



Peat Marwick

Certified Public Accountants

IN CITY COUNCIL

JUN 15 1989

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Samuel... CLERK

CITY OF PROVIDENCE, RHODE ISLAND

General Purpose Financial Statements
and Schedules

June 30, 1988

(With Auditors' Report Thereon)

CITY OF PROVIDENCE, RHODE ISLAND
General Purpose Financial Statements
and Schedules

June 30, 1988

(With Auditors' Report Thereon)

CITY OF PROVIDENCE, RHODE ISLAND

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KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island and the individual fund financial statements of the City, as of and for the year ended June 30, 1988 as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the general purpose financial statements referred to above do not include the financial statements of a general fixed assets account group which should be included to conform with generally accepted accounting principles.

As discussed in Note 11, the City accounts for pension costs in a manner which is not in conformity with generally accepted accounting principles.

In our opinion, except that the omission of the financial statement referred to in the third paragraph results in an incomplete presentation, and except for the effects of the matter discussed in the fourth paragraph, the aforementioned general purpose financial statements present fairly, in all material respects, the financial position of the City of Providence, Rhode Island at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.



Member Firm of
Klynveld Peat Marwick Goerdeler

In our opinion, the individual fund financial statements present fairly the financial position of the Providence Civic Center at June 30, 1988, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

In our opinion, except for the effects of the matter discussed in the fourth paragraph, the individual fund financial statements present fairly the financial position of the Providence Water Supply Board at June 30, 1988, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose and individual fund financial statements taken as a whole. The combining and individual fund schedules and financial information included in Schedules 1 through 11 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements, and accordingly, our opinion does not relate to the fairness of the financial position and results of operations of such funds. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and individual fund financial statements and, in our opinion, except for the effects on Schedule 2 of the matter discussed in the fourth paragraph, is fairly stated in all material respects in relation to the general purpose and individual fund financial statements taken as a whole.

Robert M. ...

December 22, 1988

CITY OF PROVIDENCE, RHODE ISLAND

Combined Balance Sheet - All Fund Types and Account Group

June 30, 1988

| Assets and Other Debits | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary | Account Group | Total |
|---|-------------------------|-------------------|-------------------|------------------------|------------------|-----------------------------|-------------------------------|--------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Fund Types Trust and Agency | General Long-term Obligations | (Memorandum Only) |
| Cash and cash equivalents (note 15) \$ | | 855,452 | 311,126 | 349,225 | 51,946 | 12,434,335 | | 14,002,084 |
| Short-term investments, at cost which approximates market (note 15) | 1,500,000 | 5,381,672 | 24,233,131 | 783,000 | | | | 31,897,803 |
| Due from: | | | | | | | | |
| Other funds (net where applicable of allowances for estimated uncollectible amounts of \$34,342) (note 5) | 3,387,639 | 3,453,351 | 335,176 | | | 4,400,075 | | 11,576,241 |
| Other governments (note 3) | 4,055,852 | 5,166,432 | | | | | | 9,222,284 |
| Accounts receivable (net where applicable of allowances for estimated uncollectible amounts of \$38,403,808): | | | | | | | | |
| Taxes | 8,049,840 | | | | | | | 8,049,840 |
| Other | 756,120 | 172,952 | | 6,859,787 | | 289,766 | | 8,078,625 |
| Investments (note 15) | | | | | | 149,952,244 | | 149,952,244 |
| Loans receivable, net (note 6) | | 14,170,712 | | | | 6,110,190 | | 20,280,902 |
| Inventory, at cost | | | | 804,298 | | | | 804,298 |
| | | | | 129,307 | | | | 129,307 |
| Property, plant and equipment (net of accumulated depreciation) (note 4) | | | | 64,620,791 | | | | 64,620,791 |
| Restricted assets (note 9) | | | | 547,896 | | | | 547,896 |
| Amount to be provided for retirement of long-term obligations | | | | | | | 109,630,981 | 109,630,981 |
| Other assets | | 255,973 | | 8,000 | 7,999 | 141,733 | | 413,705 |
| Total assets and other debits | \$ 17,749,451 | 29,456,544 | 24,879,433 | 74,102,304 | 59,945 | 173,328,343 | 109,630,981 | 429,207,001 |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

Combined Balance Sheet - All Fund Types and Account Group, Continued

| Liabilities | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary | Account Group | Total |
|--|-------------------------|--------------------|---------------------|------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Fund Types Trust and Agency | General Long- term Obligations | (Memorandum Only) |
| Accounts payable | \$ 6,695,443 | 3,668,152 | 2,568,588 | 757,543 | 5,155 | 669,364 | | 14,364,245 |
| Accrued expenditures | 705,046 | | | | | | | 705,046 |
| Amounts held for others | | | | | | 4,794,721 | | 4,794,721 |
| Due to: | | | | | | | | |
| Other funds (note 5) | 3,102,487 | 786,752 | 374,811 | 3,385,756 | | 5,796 | 3,954,981 | 11,610,583 |
| Other governments (note 3) | 3,012 | 573,308 | | | | | | 576,320 |
| Notes payable, current | | 4,131,411 | 2,000,000 | | | | | 6,131,411 |
| Deferred revenues | 7,052,092 | | | 468,190 | | 162,584 | | 7,682,866 |
| Bonds payable (note 7) | | | | 7,715,000 | | | 92,275,000 | 99,990,000 |
| Other liabilities | | 315,265 | | 2,573,901 | | | | 2,889,166 |
| Other noncurrent liabilities (note 7) | | | | | | | 13,401,000 | 13,401,000 |
| Total liabilities | <u>17,558,080</u> | <u>9,474,888</u> | <u>4,943,399</u> | <u>14,900,390</u> | <u>5,155</u> | <u>5,632,465</u> | <u>109,630,981</u> | <u>162,145,358</u> |
| Fund Equity | | | | | | | | |
| Contributed capital | | | | 54,648,530 | | | | 54,648,530 |
| Retained earnings | | | | 4,553,384 | 54,790 | | | 4,608,174 |
| Fund balances (note 10): | | | | | | | | |
| Reserved | | | | | | 159,527,612 | | 159,527,612 |
| Unreserved: | | | | | | | | |
| Designated | | 19,703,361 | | | | 7,890,353 | | 27,593,714 |
| Undesignated | 191,371 | 278,295 | 19,936,034 | | | 277,913 | | 20,683,613 |
| Total fund equity | <u>191,371</u> | <u>19,981,656</u> | <u>19,936,034</u> | <u>59,201,914</u> | <u>54,790</u> | <u>167,695,878</u> | <u>-</u> | <u>267,061,643</u> |
| Commitments and contingent liabilities (notes 12, 13 and 14). | | | | | | | | |
| Total liabilities and fund equity | \$ <u>17,749,451</u> | <u>29,456,544</u> | <u>24,879,433</u> | <u>74,102,304</u> | <u>59,945</u> | <u>173,328,343</u> | <u>109,630,981</u> | <u>429,207,001</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit) - All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 1988

| | Governmental Fund Types | | | Fiduciary | Total (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|------------------------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | Fund Types Expendable Trusts | |
| Revenues: | | | | | |
| Taxes (note 2) | \$ 118,024,628 | | | | 118,024,628 |
| Charges for services | 7,734,516 | 108,143 | | | 7,842,659 |
| Shared state taxes | 1,727,933 | | | | 1,727,933 |
| Federal and state grants and reimbursements | 20,538,273 | 61,379,297 | 199,712 | 169,817 | 82,287,099 |
| Sale of real estate | | | | 386,209 | 386,209 |
| Licenses | 1,523,486 | | | 15,942 | 1,539,428 |
| Investment and rental income | 3,293,833 | 596,672 | 228,287 | 21,977 | 4,140,769 |
| Fines and forfeitures | 2,483,007 | | | | 2,483,007 |
| Other | 10,000 | 1,329,621 | 388,450 | 691,233 | 2,419,304 |
| Bad debt expense recoveries | 448,321 | 392,104 | | 1,451,674 | 2,292,099 |
| Total revenues | <u>155,783,997</u> | <u>63,805,837</u> | <u>816,449</u> | <u>2,736,852</u> | <u>223,143,135</u> |
| Other financing sources: | | | | | |
| Proceeds from sale of General Obligation Bonds | | | 15,000,000 | | 15,000,000 |
| Operating transfers: | | | | | |
| From Special Revenue Funds | | 946,218 | | | 946,218 |
| From General Fund | | 38,397,495 | | | 38,397,495 |
| From Fiduciary Fund | 1,451,674 | | | 584,568 | 2,036,242 |
| Total other financing sources | <u>1,451,674</u> | <u>39,343,713</u> | <u>15,000,000</u> | <u>584,568</u> | <u>56,379,955</u> |
| Total revenues and other financing sources | <u>157,235,671</u> | <u>103,149,550</u> | <u>15,816,449</u> | <u>3,321,420</u> | <u>279,523,090</u> |
| Expenditures: | | | | | |
| Personal services | 53,153,068 | 60,894,225 | | 189,013 | 114,236,306 |
| Employee benefits | 19,761,485 | 16,264,298 | | | 36,025,783 |
| Services other than personal | 16,177,937 | 4,649,808 | 2,325,768 | 620,635 | 23,774,148 |
| Materials and supplies | 3,552,863 | 1,387,435 | | 233,197 | 5,173,495 |
| Equipment | 1,359,696 | 1,695,385 | | 16,126 | 3,071,207 |
| Program expenditures | | 9,909,090 | 5,663,366 | 403,877 | 15,976,333 |
| Debt service | 12,657,350 | | | | 12,657,350 |
| Other | 10,357,602 | 7,193,271 | 32,409 | 133,220 | 17,716,502 |
| Bad debts | | 47,475 | | | 47,475 |
| Total expenditures | <u>117,020,001</u> | <u>102,040,987</u> | <u>8,021,543</u> | <u>1,596,068</u> | <u>228,678,599</u> |
| Other uses - operating transfers: | | | | | |
| To Special Revenue Funds | 38,397,495 | 946,218 | | | 39,343,713 |
| To General Fund | | | | 1,451,674 | 1,451,674 |
| To Enterprise Fund | 404,335 | | | | 404,335 |
| Total expenditures and other uses | <u>155,821,831</u> | <u>102,987,205</u> | <u>8,021,543</u> | <u>3,047,742</u> | <u>269,878,321</u> |
| Revenues and other financing sources over expenditures and other uses | 1,413,840 | 162,345 | 7,794,906 | 273,678 | 9,644,769 |
| Fund balance (deficit) at beginning of year | <u>(1,222,469)</u> | <u>19,819,311</u> | <u>12,141,128</u> | <u>2,465,935</u> | <u>33,203,905</u> |
| Fund balance at end of year | <u>\$ 191,371</u> | <u>19,981,656</u> | <u>19,936,034</u> | <u>2,739,613</u> | <u>42,848,674</u> |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - General and Special Revenue Funds (Note 1e)

