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**Finance Department**  
*"Building Pride In Providence"*

February 10, 2005

Councilman Kevin Jackson  
Providence City Hall  
25 Dorrance Street  
Providence, RI 02903

RE: City Audited Financial Statements

Dear Councilman Jackson;

Attached are the City Audited Financial statements as of June 30, 2004. I call your attention to page 15, which indicates the cumulative surplus of \$14.8 million, (4% of the General Fund Budget), as well as a \$34.5 million dollars of net assets of the Governmental Activities (GASB 34 activities of recording long term obligations and recording assets and depreciation). In comparison, last year's audit reflected a surplus of \$11.1 million and the net assets of the Governmental Activities were (\$1.2 million).

Any questions you may have on the Financial Statement, please give me a call.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alex Prignano".

Alex Prignano  
Director of Finance

Cc City Council Members  
Jim Lombardi, Internal Auditor

**IN CITY COUNCIL**  
**FEB 17 2005**

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

From 11/11/1918 to 11/11/1919

IN CITY COUNCIL

READ  
THE CITY COUNCIL  
CITY OF CHICAGO  
CLERK

# McGladrey & Pullen

Certified Public Accountants

## **CITY OF PROVIDENCE, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY AND OTHER INFORMATION  
JUNE 30, 2004**

**CITY OF PROVIDENCE, RHODE ISLAND**

**FINANCIAL REPORT**

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**Financial Section**

# McGladrey & Pullen

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Providence Public Building Authority (PPBA), which is both a major fund and a blended component unit of the City, which represents 22%, 2%, and 13%, respectively, of the assets, net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the Fund financial statements, insofar as it relates to amounts included for the PPBA, and the related effects on the business-type activities, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Rhode Island as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17, the July 1, 2003 government-wide financial statements have been restated for a correction of an error.

The management discussion and analysis and the budgetary comparison information on pages 3 through 12 and pages 57 through 64, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards," we have also issued our report dated January 19, 2005 on our consideration of the City of Providence, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
January 19, 2005



**CITY OF PROVIDENCE, RHODE ISLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2004**

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, 2004.

**Financial Highlights – Primary Government**

***Government-Wide Highlights***

*Net Assets* – The assets of the City's governmental activities exceeded its liabilities at fiscal year ending June 30, 2004 by \$34.5 million (presented as "total net assets.") Of this amount, a deficit of \$18.5 million was reported as "unrestricted net deficit." The net investment in capital assets was \$53 million. The assets of the City's business-type activities exceed its liabilities by \$158 million. Of this amount, \$138 million represented the net investment in capital assets.

*Change in Net Assets* – The City's total net assets increased by \$23.7 million in fiscal year 2004. Net assets of governmental activities increased by \$17.1 million, while net assets of the business-type activities increased by \$6.6 million.

***Fund Highlights***

*Governmental Funds-Fund Balances* – As of the close of fiscal year 2004, the City's governmental funds reported a combined ending fund balance of \$110.6 million, an increase of \$8.8 million over the prior year. Of the total fund balance reported, \$100.3 million represents the "unreserved fund balance" of which \$27 million pertains to Capital Project Funds and \$40 million is for non-major funds.

***Long-Term Debt***

The City's total long-term debt obligations related to its government activities decreased by \$14 million during the current fiscal year.

The total long-term debt of the City's proprietary activities decreased by \$11.6 million during the current fiscal year.

**Overview of the Financial Statements**

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

## ***Basic Financial Statements***

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

### ***Government-Wide Financial Statements***

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

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

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

- ◆ *Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with City government fall into this category, including the executive, legislative and judicial, financial administration, human resources, public safety, building inspections, public works, recreation, parks, schools, public property, planning, other general government, judgment and claims, retirement costs, debt service, and other employee benefits.
- ◆ *Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the City of Providence's Civic Center, Water Supply Board, and 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. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

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

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

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

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

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

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

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

### ***Notes to the Financial Statements***

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

### ***Required Supplementary Information***

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the general and school funds - the only governmental funds for which legal budgets are adopted annually. In the 2004 fiscal year, there were no significant modifications to the budgets for both funds as originally adopted.

## Other Supplementary Information

### Combining Financial Statements and Schedules

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

### Government-Wide Financial Analysis

#### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$193 million at the end of 2004, compared to \$169 million (as restated) at the end of the previous year.

The largest portion of the City's net assets, \$190.9 million, reflect its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire that asset that is still out standing. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### The City of Providence's Net Assets – Primary Government<sup>(1)</sup> (In Thousands)

	June 30, 2003			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 243,018	\$ 77,223	\$ 320,241	\$ 263,580	\$ 71,199	\$ 334,779
Capital assets	471,815	163,303	635,118	469,877	166,961	636,838
<b>Total Assets</b>	<b>714,833</b>	<b>240,526</b>	<b>955,359</b>	<b>733,457</b>	<b>238,160</b>	<b>971,617</b>
Current liabilities	130,235	60,617	190,852	128,465	55,855	184,320
Long-term liabilities outstanding	585,791	28,209	614,000	570,503	23,965	594,468
<b>Total Liabilities</b>	<b>716,026</b>	<b>88,826</b>	<b>804,852</b>	<b>698,968</b>	<b>79,820</b>	<b>778,788</b>
Net assets:						
Invested in capital assets, net of related debt	41,960	130,055	172,015	52,962	137,962	190,924
Restricted	-	22,650	22,650	-	16,411	16,411
Unrestricted	(43,153)	(1,004)	(44,157)	(18,473)	3,967	(14,506)
<b>Total Net Assets</b>	<b>\$ (1,193)</b>	<b>\$ 151,701</b>	<b>\$ 150,508</b>	<b>\$ 34,489</b>	<b>\$ 158,340</b>	<b>\$ 192,829</b>

<sup>(1)</sup> Certain prior year amounts have been reclassified to conform to the current year presentation.

Restricted net assets of \$16.4 million primarily represent water restricted funds that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets.

### ***Changes in Net Assets***

The City's net assets increased by \$23.7 million. Approximately 38.5% of the City's total governmental revenue came from taxes and payments in lieu of taxes, while 39.0% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 14.7% of the total revenues, while other revenue accounted for 7.8% of the total. The City's expenses cover a range of services. The largest expenses were for schools, public safety, retirement costs, and employee benefits. In 2004, governmental activity expenses exceeded revenues by \$17.1 million. The largest increase in expenses was for education expense, which was offset by a tax revenue increase. Revenues from business-type activities in 2004 exceeded expenses by \$6.6 million.

**The City of Providence's Changes in Net Assets – Primary Government<sup>(1)</sup>**  
**(In Thousands)**

	Year Ended June 30, 2003			Year Ended June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 27,155	\$ 61,670	\$ 88,825	\$ 43,347	\$ 61,584	\$ 104,931
Operating Grants and Contributions	240,648	-	240,648	270,869	-	270,869
Capital Grants and Contributions	11,868	1,943	13,811	13,609	1,197	14,806
General Revenues:						
Property Taxes	240,186	-	240,186	274,194	-	274,194
Grants not restricted to specific programs	36,947	-	36,947	42,869	-	42,869
Miscellaneous	14,191	400	14,591	(4,030)	600	(3,430)
Unrestricted investment earnings	8,458	1,179	9,637	4,191	1,681	5,872
<b>Total Revenues</b>	<b>579,453</b>	<b>65,192</b>	<b>644,645</b>	<b>645,049</b>	<b>65,062</b>	<b>710,111</b>
<b>Expenses:</b>						
Executive, legislative and judicial	15,042	-	15,042	11,240	-	11,240
Finance	110,366	-	110,366	96,286	-	96,286
Public Safety	87,529	-	87,529	87,558	-	87,558
Building inspection	2,617	-	2,617	2,537	-	2,537
Public works	20,611	-	20,611	24,119	-	24,119
Recreation	2,585	-	2,585	2,751	-	2,751
Public lands and parks	14,378	-	14,378	16,654	-	16,654
Education	309,029	-	309,029	351,656	-	351,656
Community development	19,218	-	19,218	20,632	-	20,632
Interest on long-term debt	23,945	-	23,945	14,531	-	14,531
Economic development	-	9,426	9,426	-	11,496	11,496
Water	-	37,869	37,869	-	39,184	39,184
Other	400	6,691	7,091	-	7,743	7,743
<b>Total Expenses</b>	<b>605,720</b>	<b>53,986</b>	<b>659,706</b>	<b>627,964</b>	<b>58,423</b>	<b>686,387</b>
<b>Change in net assets</b>	<b>(26,267)</b>	<b>11,206</b>	<b>(15,061)</b>	<b>17,085</b>	<b>6,639</b>	<b>23,724</b>
<b>Net assets – beginning</b>	<b>25,074</b>	<b>140,495</b>	<b>165,569</b>	<b>(1,193)</b>	<b>151,701</b>	<b>150,508</b>
<b>Restatement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,597</b>	<b>-</b>	<b>18,597</b>
<b>Net assets, as restated (Note 17)</b>	<b>25,074</b>	<b>140,495</b>	<b>165,569</b>	<b>17,404</b>	<b>151,701</b>	<b>169,105</b>
<b>Net assets - ending</b>	<b>\$ (1,193)</b>	<b>\$ 151,701</b>	<b>\$ 150,508</b>	<b>\$ 34,489</b>	<b>\$ 158,340</b>	<b>\$ 192,829</b>

<sup>(1)</sup> Certain prior year amounts have been reclassified to conform to the current year presentation.

### ***Business-Type Activities***

The business-type activities increased the City's net assets by \$6.6 million. This resulted primarily from a \$11.6 million increase in net assets of the Water Supply Board and a decrease in net assets of \$1.8 million by the Civic Center. The PPBA had a decrease in net assets of \$3.1 million.

### **Financial Analysis of the City's Individual Funds**

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

### ***Governmental Funds***

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$14.8 million, of which \$2.3 million has been designated for appropriation in fiscal 2005. As a reassurance of the general funds' liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 4.0% of total general fund expenditures. The unreserved/undesignated portion represents 3.4% of general fund expenditures. The City continues to move toward the goal of maintaining a minimum fund balance of 5% of annual general fund budgetary expenditures.

*School Grants-Fund Balance* – The school grant funds account for federal and state grants received and expended by the school system. The fiscal year 2004 school grants fund balance is reported at \$7.3 million, a \$.6 million increase from fiscal year 2003.

*School Fund* – The school fund ended the year with a \$-0- fund balance. The expenditures were \$294 million as compared to \$270 million in the prior year.

*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 2004 capital projects fund balance is \$27 million. The \$10.5 million decrease from fiscal year 2003 is attributable to the timing of borrowing and spending of General Obligation Bond proceeds.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As discussed in the business-type activities above, the City's proprietary net assets increased by \$6.6 million as a result of operations in the individual enterprise funds. The Water Supply Board showed an increase in net assets of \$11.6 million resulting from improved rate structure and cost savings. This increase was offset by a decrease of net assets of \$1.8 million by the Civic Center



which continues to operate at a deficit and rely on the general fund for substantial annual subsidies. The PPBA, as expected, accounted for a \$3.1 million decrease in net assets.

