,000	\$ 8,059,000		
<u>Reconciliation from financial statements to MTP2</u>										
Municipal appropriation for Education reported as a transfer on financial statements but an expenditure on MTP2	\$ 124,896,611	\$ (124,896,611)				\$ -	\$ -	\$ -	\$ -	
School transfer to City GF - Eliminated per UCOA				(272,000)	(272,000)	272,000	(272,000)			
Eliminate Transfers from UCOA	(13,836,981)	(2,507,000)		(2,507,000)	(2,507,000)	-				
State on Behalf Payment Reclass			(13,836,981)			-				
Rounding	1,998	(389)	3,251			(1,642)			(1,642)	
Totals Per MTP2	\$ 402,712,628	\$ -	\$ 401,263,270	\$ -	\$ -	\$ 1,449,358	\$ 6,608,000	\$ 8,057,358		

City of Providence, Rhode Island

Notes to Supplementary Information – *Annual Supplemental Transparency Report (MTP2)*

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a new supplemental schedule required by the State of Rhode Island, as a result of newly enacted legislation, Article 8 of the Appropriations Act (2016 House Bill 7454 sub A as amended). This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) on the Division of Municipal Finance website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State's Municipal Transparency portal. Consistent with that goal, the State has defined "reportable government services", RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality's general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the City's (or Town's) budget and accounting system. To report these costs, the City (or Town) made reasonable allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups

Group A - This item includes compensation (salaries, longevity, stipends, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for the primary work force of the department (Police Department: Police Officers, Fire Department: Fire Fighters, Education Department: Certified Employees, and Other Departments: All Employees).

Group B - This item would only include compensation (salaries, longevity, stipend, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for administrative and civilian dispatch employees in Police and Fire Departments and Non-Certified employees for Education Department.

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>. (Documents pertaining to the Transparency Portal will be posted in January 2017)

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 1

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets										
Unrestricted	\$ 51,350	\$ 80,301	\$ 102,250	\$ 122,820	\$ 127,340	\$ 122,997	\$ 117,449	\$ 199,002	\$ 219,179	\$ 204,262
	765	(29,054)	(63,215)	(143,890)	(233,086)	(261,508)	(263,762)	(341,989)	(1,303,632)	(1,361,585)
Total governmental activities										
net assets	\$ 52,115	\$ 51,247	\$ 39,035	\$ (21,070)	\$ (105,746)	\$ (138,511)	\$ (146,313)	\$ (142,987)	\$ (1,084,453)	\$ (1,157,323)
Business-type activities:										
Net investment in capital assets										
Restricted	\$ 165,284	\$ 143,479	\$ 159,670	\$ 179,800	\$ 201,281	\$ 213,758	\$ 217,210	\$ 225,544	\$ 239,088	\$ 239,088
Unrestricted	19,470	54,745	44,280	31,037	18,809	20,943	35,112	36,627	42,322	50,554
	8,178	8,465	6,622	3,503	11,661	10,986	6,403	6,676	(35,289)	(20,876)
Total business-type activities										
net assets	\$ 192,932	\$ 206,689	\$ 210,572	\$ 214,340	\$ 231,751	\$ 245,687	\$ 258,725	\$ 268,847	\$ 246,121	\$ 268,766
Primary government:										
Net investment in capital assets										
Restricted	\$ 216,634	\$ 223,780	\$ 261,920	\$ 302,620	\$ 328,621	\$ 336,755	\$ 334,659	\$ 424,546	\$ 458,267	\$ 443,350
Unrestricted	19,470	54,745	44,280	31,037	18,809	20,943	35,112	36,627	42,322	50,554
	8,943	(20,589)	(56,593)	(140,387)	(221,425)	(250,522)	(257,359)	(335,313)	(1,338,921)	(1,382,461)
Total primary government										
net assets	\$ 245,047	\$ 257,936	\$ 249,607	\$ 193,270	\$ 126,005	\$ 107,176	\$ 112,412	\$ 125,860	\$ (838,332)	\$ (888,557)