Year ended June 30, 1988

| | General Fund | | | Special Revenue Funds | | | Totals (Memorandum Only) | | |
|---|--------------------|--------------------|--|-----------------------|-------------------|--|--------------------------|--------------------|--|
| | Revised Budget | Actual | Variance - Favorable (Unfavorable) | Revised Budget | Actual | Variance - Favorable (Unfavorable) | Revised Budget | Actual | Variance - Favorable (Unfavorable) |
| Revenues: | | | | | | | | | |
| Taxes (note 2) | \$ 117,636,230 | 118,024,628 | 388,398 | | | | 117,636,230 | 118,024,628 | 388,398 |
| Charges for services | 6,528,397 | 7,734,516 | 1,206,119 | 150,000 | 227,152 | 77,152 | 6,678,397 | 7,961,668 | 1,283,271 |
| Shared state taxes | 1,553,391 | 1,727,933 | 174,542 | | | | 1,553,391 | 1,727,933 | 174,542 |
| Federal and state grants and reimbursements | 23,472,843 | 20,538,273 | (2,934,570) | 46,055,691 | 46,447,451 | 391,760 | 69,528,534 | 66,985,724 | (2,542,810) |
| Licenses | 1,256,000 | 1,523,486 | 267,486 | | | | 1,256,000 | 1,523,486 | 267,486 |
| Investment and rental income | 3,310,000 | 3,293,833 | (16,167) | | | | 3,310,000 | 3,293,833 | (16,167) |
| Fines and forfeitures | 2,816,000 | 2,483,007 | (332,993) | | | | 2,816,000 | 2,483,007 | (332,993) |
| Miscellaneous | 20,500 | 458,321 | 437,821 | | | | 20,500 | 458,321 | 437,821 |
| Total revenues | 156,593,361 | 155,783,997 | (809,364) | 46,205,691 | 46,674,603 | 468,912 | 202,799,052 | 202,458,600 | (340,452) |
| Other financing sources: | | | | | | | | | |
| Transfer from General Fund | | | | 35,962,427 | 36,866,893 | 904,466 | 35,962,427 | 36,866,893 | 904,466 |
| Transfer from (to) other Special Revenue Fund | 750,000 | 1,451,674 | 701,674 | - | (30,349) | (30,349) | 750,000 | 1,421,325 | 671,325 |
| Total other financing sources | 750,000 | 1,451,674 | 701,674 | 35,962,427 | 36,836,544 | 874,117 | 36,712,427 | 38,288,218 | 1,575,791 |
| Total revenues and other financing sources | 157,343,361 | 157,235,671 | (107,690) | 82,168,118 | 83,511,147 | 1,343,029 | 239,511,479 | 240,746,818 | 1,235,339 |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - General and Special Revenue Funds (Note 1e), Continued

| | General Fund | | | Special Revenue Funds | | | Totals (Memorandum Only) | | |
|--|--------------------|--------------------|--|-----------------------|-------------------|--|--------------------------|--------------------|--|
| | Revised Budget | Actual | Variance - Favorable (Unfavorable) | Revised Budget | Actual | Variance - Favorable (Unfavorable) | Revised Budget | Actual | Variance - Favorable (Unfavorable) |
| Expenditures: | | | | | | | | | |
| Personal services | 51,374,902 | 53,153,068 | (1,778,166) | 56,066,171 | 56,351,931 | (285,760) | 107,441,073 | 109,504,999 | (2,063,926) |
| Employee benefits | 21,045,964 | 19,761,485 | 1,284,479 | 14,722,821 | 14,786,437 | (63,616) | 35,768,785 | 34,547,922 | 1,220,863 |
| Services other than personal | 19,549,985 | 16,177,937 | 3,372,048 | 3,558,438 | 3,735,103 | (176,665) | 23,108,423 | 19,913,040 | 3,195,383 |
| Materials and supplies | 3,691,848 | 3,552,863 | 138,985 | 1,077,471 | 719,160 | 358,311 | 4,769,319 | 4,272,023 | 497,296 |
| Equipment | 1,730,860 | 1,359,696 | 371,164 | 1,080,319 | 1,114,034 | (33,715) | 2,811,179 | 2,473,730 | 337,449 |
| Debt service | 7,664,051 | 7,664,051 | | | | | 7,664,051 | 7,664,051 | |
| Interest | 5,340,675 | 4,993,299 | 347,376 | | | | 5,340,675 | 4,993,299 | 347,376 |
| Other | 9,293,825 | 10,357,602 | (1,063,777) | 5,662,898 | 6,804,482 | (1,141,584) | 14,956,723 | 17,162,084 | (2,205,361) |
| Total expenditures | 119,692,110 | 117,020,001 | 2,672,109 | 82,168,118 | 83,511,147 | (1,343,029) | 201,860,228 | 200,531,148 | 1,329,080 |
| Other uses: | | | | | | | | | |
| Transfers to Special Revenues Funds | 37,648,091 | 38,397,495 | (749,404) | - | - | - | 37,648,091 | 38,397,495 | (749,404) |
| Enterprise Fund | - | 404,335 | (404,335) | - | - | - | - | 404,335 | (404,335) |
| Total other uses | - | 38,801,830 | (1,153,739) | - | - | - | 37,648,091 | 38,801,830 | (1,153,739) |
| Total expenditures and other uses | 157,340,201 | 155,821,831 | 1,518,370 | 82,168,118 | 83,511,147 | (1,343,029) | 239,508,319 | 239,332,978 | 175,341 |
| Revenues and other sources over expenditures and other uses | \$ 3,160 | 1,413,840 | (1,410,680) | - | - | - | 3,160 | 1,413,840 | (1,410,680) |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Revenues, Expenses and Changes in
Retained Earnings/Fund Balances - Proprietary Fund Types and Similar Trust Funds

Year ended June 30, 1988

| | Proprietary Fund Types | | Fiduciary Fund Types | | Total (Memorandum only) |
|--|------------------------|---------------------|----------------------|-------------------------|-------------------------------|
| | Enterprise | Internal Service | Retirement System | Nonexpendable Trusts | |
| Operating revenues: | | | | | |
| Employee contributions | \$ | | 4,300,316 | | 4,300,316 |
| Employer contributions | | | 10,518,760 | | 10,518,760 |
| Investment income | | | 14,522,362 | 544,260 | 15,066,622 |
| Interest on member loans | | | 397,911 | | 397,911 |
| Revenue from other funds | | 47,517 | | | 47,517 |
| Arena rent and concession income | 2,462,215 | | | | 2,462,215 |
| Water sales | 11,973,228 | | | | 11,973,228 |
| Maintenance and other charges | 404,708 | | | | 404,708 |
| Other | 427,015 | | | 1,100 | 428,115 |
| Total operating revenues | 15,267,166 | 47,517 | 29,739,349 | 545,360 | 45,599,392 |
| Operating expenses: | | | | | |
| Wages and benefits | 7,676,146 | | | | 7,676,146 |
| Operations | 2,116,212 | | | | 2,116,212 |
| Charges by other City departments (note 9) | 1,315,093 | 29,752 | | | 1,344,845 |
| Retiree benefits | | | 20,067,340 | | 20,067,340 |
| Administrative and general | 1,875,498 | | | | 1,875,498 |
| Bad debts | 113,585 | | | | 113,585 |
| Reimbursements by promoters | (1,406,275) | | | | (1,406,275) |
| Other | 444,596 | | | 12,922 | 457,518 |
| Property taxes - other local governments | 2,279,612 | | | | 2,279,612 |
| Depreciation | 1,409,653 | | | | 1,409,653 |
| Total operating expenses | 15,824,120 | 29,752 | 20,067,340 | 12,922 | 35,934,134 |
| Operating income (loss) | (556,954) | 17,765 | 9,672,009 | 532,438 | 9,665,258 |
| Nonoperating revenues (expenses): | | | | | |
| Net interest income (expense) | (441,269) | | | | (441,269) |
| Total nonoperating revenues (expenses) | (441,269) | - | - | - | (441,269) |
| Net income (loss) | (998,223) | 17,765 | 9,672,009 | 532,438 | 9,223,989 |
| Depreciation on certain property, plant and equipment acquired through contributed capital | 430,708 | | | | 430,708 |
| Operating transfer in from general fund | 404,335 | | | | 404,335 |
| Operating transfer out to other fiduciary funds | | | | (584,568) | (584,568) |
| Increase (decrease) in retained earnings/ fund balance | (163,180) | 17,765 | 9,672,009 | (52,130) | 9,474,464 |
| Retained earnings/fund balance at beginning of year | 4,716,564 | 37,025 | 149,855,603 | 5,480,783 | 160,089,975 |
| Retained earnings/fund balance at end of year | \$ 4,553,384 | 54,790 | 159,527,612 | 5,428,653 | 169,564,439 |

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Combined Statement of Changes in Financial Position -
Proprietary Fund Types and Similar Trust Funds