### General Fund Budgetary Highlights

The budgetary surplus of \$3.7 represents the City's twenty-fourth consecutive budget surplus and will increase the cumulative fund balance to \$14.8 million. The City achieved higher than budgeted collections in Taxes (\$7.1 million), School Debt Construction (\$1.8 million), Meals Tax (\$1.1 million), Interest Income (\$1.4 million), Building Permits (\$1.8 million), and Recorder of Deeds fees (\$1.8 million). There were also savings from refinancing debt, debt service reserves and interest on those reserves (\$2.4 million), as well as savings in benefits (\$3.5 million). These positive budget variances offset shortfalls from red light cameras (\$1.9 million), asset sales (\$7.4 million), legal claims (\$4.2 million), and attrition (\$1.5 million). The budget variances listed above were the major components of the \$3.7 million increase to fund balance for fiscal 2004, which increased the total fund balance to \$14.8 million, of which \$2.3 million is designated for a 53<sup>rd</sup> week of payroll that will occur in fiscal year 2005.

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

	2000	2001	2002	2003	2004
Undesignated fund balance, beginning	\$ 5.6	\$ 6.8	\$ 7.3	\$ 8.3	\$ 10.2
Increase	1.2	0.5	1.0	1.9	2.3
Undesignated fund balance, ending	<u>\$ 6.8</u>	<u>\$ 7.3</u>	<u>\$ 8.3</u>	<u>\$ 10.2</u>	<u>\$ 12.5</u>

### Capital Asset and Debt Administration

#### *Capital Assets (Note 6 to the Basic Financial Statements)*

	June 30, 2003			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 57,182	\$ 7,900	\$ 65,082	\$ 57,182	\$ 8,162	\$ 65,344
Land Improvements	-	18,682	18,682	-	18,682	18,682
Buildings and Improvements	127,147	103,050	230,197	123,934	102,971	226,905
Machinery and Equipment	10,072	5,901	15,973	9,267	5,991	15,258
Infrastructure	131,942	-	131,942	130,322	-	130,322
Leased assets	109,559	10,844	120,403	106,813	12,027	118,840
Construction in Progress	40,779	16,926	57,705	42,359	19,128	61,487
<b>Total</b>	<u>\$ 476,681</u>	<u>\$ 163,303</u>	<u>\$ 639,984</u>	<u>\$ 469,877</u>	<u>\$ 166,961</u>	<u>\$ 636,838</u>

The City's investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$727.9 million, net of accumulated depreciation of \$258 million, leaving a net book value of \$469 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

	June 30, 2003			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 140,340	\$ -	\$ 140,340	\$ 131,875	\$ -	\$ 131,875
Revenue bonds	65,445	25,865	91,310	64,085	22,135	86,220
Tax increment obligations	30,700	-	30,700	29,250	-	29,250
Capital leases payable	50,123	7,391	57,514	47,959	6,105	54,064
Notes payable	6,904	-	6,904	5,966	789	6,755
PPBA Debt	-	288,265	288,265	-	280,223	280,223
<b>Total</b>	<b>\$ 293,512</b>	<b>\$ 321,521</b>	<b>\$ 615,033</b>	<b>\$ 279,135</b>	<b>\$ 309,252</b>	<b>\$ 588,387</b>

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 \$25.4 million during the current fiscal year.

The 2004 State legislative session authorized the City to issue variable rate debt and to participate in interest rate swaps. The City is developing policies that will set guidelines and procedures and define permitted instruments. It will set participant requirements and limitations on exposure, as well as ongoing management and reporting requirements. As of the date of this report, the City has not issued variable rate debt or participated in interest rate swaps.

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

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

### **Request for Information**

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

## Basic Financial Statements

# CITY OF PROVIDENCE, RHODE ISLAND

## STATEMENT OF NET ASSETS

June 30, 2004 (in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals*
<b>Assets</b>			
Cash and investments	\$ 123,858	\$ 55,126	\$ 178,984
Restricted cash and investments	20,282	15,960	36,242
Receivables, net	97,040	17,937	114,977
Internal balances	22,201	(22,201)	-
Other assets	199	4,377	4,576
Capital assets, nondepreciable	99,541	27,290	126,831
Capital assets, depreciable, net	370,336	139,671	510,007
<b>Total assets</b>	<b>733,457</b>	<b>238,160</b>	<b>971,617</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	70,977	41,908	112,885
Deferred revenue	3,303	6,371	9,674
Due to other governments	385	-	385
Amounts payable with current restricted assets	-	2,512	2,512
Noncurrent liabilities:			
Due within one year	53,800	5,064	58,864
Due in more than one year	570,503	23,965	594,468
<b>Total liabilities</b>	<b>698,968</b>	<b>79,820</b>	<b>778,788</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	52,962	137,962	190,924
Restricted for:			
Other purposes	-	16,411	16,411
Unrestricted	(18,473)	3,967	(14,506)
<b>Total net assets</b>	<b>\$ 34,489</b>	<b>\$ 158,340</b>	<b>\$ 192,829</b>

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

\* After internal receivables and payables have been eliminated.

## CITY OF PROVIDENCE, RHODE ISLAND

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004 (in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Executive, legislative, and judicial	\$ (11,240)	\$ 238	\$ 410	\$ -	\$ (10,592)	\$ -	\$ (10,592)	
Finance	(96,286)	19,273	1	13,609	(63,403)	-	(63,403)	
Public Safety	(87,558)	16,078	1,733	-	(69,747)	-	(69,747)	
Building inspection	(2,537)	4,381	-	-	1,844	-	1,844	
Public Works	(24,119)	208	3,474	-	(20,437)	-	(20,437)	
Recreation	(2,751)	94	504	-	(2,153)	-	(2,153)	
Public land and parks	(16,654)	1,133	32	-	(15,489)	-	(15,489)	
Education	(351,656)	1,942	242,517	-	(107,197)	-	(107,197)	
Community development	(20,632)	-	22,198	-	1,566	-	1,566	
Interest on long-term debt	(14,531)	-	-	-	(14,531)	-	(14,531)	
Total governmental activities	(627,964)	43,347	270,869	13,609	(300,139)	-	(300,139)	
Business-type activities:								
Building Authority	(11,496)	7,110	-	-	-	(4,386)	(4,386)	
Water Supply Board	(39,184)	49,168	-	1,197	-	11,181	11,181	
Civic Center	(7,743)	5,306	-	-	-	(2,437)	(2,437)	
Total business-type activities	(58,423)	61,584	-	1,197	-	4,358	4,358	
Total primary government	\$ (686,387)	\$ 104,931	\$ 270,869	\$ 14,806	(300,139)	4,358	(295,781)	
General revenues:								
Taxes:								
Property taxes					257,116	-	257,116	
Payments in lieu of taxes					17,078	-	17,078	
Grants and contributions not restricted					42,869	-	42,869	
Investment income					4,191	1,681	5,872	
Miscellaneous					(3,430)	-	(3,430)	
Transfers					(600)	600	-	
Total general revenues					317,224	2,281	319,505	
Change in net assets					17,085	6,639	23,724	
Net assets - beginning, as restated (Note 17)					17,404	151,701	169,105	
Net assets - ending					\$ 34,489	\$ 158,340	\$ 192,829	

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

## CITY OF PROVIDENCE, RHODE ISLAND

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004 (in thousands)

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects		
<b>Assets</b>						
Cash and investments	\$ 56,829	\$ -	\$ 9,592	\$ 6,397	\$ 49,901	\$ 122,719
Restricted cash and investments	-	-	-	20,282	-	20,282
Receivables, net:						
Taxes	43,583	-	-	-	-	43,583
Loans	-	-	-	-	10,144	10,144
Intergovernmental	17,302	2,452	10,212	-	-	29,966
Other	1,579	-	63	305	1,995	3,942
Due from other funds	8,134	16,713	4,212	-	13,797	42,856
Other assets	1,400	-	-	-	1,934	3,334
<b>Total assets</b>	<b>\$ 128,827</b>	<b>\$ 19,165</b>	<b>\$ 24,079</b>	<b>\$ 26,984</b>	<b>\$ 77,771</b>	<b>\$ 276,826</b>
<b>Liabilities</b>						
Warrants and accounts payable	\$ 4,415	\$ 7,597	\$ 8,657	\$ 10	\$ 2,392	\$ 23,071
Accrued liability	3,118	1,413	238	-	29	4,798
Deferred revenues	38,717	-	1,492	-	1,810	42,019
Due to other funds	67,497	10,155	6,336	32	9,460	93,480
Due to other governments	258	-	42	-	366	666
Bond anticipation note payable	-	-	-	-	2,223	2,223
<b>Total liabilities</b>	<b>114,005</b>	<b>19,165</b>	<b>16,765</b>	<b>42</b>	<b>16,280</b>	<b>166,257</b>
<b>Fund balances</b>						
Reserved for:						
Loans	-	-	-	-	10,144	10,144
Debt service	-	-	-	-	120	120
Unreserved:						
Designated for future uses	2,290	-	-	-	11,035	13,325
Undesignated:						
General Fund	12,532	-	-	-	-	12,532
School grants	-	-	7,314	-	-	7,314
Capital projects	-	-	-	26,942	-	26,942
Special Revenue	-	-	-	-	19,519	19,519
Permanent trust	-	-	-	-	20,673	20,673
<b>Total fund balances</b>	<b>14,822</b>	<b>-</b>	<b>7,314</b>	<b>26,942</b>	<b>61,491</b>	<b>110,569</b>
<b>Total liabilities and fund balances</b>	<b>\$ 128,827</b>	<b>\$ 19,165</b>	<b>\$ 24,079</b>	<b>\$ 26,984</b>	<b>\$ 77,771</b>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	469,877
Property taxes and accrued interest that is not available to pay for current- period expenditures and, therefore, are not recorded or deferred in the funds.	42,474
Net pension obligations	(110,276)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(501,088)
Internal service funds are used by management to charge the costs of self-insurance and legal claims to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	6,708
Unspent bond proceeds	16,225