CITY OF PROVIDENCE, RHODE ISLAND

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Executive, legislative, and judicial	\$ 22,761	\$ 19,352	\$ 32,624	\$ 42,202	\$ 40,382	\$ 51,677	\$ 36,944	\$ 36,036	\$ 36,830	\$ 54,515
Finance	106,740	119,373	111,908	59,345	58,740	57,819	58,462	49,261	63,820	27,561
Public safety	110,246	111,183	106,243	182,787	178,374	157,676	170,854	169,742	180,430	219,557
Building inspection	2,495	2,717	2,946	4,806	4,636	4,126	4,264	4,381	4,496	4,960
Public works	21,992	18,384	17,079	23,030	28,451	25,754	15,752	23,965	26,959	12,360
Recreation	2,939	3,089	2,771	3,285	1,593	1,644	1,876	2,131	2,238	3,362
Public land and parks	17,535	17,249	5,523	21,069	24,572	19,437	21,941	20,825	21,290	37,119
Education	380,730	387,624	377,736	381,096	388,612	379,768	395,215	402,539	422,730	430,501
Community development	23,432	20,811	26,110	31,150	21,467	18,687	24,297	18,901	17,981	27,758
Interest on long-term debt	18,639	17,056	27,360	27,389	26,699	32,365	26,817	19,984	19,859	21,908
Total governmental activities expenses	707,509	716,838	710,300	776,159	773,526	748,953	756,422	747,765	796,633	839,601
Business-type activities:										
PPBA	11,790	14,900	17,222	17,696	18,949	19,992	19,396	19,322	17,076	14,574
Water Supply Board	46,105	47,610	50,381	52,303	47,483	50,461	52,553	56,271	56,628	59,635
Civic Center										
Non-major School lunch program			12,044	12,194	12,836	13,908	14,422	15,448	15,152	16,010
Total business-type activities expenses	57,895	62,510	79,647	82,193	79,268	84,361	86,371	91,041	88,856	90,219
Total primary government expenses	765,404	779,348	789,947	858,352	852,794	833,314	842,793	838,806	885,489	929,820
Program revenue:										
Governmental activities:										
Charges for services:										
Executive, legislative, and judicial	788	265	241	222	203	232	222	198	191	355
Finance	34,717	18,779	16,928	42,926	51,412	63,264	68,955	67,590	60,636	5,312
Public safety	14,831	20,867	22,222	19,515	16,252	11,384	11,776	12,050	11,908	21,621
Building inspection	6,379	4,993	4,240	3,599	3,405	4,112	4,503	4,036	4,376	7,872
Public works	2,259	202	213	219	132	193	229	516	318	295
Recreation	418	361	416	231	226	206	211	196	547	1,350
Public land and parks	4,004	410	438	311	581	136	264	321	317	2,109
Education	1,526	1,621	8,309	11,691	11,704	12,558	12,174	12,599	15,151	367
Community development	7,233	8,397	8,982	375	88	10				10,310
Operating grants and contributions:										
Executive, legislative, and judicial	1									2
Finance	61									
Public safety	2,702	4,924	7,348	3,084	2,200	3,183	183	51	56	2,378
Public works										
Recreation	703	743	329	349	296	261	442	395	484	589
Public land and parks	4,679	4,714	177							
Education	248,239	248,949	235,234	238,267	243,134	225,661	247,624	252,226	275,252	297,205
Community development	15,472	13,758	11,943	14,645	15,856	12,518	13,005	8,292	6,791	20,017
Capital grants and contributions:										
Finance										
Public Works										2,083
Public land and parks										486
Education	15,039	13,908	15,872							
Total governmental activities program revenue:	359,051	342,891	332,892	335,434	345,489	333,718	359,588	358,470	376,027	372,351

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program revenue:										
Business-type activities:										
Charges for services:										
PPBA	10,988	15,712	9,835	16,362	18,548	20,996	20,020	19,652	18,861	22,405
Water Supply Board	52,749	56,032	59,575	54,976	64,017	61,726	61,070	62,872	69,231	71,011
Civic Center										
Non-major School lunch program			12,040	12,446	12,986	14,548	15,124	15,414	15,803	16,759
Capital grants and contributions:										
Water Supply Board	1,613	898	775	773	510	200	2,100	3,304	1,098	471
Total business-type activities										
program revenues	65,350	72,642	82,225	84,557	96,061	97,470	98,314	101,242	104,993	110,646
Total primary government program										
revenues	424,401	415,533	415,117	419,991	441,550	431,188	457,902	459,712	481,020	482,997
Net (expense) revenue:										
Governmental activities	(348,458)	(373,947)	(377,408)	(440,725)	(428,037)	(415,235)	(396,834)	(389,295)	(420,606)	(467,250)
Business-type activities	7,455	10,132	2,578	2,364	16,793	13,109	11,943	10,201	16,137	20,427
Total primary government net expense	(341,003)	(363,815)	(374,830)	(438,361)	(411,244)	(402,126)	(384,891)	(379,094)	(404,469)	(446,823)
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	257,776	272,366	284,775	289,837	286,998	320,591	325,960	331,133	335,624	344,012
Payments in lieu of taxes	20,124	19,575	19,680	19,103	23,115	23,461	25,645	27,110	28,088	39,139
Grants and contributions not restricted to specific programs	51,967	42,787	38,048	40,070	25,619	21,473	19,296	18,158	16,658	17,586
Investment income	19,779	19,905	1,230	252	153	100	84	1	1	117
Gain (loss) on disposal		409								
Miscellaneous	17,207	18,037	21,525	31,358	17,473	16,846	18,290	18,871	19,176	13,944
Transfers							(243)			
Sale of building and land										
Total governmental activities	366,853	373,079	365,258	380,620	353,358	382,471	389,032	395,273	399,547	414,798
Business-type activities:										
Investment earnings	3,024	3,625	1,243	1,404	618	827	852	662	485	
Miscellaneous										2,218
Transfers							243			
Special items:										
Sale of building and land										
Total business-type activities	3,024	3,625	1,243	1,404	618	827	1,095	662	485	2,218
Total primary government	369,877	376,704	366,501	382,024	353,976	383,298	390,127	395,935	400,032	417,016
Changes in net position:										
Governmental activities	18,395	(868)	(12,150)	(60,105)	(74,679)	(32,764)	(7,802)	5,978	(21,059)	(52,452)
Business-type activities	10,479	13,757	3,821	3,768	17,411	13,936	13,038	10,863	16,622	22,645
Total primary government	\$ 28,874	\$ 12,889	\$ (8,329)	\$ (56,337)	\$ (57,268)	\$ (18,828)	\$ 5,236	\$ 16,841	\$ (4,437)	\$ (29,807)