Year ended June 30, 1988

| | Proprietary Fund Types | | Fiduciary Fund Types | | Total (Memorandum Only) |
|--|------------------------|---------------------|----------------------|-------------------------|-------------------------------|
| | Enterprise (note 9) | Internal Service | Retirement System | Nonexpendable Trusts | |
| Sources of funds: | | | | | |
| Net income (loss) | \$ (998,223) | 17,765 | 9,672,009 | (52,130) | 8,639,421 |
| Add depreciation expense | 1,409,653 | | | | 1,409,653 |
| Less: | | | | | |
| Discount accretion which does not provide cash | | | 153,652 | | 153,652 |
| Funds provided (used) by operations | 411,430 | 17,765 | 9,518,357 | (52,130) | 9,895,422 |
| Disbursement from restricted investments | <u>1,978,359</u> | <u>17,765</u> | <u>9,518,357</u> | <u>(52,130)</u> | <u>1,978,359</u> |
| | 2,389,789 | 17,765 | 9,518,357 | (52,130) | 11,873,781 |
| Decrease in loans receivable | | | 326,464 | | 326,464 |
| Decrease in other assets | 11,602 | | 154,860 | | 166,462 |
| Decrease in accounts receivable | | 9,686 | | | 9,686 |
| Contributed capital | 749,124 | | | | 749,124 |
| Increase in accounts payable | | | 15,322 | | 15,322 |
| Decrease in amounts due from other funds | | | 235,972 | | 235,972 |
| Increase in deferred revenue | 158,178 | | | | 158,178 |
| Increase in due to other funds | 521,710 | | | | 521,710 |
| Decrease in restricted assets | 796,369 | | | | 796,369 |
| Operating transfers-in | 404,335 | | | | 404,335 |
| Decrease in investments | | | 191,652 | | 191,652 |
| Total sources (uses) of funds | <u>5,031,107</u> | <u>27,451</u> | <u>10,442,627</u> | <u>(52,130)</u> | <u>15,499,055</u> |
| Uses of funds: | | | | | |
| Additions to property, plant and Equipment | 2,858,876 | | | | 2,858,876 |
| Investments restricted for the construction of capital assets | 84,617 | | | | 84,617 |
| Increase in accounts receivable | 358,075 | | 126,336 | | 484,411 |
| Decrease in accounts payable | 143,447 | | | | 143,447 |
| Decrease in bonds and notes payable | 490,000 | | | | 490,000 |
| Decrease in other liabilities | 647,948 | | | | 647,948 |
| Increase in investments | 566,000 | | | 14,068 | 580,068 |
| Other, net | | 4,593 | | | 4,593 |
| Total uses of funds | <u>5,148,963</u> | <u>4,593</u> | <u>126,336</u> | <u>14,068</u> | <u>5,293,960</u> |
| Net increase (decrease) in cash | (117,856) | 22,858 | 10,316,291 | (66,198) | 10,155,095 |
| Cash balance at beginning of year | 467,081 | 29,088 | 1,274,718 | 281,667 | 2,052,554 |
| Cash balance at end of year | \$ <u>349,225</u> | <u>51,946</u> | <u>11,591,009</u> | <u>215,469</u> | <u>12,207,649</u> |

See accompanying notes to general purpose financial statements.

INDIVIDUAL FUND STATEMENTS

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PROVIDENCE CIVIC CENTER AUTHORITY

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Balance Sheet

June 30, 1988

Assets

Current assets:

| | |
|--|----------------------|
| Cash and cash equivalents (note 15) | \$ 349,225 |
| Investments (note 15) | 783,000 |
| Accounts receivable (net of allowance for uncollectible accounts of \$7,000 in 1988) | 568,121 |
| Prepaid expenses | <u>129,307</u> |
| Total current assets | <u>1,829,653</u> |
| Property, plant and equipment: | |
| Building and improvements | 16,031,953 |
| Furnishings and equipment | 1,541,735 |
| Investments restricted for the construction of capital assets (note 15) | <u>478,074</u> |
| | 18,051,762 |
| Less accumulated depreciation | <u>8,193,066</u> |
| Net property, plant and equipment | <u>9,858,696</u> |
| | <u>\$ 11,688,349</u> |

See accompanying notes to general purpose financial statements.

Liabilities

| | |
|---|----------------------|
| Current liabilities: | |
| Accrued expenses | \$ 372,477 |
| Advance sales receipts and promoter deposits | 393,901 |
| Deferred income | 345,600 |
| Current installment of obligation under capital lease (note 13) | <u>10,000</u> |
| Total current liabilities | 1,121,978 |
| Obligation under capital lease (note 13) | 10,000 |
| Obligation under lease purchase expansion project (note 8) | <u>2,160,000</u> |
| Total liabilities | <u>3,291,978</u> |
| <u>Fund Equity</u> | |
| Contributed capital from the City of Providence | 5,599,199 |
| Accumulated surplus | <u>2,797,172</u> |
| Total fund equity | <u>8,396,371</u> |
| | \$ <u>11,688,349</u> |

PROVIDENCE CIVIC CENTER AUTHORITY

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Revenues and Expenses

Year ended June 30, 1988

| | |
|--|------------------|
| Operating revenues: | |
| Arena rent | \$ 1,489,320 |
| Concessions | 972,895 |
| Advertising and other | 338,178 |
| Co-promotions | <u>88,837</u> |
| Total operating revenues | <u>2,889,230</u> |
| Operating expenses, excluding depreciation: | |
| Salaries and wages - admissions control | 396,144 |
| Salaries and wages - operations | 1,329,701 |
| Salaries and wages - administrative | 351,942 |
| Employee benefits | 213,233 |
| Payroll taxes | 125,414 |
| Event expenses | 504,583 |
| Utilities | 261,041 |
| Insurance | 342,974 |
| Other | <u>444,596</u> |
| | 3,969,628 |
| Less expenses reimbursed by promoters | <u>1,406,275</u> |
| Net operating expenses, excluding depreciation | <u>2,563,353</u> |
| Operating income, excluding depreciation | <u>325,877</u> |
| Non-operating revenues (expenses): | |
| Net interest income | <u>(4,043)</u> |
| Net income before depreciation | 321,834 |
| Depreciation | <u>645,681</u> |
| Net loss before operating transfer | (323,847) |
| Other financing source: | |
| Operating transfer from general fund | <u>404,335</u> |
| Net loss | (80,488) |

(Continued)

PROVIDENCE CIVIC CENTER AUTHORITY

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Revenues and Expenses, Continued

| | |
|---|---------------------|
| Depreciation on property, plant and equipment acquired through contributed capital | \$ <u>430,708</u> |
| Increase in accumulated surplus | 511,196 |
| Accumulated surplus at beginning of year | <u>2,285,976</u> |
| Accumulated surplus at end of year | \$ <u>2,797,172</u> |

See accompanying notes to general purpose financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Fund Equity

Year ended June 30, 1988

| | <u>Contributed Capital</u> | <u>Accumulated Surplus</u> | <u>Total</u> |
|--|--------------------------------|--------------------------------|------------------|
| Balance at June 30, 1987 | \$ 6,029,907 | 2,285,976 | 8,315,883 |
| Net loss for the year ended June 30, 1988 | | 80,488 | 80,488 |
| Depreciation on property, plant and equipment acquired through contributed capital | <u>(430,708)</u> | <u>430,708</u> | <u>-</u> |
| Balance at June 30, 1988 | \$ <u>5,599,199</u> | <u>2,797,172</u> | <u>8,396,371</u> |

See accompanying notes to general purpose financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Changes in Financial Position

Year ended June 30, 1988

Sources of working capital:

Operations:

| | |
|------------|-----------|
| Net income | \$ 80,488 |
|------------|-----------|

Item which does not use working capital:

| | |
|--------------|----------------|
| Depreciation | <u>645,681</u> |
|--------------|----------------|

| | |
|--|---------|
| Working capital provided by operations | 726,169 |
|--|---------|

| | |
|--|------------------|
| Disbursement from restricted investments | <u>1,978,359</u> |
|--|------------------|

| | |
|--|---------------------|
| | <u>\$ 2,704,528</u> |
|--|---------------------|

Uses of working capital:

| | |
|--|------------|
| Payment of obligation of lease equipment project | \$ 240,000 |
|--|------------|

| | |
|--|-----------|
| Net additions to property, plant and equipment | 2,035,790 |
|--|-----------|

| | |
|---------------------------------------|--|
| Additions to construction in progress | |
|---------------------------------------|--|

| | |
|--|--------|
| Current installment and payment of obligation under capital lease | 10,000 |
|--|--------|

| | |
|--|--------|
| Investments restricted for the construction of capital assets | 84,617 |
|--|--------|

| | |
|-----------------------------|----------------|
| Increase in working capital | <u>334,121</u> |
|-----------------------------|----------------|

| | |
|--|---------------------|
| | <u>\$ 2,704,528</u> |
|--|---------------------|

Elements of net increase (decrease) in working capital:

Increase (decrease) in current assets:

| | |
|---------------------------|-----------|
| Cash and cash equivalents | (857,082) |
|---------------------------|-----------|

| | |
|-------------|---------|
| Investments | 566,000 |
|-------------|---------|

| | |
|--------------------------|---------|
| Accounts receivable, net | 299,146 |
|--------------------------|---------|

| | |
|-----------|----------|
| Inventory | (30,523) |
|-----------|----------|

| | |
|------------------|---------------|
| Prepaid expenses | <u>16,240</u> |
|------------------|---------------|

| | |
|--|----------------|
| | <u>(6,219)</u> |
|--|----------------|

(Continued)

PROVIDENCE CIVIC CENTER AUTHORITY

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Changes in Financial Position, Continued

| | |
|--|-------------------|
| Increase (decrease) in current liabilities: | |
| Accrued expenses | \$ (30,603) |
| Advance sales receipts and promoter deposits | (345,325) |
| Deferred income | <u>35,588</u> |
| | <u>(340,340)</u> |
| Net increase in working capital | \$ <u>334,121</u> |

See accompanying notes to general purpose financial statements.

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PROVIDENCE WATER SUPPLY BOARD

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Balance Sheet

June 30, 1988

Assets

| | |
|---|----------------------|
| Property, plant and equipment: | |
| Land | \$ 7,534,250 |
| Buildings and improvements | 6,339,907 |
| Improvements other than buildings | 60,660,775 |
| Machinery and equipment | <u>4,869,583</u> |
| | 79,404,515 |
| Less accumulated depreciation | <u>24,642,420</u> |
| Net property, plant and equipment | <u>54,762,095</u> |
| Restricted assets (note 9): | |
| Cash | 253,381 |
| Investments, at cost (note 15) | <u>294,515</u> |
| Total restricted assets | <u>547,896</u> |
| Current assets: | |
| Accounts receivable (net of allowance for uncollectible accounts of \$1,314,000 and \$1,200,000 in 1988 and 1987, respectively) | 1,775,412 |
| Accounts receivable - unbilled | 4,516,254 |
| Inventory, at cost | 804,298 |
| Other | <u>4,000</u> |
| Total current assets | <u>7,099,964</u> |
| Other noncurrent assets | <u>4,000</u> |
| | <u>\$ 62,413,955</u> |

See accompanying notes to general purpose financial statements.