Net assets of governmental activities

\$ 34,489

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

## CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2004 (in thousands)

	Major Funds				Other	Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Taxes	\$ 262,873	\$ -	\$ -	\$ -	\$ -	\$ 262,873
Departmental revenue	19,290	869	-	26	11,167	31,352
Federal and state grants and reimbursements	63,407	190,533	51,983	31	20,562	326,516
Investment and rental income	7,971	5	-	1,105	7,966	17,047
Fines and forfeitures	5,231	-	-	-	-	5,231
Other	1,123	-	1,072	-	1,880	4,075
<b>Total revenues</b>	<b>359,895</b>	<b>191,407</b>	<b>53,055</b>	<b>1,162</b>	<b>41,575</b>	<b>647,094</b>
<b>EXPENDITURES</b>						
Current:						
Executive, legislative, and judicial	10,888	-	-	20	377	11,285
Finance	96,518	-	-	1,396	922	98,836
Public safety	84,353	-	-	1,208	9,576	95,137
Building inspection	2,610	-	-	-	-	2,610
Public works	13,426	-	-	-	-	13,426
Recreation	1,795	-	-	400	571	2,766
Public lands and parks	13,753	-	-	112	1,546	15,411
Education	-	285,214	51,665	1,606	-	338,485
Capital outlays	-	-	-	10,979	-	10,979
Debt Service	23,250	8,480	-	101	1,307	33,138
Community development	-	-	-	422	19,763	20,185
<b>Total expenditures</b>	<b>246,593</b>	<b>293,694</b>	<b>51,665</b>	<b>16,244</b>	<b>34,062</b>	<b>642,258</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>113,302</b>	<b>(102,287)</b>	<b>1,390</b>	<b>(15,082)</b>	<b>7,513</b>	<b>4,836</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital leases issued	-	-	-	4,535	-	4,535
Transfers in	4,001	102,677	221	-	11,227	118,126
Transfers out	(113,607)	(390)	(972)	-	(3,757)	(118,726)
<b>Total other financing sources (uses)</b>	<b>(109,606)</b>	<b>102,287</b>	<b>(751)</b>	<b>4,535</b>	<b>7,470</b>	<b>3,935</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>3,696</b>	<b>-</b>	<b>639</b>	<b>(10,547)</b>	<b>14,983</b>	<b>8,771</b>
<b>FUND BALANCES, beginning,</b>	<b>11,126</b>	<b>-</b>	<b>6,675</b>	<b>37,489</b>	<b>46,508</b>	<b>101,798</b>
<b>FUND BALANCES, ending</b>	<b>\$ 14,822</b>	<b>\$ -</b>	<b>\$ 7,314</b>	<b>\$ 26,942</b>	<b>\$ 61,491</b>	<b>\$ 110,569</b>

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2004 (in thousands)**

---

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

Net change in fund balances – total governmental funds	\$	8,771
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(7,572)
The internal service fund is presented as part of the governmental activities.		5,047
Revenues recognized in the statement of activities that are not considered current financial resources.		(6,522)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		23,933
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.		(6,572)
Change in net assets of governmental activities	\$	<u>17,085</u>

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



## CITY OF PROVIDENCE, RHODE ISLAND

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,998	\$ 52,634	\$ 494	\$ 55,126	\$ 1,139
Restricted cash and investments	15,888	-	72	15,960	-
Receivables, net	13,068	1,295	609	14,972	-
Restricted receivables	2,965	-	-	2,965	-
Rentals receivable	-	260,428	-	260,428	-
Due from other funds	6,289	-	807	7,096	18,983
Inventories	1,295	-	-	1,295	-
Other assets	298	-	59	357	577
<b>Total current assets</b>	<b>41,801</b>	<b>314,357</b>	<b>2,041</b>	<b>358,199</b>	<b>20,699</b>
Noncurrent assets:					
Capital assets:					
Land	8,162	-	-	8,162	-
Buildings and improvements	55,392	-	18,778	74,170	-
Improvements other than buildings	146,363	-	-	146,363	-
Machinery and equipment	20,158	-	3,321	23,479	-
Construction in progress	19,039	-	89	19,128	-
	249,114	-	22,188	271,302	-
Less accumulated depreciation	84,447	-	19,894	104,341	-
<b>Net capital assets</b>	<b>164,667</b>	<b>-</b>	<b>2,294</b>	<b>166,961</b>	<b>-</b>
Other restricted noncurrent assets	-	-	2,725	2,725	-
<b>Total assets</b>	<b>206,468</b>	<b>314,357</b>	<b>7,060</b>	<b>527,885</b>	<b>20,699</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	5,066	1,598	1,800	8,464	13,972
Deferred revenue	1,459	-	4,912	6,371	-
Due to other funds	8,895	-	4,177	13,072	19
Other	-	29,904	-	29,904	-
Amounts payable from restricted assets	2,512	-	-	2,512	-
Current portion of long-term debt and capital leases	4,829	10,758	235	15,822	-
<b>Total current liabilities</b>	<b>22,761</b>	<b>42,260</b>	<b>11,124</b>	<b>76,145</b>	<b>13,991</b>
Noncurrent liabilities:					
Loans payable	452	-	1,449	1,901	-
Revenue bonds	17,119	269,465	-	286,584	-
Capital leases	4,915	-	-	4,915	-
<b>Total noncurrent liabilities</b>	<b>22,486</b>	<b>269,465</b>	<b>1,449</b>	<b>293,400</b>	<b>-</b>
<b>Total liabilities</b>	<b>45,247</b>	<b>311,725</b>	<b>12,573</b>	<b>369,545</b>	<b>13,991</b>
<b>NET ASSETS (DEFICITS)</b>					
Invested in capital assets, net of related debt	137,352	-	610	137,962	-
Restricted	15,419	992	-	16,411	-
Unrestricted (Deficit)	8,450	1,640	(6,123)	3,967	6,708
<b>Total net assets (deficits)</b>	<b>\$ 161,221</b>	<b>\$ 2,632</b>	<b>\$ (5,513)</b>	<b>\$ 158,340</b>	<b>\$ 6,708</b>

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

## CITY OF PROVIDENCE, RHODE ISLAND

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

For the Year Ended June 30, 2004 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
<b>OPERATING REVENUES</b>					
Charges for sales and services	\$ 47,080	\$ -	\$ 4,167	\$ 51,247	\$ 61,990
Lease receipts	-	7,110	-	7,110	-
Premiums	-	-	-	-	7,042
Other	2,088	-	425	2,513	219
<b>Total operating revenues</b>	<b>49,168</b>	<b>7,110</b>	<b>4,592</b>	<b>60,870</b>	<b>69,251</b>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	18,513	1,397	6,877	26,787	-
Health claims	-	-	-	-	64,204
Administration	10,342	436	-	10,778	-
Depreciation	8,759	-	782	9,541	-
<b>Total operating expenses</b>	<b>37,614</b>	<b>1,833</b>	<b>7,659</b>	<b>47,106</b>	<b>64,204</b>
<b>Operating income (loss)</b>	<b>11,554</b>	<b>5,277</b>	<b>(3,067)</b>	<b>13,764</b>	<b>5,047</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment earnings	407	1,271	3	1,681	-
Interest expense	(1,570)	(9,663)	(84)	(11,317)	-
Ticket surcharges	-	-	714	714	-
<b>Total nonoperating revenues (expenses)</b>	<b>(1,163)</b>	<b>(8,392)</b>	<b>633</b>	<b>(8,922)</b>	<b>-</b>
<b>Net income (loss) before contributions and transfers</b>	<b>10,391</b>	<b>(3,115)</b>	<b>(2,434)</b>	<b>4,842</b>	<b>5,047</b>
Capital contributions	1,197	-	-	1,197	-
Transfers in	-	-	600	600	-
	<b>1,197</b>	<b>-</b>	<b>600</b>	<b>1,797</b>	<b>-</b>
<b>Change in net assets</b>	<b>11,588</b>	<b>(3,115)</b>	<b>(1,834)</b>	<b>6,639</b>	<b>5,047</b>
<b>FUND NET ASSETS (DEFICITS), beginning</b>	<b>149,633</b>	<b>5,747</b>	<b>(3,679)</b>	<b>151,701</b>	<b>1,661</b>
<b>FUND NET ASSETS (DEFICITS), ending</b>	<b>\$ 161,221</b>	<b>\$ 2,632</b>	<b>\$ (5,513)</b>	<b>\$ 158,340</b>	<b>\$ 6,708</b>

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

## CITY OF PROVIDENCE, RHODE ISLAND

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2004 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 43,374	\$ 15,097	\$ 4,226	\$ 62,697	\$ 49,295
Cash paid to vendors	(4,748)	(1,631)	(3,200)	(9,579)	(57,449)
Cash paid to employees	(17,041)	(130)	(2,109)	(19,280)	-
Other receipts	-	-	-	-	7,078
<b>Net cash provided by (used in) operating activities</b>	<b>21,585</b>	<b>13,336</b>	<b>(1,083)</b>	<b>33,838</b>	<b>(1,076)</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Custodial assets	-	(22)	-	(22)	-
Transfers in	-	-	600	600	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>(22)</b>	<b>600</b>	<b>578</b>	<b>-</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition of capital assets	(13,122)	(7,813)	(75)	(21,010)	-
Interest paid on debt	(1,570)	(9,683)	(84)	(11,337)	-
Proceeds of long-term debt	400	225	400	1,025	-
Repayment of long-term debt and capital leases	(4,812)	(8,010)	(236)	(13,058)	-
Ticket surcharge revenue	-	-	714	714	-
Capital grants	1,197	-	-	1,197	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(17,907)</b>	<b>(25,281)</b>	<b>719</b>	<b>(42,469)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>					
Purchase of investment securities	(184)	(29,125)	-	(29,309)	-
Investment income	407	1,264	3	1,674	-
<b>Net cash provided by (used in) investing activities</b>	<b>223</b>	<b>(27,861)</b>	<b>3</b>	<b>(27,635)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,901</b>	<b>(39,828)</b>	<b>239</b>	<b>(35,688)</b>	<b>(1,076)</b>
<b>Cash and Cash Equivalents</b>					
Beginning	12,750	47,817	327	60,894	2,215
Ending	\$ 16,651	\$ 7,989	\$ 566	\$ 25,206	\$ 1,139
Investments, end of year	\$ 1,235	\$ 44,645	\$ -	\$ 45,880	\$ -
Cash and investment on the balance sheet	\$ 17,886	\$ 52,634	\$ 566	\$ 71,086	\$ 1,139

## CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued  
For the Year Ended June 30, 2004 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Supply Board	PPBA	Nonmajor Civic Center	Totals	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating income (loss)	\$ 11,554	\$ 5,277	\$ (3,067)	\$ 13,764	\$ 5,047
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	8,759	-	782	9,541	-
Changes in assets and liabilities:					
Accounts receivable	494	7,987	418	8,899	3
Other assets	52	-	13	65	(183)
Due (to) from other funds	164	-	539	703	(13,679)
Accounts payable	562	72	91	725	7,736
Deferred revenue	-	-	141	141	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 21,585</b>	<b>\$ 13,336</b>	<b>\$ (1,083)</b>	<b>\$ 33,838</b>	<b>\$ (1,076)</b>

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**June 30, 2004 (in thousands)**

	Employee Retirement Plan	Private Purpose Trust Fund Funds	Agency Fund
<b>ASSETS</b>			
Investments, at fair value:			
Corporate bonds	\$ 17,235	\$ -	\$ -
Corporate stocks	238,750	618	-
Other investments	6,668	-	-
<b>Total investments</b>	<b>262,653</b>	<b>618</b>	<b>-</b>
Cash and cash equivalents	4,989	267	366
Receivables:			
Loans receivable	19,810	-	-
Other	484	2	-
<b>Total receivables</b>	<b>20,294</b>	<b>2</b>	<b>-</b>
Due from other funds	37,360	-	279
<b>Total assets</b>	<b>325,296</b>	<b>887</b>	<b>645</b>
<b>LIABILITIES</b>			
Accounts payable	3	1	642
Amounts held for others	107	-	-
Due to other funds	-	-	3
<b>Total liabilities</b>	<b>110</b>	<b>1</b>	<b>645</b>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes	<b>\$ 325,186</b>	<b>\$ 886</b>	<b>\$ -</b>

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**For the Year Ended June 30, 2004 (in thousands)**

	Employee Retirement Plan	Private Purpose Trust Fund Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 39,765	\$ -
Employees	10,123	16
<b>Total contributions</b>	<u>49,888</u>	<u>16</u>
Investment Earnings:		
Net appreciation in the fair value of investments	50,242	39
Interest	3,088	3
Dividends	2,634	15
<b>Total investment earnings</b>	<u>55,964</u>	<u>57</u>
Less investment expenses	<u>1,861</u>	<u>-</u>
<b>Net investment earnings</b>	<u>54,103</u>	<u>57</u>
<b>Total additions</b>	103,991	73
<b>DEDUCTIONS</b>		
Benefits	57,744	27
Refunds of contributions	5,028	-
Administrative expenses	154	-
<b>Total deductions</b>	<u>62,926</u>	<u>27</u>
<b>Change in net assets</b>	41,065	46
<b>NET ASSETS</b>		
Beginning of year	<u>284,121</u>	<u>840</u>
End of year	<u>\$ 325,186</u>	<u>\$ 886</u>

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

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004 (in thousands)**

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#### **Note 1. Significant Accounting Policies**

##### **Reporting entity**

The City of Providence, Rhode Island (the "City") was incorporated in 1832. The City covers 18.5 square miles located in southeastern New England, at the head of the Narragansett Bay on the Atlantic sea coast. The City is approximately 45 miles from Boston and approximately 3 ½ hours from New York by automobile or rail.