(CONCLUDED)

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Designated for future uses	\$ 550	\$ -	\$ -	\$ 1,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/ Unassigned	21,614	22,361	17,361	2,080	3,725	(11,399)	(9,827)	(8,672)	(13,445)	(3,158)
Total General Fund	\$ 22,164	\$ 22,361	\$ 17,361	\$ 3,458	\$ 3,725	\$ (11,399)	\$ (9,827)	\$ (8,672)	\$ (13,445)	\$ (3,158)
All Other Governmental Funds:										
Nonspendable					\$ 16,428	\$ 19,818	\$ 19,932	\$ 18,770	\$ 19,041	\$ 17,032
Restricted					36,253	35,103	71,066	51,378	39,352	39,117
Committed					12,194	9,275	10,268	9,530	10,013	9,877
Unassigned					3,686	(262)	(18)			
Reserved	\$ 10,157	\$ 11,729	\$ 14,183	\$ 15,882						
Unreserved:										
Designated for future uses	16,026	18,045	16,754	9,311						
Special Revenue	-	-	-	-						
Undesignated:										
Capital Projects	14,513	7,394	9,807	7,081						
Special Revenue	76,976	57,678	42,400	20,041						
Permanent Trust	18,223	14,932	11,821	12,794						
Total all other government funds	\$ 135,895	\$ 109,778	\$ 94,965	\$ 65,109	\$ 68,561	\$ 63,934	\$ 101,248	\$ 79,678	\$ 68,406	\$ 66,026