Capitalization and Liabilities

| | |
|---|-------------------|
| Contributed capital | \$ 49,049,331 |
| Retained earnings | 1,756,212 |
| General obligation bonds (net of current portion) (note 7) | <u>7,205,000</u> |
| Total capitalization | <u>58,010,543</u> |
| Current liabilities (payable from current assets): | |
| Due to City of Providence General Fund (note 5) | 3,385,756 |
| Accrued expenses | 385,066 |
| Current portion of general obligation bonds (note 7) | 510,000 |
| Deferred revenue | <u>84,000</u> |
| Total current liabilities | <u>4,364,822</u> |
| Deferred credits | <u>38,590</u> |

Commitments and contingencies (note 14).

\$ 62,413,955

PROVIDENCE WATER SUPPLY BOARD

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Operations

Year ended June 30, 1988

| | |
|--|----------------------------|
| Operating revenues - charges for services: | |
| Water sales: | |
| General customers | \$ 7,895,227 |
| Other local water suppliers | 3,491,300 |
| Fire protection services | 586,701 |
| Maintenance charges and other revenue | <u>404,708</u> |
| Total operating revenues | <u>12,377,936</u> |
| Operating expenses: | |
| Wages and benefits | 5,259,712 |
| Water supply services and supplies | 1,611,629 |
| Administrative, general, and other operating expenses | 1,271,483 |
| Charge for services provided by other City departments (note 9) | 1,315,093 |
| Depreciation | 763,972 |
| Bad debts | 113,585 |
| Property taxes - other local governments | <u>2,279,612</u> |
| Total operating expenses | <u>12,615,086</u> |
| Operating loss | <u>(237,150)</u> |
| Nonoperating revenues (expenses): | |
| Interest income | 25,041 |
| Interest expense | <u>(462,267)</u> |
| | <u>(437,226)</u> |
| Net loss | \$ <u><u>(674,376)</u></u> |

See accompanying notes to general purpose financial statements.

PROVIDENCE WATER SUPPLY BOARD

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Contributed Capital and Retained Earnings

Year ended June 30, 1988

| | <u>Contributed capital</u> | <u>Retained earnings</u> | <u>Total</u> |
|-------------------------------------|--------------------------------|------------------------------|-------------------|
| Balance at June 30, 1987 | \$ 48,300,207 | 2,430,588 | 50,730,795 |
| Contribution in aid of construction | 749,124 | - | 749,124 |
| Net loss | <u>-</u> | <u>(674,376)</u> | <u>(674,376)</u> |
| Balance at June 30, 1988 | \$ <u>49,049,331</u> | <u>1,756,212</u> | <u>50,805,543</u> |

See accompanying notes to general purpose financial statements.

PROVIDENCE WATER SUPPLY BOARD

(A Component Unit of the City of Providence, Rhode Island)

Enterprise Fund

Statement of Changes in Financial Position

Year ended June 30, 1988

Sources (uses) of working capital:

Operations:

| | |
|--|----------------|
| Net loss | \$ (674,376) |
| Items which do not use working capital: | |
| Depreciation | <u>763,972</u> |

| | |
|------------------------------------|--------|
| Working capital used by operations | 89,596 |
|------------------------------------|--------|

| | |
|--------------------------------------|----------------|
| Contributions in aid of construction | 749,124 |
| Decrease in other noncurrent assets | 4,000 |
| Decrease in restricted assets | 57,143 |
| Net decrease in working capital | <u>433,223</u> |

| | |
|--|---------------------|
| | <u>\$ 1,333,086</u> |
|--|---------------------|

Uses of working capital:

| | |
|--|----------------|
| Acquisition of property, plant and equipment | 823,086 |
| Retirement of general obligation bonds | <u>510,000</u> |

| | |
|--|---------------------|
| | <u>\$ 1,333,086</u> |
|--|---------------------|

Elements of net decrease in
working capital:

| | |
|---|----------------|
| Accounts receivable, net | (537,441) |
| Accounts receivable - unbilled | 596,370 |
| Inventory, at cost | 596 |
| Other current assets | 4,000 |
| Due to City of Providence General Fund | (521,710) |
| Accrued expenses | 32,929 |
| Current portion of general obligation bonds | (20,000) |
| Deferred credits | 14,033 |
| Deferred revenue | <u>(2,000)</u> |

| | |
|---------------------------------|---------------------|
| Net decrease in working capital | <u>\$ (433,223)</u> |
|---------------------------------|---------------------|

See accompanying notes to general purpose financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements

June 30, 1988

(1) Summary of Significant Accounting Policies

The City of Providence, which operates under a Mayor-Council form of government, adopted a Home Rule Charter in November 1980, which became fully effective on January 1, 1983. The Mayor is elected by the voters of the City for a four-year term. Most department heads and other City officials are appointed by the Mayor. City Council members are also elected for four-year terms, concurrent with that of the Mayor.

The accounting policies of the City of Providence, Rhode Island conform to generally accepted accounting principles as applicable to governmental units except that provisions for retirement benefits for most governmental fund and Providence Water Supply Board employees are not based on normal costs and the general purpose financial statements do not include a general fixed assets account group which should be included to conform with generally accepted accounting principles.

In determining those agencies, departments and other types of entities to be included in the City of Providence financial statements, the basic criterion utilized is the exercise of oversight responsibility by the City or its elected officials. Criteria utilized in determining oversight responsibility included financial independency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The following is a summary of the more significant policies:

(a) Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following fund types and account group are used by the City.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Under the Charter of the City, the School Fund is set up as a separate special revenue fund accountable for appropriations disbursed to it by the General Fund and revenue receipts specifically pertaining to school activities. Under this system any excess of revenues over expenditures reverts to the City's General Fund, and any excess of expenditures over revenues is a liability of the City's General Fund. Therefore, the School Fund has no fund balance.

Capital Project Funds - Capital Project Funds are used to account for expenditures for the acquisition or construction of major capital facilities.

Proprietary Fund Types

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary fund types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Fiduciary Funds include expendable, nonexpendable, agency and Retirement System trust funds. Expendable trust and agency funds are accounted for and reported as governmental funds. Nonexpendable and retirement trust funds are accounted for separately since capital maintenance is critical.

Account Group: General Long-term Obligations

This group of accounts is established to account for all long-term obligations of the City, including bonds, previously appropriated pension contributions which have been deferred to future years (Note 7), and compensated absences.

(b) Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (see Note 2 for property tax accrual policy). Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Revenues and expenses of fiduciary and proprietary fund types are primarily recognized on the accrual basis.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(c) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as reservations of fund balances since the commitments will be honored through subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

(d) Investments

Debt securities of the Retirement Fund are stated at cost (adjusted for amortization of premium and accretion of discount). Equity securities of the Retirement Fund are stated at the lower of aggregate cost or market value. Investments of other funds are stated at cost which approximates market.

(e) Budgetary Data

The City employs the following procedures in establishing the General Fund and Federal Revenue Sharing Fund budgetary data reflected in general purpose financial statements (Exhibit C):

- (i) At least sixty days prior to July 1, the Mayor submits to the City Council a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.

The Council may alter the proposed expenditures but may not cause an excess of appropriations over expected revenues submitted by the Mayor.

- (ii) The final budget is legally enacted through passage of an ordinance.
- (iii) 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 actual amounts included in Exhibit C are presented in accordance with generally accepted accounting principles which is the method employed in preparation of the budget. The Special Revenue Fund amounts presented in Exhibit C include those of the Unrestricted School Fund and certain Restricted School Funds. Other Special Revenue Funds do not have legally adopted budgets.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

The budget of the Unrestricted School Fund is prepared annually and approved by the Providence School Committee. The amount of the annual transfer from the General Fund is ultimately determined through the adoption of the General Fund budget.

(f) Vacations, Sick Leave and Workers' Compensation

Under the terms of various contracts and policies, City employees are granted vacation and sick leave in varying amounts based on length of service. The City's policy is to recognize the cost of vacation and sick leave in governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid accumulated vacation time relating to governmental fund employees is recognized as a noncurrent obligation in the general long-term obligations group of accounts.

The City is self-insured for Workers' Compensation claims of most governmental fund employees. The City's policy is to recognize the cost of self-insured Workers' Compensation claims when paid. The estimated liability relating to such claims is recognized as a noncurrent obligation in the general long-term obligations group of accounts.

(g) Litigation and Related Matters

Liabilities for legal cases and other claims against governmental funds are recorded when the ultimate liability can be estimated and such cases are expected to be liquidated with expendable available financial resources (payable within one year). Remaining claims against governmental funds which can be estimated but are not expected to be liquidated with expendable available resources are recorded in the general long-term obligations group of accounts. Liabilities for such matters are recorded on the accrual basis in proprietary fund types.

(h) Amounts to be Provided

Amounts to be provided represent monies to be raised from future tax levies as well as future reimbursements from other governments to retire general long-term obligations.

(i) Inventory and Supplies

Inventory in the proprietary funds is stated at the lower of cost or market. Inventory consists primarily of materials and supplies. Inventory and supplies in governmental funds are recorded as an expenditure at the time of purchase.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(j) Property, Plant and Equipment - Enterprise Funds

Property, plant and equipment owned by the enterprise funds is stated at cost. Depreciation has been provided over the estimated useful lives using the straight-line method. Assets acquired by the Providence Water Supply Board through contributions are recorded at contributor's reported cost. Depreciation on Providence Civic Center assets acquired with contributed capital is recognized as an operating expense and then charged against contributed capital.

The estimated useful lives are as follows:

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

(k) Combined Total Data

The total data are the aggregate of the fund types and account group. No consolidating entries or other eliminations were made in arriving at the totals; thus they do not present consolidated information.