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

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

##### **Individual Component Unit Disclosure**

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

###### *Providence Public Building Authority*

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

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

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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

#### *Providence Water Supply Board*

The Providence Water Supply Board was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island. Membership of the Board is comprised of four persons appointed by the Mayor, who serve for four-year staggered terms and two City Council members elected by the City Council, who serve during their four-year City Council term. The Finance Director of the City of Providence also serves as an ex-officio Board member.

The Water Supply Board provides water supply services through metered sales in Providence and parts of the surrounding communities of North Providence, Johnston and Cranston. The Board also sells water to the other local water supply systems on a wholesale basis. The Board's source of water supply is the Scituate Reservoir, located in the Town of Scituate, Rhode Island, and five tributary reservoirs.

Activities of the Water Supply Board are governed by the regulations of the Public Utility Administrator of the State of Rhode Island. All water sale rates are established by the State of Rhode Island Public Utilities Commission. The Water Supply Board is presented as a blended enterprise fund.

#### *Providence Civic Center Authority*

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

The Authority has incurred recurring losses from operations (\$1.8 million in 2004) and has relied on the City of Providence to subsidize operations through a general fund transfer of \$600,000 in 2004. These factors raise substantial doubt about the Authority's ability to continue as a going concern without continued significant support from the City. In order to help address this issue, the City entered into an agreement with Aramark Entertainment, Inc. ("Aramark") for the future management and operation of the Authority. Aramark will be



## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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paid a base fee of \$10,000 per month for the first five years of the agreement for managing and operating the Authority. Aramark is also entitled to incentive payments should certain performance levels be met. Further, the Authority entered into a naming sponsorship and advertising agreement with Dunkin' Donuts, Inc. which provides exclusive naming rights for a ten-year period beginning May 1, 2001. In accordance with the agreement, Dunkin' Donuts, Inc. will pay the Authority \$425,000 annually over the life of the contract.

The Authority leases its facility to various promoters and groups, at rental charges usually calculated as a percent of gross ticket sales and/or a minimum rental fee. Rental charges for certain events are based upon a fixed fee. In addition to rental income, the Authority is reimbursed by leases for expenses the Authority incurs in connection with the various events. The Authority is presented as a blended enterprise fund.

#### *Providence Economic Development Corporation (PEDC)*

The Providence Economic Development Corporation (the "PEDC") is a not-for-profit organization and was created to foster economic growth in Providence as well as assist in attracting new industrial, manufacturing and other commercial enterprises to the City. The activities of the PEDC are funded by state and local agencies. The PEDC is presented as a blended special revenue fund.

#### *Providence Redevelopment Agency (PRA)*

The PRA is governed by the Mayor, ex-officio and a seven member Board. Its purpose is to provide the planning support for major construction and redevelopment activity in the City. The PRA is presented as a blended special revenue fund.

#### *Providence/Cranston Workforce Development Consortium*

The Providence/Cranston Workforce Development Office is the administrative entity of the Providence/Cranston Job Training Consortium. The Providence/Cranston Workforce Development Consortium ("Consortium") was established by the City of Providence and the City of Cranston to operate a comprehensive employment and training service delivery system according to the provisions of the Workforce Investment Act of 1998.

The Consortium is administered by the City which is responsible for the proper administration and operation of programs within guidelines established by the Workforce Investment Act of 1998. The operations of the Consortium are included as a special revenue fund of the City. The Consortium is presented as a blended special revenue fund.

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

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2004 (in thousands)**

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#### **Government-wide fund financial statements**

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

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

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

#### **Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *School Fund* accounts for operations of the Providence school system.

The *School Grants Fund* accounts for federal and state grants received and expended by the school system.

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

The City reports the following major proprietary funds:

The *Water Supply Board* accounts for the activities of the Providence Water Supply Board.

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

Additionally, the City reports the following fund types:

The *Pension Trust Fund* accounts for the activities of the City of Providence Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for the benefit of individuals, organizations or other governments.

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

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

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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

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

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

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

#### **Interfund Receivables and Payables**

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

#### **Pension plan accounting**

##### *Employee Retirement Plan:*

The Employee Retirement Plan (Pension Trust Fund) is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings.

##### *Governmental Funds:*

The net pension obligation, the cumulative difference between annual pension cost and the City's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2004 (in thousands)**

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available resources. The pension obligation is recorded as a non-current liability in the government-wide financial statements.

#### *Funding Policy:*

The City makes contributions at the discretion of management.

#### **Accounting estimates**

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

#### **Property taxes**

The City's property tax is levied each year on July 1 based on the assessed property value, as of the prior December 31, for all real property, tangible property, equipment and motor vehicles located in the City. Assessed values of real property were established by the City Assessor's office at 100% of appraised market value based on 2003 State mandated statistical updated valuations less Homestead exemptions for up to five residential units. Assessed values of tangible property and equipment and motor vehicles are determined annually at 100% of market value, with a State mandated, 10-year phase-out on tangible inventory property and a State-mandated \$4,500 exemption on motor vehicle assessments. Payments on the gross levy are due in equal quarterly installments in July, October, January, and April. Property taxes attach as an enforceable lien on property when levied.

#### **Cash equivalents**

The City considers all certificates of deposit and highly liquid short-term investment funds with original maturities of 90 days or less to be cash equivalents.

#### **Investments**

Investments are stated at fair value, based on quoted market prices.

#### **Inventories and prepaid assets**

Proprietary fund inventory is stated at the lower of cost or market using the weighted average method. Inventory consists primarily of materials and supplies. Inventory is not maintained in

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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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 and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as all computer equipment and assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2004 (in thousands)**

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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:

	<b>Civic Center Authority</b>	<b>Water Supply Board</b>
Buildings, source of supply structures and improvements	10-30 years	50-150 years
Improvements, other than buildings	-	75-100 years
Machinery and equipment	3-20 years	10-40 years

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

#### **Self-insurance**

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

#### **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 are shown net of an allowance for uncollectibles. Amounts considered to be uncollectible are based on the type and age of the related receivable.

#### **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.

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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#### Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective 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 is recognized as an expenditure as it comes due.

#### Fund equity and net assets

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

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

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

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

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

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

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

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



**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2004 (in thousands)**

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(501,088) difference are as follows:

Bonds and notes payable	\$ (423,944)
Add: Issuance premium (to be amortized)	4,167
Leases payable	(47,959)
Accrued interest payable	(2,715)
Compensated absences	(28,153)
Workers Compensation	<u>(2,484)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (501,088)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(7,572) difference are as follows:

Capital outlay	\$ 8,902
Depreciation expense	<u>(16,474)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (7,572)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2004 (in thousands)

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Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$23,933 difference are as follows:

Long-Term Liabilities issued or incurred:	
Issuance of capital leases	\$ (4,535)
Net premiums and gain on refunding	2,204
Principal repayments:	
General obligation debt	<u>26,264</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 23,933</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(6,572) difference are as follows:

Compensated absences	\$ 2,447
Net change in accrued interest	(497)
Claims and judgments	182
Net pension obligation	<u>(8,704)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (6,572)</u>

CITY OF PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2004 (in thousands)

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**Note 3. Cash, Cash Equivalents and Investments**

The following is a summary of cash and cash equivalents at June 30, 2004:

	Carrying and Fair Values	Bank Balance
Deposits		
Cash equivalents	\$ 139,983	\$ 152,657
<b>Total cash and cash equivalents, other than PPBA of \$52,634</b>	<b>\$ 139,983</b>	<b>\$ 152,657</b>

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.

The City's deposits are classified as Category 1 and Category 3 deposits. Category 3 deposits are \$136,941 which include those deposits that are not collateralized (in thousands). Category 1 deposits are \$15,716 which include those deposits which are collateralized.

The level of the City's deposits varies significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were significantly higher than at year-end.

The City invests in various investments, which are summarized below. The Finance Director has responsibility for the type of investments the City makes. Although the City has an internal investment policy, neither the City Charter nor any other contracted agreement limits the type of investments that the City may make. The City's investments at year-end are categorized below to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered or for which the City or its agent in the City's name holds the securities. Category 2 includes uninsured and unregistered investments for which the counter party holds the securities by the counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the City's name.

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)**

The City's investments as of June 30, 2004 consisted of the following:

Type of Investment	Carrying Amount and Fair Value	Risk Category
U.S. Government Securities	\$ 5,129	2
Corporate and foreign bonds	15,145	2
Common stock	239,108	2
Mutual funds	15,969	*
Other investments	2,350	2
Money Market	13,801	2
	<u>\$ 291,502</u>	

\* Risk category classification is not required since the City does not own identifiable securities, but invests as a shareholder of the fund. Fair value of the position of the City is equal to the value of investment pool shares.