CITY OF PROVIDENCE, RHODE ISLAND

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Taxes	\$ 281,422	\$ 279,956	\$ 283,631	\$ 290,358	\$ 290,704	\$ 314,355	\$ 324,058	\$ 330,449	\$ 334,103	\$ 343,993
Departmental revenue	67,352	64,136	73,545	65,786	73,025	95,336	92,683	88,042	89,769	325,438
Federal and state grants and reimbursements	338,863	334,533	298,742	302,272	305,814	285,120	306,195	306,232	316,291	104,375
Investment and rental income	19,779	21,201	16,254	19,742	4,829	1,454	3,297	4,358	1,843	1,173
Fines and forfeitures	4,307	7,241	7,464	7,663	8,143	7,341	6,030	6,066	4,559	6,294
State Fiscal Stabilization Funds			10,209	13,246	4,406	1,437	-	-	-	-
Other	17,207	15,628	15,491	11,867	12,796	15,492	15,076	14,514	17,334	9,366
Total revenues	728,930	716,695	705,336	710,934	698,717	720,535	747,339	749,661	763,899	790,639
Expenditures:										
Current:										
Executive, legislative, and judicial										
Finance	9,852	10,264	11,100	14,239	12,695	15,364	11,649	11,090	13,354	15,834
Public safety	106,674	112,142	103,361	43,447	39,526	49,661	50,743	44,540	47,741	43,199
Building inspection	103,111	109,187	103,795	166,254	165,909	151,655	153,492	161,866	163,213	173,208
Public works	2,462	2,686	2,838	4,391	4,308	3,901	3,931	4,096	4,239	4,454
Recreation	13,423	14,331	15,650	19,064	21,806	26,179	18,963	18,852	20,264	19,180
Public lands and parks	2,909	2,992	2,656	2,902	1,470	1,532	1,750	2,004	2,101	3,208
Other departments	23,718	14,884	14,582	19,138	21,716	21,034	20,458	21,415	20,560	19,641
Grants	5,742	5,394	5,947	9,262	9,767	10,185	7,877	9,203	10,178	9,942
Education	4,331	4,148	4,085	4,529	4,185	4,297	4,231	4,233	4,551	4,563
Community development	377,793	385,721	380,577	383,636	378,572	362,649	382,618	388,489	403,943	399,087
Noncurrent:										
Capital outlays	19,101	16,663	22,024	26,621	17,282	14,390	20,066	14,668	13,430	21,299
Debt service principal payments	19,627	14,520	7,903	2,656	10,782	2,587	4,638	23,341	22,881	11,821
Debt service interest and other payments	32,267	35,051	36,929	46,653	41,158	43,066	42,844	45,161	40,481	42,815
Total expenditures	18,978	14,622	20,591	26,201	28,706	32,427	26,689	21,118	20,377	22,797
Excess of revenues (under) expenditures	739,988	742,615	732,039	769,193	757,882	738,927	749,929	770,076	787,313	791,043
Other financing sources (uses):										
Capital leases issued	(11,058)	(25,920)	(26,703)	(58,259)	(58,165)	(18,392)	(2,590)	(20,415)	(23,414)	(409)
Capital notes issued	7,547	-	6,952	14,500	-	-	-	-	7,000	6,043
Bond proceeds	-	-	-	-	87,584	2,366	39,345	-	-	464
Refunding bonds issued	-	-	-	-	(29,425)	-	-	-	68,675	-
Payment to refunding bonds escrow agent	(29,514)	-	-	-	-	-	2,125	-	(74,367)	-
Premium on bond issued	-	-	-	-	-	-	250	-	6,061	-
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of real estate	-	-	-	-	-	-	-	-	-	-
Transfers in	139,458	156,231	145,201	165,765	139,461	133,903	129,707	129,617	131,377	127,980
Transfers out	(139,458)	(156,231)	(145,201)	(165,765)	(139,461)	(133,903)	(129,950)	(129,617)	(131,377)	(127,980)
Proceeds on refunding bonds issued	29,910	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,943	-	6,952	14,500	58,159	2,366	41,477	-	7,369	6,507
Special Items										
Proceeds from sale	-	-	-	-	-	-	-	-	-	-
Net changes in fund balance	\$ (3,115)	\$ (25,920)	\$ (19,751)	\$ (43,759)	\$ (6)	\$ (16,026)	\$ 38,887	\$ (20,415)	\$ (16,045)	\$ 6,098
Debt service as a percentage of noncapital expenditures	7.1%	6.8%	7.9%	9.5%	9.4%	10.3%	9.3%	8.9%	8.0%	8.4%

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 5
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)
(in thousands)

Tax Year	Real Estate	Tangible Taxes	Excise Taxes	Total
2007	\$211,732	\$28,440	\$15,685	\$255,857
2008	\$226,176	\$26,087	\$16,564	\$268,827
2009	\$231,186	\$30,080	\$16,963	\$278,229
2010	\$234,687	\$34,262	\$15,559	\$284,508
2011	\$234,519	\$34,032	\$16,221	\$284,772
2012	\$239,855	\$35,437	\$24,280	\$299,572
2013	\$248,593	\$35,185	\$25,939	\$309,717
2014	\$251,201	\$39,006	\$26,599	\$316,806
2015	\$251,770	\$45,652	\$32,025	\$329,447
2016	\$256,943	\$49,034	\$32,971	\$338,948
Change 2007-2016	21.4%	72.4%	110.2%	32.5%

Source: City records.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 6 Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years (in thousands) (unaudited)

Fiscal Year	Real Property	Tangible Personal Property	Motor Vehicle	Exemptions	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	\$9,651,377	\$657,840	\$599,020	(\$3,593,637)	\$7,314,600	1.11%	35.17	\$8,511,287	85.94%
2008	\$13,721,337	\$631,015	\$638,107	(\$4,781,679)	\$10,208,780	39.57%	26.62	\$10,295,260	99.16%
2009	\$13,664,004	\$746,260	\$658,076	(\$4,838,398)	\$10,229,942	0.21%	25.53	\$10,316,601	99.16%
2010	\$13,657,654	\$830,243	\$610,997	(\$4,838,398)	\$10,260,496	0.30%	28.87	\$10,347,414	99.16%
2011	\$10,358,912	\$926,252	\$616,722	(\$2,858,134)	\$9,043,752	-11.86%	35.37	\$9,120,363	99.16%
2012	\$10,346,045	\$850,314	\$644,247	(\$2,960,325)	\$8,880,281	-1.81%	36.28	\$8,955,507	99.16%
2013	\$9,290,516	\$969,783	\$701,908	(\$243,985)	\$10,718,222	20.70%	34.14	\$10,809,018	99.16%
2014	\$9,309,946	\$1,054,906	\$702,310	(\$295,059)	\$10,772,103	0.50%	34.62	\$10,945,883	98.41%
2015	\$9,487,244	\$911,150	\$720,527	(\$291,806)	\$10,827,115	0.51%	34.83	\$11,043,569	98.04%
2016	\$9,801,042	\$948,202	\$741,502	(\$345,404)	\$11,145,342	2.94%	37.04	\$11,862,071	100.00%