(2) Property Taxes and Other Charges for Services(a) Property Taxes

The City's property tax is levied each year on the assessed valued listed 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 85% of appraised market value based on the 1975 valuation. Assessed values of tangible property and equipment are determined annually at 85% of market value while the assessed value of motor vehicles is determined annually at 95% of market value.

The taxable assessments, tax rate and gross levy of the 1986 tax levy are as follows (in thousands):

| | <u>Taxable assessment</u> | <u>Exemptions</u> | <u>Net taxable assessment</u> | <u>Rate per \$1,000</u> | <u>Gross levy</u> |
|-------------------|-------------------------------|-------------------|---------------------------------------|---------------------------------|-----------------------|
| Real property | \$ 1,106,855 | 25,080 | 1,081,775 | 75.85 | 82,052,634 |
| Tangible property | 322,708 | 38 | 322,670 | 75.85 | 24,474,519 |
| Motor vehicles | <u>217,725</u> | <u>2,625</u> | <u>215,100</u> | <u>75.85</u> | <u>16,315,335</u> |
| | <u>\$ 1,647,288</u> | <u>27,743</u> | <u>1,619,545</u> | | <u>122,842,488</u> |

Taxes on the gross levy were due in equal quarterly installments in July and October 1987 and January and April 1988.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

The City recognizes property tax revenues in accordance with Interpretation 3 of Statement 1 of Governmental Accounting and Financial Reporting Principles. Under Interpretation 3, only those property tax payments due as of the end of the fiscal year and received within 60 days thereafter are recognized as revenue. All unpaid property taxes as of the end of the fiscal year are recorded as receivables. Those not collected within 60 days are recorded as deferred revenue if the eventual collection appears likely or are reserved by an allowance for doubtful accounts if the eventual collection appears unlikely.

(b) Sewer Use Fee

In 1982, the City transferred its Sewerage Treatment Facility to the Narragansett Bay Water Quality Management District Commission (Narragansett Bay Commission) (a component unit of the State of Rhode Island). Pursuant to the transfer agreement, the Bay Commission operates the plant and annually charges the City and other participating communities for their share of its operating costs. Through June 30, 1985, the City was responsible for levying and collecting a sewer use fee against all property owners, sufficient to meet the charge from the Narragansett Bay Commission. The City's sewer use fee and Narragansett Bay Commission charges are recorded in the special revenue Sewer Fund.

Effective July 1, 1985, the Bay Commission is directly responsible for levying and collecting a sewer use fee. Under a tentative agreement between the City and Bay Commission, the Bay Commission will bill and collect amounts due from City property owners based upon usage through June 30, 1985 which had not been billed by the City as of that date. Such amounts collected will then be remitted to the City. As of June 30, 1988, the Bay Commission has not yet remitted any amounts collected through June 30, 1988 to the City.

Sewer use fees are recorded as receivables when earned (including both amounts billed as of the end of the fiscal year as well as amounts to be billed after the fiscal year end), net of estimated uncollectibles. Net receivables which are not considered to be available to meet current obligations are reflected as deferred revenues.

(c) Water Fees

Revenues from charges for services of the Providence Water Supply Board are recognized on the accrual basis, net of estimated uncollectibles. Most metered water sale customers are billed semi-annually on a staggered basis throughout the fiscal year. Large commercial customers and other local water suppliers are billed more frequently.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(3) Intergovernmental Accounts

Due to and from other governments consists of the following amounts at June 30, 1988:

| | <u>Due from</u> | <u>Due to</u> |
|-----------------------------|---------------------|----------------|
| General Fund: | | |
| State of Rhode Island | \$ <u>4,055,852</u> | <u>3,012</u> |
| Total General Fund | <u>4,055,852</u> | <u>3,012</u> |
| Special Revenue Funds: | | |
| Federal Government | 5,106,234 | 506,786 |
| State of Rhode Island | <u>60,198</u> | <u>66,522</u> |
| Total Special Revenue Funds | <u>5,166,432</u> | <u>573,308</u> |
| Total all funds | \$ <u>9,222,284</u> | <u>576,320</u> |

(4) Property, Plant and Equipment

The following is a summary of the property, plant and equipment of the City's enterprise funds at June 30, 1988:

| | Providence Civic Center Authority | Providence Water Supply Board | <u>Total</u> |
|---|---|-------------------------------------|-------------------|
| Land | \$ | 7,534,250 | 7,534,250 |
| Improvements other than buildings | | 60,660,775 | 60,660,775 |
| Buildings and improvements | 16,031,953 | 6,339,907 | 22,371,860 |
| Furnishings and equipment | 1,541,735 | 4,869,583 | 6,411,318 |
| Investments restricted for the construction of capital assets | <u>478,074</u> | | <u>478,074</u> |
| Total | 18,051,762 | 79,404,515 | 97,456,277 |
| Less accumulated depreciation | <u>8,193,066</u> | <u>24,642,420</u> | <u>32,835,486</u> |
| Net property, plant and equipment | \$ <u>9,858,696</u> | <u>54,762,095</u> | <u>64,620,791</u> |

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(5) Interfund Accounts

At June 30, 1988, amounts due to and from other funds resulting from various interfund activities were as follows:

| | <u>Due from other funds</u> | <u>Due to other funds</u> |
|--|---------------------------------|-------------------------------|
| General Fund: | | |
| Proprietary Fund Types | \$ 3,385,756 | |
| Special Revenue Funds (due from net of allowance for estimated uncollectible amount of \$34,342) | | 2,735,779 |
| Fiduciary Fund Types | 1,883 | 31,532 |
| Capital Projects | | <u>335,176</u> |
| Total General Fund, net | <u>3,387,639</u> | <u>3,102,487</u> |
| Capital Project Funds: | | |
| Fiduciary Fund Types | | 374,811 |
| General Fund | <u>335,176</u> | |
| Total Capital Project Funds | <u>335,176</u> | <u>374,811</u> |
| Long-term Obligation Group of Accounts: | | |
| Fiduciary Funds - Retirement System (Note 7) | <u>-</u> | <u>3,954,981</u> |
| Fiduciary Fund Types: | | |
| Due from Other Fiduciary Funds | 3,913 | 3,913 |
| Special Revenue Funds | 34,838 | |
| Capital Project Funds | 374,811 | |
| Long-term Obligations Group of Accounts (Note 7) | 3,954,981 | |
| General Fund | <u>31,532</u> | <u>1,883</u> |
| Total Fiduciary Fund Types, net | <u>4,400,075</u> | <u>5,796</u> |
| Special Revenue Funds: | | |
| General Fund | 2,735,779 | 34,342 |
| Other Special Revenue Funds | 570,026 | 570,026 |
| Fiduciary Funds | | 34,838 |
| CDBG, PRA and Other Funds | <u>147,546</u> | <u>147,546</u> |
| Total Special Revenue Funds | <u>3,453,351</u> | <u>786,752</u> |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

| | <u>Due from other funds</u> | <u>Due to other funds</u> |
|-------------------------|---------------------------------|-------------------------------|
| Proprietary Funds: | | |
| General Fund | _____ | <u>3,385,756</u> |
| Total Proprietary Funds | _____ | <u>3,385,756</u> |
| Total all funds, net | \$ <u>11,576,241</u> | <u>11,610,583</u> |

Due to the fund deficit in the Special Revenue Sewer Fund, allowances for uncollectible receivable amounts of \$34,342 have been recorded in the General Fund against amounts due from the Sewer Fund.

(6) Loans Receivable

Included in Special Revenue Funds are loans receivable under Urban Development Action Grants representing amounts advanced to developers for certain urban development projects within the City. Such loans have been granted under the following terms:

Fleet Center and Garage:

- Loan balance as of June 30, 1988 - \$6,973,324
- Interest rate increasing from 0% at commencement to 8% by year six
- Repayment over thirty years

Richmond Square:

- Loan balance as of June 30, 1988 - \$869,002
- 5% interest rate, commencing in year four
- Repayment over twenty-five years, commencing in year four

Providence Hotel Association:

- Loan balance as of June 30, 1988 - \$1,400,000
- Interest rate, first through four years @ 4% and fifth through fifteenth years @ 8%
- Repayment over fifteen years

Under the terms of these Federal UDAG agreements, future proceeds from repayment of principal and interest must be spent by the City on eligible community development projects.

The Providence Local Development Corporation also has a revolving loan program whereby loans are made to local businesses. Loans receivable, net of estimated allowance for uncollectible loans amounted to \$2,807,347 at June 30, 1988.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

The Community Development Block Grant Program has the following loans receivable at June 30, 1988:

| | |
|---|------------|
| Fox Point Neighborhood Housing Corporation 5% loan, payment commences the first day of the second month after closing of mortgage on the project | \$ 500,000 |
| Home Improvement Loans, net of estimated allowance for uncollectibles \$236,948 | \$ 99,352 |
| Imperial Associates Loan balance 5% fixed interest rate Maturity date - May 29, 1989 | \$ 400,000 |

The Providence Industrial Development Corporation receives federal funds from the Economic Development Administration and loans the funds to qualifying businesses. At June 30, 1988, loans receivable net of estimated uncollectible amounts was \$1,121,687.