**Note 4. Receivables - Fund Basis**

Receivables at June 30, 2004, including the applicable allowance for collection losses, are as follows:

	General Fund	School Fund	School Grants	Capital Projects	Employee Retirement Plan	Nonmajor and Other Funds	Totals
Property taxes	\$ 71,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,706
Intergovernmental	17,302	-	10,212	-	-	-	27,514
Loans	-	-	-	-	-	23,393	23,393
Other	1,579	2,452	63	305	20,294	1,995	26,688
<b>Total gross receivables</b>	<b>90,587</b>	<b>2,452</b>	<b>10,275</b>	<b>305</b>	<b>20,294</b>	<b>25,388</b>	<b>149,301</b>
Less allowance for collection losses	28,123	-	-	-	-	13,249	41,372
<b>Total net receivables</b>	<b>\$ 62,464</b>	<b>\$ 2,452</b>	<b>\$ 10,275</b>	<b>\$ 305</b>	<b>\$ 20,294</b>	<b>\$ 12,139</b>	<b>\$ 107,929</b>

**CITY OF PROVIDENCE, RHODE ISLAND****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)****Note 5. Interfund Receivables, Payables and Transfers (Fund level)**

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows (in thousands):

	Due From Other Funds	Due to Other Funds
General Fund	\$ 8,134	\$ 67,497
School Fund	16,713	10,155
School Grants	4,212	6,336
Capital Projects	-	32
Fiduciary Funds	37,639	3
Non-Major Governmental Funds	13,797	9,460
Water Board	6,289	8,895
Non-Major Enterprise Fund	807	4,177
Internal Service Fund	18,983	19
<b>Totals</b>	<b>\$ 106,574</b>	<b>\$ 106,574</b>

Amounts owed among funds result principally from timing of payments to the City's retirement system of \$37.3 million, payments to the City's health insurance and legal claims fund of \$19.0 million, and amounts owed to the school fund for current year expenditures of \$11.1 million. All of these amounts were paid subsequent to year-end. All other amounts owed are expected to be paid within one year.

Interfund transfers during the year ended June 30, 2004 were as follows (in thousands):

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 4,001	\$ 113,607
School Fund	102,677	390
School Grants	221	972
Non-Major Governmental Funds	11,227	3,757
Non-Major Enterprise Fund	600	-
<b>Totals</b>	<b>\$ 118,726</b>	<b>\$ 118,726</b>

The most significant transfer in fiscal 2004 was the appropriated operating subsidy from the City's general fund to the school fund.

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Beginning Balance, As Restated (Note 17)	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 57,182	\$ -	\$ -	\$ 57,182
Construction in progress	40,779	1,580	-	42,359
Total capital assets, not being depreciated	97,961	1,580	-	99,541
Capital assets, being depreciated:				
Buildings	173,688	-	-	173,688
Improvements other than buildings	11,702	210	-	11,912
Machinery and equipment	47,419	2,376	100	49,695
Infrastructure	256,261	5,604	-	261,865
Building - leases	131,189	-	-	131,189
Total capital assets being depreciated	620,259	8,190	100	628,349
Less accumulated depreciation for:				
Buildings	53,362	2,963	-	56,325
Improvements other than buildings	4,881	460	-	5,341
Machinery and equipment	37,347	3,081	-	40,428
Infrastructure	124,319	7,224	-	131,543
Building - leases	21,630	2,746	-	24,376
Total accumulated depreciation	241,539	16,474	-	258,013
Total capital assets, being depreciated, net	378,720	(8,284)	100	370,336
Governmental activities capital assets, net	\$ 476,681	\$ (6,704)	\$ 100	\$ 469,877

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)**

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,900	\$ 262	\$ -	\$ 8,162
Construction in progress	16,926	11,218	9,016	19,128
Other land improvements	18,682	-	-	18,682
Total capital assets, not being depreciated	43,508	11,480	9,016	45,972
Capital assets, being depreciated:				
Buildings	37,069	3,689	-	40,758
Improvements other than buildings	140,326	6,037	-	146,363
Machinery and equipment	20,735	2,744	-	23,479
Leased assets	16,465	884	2,619	14,730
Total capital assets being depreciated	214,595	13,354	2,619	225,330
Less accumulated depreciation for:				
Buildings	28,068	3,646	-	31,714
Improvements other than buildings	46,277	6,159	-	52,436
Machinery and equipment	14,834	2,654	-	17,488
Leased assets	5,621	565	3,483	2,703
Total accumulated depreciation	94,800	13,024	3,483	104,341
Total capital assets, being depreciated, net	119,795	330	(864)	120,989
Business-type activities capital assets, net	\$ 163,303	\$ 11,810	\$ 8,152	\$ 166,961

**Business-type activities:**

Depreciation expense - Water Board	\$ 8,759
Depreciation expense - Civic Center	782
Total depreciation expense - business-type activities	<u>\$ 9,541</u>

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

Executive, legislative and judicial	\$ 49
Finance	1,304
Public safety	976
Building inspection	10
Public works	7,513
Recreation	9
Public lands and parks	998
Education	5,615
Total depreciation expense	<u>\$ 16,474</u>

# CITY OF PROVIDENCE, RHODE ISLAND

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

### Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable and note payable:					
General obligation bonds	\$ 140,340	\$ -	\$ 8,465	\$ 131,875	\$ 8,535
Revenue bonds	65,445	-	1,360	64,085	1,425
Special obligation tax increment	30,700	-	1,450	29,250	1,575
Notes payable	6,904	-	938	5,966	998
Capital leases	50,123	4,535	6,699	47,959	7,231
<b>Total bonds and         notes payable</b>	<b>293,512</b>	<b>4,535</b>	<b>18,912</b>	<b>279,135</b>	<b>19,764</b>
<b>Other Long-Term Liabilities:</b>					
Claims and judgments	19,326	62,866	68,221	13,971	4,000
Compensated absences	30,600	20,829	23,276	28,153	20,000
Net pension obligation	101,572	48,469	39,765	110,276	-
<b>Total other long-term         liabilities</b>	<b>151,498</b>	<b>132,164</b>	<b>131,262</b>	<b>152,400</b>	<b>24,000</b>
<b>Governmental activity         long-term liabilities         before PPBA reclassification</b>	<b>445,010</b>	<b>136,699</b>	<b>150,174</b>	<b>431,535</b>	<b>43,764</b>
<b>PPBA Debt</b>	<b>200,120</b>	<b>-</b>	<b>7,352</b>	<b>192,768</b>	<b>10,036</b>
<b>Governmental activity         long-term liabilities</b>	<b>\$ 645,130</b>	<b>\$ 136,699</b>	<b>\$ 157,526</b>	<b>\$ 624,303</b>	<b>\$ 53,800</b>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 25,856	\$ -	\$ 3,721	\$ 22,135	\$ 3,873
Capital leases	7,391	-	1,286	6,105	1,191
Notes payable	-	800	11	789	-
PPBA - PAP Loans	81,803	-	-	81,803	-
PPBA - Water	4,822	-	465	4,357	487
PPBA Civic Center	1,520	-	225	1,295	235
PPBA - City	200,120	-	7,352	192,768	10,036
<b>Business-type activity         long-term liabilities, pg 18</b>	<b>\$ 321,512</b>	<b>\$ 800</b>	<b>\$ 13,060</b>	<b>309,252</b>	<b>15,822</b>
Less PPBA Eliminations				(280,223)	(10,758)
<b>Business-type activity         long-term liabilities, pg 13</b>				<b>\$ 29,029</b>	<b>\$ 5,064</b>



# CITY OF PROVIDENCE, RHODE ISLAND

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 11,535	\$ 12,873	\$ 24,408	\$ 13,909	\$ 9,983	\$ 23,892
2006	11,830	12,317	24,147	13,395	9,404	22,799
2007	12,195	11,679	23,874	13,955	8,789	22,744
2008	11,085	11,124	22,209	13,497	8,152	21,649
2009	11,500	10,495	21,995	13,273	7,502	20,775
2010	11,940	9,864	21,804	13,616	6,848	20,464
2011	12,405	9,193	21,598	14,230	6,174	20,404
2012	11,405	8,440	19,845	12,344	5,522	17,866
2013	11,995	7,757	19,752	10,838	4,946	15,784
2014	10,740	7,010	17,750	11,388	4,391	15,779
2015	11,405	6,334	17,739	11,962	3,808	15,770
2016	12,115	5,613	17,728	10,832	3,245	14,077
2017	8,410	4,794	13,204	11,376	2,703	14,079
2018	8,900	4,291	13,191	10,156	2,171	12,327
2019	9,430	3,758	13,188	10,671	1,652	12,323
2020	9,360	3,191	12,551	9,107	1,159	10,266
2021	5,385	2,771	8,156	6,311	775	7,086
2022	5,685	2,469	8,154	4,988	503	5,491
2023	5,995	2,149	8,144	4,220	293	4,513
2024	6,340	1,812	8,152	4,905	99	5,004
2025	6,695	1,454	8,149	-	-	-
2026	7,075	1,077	8,152	-	-	-
2027	3,710	678	4,388	-	-	-
2028	3,925	464	4,389	-	-	-
2029	4,150	238	4,388	-	-	-
	<u>\$ 225,210</u>	<u>\$ 141,845</u>	<u>\$ 367,055</u>	<u>\$ 214,973</u>	<u>\$ 88,119</u>	<u>\$ 303,092</u>

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

### Planning and development loans

At June 30, 2004, the City had several notes outstanding relating to planning and development activities. These notes included \$4.1 million of Section 108 loans payable through 2013 with interest rates ranging from 3.82% to 7.18%.

# CITY OF PROVIDENCE, RHODE ISLAND

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

The annual requirements to amortize these notes payable at June 30, 2004 are as follows:

	Principal	Interest
2005	\$ 850	\$ 109
2006	680	91
2007	730	76
2008	780	56
2009	130	42
Thereafter	890	111
	<u>\$ 4,060</u>	<u>\$ 485</u>

The City also has a note payable of \$1.4 million outstanding relating to the Fleet Skating Center. Payments on this note of approximately \$17,000 are made quarterly. The interest rate on the note varies and there is no established principal retirement schedule. As such, this amount is not included in the maturity tables above.

### 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, 2004 are as follows (in thousands):

Year Ending June 30:	City		Water Supply Board		Civic Center		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 10,036	\$ 9,005	\$ 487	\$ 207	\$ 235	\$ 58	\$ 10,758	\$ 9,270
2006	10,498	8,536	509	183	245	46	11,252	8,765
2007	10,996	8,039	537	158	260	34	11,793	8,231
2008	11,497	7,516	560	131	270	21	12,327	7,668
2009	11,596	6,956	589	102	285	7	12,470	7,065
Thereafter	138,145	42,617	1,675	121	-	-	139,820	42,738
	<u>\$ 192,768</u>	<u>\$ 82,669</u>	<u>\$ 4,357</u>	<u>\$ 902</u>	<u>\$ 1,295</u>	<u>\$ 166</u>	<u>\$ 198,420</u>	<u>\$ 83,737</u>

The City, the Water Supply Board and the Civic Center entered into lease agreements with the PPBA relating to various capital projects. In connection with these lease agreements, the PPBA issued revenue bonds that will be repaid by the Water Board with the \$0.01 per hundred gallons Water Quality Protection Charge and will be repaid by the Civic Center through ticket surcharges. The City repays the PPBA as lease payments from general revenues. The PPBA debt to be repaid by the enterprise funds have been shown as debt in those funds' financial

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2004 (in thousands)**

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statements. PPBA debt to be repaid by the City is presented as debt of the governmental activities in the government-wide statement of net assets.

#### **Debt limit**

Except as explained below, under Rhode Island law, the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. The current outstanding debt of the City subject to the 3% debt limit is \$31.6 million and the current 3% debt limit of the City is \$218.7 million based on taxable property as of December 31, 2003, of approximately \$7.29 billion, leaving a remaining borrowing capacity of approximately \$187.1 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, 2004, the total outstanding debt of the City issued outside the 3% debt limit was \$102.5 million, excluding water bonds and sewer bonds that are deemed self-supporting.