Source: City Records

Weighted Average Rate Calculation

Tot. R/E	10,172,367
Tangible	741,502
Excise	948,202
Tot. Assessment	11,862,071

	% of Assessment	Tax Rate	Tot. Direct Rate
Tot. Res. R/E	6,605,586	31.96	17.80
Comm. R/E	3,566,781	36.70	11.04
Tangible	948,202	55.80	4.46
Excise	741,502	60.00	3.75
			37.04

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 7 Principal Property Taxpayers Current Year and Ten Years Ago (unaudited)

2016				2007			
Taxpayer	Percentage of Total Taxes		Taxpayer	Percentage of Total City Taxable Assessed Value			
	Assessed Value	Rank		Value	Rank		
Narragansett Electric Co.	\$412,951,423	1	Narragansett Electric Co.	\$ 179,765,078	1		
OMNI Rhode Island	\$77,054,283	2	Fleet Center Associates	\$ 96,514,144	2		
Prospect Charter Care	\$65,162,473	3	Capital Properties, Inc.	\$ 69,612,969	3		
Westminster Partners	\$62,113,988	4	RI Hospital Trust National Bank	\$ 39,989,985	4		
1 Financial Holdings	\$59,016,117	5	Blue Cross and Blue Shield of Rhode Island	\$ 35,379,664	5		
One Citizens Plaza Holdings	\$49,442,983	6	Textron Realty Corporation	\$ 34,276,371	6		
Regency Plaza I, LLC	\$48,913,439	7	Providence Gas Company	\$ 33,535,939	7		
Motiva Enterprises	\$39,155,406	8	The Providence Journal Company	\$ 44,438,599	8		
CoxCom	\$29,604,500	9	Laurelmead Cooperative	\$ 31,273,237	9		
Athlena Providence Place	\$53,328,361	10	Providence Realty Associates LP	\$ 30,613,183	10		
Textron Realty Corporation	\$42,854,577	11	Aval on Properties Inc.	\$ 27,208,393	11		
Blue Cross & Blue Shield	\$37,799,953	12	Edward E. Zucker (trustee)	\$ 26,341,817	12		
CJUF III MJH Providence LLC	\$29,135,032	13	One Twenty One South Main Street, LLC	\$ 21,945,671	13		
Avalon Properties Inc	\$35,403,098	14	Alpine Realty Providence LLC	\$ 20,773,953	14		
Verizon Online LLC	\$20,805,000	15	Home Depot USA, Inc.	\$ 19,173,114	15		
ARC Hospitality Providence	\$30,147,693	16	One Financial Center Plaza LLC	\$ 18,484,616	16		
10 Memorial Boulevard Owner	\$31,236,986	17	Historic Hotel Partners of Providence, LP	\$ 18,436,330	17		
PRI I LP	\$23,552,476	18	Jefferson At Providence Place Apartments,	\$ 18,403,259	18		
Laurelmead	\$23,057,399	19	Foundry Parcel Fifteen Associates, LLC	\$ 18,253,832	19		
GD Thayer LLC	\$22,681,856	20	Elizabeth T. Corson Westminster Trust	\$ 17,165,725	20		
Total	\$ 1,193,417,043	100.00%	Total	\$ 801,585,879	100.00%		