(7) Long-term Obligations(a) Bonds Payable

The following is a summary of bond transactions of the City for the year ended June 30, 1988 (in thousands):

| | General Obligation | Proprietary Fund - Providence Water Supply Board | Total |
|--------------------------------|-----------------------|---|---------------|
| Bonds payable at June 30, 1987 | \$ 85,655 | 8,205 | 93,860 |
| Debt issued | 15,000 | | 15,000 |
| Debt retired | (8,380) | (490) | (8,870) |
| Bonds payable at June 30, 1988 | \$ <u>92,275</u> | <u>7,715</u> | <u>99,990</u> |

The Providence Water Supply Board (WSB) long-term debt is actually general obligation debt of the City, however, because it is the intent of the City to have the WSB meet the debt service requirements of this debt, such amounts are recorded in the WSB financial statements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

The annual requirements to amortize long-term bonds payable as of June 30, 1988 are as follows (in thousands):

| Year Ending June 30 | General Obligation | | | Proprietary Fund | | | Total |
|---------------------------|--------------------|---------------|----------------|------------------|--------------|---------------|----------------|
| | Principal | Interest | Total | Principal | Interest | Total | All Funds |
| 1989 | \$ 8,645 | 5,962 | 14,607 | 510 | 439 | 949 | 15,556 |
| 1990 | 8,495 | 5,470 | 13,965 | 540 | 413 | 953 | 14,918 |
| 1991 | 8,345 | 4,961 | 13,306 | 560 | 384 | 944 | 14,250 |
| 1992 | 8,050 | 4,454 | 12,504 | 600 | 355 | 955 | 13,459 |
| 1993 | 7,640 | 3,954 | 11,594 | 625 | 324 | 949 | 12,543 |
| 1994 | 7,870 | 3,476 | 11,346 | 495 | 293 | 788 | 12,134 |
| 1995 | 7,655 | 2,977 | 10,632 | 525 | 263 | 788 | 11,420 |
| 1996 | 4,430 | 2,476 | 6,906 | 555 | 232 | 787 | 7,693 |
| 1997 | 4,410 | 2,173 | 6,583 | 590 | 198 | 788 | 7,371 |
| 1998 | 4,385 | 1,868 | 6,253 | 620 | 163 | 783 | 7,036 |
| 1999 | 4,360 | 1,562 | 5,922 | 655 | 126 | 781 | 6,703 |
| 2000 | 4,330 | 1,260 | 5,590 | 695 | 86 | 781 | 6,371 |
| 2001 | 3,550 | 980 | 4,530 | 745 | 45 | 790 | 5,320 |
| 2002 | 2,640 | 718 | 3,358 | | | | 3,358 |
| 2003 | 2,495 | 517 | 3,012 | | | | 3,012 |
| 2004 | 1,490 | 328 | 1,818 | | | | 1,818 |
| 2005 | 1,485 | 214 | 1,699 | | | | 1,699 |
| 2006 | 1,000 | 105 | 1,105 | | | | 1,105 |
| 2007 | 1,000 | 35 | 1,035 | | | | 1,035 |
| Total | \$ <u>92,275</u> | <u>43,490</u> | <u>135,765</u> | <u>7,715</u> | <u>3,321</u> | <u>11,036</u> | <u>146,801</u> |

Included in the long-term obligations group of accounts are \$8,948,000 in General Obligation Bonds for which the Narragansett Bay Commission has agreed to assume debt service pursuant to a 1982 agreement whereby the City's Sewerage Treatment Facility was transferred to the Bay Commission. Under the agreement, the Bay Commission will reimburse the City for all principal and interest due on the debt when due. The City, however, remains ultimately responsible for the timely payment of the issues.

Under the City Charter, proceeds from the sale of general fixed assets must be used to reduce or to finance capital improvements of the City. Funds available for this purpose amounted to \$322,169 and are included in the Restricted Sales Proceeds Fund (an expendable fiduciary trust fund) at June 30, 1988.

At June 30, 1988 the City had authorized \$25,000,000 general obligation bonds for open space acquisition and school purposes.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(b) Amount Due to Employees' Retirement System

In 1982, the City agreed to contribute an unpaid appropriation to the Employees' Retirement System over a twenty-year period ending in 2001 with interest at 8½%. This obligation is being paid in annual amounts of \$514,238, including principal and interest. The remaining balance of the obligation is presented as an amount due to the Retirement System in the long-term obligations group of accounts. A corresponding receivable amount is recorded in the Retirement System Fund. Following is a summary of the activity during fiscal 1988:

| | |
|---|---------------------|
| Balance at June 30, 1987 | \$ 4,119,096 |
| Principal payments made during fiscal year 1988 | <u>164,115</u> |
| Balance at June 30, 1988 | \$ <u>3,954,981</u> |

(c) Other Noncurrent Liabilities

The following noncurrent liabilities are recorded in the long-term obligation group of accounts.

- i. Accumulated vacation and sick pay for governmental fund employees at June 30, 1988 amounted to approximately \$8,408,000.
- ii. The estimated liability for governmental fund Workers' Compensation claims under the City's self-insurance program at June 30, 1988 amounted to approximately \$1,348,000.
- iii. Litigation and other claims and judgments against governmental funds which are estimable but are not expected to be liquidated with expendable available resources (payable within one year) amounted to approximately \$3,645,000 at June 30, 1988.

(8) Lease Purchase Agreement

The City of Providence entered into a lease purchase agreement for the Providence Civic Center in the amount of \$2,400,000 on December 26, 1986 with Fleet National Bank. The agreement is secured with the assets from the expansion project ongoing at the Civic Center. The agreement requires annual renewals for the next 10 years and payments of principal on those renewal dates as specified in the agreement. The agreement requires that a trustee (Fleet National Bank) maintain the unused portion of the funds during construction to invest these funds as specified in the trustee agreement.

In conjunction with the expansion project at the Civic Center \$24,081 and \$20,602 of net interest expense incurred in 1988 and 1987 respectively, is capitalized and accumulated in building improvements.

The principal payments for the agreement for the next five fiscal years and for the subsequent five-year period are:

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-----------------|------------------|
| 1989 | \$ 240,000 | 163,560 | 403,560 |
| 1990 | 240,000 | 147,240 | 387,240 |
| 1991 | 240,000 | 130,440 | 370,440 |
| 1992 | 240,000 | 113,040 | 353,040 |
| 1993 | 240,000 | 95,280 | 335,280 |
| 1994 - 1996 | <u>960,000</u> | <u>194,040</u> | <u>1,154,040</u> |
| | <u>\$ 2,160,000</u> | <u>843,600</u> | <u>3,003,600</u> |

(9) Segment Information for Enterprise Funds

The City maintains two Enterprise Funds, the Providence Civic Center Authority and the Providence Water Supply Board.

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 4-year staggered terms and two City Council members elected by the City Council who serve during their 4-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 Water Supply Board also sells water to the other local water supply systems on a wholesale basis. The Water Supply 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 Public Utilities Commission.

During the fiscal year ended June 30, 1988, the City of Providence performed various services for the Water Supply Board. The total billing for city services performed amounted to \$1,315,093. This amount is established by the City. The Water Supply Board has also performed services for various City funds and departments, the charges for which have been included as revenue in the accompanying financial statements of the Water Supply Board. These revenues are not significant to total revenues.

The Water Supply Board does not maintain a cash account for its operations. All receipts and disbursements relating to Water Supply Board operations are recorded through the City's General Fund on its behalf.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

Providence Civic Center Authority

The Providence Civic Center Authority was created by an Act of the Rhode Island State Legislature in 1969 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 and contributed to the Authority. The Authority leases its facilities to various promoters and groups, at rental charges usually calculated as a percentage 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 lessees for expenses the Authority incurs in connection with the various events.

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. However, the Authority has obtained a waiver of Section 10(b) for the fiscal year ended June 30, 1988. The Center and all funds and assets of the Authority shall become the property of the City upon the payment and retirement of all bonds issued by the City to fund the Authority. The bonds are scheduled for payment and retirement in 1992.

A 5% surcharge on all ticket sales is collected pursuant to a public law enacted by the Rhode Island General Assembly. The proceeds are to be used to reduce City bond indebtedness and will terminate upon liquidation of the bonds. The City of Providence has permitted the Authority to retain \$404,335 from the surcharge receipts during 1988 to fund capital additions. The retained surcharge collections have been added to contributed capital. The following is a summary of the activity in the surcharge account for the year ended June 30, 1988:

| | |
|---|-------------------|
| Surcharge receipts | \$ 604,335 |
| Amounts retained by the Authority | (404,335) |
| Payments to the City of Providence General Fund | <u>(200,000)</u> |
| Balance due City of Providence General Fund at June 30, 1988 | \$ <u> -</u> |

Restricted Assets

Restricted assets of the enterprise funds consisted of cash and investments maintained for the following reasons as of June 30, 1988:

Water Supply Board:

| | |
|---|------------|
| Depreciation and extension fund restricted for maintenance and expansion of utility plant as well as for insurance purposes as mandated by the Public Utilities Commission | \$ 547,896 |
|---|------------|

| | |
|-------------------------|-------------------|
| Total restricted assets | \$ <u>547,896</u> |
|-------------------------|-------------------|

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(10) Fund Balances

Reserved of fund balance at June 30, 1988 were as follows:

Fiduciary Fund Types:

| | |
|---|-----------------------|
| Reserved for payment of retirement benefits and endowments | \$ <u>159,527,612</u> |
|---|-----------------------|

| | |
|-----------------------------|-----------------------|
| Total reserved fund balance | \$ <u>159,527,612</u> |
|-----------------------------|-----------------------|

Designated portions of unreserved fund balances at June 30, 1988, were as follows:

| | |
|--|---------------|
| Special Revenue Fund - designated for grantor-restricted purposes | \$ 19,703,361 |
|--|---------------|

| | |
|---|------------------|
| Fiduciary Funds - designated for specific purposes | <u>7,890,353</u> |
|---|------------------|

| | |
|--|----------------------|
| Total designated portion of unreserved fund balance | \$ <u>27,593,714</u> |
|--|----------------------|

(11) Pension Plans(a) Employees Retirement System (ERS)

The City's ERS is a contributory pension plan covering most City employees except teachers and employees of the Providence Civic Center Authority. The plan is considered part of the City's financial reporting entity and is included in the City's annual financial report as a retirement system. The City's payroll for the year ended June 30, 1988 for employees covered by the plan was \$60,007,296; the City's total payroll was \$69,636,306.

The plan provides retirement benefits as well as death and disability benefits. Members of the plan are classified as Class A or Class B members.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

Class A members are eligible to retire at age 55 with 10 years of service or at any age after 25 years of service. Retirement benefits are equal to an annuity, which is the actuarial equivalent of his/her accumulated contributions at the time of retirement, plus 1/40 of his/her final compensation for each year of total service up to 20 years and 1/50 of his/her final compensation for each year of service in excess of 20 years.

Class B members are eligible to retire at age 55 with 10 years of service or at any age after 20 years of service. Retirement benefits are equal to an annuity, which is the actuarial equivalent of his/her accumulated contributions at the time of retirement, plus 1/40 of his/her final compensation for each year of total service up to 20 years and 1/50 of his/her final compensation for each year of service in excess of 20 years (not to exceed 32 years and 6 months).