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

#### **Bond Anticipation Notes**

The City has \$2,223 of bond anticipation notes outstanding as of June 30, 2004. The bond anticipation notes bear interest at 1.5%.

Bond anticipation note transactions for the year ended June 30, 2004 were as follows:

Outstanding, July 1, 2003	\$	2,142
Borrowings		2,223
Repayments		(2,142)
Outstanding, June 30, 2004	\$	<u>2,223</u>

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)**

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**In-Substance Defeasance - Prior Years**

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2004, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements, was approximately \$1.6 million.

**Note 8. Lease Commitments**

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

	<u>Operating</u>	<u>Capital</u>
2005	\$ 2,771	\$ 9,182
2006	2,446	9,095
2007	2,030	6,648
2008	2,030	5,044
2009	2,030	4,257
Thereafter	12,180	28,782
Total minimum lease payments	<u>\$ 23,487</u>	<u>63,008</u>
Less interest		<u>(15,049)</u>
Present value of minimum payments		<u>\$ 47,959</u>

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004 (in thousands)

Minimum future lease payments under capital leases for the proprietary funds as of June 30, 2004, for each of the next five fiscal years and thereafter are as follows (in thousands):

	Water Supply Board
2005	\$ 1,470
2006	1,269
2007	1,079
2008	1,070
2009	1,034
Thereafter	990
Total minimum lease payments	6,912
Less interest	807
Present value of minimum payments	\$ 6,105

#### *Sale-Leaseback*

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

2005	\$ 280
2006	288
2007	297
2008	306
2009-2010	639
Total minimum lease payments	\$ 1,810

#### **Note 9. Restricted Assets and Related Liabilities**

The State of Rhode Island enacted the Public Drinking Water Protection Act of 1987 (the Act) that empowers suppliers of public drinking water to levy a surcharge (the Water Quality Protection surcharge) of \$0.01 per hundred gallons of water for all customers. The Act was amended numerous times and effective July 1, 2002, the surcharge increased to \$0.0292 per hundred gallons of water for all customers. In addition to the increase, the Water Supply Board

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004 (in thousands)

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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.

Effective August 25, 1997, a surcharge of \$1.50 per ticket restoration charge was established. On May 28, 1998, the Authority entered into a pledge agreement whereby surcharge receipts collected after May 28, 1998 would be restricted for debt service and capital improvements.

The restricted assets are pooled with the cash and cash equivalents and investments of other funds maintained by the City. The earnings from pooled cash and cash equivalents and investments are allocated in proportion to each funds' balance.

#### Note 10. Fund Equity

The following non-major funds had fund deficits as of June 30, 2004 (in thousands):

Governmental	
WDO	\$ 61
Skating Rink	812
	<u>\$ 873</u>
Enterprise:	
Civic Center	<u>\$ 5,513</u>

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

Reserved fund balances at June 30, 2004 are as follows (in thousands):

Non-Major Governmental Funds:	
Reserved for loans	\$ 10,144
Reserved for debt service	120
Other projects	11,035
	<u>\$ 21,299</u>

The City has also designated \$2,290,000 of general fund equity. This amount will be appropriated in the fiscal 2004 budget.

The Water Supply Board has restricted net assets of \$15.4 million at June 30, 2004. This represents the excess of restricted assets over liabilities payable from restricted assets unexpended water quality protection revenue.

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004 (in thousands)

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#### Note 11. Employee Retirement Systems

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

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

- *Summary of Significant Accounting Policies*

**Basis of Accounting**

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

**Method Used to Value Investments**

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

- *Plan Description and Contribution Information*

Membership of the ERS plan consisted of the following at June 30, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,836
Active plan members:	
Vested	1,696
Nonvested	1,377
	<u>5,909</u>

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)**

**SCHEDULE OF FUNDING PROGRESS**  
**(Dollar Amounts in Thousands)**

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1995	\$ 293,454	\$ 460,567	\$ 167,113	63.72%	\$ 88,335	189.18%
1996	287,320	699,265	411,945	41.09%	84,178	489.37%
1997	288,800	732,373	443,573	39.43%	88,959	498.63%
1998	315,000	732,775	417,775	42.99%	99,182	421.22%
1999	325,576	746,264	420,688	43.63%	106,717	394.21%
2000	341,817	798,292	456,475	42.82%	114,164	399.81%
2001	341,986	821,363	479,377	41.64%	116,493	411.51%
2002	340,550	867,457	526,907	39.26%	114,265	461.13%
2003	334,929	899,336	564,407	37.24%	115,015	490.72%
2004	372,128	1,025,345	653,217	36.29%	115,548	565.32%

**SCHEDULE OF CONTRIBUTIONS FROM THE CITY**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	\$ 37,445	56.15%
2000	37,415	60.00%
2001	38,899	60.60%
2002	42,442	64.18%
2003	42,008	80.25%
2004	46,321	85.99%



## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
Actuarial cost method	Aggregate entry age normal
Amortization method	Approximate level percent of payroll-open
Remaining amortization period	27 years (for original unfunded)
Asset valuation method	5-year moving average of market values
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	0% through 1999, 5% thereafter
Cost-of-living adjustments	3% to 6%

#### Plan Description

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

#### Contributions

Class A members and police officers are required to contribute 8% of their salary to the Plan. Class B members, other than police officers, are required to contribute 9 ½% of their salary to the Plan. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City is required to make additional contributions of \$492,606 annually to amortize a deferred contribution from June 30, 1996. The City's contributions to the ERS for the years ended June 30, 2004, 2003 and 2002 were \$39,765, \$33,765 and \$27,241.

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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

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

	(In Thousands)
Annual required contribution	\$ 46,321
Interest on NPO	8,634
Amortization of NPO	(6,421)
Annual pension cost	48,534
Contributions made	(39,830)
Increase in net pension obligation	8,704
Net pension obligation, beginning of year	101,572
Net pension obligation, end of year	\$ 110,276

The annual required contribution for the current year was determined as part of the June 30, 2004 actuarial valuation using the aggregate level entry age normal cost actuarial cost method. The actuarial assumptions include (a) 8 ½% investment rate of return; (b) projected salary increases of 5%; and (c) cost of living adjustments ranging from 3% to 6%. The actuarial value of assets was determined using a 5-year moving average of market values. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004 as 26 years.

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

- *Plan Description*

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

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2004 (in thousands)**

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- *Funding Policy*

System members are required by State statute to contribute 9.5% of their salary to the System. The School Department contributions are based on a percentage of annual compensation of active members, half of which is payable by the State of Rhode Island. The School Department contributions made for the years ended June 30, 2004, 2003 and 2002 were approximately \$10.4 million, \$9.8 million and \$7.6 million, respectively, and were equal to the required contributions for each year.

*(c) Other City Pension Costs*

The City is required to make contributions to the National Pension Plan of the Laborers' International Union of North America. The pension cost charged to the general fund for these purposes amounted to \$1.3 million for the year ended June 30, 2004.

#### **Note 12. Postemployment Benefits**

Under various union contracts, the City pays health care benefits for certain retired employees and funds these benefits on a cash (pay-as-you-go) basis. Currently, approximately 3,000 retirees receive these benefits. During the year ended June 30, 2004, the cost of retiree health care benefits recorded by the City amounted to \$14.8 million (see Note 16 regarding a new pronouncement related to post-employee benefits.)

#### **Note 13. Contingent Liabilities**

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

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

#### **Note 14. Related Party Transactions**

The City leases certain properties from the PPBA. The estimated future minimum lease payments required under these agreements coincide with the principal and interest payments on

## CITY OF PROVIDENCE, RHODE ISLAND

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004 (in thousands)

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bonds issued by the PPBA. The leases terminate between 2010 and 2012. The City, in turn, subleases a portion of this property to the School Department. At the expiration of the leases, the City, at its option, can purchase the properties for a nominal amount.

#### Note 15. Risk Management

The City is self-insured in most areas of risk, subject to certain third-party "stop loss" coinsurance. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims. The City's Counsel defends the City in any lawsuits that arise from the normal course of operations. At no time during the past three years have insurance settlements exceeded coverage.

The City's health insurance program provides coverage to the City's employees and retirees through Healthmate and Blue Cross - Blue Shield of Rhode Island (BC/BS). In 1997, the City first went to a self-insured program with BC/BS. BC/BS acts as a third-party agent for the City in the payment of the various claim plans used by the City. Costs incurred for the operation of the BC/BS plans are accounted for in a separate health claims expendable trust fund, which is presented as an internal service fund in the accompanying financial statements. Costs to the City are paid by all funds based on "working rates" established by Blue Cross.

The City and its component units are 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 self-insurance liability for all funds for the fiscal years ended June 30, 2004 and June 30, 2003 are as follows (in thousands):

	2004	2003
Beginning of year	\$ 8,939	\$ 6,273
Incurred claims	65,909	65,574
Less payments of claims attributable to events of both the current and prior fiscal years:		
Health	64,204	(60,146)
Workers' compensation	2,873	(2,762)
	<u>67,077</u>	<u>(62,908)</u>
	<u>\$ 7,771</u>	<u>\$ 8,939</u>

## **CITY OF PROVIDENCE, RHODE ISLAND**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2004 (in thousands)**

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#### **Note 16. Pronouncements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2004 that have effective dates that may impact future financial presentations.

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

- ◆ GASB Statement No. 40, Deposit and Investment Risk Disclosures, issued March 2003, will be effective for the government beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.
- ◆ GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, will be effective for the government beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.
- ◆ GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004, will be effective for the City beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.
- ◆ GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2004 (in thousands)**

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**Note 17. Restatement of Net Assets (in thousands)**

The June 2003 government-wide financial statements were restated due to an error in recording depreciation expense and interest receivable on taxes. Beginning net assets for governmental activities were restated as follows:

Governmental activities net assets as of June 30, 2003	\$ (1,193)
Restatement of accumulated depreciation	4,867
Restatement of interest receivable, net	<u>13,730</u>
Governmental activities net assets as restated June 30, 2003	<u>\$ 17,404</u>

The impact on operations in the Government-Wide Statements would have been an increase in the change in net assets of approximately \$6 million.

**Note 18. Subsequent Events**

The City issued \$34,395,000 of General Obligation Refunding Bonds and \$12,135,000 of General Obligation Taxable Refunding Bonds in September 2004. The bonds will be payable through 2019 with interest rates ranging from 2.37% to 5.41%.

The City issued \$3,140,000 in Lease Participation Certificates in August 2004. The certificates are payable in annual installments through the year 2014 with interest.

The City issued \$7,435,000 in Certificates of Participation in November 2004. The certificates are payable in annual installments through November 2009 with interest.