Source: City Records

total levy for 2016 tax roll \$364,264,528

total levy for 2007 tax roll \$275,329,161

CITY OF PROVIDENCE, RHODE ISLAND

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

Fiscal Year Ended June 30:	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$256,688,743	\$240,140,679	93.55%	\$8,669,275	\$248,809,954	96.93%
2006	\$259,979,819	\$243,165,192	93.53%	\$10,031,655	\$253,196,847	97.39%
2007	\$261,951,088	\$246,952,069	94.27%	\$9,822,963	\$256,775,032	98.02%
2008	\$275,853,725	\$255,874,916	92.76%	\$13,124,276	\$268,999,192	97.52%
2009	\$287,281,144	\$269,559,441	93.83%	\$11,230,416	\$280,789,857	97.74%
2010	\$294,186,862	\$276,463,184	93.98%	\$9,986,307	\$286,449,491	97.37%
2011	\$307,014,942	\$277,131,464	90.27%	\$7,621,693	\$284,753,157	92.75%
2012	\$324,460,407	\$299,707,126	92.37%	\$9,431,294	\$309,138,420	95.28%
2013	\$332,768,119	\$310,510,342	93.31%	\$14,879,354	\$325,389,696	97.78%
2014	\$340,814,523	\$317,730,599	93.23%	\$8,489,723	\$326,220,322	95.72%
2015	\$345,156,658	\$321,248,525	93.07%	\$6,432,170	\$327,683,695	94.94%
2016	\$351,854,213	\$330,475,210	93.92%		\$330,475,210	93.92%

Source: City Tax Collector Records

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 9

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

Fiscal Year	General Obligation Bonds	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Net Debt Per Capita	Net General Obligation Bonds to Estimated Actual Value
		Revenue Bonds	Special Obligation Tax Increment	PPBA Debt	Capital Notes and Leases	Notes Payable	Net Bond Premium	Deferred Items from Financing	Line of Credit	Revenue Bonds	Capital Leases				
2007	112,845	64,525	26,260	222,415	58,453	3,434	-	(4,610)	300	11,879	2,950	498,451	**	638	1.33%
2008	105,075	62,445	23,755	361,011	49,300	2,546	-	(5,184)	-	45,043	2,000	645,991	**	1731	0.86%
2009	96,735	60,295	21,150	358,750	47,628	2,336	-	(4,666)	-	43,573	990	626,791	**	542	0.80%
2010	88,260	58,080	18,435	360,663	52,286	798	-	(4,184)	-	55,299	-	633,821	**	495	0.73%
2011	80,935	73,140	15,575	411,617	45,433	585	-	(3,792)	-	53,010	-	676,503	**	4826	0.67%
2012	73,815	68,860	12,585	388,487	39,554	2,776	1,906	(3,284)	-	52,489	-	637,188	**	**	0.61%
2013	105,661	65,934	9,450	363,919	35,127	2,777	1,788	(722)	-	78,087	-	662,021	**	**	0.88%
2014	99,501	59,799	6,170	333,344	30,506	2,474	6,276	(363)	-	74,269	-	611,976	**	**	0.83%
2015	92,261	54,221	2,725	306,682	33,473	2,382	5,532	-	-	78,174	-	575,450	**	**	0.77%
2016	83,961	49,644	-	294,314	34,768	2,749	-	-	-	103,545	-	568,981	**	**	0.70%

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

* Amounts were included in general obligation bonds.

** Information not available.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 10 Direct Governmental Activities Debt For the Year Ended June 30, 2016 (unaudited) (in thousands)

Governmental Unit	Debt Outstanding
General obligation debt:	
General obligation bonds	\$ 83,961
Revenue bonds	49,644
Special obligation tax increment	-
Notes payable	2,749
Capital leases	16,350
Capital notes	18,418
PPBA debt-City	294,314
PPBA net bond premium	19,750
Deferred items from refunding	-
Total direct debt	\$ 485,186

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

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 11 Legal Debt Margin Information For the Year Ended June 30, 2016 (unaudited) (in thousands)

Legal Debt Margin Calculation for Fiscal Year 2016

Taxable Property	\$	11,145,342
Debt limit (3% of taxable property)		334,360
Debt applicable to limit:		
General obligation bonds		83,961
Less: debt not subject to 3% limit		48,921
Total net debt applicable to limit		<u>35,040</u>
Legal debt margin	\$	<u><u>299,320</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 12

Legal Debt Margin Information

Last Ten Fiscal Years and Current Year Computation

(unaudited)

(in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 219,400	\$ 294,163	\$ 306,899	\$ 309,438	\$ 266,408	\$ 273,279	\$ 321,547	\$ 323,251	\$ 331,415	\$ 334,360
Total net debt applicable to limit	19,400	16,247	13,078	9,914	6,750	4,340	41,235	39,065	37,090	35,040
Legal debt margin	200,000	277,916	293,821	299,524	259,658	268,939	280,312	284,186	294,325	299,320
Total net debt applicable to the limit as a percentage of debt limit	10%	6%	4%	3%	3%	2%	15%	14%	13%	12%
Debt outstanding issued outside the 3% debt limit*	\$ 93,400	\$ 88,828	\$ 83,657	\$ 78,346	\$ 74,185	\$ 69,475	\$ 65,950	\$ 60,435	\$ 55,170	\$ 48,921