At retirement, a member may elect to convert his/her allowance into a benefit of equivalent actuarial value in accordance with one of the options described below:

Option 1. A reduced retirement allowance payable during the retired member's life, with a provision that in case of death before such payments have equalled the present value of his/her retirement allowance at the date of retirement, the balance shall be paid to the heirs or assigns; or

Option 2. A reduced retirement allowance payable during the retired member's life, with a provision that after his/her death it shall be continued during the life of and paid to the person nominated by him/her by written designation at the time of his/her retirement; or

Option 3. A reduced retirement allowance payable during the retired member's life, with a provision that after his/her death an allowance at one-half the rate of his/her reduced allowance shall be continued during the life of and paid to the person nominated by him/her by written designation at the time of his/her retirement; or

Option 4. A reduced retirement allowance payable during the retired member's life, with some other benefit payable after his/her death, provided that the benefit shall be certified by the actuary and approved by the retirement board.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

These benefit provisions and all other requirements are established by City ordinance.

Participants in the ERS are required to contribute 8% of their annual salary to the Plan. The City is required to contribute a percentage of the present value of the future benefits to be paid.

(b) Plan Assets

The market values as of June 30, 1987 of the plan assets are as follows:

| | |
|----------------------------|-----------------------|
| Cash | \$ 1,274,718 |
| Notes receivable | 4,225,791 |
| U.S. government securities | 45,526,951 |
| Corporate bonds | 25,669,763 |
| Corporate stock | 86,990,350 |
| Commercial paper | 25,878,128 |
| Other investments | 576,508 |
| Loans receivable | 6,436,654 |
| Other assets | <u>154,860</u> |
| | <u>\$ 196,733,723</u> |

These assets are recorded in the nonexpendable trust funds in the City's annual report and are carried at cost. Investment income is recognized as earned and gains and losses on sales of securities are recognized on the transaction date.

(c) Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plans on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1987. Significant actuarial assumptions used in the valuation include; (a) a rate of return on the investments of 8% per year, and (b) projected salary increase of 5% per year.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

Total unfunded pension benefit obligation applicable to the City's employees at June 30, 1987 was as follows:

| | |
|---|-----------------------|
| Pension benefit obligation: | |
| Retirees and beneficiaries | \$ 150,484,728 |
| Active employees: | |
| Accumulated employee contributions | 42,723,667 |
| Employer-financed vested benefits | 58,516,172 |
| Employer-financed non-vested benefits | <u>55,898,665</u> |
| Total pension benefit obligations | <u>307,623,232</u> |
| Net assets available for benefits | <u>196,733,723</u> |
| Unfunded (assets in excess of) pension benefit obligation | <u>\$ 110,889,509</u> |

The unfunded benefit obligation for the plans will be met solely by City contributions.

(d) Contribution Requirements and Contributions Made

The City has not adopted a policy of making actuarially determined contributions to the ERS each year. For regular active members, the City currently contributes 70% of the present value of the future benefits to be paid, adjusted for actuarial assumptions. For elected officials, the City funds on a pay-as-you-go basis.

The City contributed \$10,624,295 (17.7% of covered payroll) and employees contributed \$4,300,455 or (7.2% of covered payroll) to the ERS.

The amount of pension cost determined in accordance with generally accepted accounting principles (including normal cost, an amount equivalent to interest on any unfunded prior service cost and a provision for vested benefits) for the year ended June 30, 1988 is not known. In addition, the cumulative excess amount of pension expense determined in accordance with generally accepted accounting principles over the amount which has actually been funded has not been determined and recorded in the accompanying financial statements. Such excess amounts relating to governmental fund employees and Water Supply Board employees should be recorded in the general long-term obligations account group and the Water Supply Board enterprise fund, respectively.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(e) Historical Trend Information

Trend information gives an indication of the progress in accumulating sufficient assets to pay benefits when due.

| <u>Employee Retirement Systems</u> | <u>Fiscal Year End</u> | | |
|---|------------------------|-------------|-------------|
| | <u>1986</u> | <u>1987</u> | <u>1988</u> |
| Net assets available for benefits as a percentage of pension benefit obligation | 54% | 63% | 64% |
| Unfunded pension benefit obligation as a percentage of annual covered payroll | 215% | 185% | 185% |
| Employer contributions as a percentage of annual covered payroll | 20% | 19% | 18% |

(f) Ten-Year Trend Information

Ten-year trend information is required disclosure in accordance with Statement No. 5 of the Governmental Accounting Standards Board however, such information was not available for the City's ERS.

(g) Teachers Pension Plan

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 payroll for employees covered by the System and the total classified employees payroll for the year ended June 30, 1988 was approximately \$44,600,000.

All full-time classified employees of the Providence School Department are eligible to participate in the System. Classified employees who retire at or after age 60 with 10 years of credited service or at any age with 30 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 80% of final average salary. Percentages relating to each year of credited service is as follows:

Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. The System also provides death and disability benefits. Benefits are established by State Statute.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued.

Covered employees are required by State Statute to contribute 8.5% of their salary to the plan. The school department is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 1988 was approximately \$8,019,000, which consisted of approximately \$4,228,000 from the school department and approximately \$3,791,000 from employees; these employer contributions represent 9.4% and employee contributions of 8.5% of covered payroll.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and the pension benefit obligation for individual employers. Excluding the state employee's portion of the System, the pension benefit obligation at June 30, 1987 for the System as a whole, determined through an actuarial valuation performed as of that date was \$1,300,000,000. The System's net assets excluding the net assets attributable to the state employee's portion of the Plan available for benefits on that date (valued at market) were approximately \$820,000,000, leaving an unfunded pension benefit obligation of \$480,000,000. The School's 1988 contribution represented 5.5% percent of total contributions required of all participating entities.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due was not available in the Systems's June 30, 1987 annual report.

(h) Providence Civic Center

The Providence Civic Center Authority has established a noncontributory, deferred compensation plan for all management employees. The contribution for the year ended June 30, 1988 was \$24,592 and was based on a percentage of salaries paid. The Authority's policy is to fund all retirement costs accrued.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(i) Other Pension Costs

The City is also required to make contributions to the National Pension Plan of the Laborers' International Union of North America, the Rhode Island Legal Service trust for those employees in the Laborers' International Union and to pay retirement benefits to certain retired police and firemen not covered by the ERS. Pension costs for these purposes amounted to the following for the year ended June 30, 1988:

| | |
|-------------------------------|---------------------|
| General Fund | \$ 965,672 |
| Providence Water Supply Board | 190,707 |
| Unrestricted School Fund | <u>93,971</u> |
| | <u>\$ 1,250,350</u> |

(12) Post-Retirement Benefits

The City provides health care benefits for most retired employees. During the year ended June 30, 1988 the cost of retiree health care benefits recorded in the General Fund amounted to approximately \$1,680,909.

(13) Lease Obligations(a) Governmental Funds

The City is obligated under several noncancelable operating leases for various buildings. Future minimum lease payments as of June 30, 1988 were as follows:

| | |
|-----------------------------|---------------|
| Fiscal year ending June 30: | |
| 1989 | \$ 1,013,000 |
| 1990 | 572,000 |
| 1991 | <u>14,500</u> |

Additionally the City is obligated under several lease participation agreements with financial institutions for automobiles, trucks, computer, telecommunications and park maintenance equipment. Future minimum lease payments at June 30, 1988 were as follows:

| | |
|-----------------------------|----------------|
| Fiscal year ending June 30: | |
| 1989 | \$ 1,737,000 |
| 1990 | 1,437,000 |
| 1991 | 500,000 |
| 1992 | 500,000 |
| 1993 | <u>500,000</u> |

(b) Civic Center Authority

The Authority is obligated under a capital lease for telephone equipment which expires in January 1990. At June 30, 1988 the gross amount of capital leases included in property, plant and equipment was \$60,000 less \$14,000 accumulated depreciation. The Authority is also obligated under an operating lease for an automobile.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

Future minimum lease payments under noncancelable operating leases and the present value of future minimum capital lease payments as of June 30, 1988 are:

Capital
Lease

| | |
|--|------------------|
| Year ending June 30: | |
| 1989 | \$ 11,713 |
| 1990 | <u>10,856</u> |
| Net minimum lease payments | 22,569 |
| Less amounts representing interest (approximately 9%) | <u>2,569</u> |
| Present value of minimum lease payments | 20,000 |
| Less current installments of obligations under capital lease | <u>10,000</u> |
| Obligation under capital lease excluding current installments | \$ <u>10,000</u> |

Total rental expense for the operating lease in 1988 was \$0.

(14) Commitments and Contingent Liabilities

In June 1985, the City was advised in a letter from the United States Department of Justice that the Department had concluded that the City, among other parties, is liable to the Small Business Administration for damages suffered by the SBA in connection with a 1980 revenue bond financing of a local company. The Department has demanded that the City pay the United States Government damages ranging between approximately \$11.5 million and \$15 million for the losses allegedly sustained by the SBA in this connection. During fiscal year 1986-1987 negotiations were held and the City agreed to pay an amount with an equivalent present value of approximately \$1.8 million. As agreed upon, this amount will be paid over a number of years commencing in the fiscal year ending June 30, 1989. This amount has been accrued in the General Long-Term Obligations Group of Accounts.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

The City recognizes liabilities for legal cases and other claims when the ultimate liability is probable and can be estimated. The City is also defendant in numerous pending and existing lawsuits, claims, and grievances. In the opinion of City officials, the ultimate disposition of these matters will not have a material adverse effect on the City's financial statements.

The City participates in a number of Federally-assisted grant programs, including the Federal Revenue Sharing, Community Development Block Grant, and various education programs and construction grants. These programs are subject to financial and compliance audits by the grantors or their representatives. The results of the fiscal year 1988 compliance audits have not been fully resolved by the grantor agencies. The amount, if any, of expenditures which may actually be disallowed by the Federal granting agencies cannot be determined at this time.

The Providence Redevelopment Agency is defendant in several suits in which the Agency's property acquisition price is being contested. No provision has been made in the financial statements for the possible settlement amounts.

The City is self-insured for casualty losses to some real estate and equipment.

(15) Cash and Investments

Cash and investments are separately held by several of the City's funds. However, the cash account of the City's General Fund combines activity of both the General Fund and the City's Water Supply Board.