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**Required Supplementary Information**



**General Fund**

**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -**

**BUDGET AND ACTUAL**

**For the Year Ended June 30, 2004 (in thousands)**

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Tax revenues:</b>				
Property taxes	\$ 191,977	\$ 191,977	\$ 193,896	\$ 1,919
Tangible tax	30,100	30,100	31,121	1,021
Excise tax	14,931	14,931	18,254	3,323
Interest on overdue taxes	5,500	5,500	6,427	927
	<u>242,508</u>	<u>242,508</u>	<u>249,698</u>	<u>7,190</u>
Payments in lieu of taxes	16,806	16,806	15,950	(856)
Tax stabilization plans	6,600	6,600	6,600	-
State revenue	50,879	50,879	54,972	4,093
Fines	6,200	6,200	5,228	(972)
Rents	8,115	8,115	8,116	1
Investment interest	1,100	1,100	1,544	444
Miscellaneous	137	137	14	(123)
<b>Executive, legislative, and judicial:</b>				
City clerk	8	8	9	1
Probate court	233	233	202	(31)
Housing court	30	30	20	(10)
	<u>271</u>	<u>271</u>	<u>231</u>	<u>(40)</u>
<b>Finance:</b>				
Data processing	230	230	226	(4)
City collector	375	375	477	102
City assessor	805	805	712	(93)
Treasury department	-	-	2	2
Personnel	-	-	1	1
	<u>1,410</u>	<u>1,410</u>	<u>1,418</u>	<u>8</u>
<b>Public safety:</b>				
Commissioner of public safety	45	45	53	8
Police department	2,150	2,150	73	(2,077)
Fire department	380	380	651	271
Communications department	-	-	2	2
Traffic engineering	600	600	404	(196)
	<u>3,175</u>	<u>3,175</u>	<u>1,183</u>	<u>(1,992)</u>
<b>Building inspection department:</b>				
Building inspection administration	2,430	2,430	4,273	1,843
Zoning board of review	65	65	90	25
Building board of review	25	25	18	(7)
Utilities and standards	8	8	-	(8)
Building inspection prosecution	220	220	-	(220)
	<u>2,748</u>	<u>2,748</u>	<u>4,381</u>	<u>1,633</u>

(Continued)

**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -  
BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2004 (in thousands)**

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Environmental control	3	3	5	2
Highway	100	100	132	32
Sewer construction and maintenance	10	10	34	24
Snow removal	-	-	188	188
	<u>113</u>	<u>113</u>	<u>359</u>	<u>246</u>
Recreation:				
Recreation	-	-	5	5
Public lands and parks:				
Park programming	-	-	90	90
	<u>-</u>	<u>-</u>	<u>90</u>	<u>90</u>
Other departments:				
Recorder of deeds	3,400	3,400	5,210	1,810
Vital statistics	320	320	353	33
Board of canvassers	-	-	1	1
Bureau of licenses	1,240	1,240	1,266	26
Civil defense preparedness	140	140	140	-
WSB reimbursement	702	702	730	28
JTPA/planning reimbursement	572	572	487	(85)
Room tax	500	500	516	16
Tax stabilization	-	-	103	103
School department master lease	1,148	1,148	1,148	-
Parcel one - wasserman	100	100	-	(100)
Planning and urban development	-	-	7	7
1999 Neighborhood Bond	1,400	1,400	-	(1,400)
PEDC Gorham Site	490	490	490	-
Providence Neighborhood Housing Corp.	800	800	800	-
Providence Place Mall	200	200	-	(200)
Voluntary payments in lieu of taxes	3,848	3,848	2,519	(1,329)
	<u>14,860</u>	<u>14,860</u>	<u>13,770</u>	<u>(1,090)</u>
Public properties	-	-	21	21
Attrition revenue	<u>2,498</u>	<u>2,498</u>	<u>949</u>	<u>(1,549)</u>

(Continued)

**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -**

**BUDGET AND ACTUAL, Continued**

**For the Year Ended June 30, 2004 (in thousands)**

Revenues and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Transfers:				
Transfer from RI Zoological Society	325	325	325	-
Transfer from revolving funds	2,125	2,125	120	(2,005)
Transfer from parking tickets	750	750	815	65
Transfer from rescue runs	1,800	1,800	1,650	(150)
Transfer from fund equity	-	-	3,445	3,445
Transfer from police detail fund	550	550	1,025	475
Transfer from expendable trust	7,400	7,400	-	(7,400)
Transfer from school fund	-	-	391	391
	12,950	12,950	7,771	(5,179)
<b>Total</b>	<b>\$ 370,370</b>	<b>\$ 370,370</b>	<b>\$ 372,300</b>	<b>\$ 1,930</b>

**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2004 (in thousands)**

Expenditures and Transfers	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Executive, legislative and judicial:				
Mayor's office	\$ 2,038	\$ 2,038	\$ 2,012	\$ 26
City Council contingencies	829	829	818	11
City sergeant	23	23	25	(2)
City clerk	470	470	482	(12)
Law department	2,286	2,286	6,503	(4,217)
Municipal court	545	545	546	(1)
Probate court	246	246	269	(23)
Housing court	244	244	234	10
City council contingencies	50	50	-	50
	6,731	6,731	10,889	(4,158)
Finance:				
Finance director	917	917	850	67
City controller	997	997	951	46
Employees retirement office	317	317	328	(11)
Data processing	1,720	1,720	1,783	(63)
City collector	1,923	1,923	2,075	(152)
City assessor	1,946	1,946	1,918	28
Board of tax assessment review	16	16	10	6
Treasury department	262	262	258	4
Personnel	732	732	744	(12)
Heat, light and power	5,025	5,025	5,470	(445)
Employees Retirement System contributions	32,345	32,345	32,468	(123)
Laborers legal fees	532	532	428	104
Laborers International Pension contributions	1,579	1,579	1,303	276
Public Employees Health services	359	359	425	(66)
Debt service	26,680	26,680	24,666	2,014
Interest on bonded debt	20,125	20,125	19,699	426
FICA	3,900	3,900	3,588	312
Medical insurance	33,805	33,805	31,149	2,656
Workers compensation	1,270	1,270	1,261	9
Unemployment componsation	775	775	365	410
Reserve for anticipated tax abatements	500	500	345	155
	135,725	135,725	130,084	5,641
Public safety:				
Commissioner of public safety	314	314	342	(28)
Police department	39,701	39,701	40,623	(922)
Fire department	38,537	38,537	36,775	1,762
Communications department	5,760	5,760	5,521	239
Traffic engineering	1,134	1,134	1,092	42
	85,446	85,446	84,353	1,093

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -**  
**BUDGET AND ACTUAL, Continued**  
**For the Year Ended June 30, 2004 (in thousands)**

Expenditures and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Building inspection department:				
Building inspection administration	1,096	1,096	1,052	44
Structures and zoning division	583	583	562	21
Plumbing, drainage, and gas piping division	153	153	120	33
Electrical installations division	174	174	189	(15)
Mechanical equipment and installation division	152	152	145	7
Zoning board of review	31	31	46	(15)
Building and housing board of review	13	13	11	2
Building inspection code enforcement	344	344	338	6
Building inspection prosecution	133	133	108	25
Utilities and standards	46	46	39	7
	<u>2,725</u>	<u>2,725</u>	<u>2,610</u>	<u>115</u>
Public works:				
Public works administration	715	715	598	117
Engineering and sanitation	329	329	423	(94)
Environmental control	8,098	8,098	7,327	771
Highway	2,459	2,459	3,137	(678)
Bridge maintenance	-	-	42	(42)
Snow removal	750	750	1,044	(294)
Sewer construction and maintenance	419	419	408	11
Garage maintenance and equipment repair	433	433	448	(15)
	<u>13,203</u>	<u>13,203</u>	<u>13,427</u>	<u>(224)</u>
Recreation:				
Recreation	1,098	1,098	1,017	81
Recreation seasonal	784	784	778	6
	<u>1,882</u>	<u>1,882</u>	<u>1,795</u>	<u>87</u>
Public lands and parks:				
Grounds maintenance services	3,112	3,112	2,716	396
Forestry services	773	773	709	64
Zoological services	1,946	1,946	2,028	(82)
Park environmental services	660	660	653	7
Park programming	321	321	349	(28)
Superintendent of parks	1,236	1,236	1,345	(109)
North Burial Grounds	527	527	561	(34)
	<u>8,575</u>	<u>8,575</u>	<u>8,361</u>	<u>214</u>

(Continued)

**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**GENERAL FUND REVENUES AND EXPENDITURES - BUDGETARY BASIS -**

**BUDGET AND ACTUAL, Continued**

**For the Year Ended June 30, 2004 (in thousands)**

Expenditures and Transfers	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Other departments:				
Recorder of deeds	395	395	400	(5)
Vital statistics	205	205	187	18
Board of canvassers	353	353	396	(43)
Bureau of licenses	388	388	407	(19)
Civil defense preparedness	229	229	254	(25)
Planning and urban development	2,001	2,001	1,812	189
Administration to City Council	530	530	474	56
Internal auditor	257	257	169	88
Archives	129	129	116	13
Department of human services	413	413	294	119
Providence Housing Authority	40	40	44	(4)
League of Cities	10	10	11	(1)
Public celebrations	10	10	7	3
Office of Arts, Culture, Film & Tourism	398	398	397	1
	<u>5,358</u>	<u>5,358</u>	<u>4,968</u>	<u>390</u>
Grants:				
Providence Public Library	3,000	3,000	3,000	-
Rhode Island Historical Society	9	9	-	9
Capital Center	50	50	50	-
Providence Plan Commission	150	150	150	-
Providence Center	250	250	250	-
Mary E. Sharpe Tree Fund	45	45	45	-
Community activities	-	-	20	(20)
P.E.R.A.	242	242	12	230
Community centers	355	355	358	(3)
	<u>4,101</u>	<u>4,101</u>	<u>3,885</u>	<u>216</u>
Public properties	<u>3,776</u>	<u>3,776</u>	<u>5,391</u>	<u>(1,615)</u>
Purchasing	<u>321</u>	<u>321</u>	<u>315</u>	<u>6</u>
Transfers:				
Transfers to School Department	101,927	101,927	101,927	-
Transfer to Civic Center	600	600	600	-
	<u>102,527</u>	<u>102,527</u>	<u>102,527</u>	<u>-</u>
<b>Total</b>	<u>\$ 370,370</u>	<u>\$ 370,370</u>	<u>\$ 368,605</u>	<u>\$ 1,765</u>

**School Fund**



**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
SCHOOL FUND**

**For the Year Ended June 30, 2004 (in thousands)**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and state revenue	\$ 183,369	\$ 183,369	\$ 182,558	\$ (811)
Other revenue	2,930	2,930	875	(2,055)
Transfers from other funds	101,927	101,927	102,676	749
Master lease proceeds	-	-	1,186	1,186
<b>Total revenues</b>	<b>288,226</b>	<b>288,226</b>	<b>287,295</b>	<b>(931)</b>
Expenditures:				
Education	288,226	288,226	287,295	931
<b>Excess revenue over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# CITY OF PROVIDENCE, RHODE ISLAND

## Notes to Required Supplementary Information June 30, 2004

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

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

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

The General and School funds are the only governmental funds that have legally adopted annual budgets. The "actual amounts" presented in the accompanying schedules are presented in accordance with accounting principles generally accepted in the United States of America.