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

CITY OF PROVIDENCE, RHODE ISLAND

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

Water Supply Board						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	52,749	45,181	7,568	537	158	10.89
2008	56,032	46,410	9,622	561	131	13.90
2009	59,575	48,796	10,779	590	102	15.58
2010	54,976	50,845	4,131	618	71	6.00
2011	64,017	46,054	17,963	61	24	211.33
2012	61,726	49,212	12,514	115	41	80.22
2013	61,070	50,305	10,765	na	na	na
2014	62,872	54,394	8,478	na	na	na
2015	69,501	54,760	14,741	na	na	na
2016	71,011	56,953	14,058	na	na	na

Redevelopment Revenue Bonds				
Fiscal Year	Collections	Debt Service		Coverage
		Principal	Interest	
2007	-	*	-	-
2008	-	*	-	-
2009	-	*	-	-
2010	-	*	-	-
2011	-	*	-	-
2012	-	*	-	-
2013	-	*	-	-
2014	-	*	-	-
2015	-	*	-	-
2016	-	*	-	-

Civic Center Bonds						
Fiscal Year	Charges	Operating Expenses	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
2006	1,824	2,241	(417)	***	-	-
2007	-	-	-	***	-	-
2008	-	-	-	***	-	-
2009	-	-	-	***	-	-
2010	-	-	-	***	-	-
2011	-	-	-	***	-	-
2012	-	-	-	***	-	-
2013	-	-	-	***	-	-
2014	-	-	-	***	-	-
2015	-	-	-	***	-	-
2016	-	-	-	***	-	-

Providence Public Building Authority Revenue				
Fiscal Year	Collections	Debt Service		Coverage
		Principal	Interest	
2006	7,825	10,516	8,713	0.41
2007	10,988	11,058	9,829	0.53
2008	15,712	27,874	13,124	0.38
2009	9,835	15,261	16,675	0.31
2010	16,362	20,407	16,715	0.44
2011	18,548	25,491	17,429	0.43
2012	20,966	23,130	19,607	0.49
2013	20,020	24,568	18,368	0.47
2014	19,652	25,663	17,486	0.46
2015	18,861	26,661	12,483	0.48
2016	22,405	22,368	14,009	0.62

* Bond was fully refunded in 2005.

** Not available.

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

CITY OF PROVIDENCE, RHODE ISLAND

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

Fiscal Year Ended June 30	Population***	Personal Income	Per Capita Income****	Median Age***	School Enrollment**	Unemployment(*) Rate
2007	176,862	(1)	(1)	30.4	24,494	6.1%
2008	178,400	(1)	26,867	28.1	24,494	10.5%
2009	178,400	(1)	26,867	28.1	23,710	13.1%
2010	178,400	(1)	26,867	28.2	23,710	11.7%
2011	178,400	(1)	26,867	28.2	23,500	10.9%
2012	178,042	(1)	20,735	28.5	23,520	12.9%
2013	178,042	(1)	19,489	28.5	23,872	11.1%
2014	178,432	(1)	21,512	28.7	23,827	9.9%
2015	178,432	(1)	21,512	28.7	23,765	7.1%
2016	179,207	(1)	21,512	28.8	23,867	5.5%

(1) Unavailable

* Source: Rhode Island Department of Labor and Training

** RI Department of Education

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

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

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 15 Principal Employers 2013 and 2004 (unaudited)

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

* most recent information available

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

CITY OF PROVIDENCE, RHODE ISLAND

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

Functions/Program	Full-Time Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Executive, Legislative, Judicial and Finance:										
City Council	15	15	15	15	15	15	15	15	15	15
City Council Administration	13	10.5	11	11	11	11	11	-	-	-
Internal Auditor	2	2	2	2	2	2	4	-	-	-
City Sergeant	1	1	1	1	1	1	1	1	1	1
City Clerk	11	9.5	9	9	9	11	11	11	11	10
Human Resources (Personnel)	16	16	16	14	14	12	12	13	13	12
Finance	19	18	19	23	18	24	24	22	22	30
Computer Services	16	13	13	13	13	5	5	7	7	0
Legal	26	26	27	25	26	25	24	23	23	22
Courts	23	23	23	23	24	24	24	23	23	23
Retirement	4	4	4	4	5	5	5	5	5	5
Board Tax Assessment	5	4	4	5	5	5	5	5	5	5
City Treasurer	5	5	5	5	6	7	6	6	5	5
City Collector	15	15	15	15	15	15	15	13	14	18
City Assessor	18	18	18	18	15	16	15	15	17	16
Recreation and Public Land and Parks:										
Neighborhood Parks & Recreation Svs	44	57	57	56	60	61	44	44	44	44
Recreation	13	-	-	-	-	-	21	21	20	20
Zoo	31	31	31	31	31	31	31	31	31	31
Forestry	13	13	13	15	15	15	14	14	14	14
Parks	54	52	49	51	49	51	48	48	48	49
Greenhouse	8	8	8	6	10	11	11	11	11	11
Public Property	30	31	31	31	32	30	30	31	31	33
Public Safety:										
Police Department	526	552	544	529	562	594	594	589	581	592
Commissioner's Office	8	8	9	9	9	9	8	8	8	7
Firefighters' Department	508	509	507	438	433	450	467	489	487	487
Communication	67	67	69	69	73	76	76	76	76	78
Emergency Mgmt./Homeland Security	5	5	5	5	6	6	6	-	-	-
Public Works:										
Administration	8	8	8	8	8	8	8	8	7	10
Engineering	8	7	7	8	8	8	8	7	7	7
Environmental Control	8	8	8	8	11	12	12	13	12	12
Highway and Bridge Maintenance	49	49	50	50	52	50	50	50	50	50
Sewer Maintenance	9	9	9	9	10	12	12	12	10	10
Miscellaneous	0	0	0	3	3	1	1	120	117	45
Garage	7	7	7	7	9	9	9	9	9	9
Parking Administration	3	3	-	-	-	-	-	-	-	-
Traffic Engineering	9	9	9	9	8	13	13	13	13	12
Building Inspection	54	55	57	42	55	60	60	49	49	13
Miscellaneous:										
Recorded Deeds	5	5	5	6	7	7	7	-	-	-
Planning & Development	48	44	47	44	50	54	46	-	-	-
Arts, Culture & Tourism	4	4	4	4	4	5	5	-	-	-
Human Relations	1	1	1	1	1	3	3	-	-	-
Human Services	9	8	7	7	3	2	4	-	-	-
PERA	1	1	1	1	2	3	3	-	-	-
Board of Canvassers	9	13	8	8	8	8	8	-	-	-
Board of Licenses	11	11	11	11	13	12	11	-	-	-
Vital Statistics	4	4	5	11	5	5	5	-	-	-
City Archivist	3	3	3	3	3	3	3	-	-	-
School Department	3,265	3,260	3,241	3,224	3,226	3,236	3,157	3,284	3,300	3,345
Total.	5,011	5,022	4,993	4,887	4,945	5,023	4,952	5,086	5,086	5,041

Source: City Records.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 17

Operating Indicators By Function/Program

Last Ten Fiscal Years

(unaudited)

(in thousands)

Function/Program	Fiscal year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Calls for service	124	122	115	114	118	125	139	145	138	149
Fire:										
Total fire calls	46	40	42	41	44	10	11	14	13	14
Total rescue calls *	-	-	-	-	-	31	31	27	27	26
Building safety:										
Total building permits	9	8	7	8	8	8	10	8	7	3,210
Total value all permits	397,535	190,735	155,160	215,485	162,913	198,251	146,236	234,191	217,629	TBD
Public service:										
Residential garbage collected (ton)	61	70	70	71	73	74	77	79	81	TBD

Source: City Records

* Reported as total fire and rescue

CITY OF PROVIDENCE, RHODE ISLAND

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

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety:										
Fire, Fire Stations	15	15	15	15	15	15	15	15	15	15
Fire trucks	23	23	23	23	23	23	23	23	23	23
Public Works:										
Bridges	27	27	27	27	27	27	27	27	27	27
Streets (Miles)	370	370	370	370	370	370	370	370	370	370
Manholes	20	20	20	20	20	20	20	20	20	20
Catch Basins	12	12	12	12	12	12	12	12	12	12
Drain Inlets	4	4	4	4	4	4	4	4	4	4
Parks & Recreation:										
Acreage	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Parks	124	124	124	124	124	124	124	124	124	124
Golf Course	2	2	2	2	2	2	2	2	2	2
Baseball/Softball Diamonds	40	40	40	40	40	40	40	40	40	40
Greenhouse	6	6	6	6	6	6	6	6	6	6
Soccer/Football Fields	11	11	11	11	11	11	11	11	11	11
Water Parks	9	9	9	9	9	9	9	9	9	9
Museum	1	1	1	1	1	1	1	1	1	1
Swimming pools	6	6	6	6	6	6	6	6	6	6
Recreation Centers	10	10	10	10	10	10	10	10	10	10
Zoo	1	1	1	1	1	1	1	1	1	1
Community Centers										
Water:										
Lakes	10	10	10	10	10	10	10	10	10	10
Wastewater:										
Sanitary Sewer Lines (miles)	300	300	300	300	300	300	300	300	300	300

Source: City Records

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