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

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

	General Fund	School Fund
Total budgetary revenues and transfers per schedule	\$ 372,300	\$ 287,295
Reclassification of:		
PPBA payments recorded at gross	2,326	-
Lease receipts used for debt service	(9,264)	(1,186)
Attrition "revenue"	(979)	-
Retirement reimbursements	(487)	-
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System	-	7,975
<b>Total revenues and transfers per financial statements</b>	<b>\$ 363,896</b>	<b>\$ 294,084</b>
Total budgetary expenditures and transfers per schedule:	\$ 368,605	\$ 287,295
Reclassification of:		
PPBA payments recorded at gross	2,326	-
Lease receipts used for debt service	(9,264)	(1,186)
Attrition "revenue"	(979)	-
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System	-	7,975
Retirement reimbursements	(488)	-
<b>Total expenditures and transfers per financial statements</b>	<b>\$ 360,200</b>	<b>\$ 294,084</b>

**Nonmajor Governmental Funds**

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**CITY OF PROVIDENCE, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004 (in thousands)**

	Special Revenue			
	Neighborhood Housing	Federal Funds	PEDC	PRA
<b>ASSETS</b>				
Cash and investments	\$ 758	\$ 728	\$ 6,229	\$ 13,076
Receivables, net:				
Loans	2,170	-	7,974	-
Other	265	72	32	94
Due from other funds	-	3,141	2,879	1
Other assets	1,807	-	-	-
<b>Total assets</b>	<b>\$ 5,000</b>	<b>\$ 3,941</b>	<b>\$ 17,114</b>	<b>\$ 13,171</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants and accounts payable	\$ 40	\$ 566	\$ 35	\$ 738
Accrued liabilities	-	-	2	-
Deferred revenue	-	1	202	-
Due to other funds	-	418	4,151	1,414
Due to other governments	-	283	-	-
Bond anticipation notes payable	-	-	-	-
<b>Total liabilities</b>	<b>40</b>	<b>1,268</b>	<b>4,390</b>	<b>2,152</b>
<b>FUND BALANCES (DEFICITS)</b>				
Reserved for:				
Debt service	-	-	-	-
Loans	2,170	-	7,974	-
Projects	-	-	-	-
Unreserved:				
Permanent fund	-	-	-	-
Undesignated	2,790	2,673	4,750	11,019
<b>Total fund balances (deficits)</b>	<b>4,960</b>	<b>2,673</b>	<b>12,724</b>	<b>11,019</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 5,000</b>	<b>\$ 3,941</b>	<b>\$ 17,114</b>	<b>\$ 13,171</b>

Special Revenue						
Other P&D	Other	Skating Rink	WDO	Permanent Trust	Totals	
\$ 159	\$ 7,576	\$ 3	\$ 241	\$ 21,131	\$ 49,901	
-	-	-	-	-	10,144	
-	804	85	643	-	1,995	
-	7,258	420	27	71	13,797	
-	-	120	7	-	1,934	
<u>\$ 159</u>	<u>\$ 15,638</u>	<u>\$ 628</u>	<u>\$ 918</u>	<u>\$ 21,202</u>	<u>\$ 77,771</u>	
\$ 126	\$ 382	\$ 33	\$ 410	\$ 62	\$ 2,392	
-	-	-	-	27	29	
-	1,607	-	-	-	1,810	
9	1,430	1,407	486	145	9,460	
-	-	-	83	-	366	
-	2,223	-	-	-	2,223	
<u>135</u>	<u>5,642</u>	<u>1,440</u>	<u>979</u>	<u>234</u>	<u>16,280</u>	
-	-	120	-	-	120	
-	-	-	-	-	10,144	
-	11,035	-	-	-	11,035	
-	-	-	-	20,673	20,673	
24	(1,039)	(932)	(61)	295	19,519	
<u>24</u>	<u>9,996</u>	<u>(812)</u>	<u>(61)</u>	<u>20,968</u>	<u>61,491</u>	
<u>\$ 159</u>	<u>\$ 15,638</u>	<u>\$ 628</u>	<u>\$ 918</u>	<u>\$ 21,202</u>	<u>\$ 77,771</u>	

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2004 (in thousands)**

	Special Revenue			
	Neighborhood Housing	Federal Funds	PEDC	PRA
<b>REVENUES</b>				
Departmental	\$ -	\$ -	\$ -	\$ -
Intergovernmental	27	12,184	555	1,869
Sale of real estate	-	-	-	183
Investment income	-	-	526	4,519
Other	-	1,106	506	53
<b>Total revenues</b>	<u>27</u>	<u>13,290</u>	<u>1,587</u>	<u>6,624</u>
<b>EXPENDITURES</b>				
Executive, legislative, and judicial	-	-	-	-
Finance	-	-	-	-
Public safety	-	-	-	-
Recreation	-	-	-	-
Public lands and parks	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	868	439
Community development	10	13,567	-	5,504
<b>Total expenditures</b>	<u>10</u>	<u>13,567</u>	<u>868</u>	<u>5,943</u>
<b>Excess (deficiency)</b>	17	(277)	719	681
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance (deficit)</b>	17	(277)	719	681
<b>FUND BALANCES (DEFICITS), beginning of year</b>	<u>4,943</u>	<u>2,950</u>	<u>12,005</u>	<u>10,338</u>
<b>FUND BALANCES (DEFICITS), end of year</b>	<u>\$ 4,960</u>	<u>\$ 2,673</u>	<u>\$ 12,724</u>	<u>\$ 11,019</u>

Special Revenue						
Other P&D	Other	Skating Rink	WDO	Permanent Trust	Totals	
\$ -	\$ 10,019	\$ 294	\$ -	\$ 854	\$ 11,167	
669	1,265	-	3,285	708	20,562	
-	-	-	-	-	183	
-	194	-	-	2,727	7,966	
-	-	-	32	-	1,697	
669	11,478	294	3,317	4,289	41,575	
-	253	-	-	124	377	
-	847	-	-	75	922	
-	5,611	-	3,264	701	9,576	
-	571	-	-	-	571	
-	393	511	-	642	1,546	
-	-	-	-	-	-	
-	-	-	-	-	1,307	
681	1	-	-	-	19,763	
681	7,676	511	3,264	1,542	34,062	
(12)	3,802	(217)	53	2,747	7,513	
-	11,080	-	-	147	11,227	
-	(3,490)	-	-	(267)	(3,757)	
-	7,590	-	-	(120)	7,470	
(12)	11,392	(217)	53	2,627	14,983	
36	(1,396)	(595)	(114)	18,341	46,508	
\$ 24	\$ 9,996	\$ (812)	\$ (61)	\$ 20,968	\$ 61,491	



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**School Grants Fund**

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**CITY OF PROVIDENCE, RHODE ISLAND**

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

**June 30, 2004 (in thousands)**

	Title I	Title V	Miscellaneous Programs	Special Education
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,024	\$ 108	\$ 2,525	\$ 239
Receivables:				
Other governments	5,978	30	1,604	618
Other	40	-	-	-
Due from other funds	160	20	195	12
<b>Total assets</b>	<b>\$ 7,202</b>	<b>\$ 158</b>	<b>\$ 4,324</b>	<b>\$ 869</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,467	\$ 143	\$ 696	\$ 331
Accrued liability	230	-	4	1
Deferred revenue	-	-	1,400	-
Due to:				
Other funds	2,545	17	829	490
Other governments	-	1	2	39
<b>Total liabilities</b>	<b>7,242</b>	<b>161</b>	<b>2,931</b>	<b>861</b>
<b>FUND BALANCE (DEFICIT)</b>				
Unreserved	(40)	(3)	1,393	8
<b>Total liabilities and fund balance (deficits)</b>	<b>\$ 7,202</b>	<b>\$ 158</b>	<b>\$ 4,324</b>	<b>\$ 869</b>

Bilingual	State Reimbursable	Indirect Cost	School Lunch	Totals
\$ 97	\$ 4,279	\$ 469	\$ 851	\$ 9,592
89	-	-	1,893	10,212
-	-	-	23	63
1	3,094	595	135	4,212
<u>\$ 187</u>	<u>\$ 7,373</u>	<u>\$ 1,064</u>	<u>\$ 2,902</u>	<u>\$ 24,079</u>

\$ 11	\$ 1,139	\$ -	\$ 1,870	\$ 8,657
-	3	-	-	238
-	92	-	-	1,492
126	552	752	1,025	6,336
-	-	-	-	42
<u>137</u>	<u>1,786</u>	<u>752</u>	<u>2,895</u>	<u>16,765</u>

50	5,587	312	7	7,314
<u>\$ 187</u>	<u>\$ 7,373</u>	<u>\$ 1,064</u>	<u>\$ 2,902</u>	<u>\$ 24,079</u>

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**For the Year Ended June 30, 2004 (in thousands)**

	Title I	Title V	Miscellaneous Programs	Special Education
<b>REVENUES</b>				
Federal and state governments	\$ 23,262	\$ . 634	\$ 9,665	\$ 4,816
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>23,262</u>	<u>634</u>	<u>9,665</u>	<u>4,816</u>
<b>EXPENDITURES</b>				
Personnel services	8,037	-	4,250	2,250
Employee benefits	4,617	-	1,041	767
Other supplies	3	-	13	474
Equipment	2,098	-	569	134
Miscellaneous services	2,989	421	229	-
Other services	-	-	1,873	959
Pupil transportation	108	-	20	-
Repairs	-	-	411	-
Office supplies	1,772	53	116	-
Education supplies	-	142	-	-
Textbooks	2,888	-	897	97
<b>Total expenditures</b>	<u>22,512</u>	<u>616</u>	<u>9,419</u>	<u>4,681</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(610)	(18)	(199)	(135)
Transfers from other funds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(610)</u>	<u>(18)</u>	<u>(199)</u>	<u>(135)</u>
<b>Net change in fund balances (deficits)</b>	140	-	47	-
<b>FUND BALANCES (DEFICITS), beginning of year</b>	<u>(180)</u>	<u>(3)</u>	<u>1,346</u>	<u>8</u>
<b>FUND BALANCES (DEFICITS), end of year</b>	<u>\$ (40)</u>	<u>\$ (3)</u>	<u>\$ 1,393</u>	<u>\$ 8</u>

Bilingual	State Reimbursable	Indirect Cost	School Lunch	Totals
\$ 498	\$ 3,120	\$ -	\$ 9,988	\$ 51,983
-	-	-	1,072	1,072
498	3,120	-	11,060	53,055
293	861	-	696	16,387
66	183	-	134	6,808
1	-	-	-	491
-	429	-	14	3,244
-	-	-	10,189	13,828
38	254	(2)	95	3,217
3	104	-	-	235
-	-	-	12	423
3	694	-	-	2,638
-	-	-	-	142
84	286	-	-	4,252
488	2,811	(2)	11,140	51,665
(10)	-	-	-	(972)
-	-	221	-	221
(10)	-	221	-	(751)
-	309	223	(80)	639
50	5,278	89	87	6,675
\$ 50	\$ 5,587	\$ 312	\$ 7	\$ 7,314

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