(a) Deposits

At year-end, the carrying amount of the City's deposits was \$14,002,084 and the bank balance was \$20,153,478. Of the bank balance \$4,496,541 was covered by federal and state depository insurance and \$15,656,937 was uninsured.

(b) Investments

It is management's practice to principally invest in commercial paper and certificates of deposit of major local banks. In addition, U.S. government securities are purchased. The City also enters into repurchase agreements.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker or dealer, or by its trust department or agent but not in the City's name.

| | Category | | | June 30, 1988 | |
|--|----------------------|-------------------|-------------------|------------------------|---------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
| Repurchase Agreements | \$ 1,941,760 | 583,000 | 800,000 | \$ 3,324,760 | 3,324,760 |
| U.S. Government Securities | 46,962,697 | - | 303,817 | 47,266,514 | 50,566,664 |
| Commercial paper | 8,176,140 | 14,023,066 | 2,000,000 | 24,199,206 | 24,155,899 |
| Certificates of Deposit | 1,800,000 | 11,473,345 | - | 13,273,345 | 13,273,345 |
| Corporate Bonds | 23,708,561 | - | 10,829,845 | 34,538,406 | 31,580,515 |
| Corporate Stock | 11,903,052 | - | 39,971,796 | 51,874,848 | 85,356,856 |
| Other | <u>1,018,318</u> | <u>2,260,553</u> | <u>659,608</u> | <u>3,938,479</u> | <u>3,029,766</u> |
| | \$ <u>95,510,528</u> | <u>28,339,964</u> | <u>54,565,066</u> | 178,415,558 | 211,287,805 |
| Investments in deferred compensation plans | | | | <u>4,207,078</u> | <u>4,207,078</u> |
| Total Investments | | | | \$ <u>182,622,636</u> | <u>215,494,883</u> |

Included in the carrying amount and market value at June 30, 1988 are \$294,515 and \$478,074 of investments that are included in restricted assets and fixed assets in the enterprise fund, respectively. These amounts are reserved for future capital expansion and other purposes.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Combined Financial Statements, Continued

(16) Deferred Compensation Plan

The City offers its municipal employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all municipal employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with the amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

CITY OF PROVIDENCE
ADDITIONAL INFORMATION

CITY OF PROVIDENCE, RHODE ISLAND

General Fund

Schedule of Revenues - Budget and Actual

Year ended June 30, 1988

| | <u>Budget</u> | <u>Actual</u> | Actual over (under) <u>budget</u> |
|--|-----------------------|--------------------|---|
| Revenues: | | | |
| Property taxes and excise taxes | \$ 117,636,230 | 118,024,628 | 388,398 |
| Shared State taxes | 1,553,391 | 1,727,933 | 174,542 |
| Business and nonbusiness licenses | 1,256,000 | 1,523,486 | 267,486 |
| Fines, forfeits and escheats | 2,816,000 | 2,483,007 | (332,993) |
| Grants-in-aid (State of Rhode Island): | | | |
| General Public Assistance | 13,385,650 | 10,703,535 | (2,682,115) |
| State of Rhode Island General Revenue Sharing | 8,401,529 | 8,304,134 | (97,395) |
| In lieu of machinery, equipment, inventory and intangible taxes | 1,685,664 | 1,530,604 | (155,060) |
| Investment and rental income | 3,310,000 | 3,293,833 | (16,167) |
| Charges for services | 6,528,397 | 7,734,516 | 1,206,119 |
| Miscellaneous | 20,500 | 458,321 | 437,821 |
| Total revenues | <u>\$ 156,593,361</u> | <u>155,783,997</u> | <u>(809,364)</u> |
| Other financing sources: | | | |
| Operating transfers: | | | |
| From Trust and Special Funds | <u>750,000</u> | <u>1,451,674</u> | <u>701,674</u> |
| Total revenues and other financing sources | <u>\$ 157,343,361</u> | <u>157,235,671</u> | <u>(107,690)</u> |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

General Fund

Schedule of Expenditures and Transfers - Budget and Actual

Year ended June 30, 1988

| <u>Expenditures</u> | <u>Budget</u> | <u>Transfers increase (decrease)</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|---|------------------|--|---------------------------|--------------------------------|---|
| Executive, Legislative and Judicial Activities: | | | | | |
| City Council | \$ 344,403 | | 344,403 | 327,750 | 16,653 |
| City Clerk | 220,973 | | 220,973 | 209,614 | 11,359 |
| Probate Court | 116,131 | 7,000 | 123,131 | 131,723 | (8,592) |
| Providence Municipal Court | 254,957 | | 254,957 | 263,203 | (8,246) |
| Mayor's Office | 915,500 | | 915,500 | 902,052 | 13,448 |
| Law Department | 1,260,237 | | 1,260,237 | 1,092,067 | 168,170 |
| City Sergeant | 21,320 | 3,300 | 24,620 | 25,052 | (432) |
| Contingencies | 50,000 | | 50,000 | 57,893 | (7,893) |
| Housing Court | 200,000 | (45,000) | 155,000 | 147,376 | 7,624 |
| Total Executive, Legislative and Judicial Activities | 3,383,521 | (34,700) | 3,348,821 | 3,156,730 | 192,091 |
| Finance Administration: | | | | | |
| Finance Director | 254,965 | | 254,965 | 244,516 | 10,449 |
| City Controller | 462,894 | 4,300 | 467,194 | 458,783 | 8,411 |
| Employees' Retirement Office | 208,653 | 15,000 | 223,653 | 193,326 | 30,327 |
| Data Processing | 1,158,658 | | 1,158,658 | 1,252,469 | (93,811) |
| City Collector | 736,115 | | 736,115 | 735,850 | 265 |
| City Assessor | 1,509,271 | | 1,509,271 | 1,618,887 | (109,616) |
| Treasury Department | 170,697 | 15,000 | 185,697 | 151,353 | 34,344 |
| Board of Tax Assessments Review | 32,000 | 3,000 | 35,000 | 36,724 | (1,724) |
| Personnel | 270,177 | 8,000 | 278,177 | 276,020 | 2,157 |
| Labor lawyer | 30,000 | | 30,000 | 255,909 | (225,909) |
| Emergency temporary and seasonal employees | 25,000 | | 25,000 | 47,852 | (22,852) |
| Payment to Employees Retirement System | 10,093,412 | | 10,093,412 | 8,891,508 | 1,201,904 |
| Elected officials | 79,353 | | 79,353 | 74,686 | 4,667 |
| Police pensions | 54,673 | | 54,673 | 52,992 | 1,681 |
| Fire pensions | 67,557 | | 67,557 | 64,044 | 3,513 |
| Laborers International legal fee | 395,000 | 20,000 | 415,000 | 398,374 | 16,626 |
| Payment to Laborers International pension fund | 1,000,000 | | 1,000,000 | 940,204 | 59,796 |
| Public employees health services | 195,000 | 45,000 | 240,000 | 228,867 | 11,133 |
| Interest | 13,004,726 | | 13,004,726 | 12,657,350 | 347,376 |
| FICA | 1,607,400 | | 1,607,400 | 1,446,179 | 161,221 |
| Medical insurance | 6,904,469 | (19,300) | 6,885,169 | 6,489,391 | 395,778 |
| Unemployment compensation | 52,000 | | 52,000 | 51,679 | 321 |
| Reserve for anticipated tax abatements | 275,000 | | 275,000 | 640,007 | (365,007) |
| Appropriation reserve | 741,133 | | 741,133 | | 741,133 |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

General Fund

Schedule of Expenditures and Transfers - Budget and Actual, Continued

| <u>Expenditures</u> | <u>Budget</u> | <u>Transfers increase (decrease)</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|---|-------------------|--|---------------------------|--------------------------------|---|
| Finance Administration, continued | | | | | |
| Heat, light and power | 1,800,000 | | 1,800,000 | 1,887,008 | (87,008) |
| Workers' Compensation | 551,400 | | 551,400 | 1,123,563 | (572,163) |
| Total Finance Administration | <u>41,679,553</u> | <u>91,000</u> | <u>41,770,553</u> | <u>40,217,541</u> | <u>1,553,012</u> |
| Public Safety: | | | | | |
| Commissioner of Public Safety | 298,631 | 75,000 | 373,631 | 352,907 | 20,724 |
| Police Department (excluding Federal Revenue Sharing amounts) | 17,354,286 | 803,700 | 18,157,986 | 19,343,145 | (1,185,159) |
| Fire Department (excluding Federal Revenue Sharing amounts) | 16,452,203 | 750,000 | 17,202,203 | 18,281,337 | (1,079,134) |
| Department of Communications | 1,600,524 | | 1,600,524 | 1,671,131 | (70,607) |
| Traffic Engineering Department | 719,102 | | 719,102 | 542,440 | 176,662 |
| Total Public Safety | <u>36,424,746</u> | <u>1,628,700</u> | <u>38,053,446</u> | <u>40,190,960</u> | <u>(2,137,514)</u> |
| Building Inspection Department: | | | | | |
| Building Inspection Administration | 484,014 | | 484,014 | 468,606 | 15,408 |
| Structures and Zoning Division | 285,796 | | 285,796 | 289,333 | (3,537) |
| Plumbing, Drainage, and Gas Piping Division | 106,853 | | 106,853 | 108,181 | (1,328) |
| Electrical Installations Division | 104,780 | | 104,780 | 79,280 | 25,500 |
| Mechanical Equipment and Installations Division | 80,095 | | 80,095 | 82,892 | (2,797) |
| Zoning Board of Review | 14,250 | | 14,250 | 25,884 | (11,634) |
| Housing Board of Review | 2,750 | | 2,750 | | 2,750 |
| Building Board of Review | 10,500 | | 10,500 | 18,025 | (7,525) |
| Building Inspection Code Enforcement | 380,796 | | 380,796 | 343,782 | 37,014 |
| Building Inspection Prosecution | 176,360 | | 176,360 | 164,856 | 11,504 |
| Total Building Codes and Inspection | <u>1,646,194</u> | <u>-</u> | <u>1,646,194</u> | <u>1,580,839</u> | <u>65,355</u> |
| Public Works Activities: | | | | | |
| Public Works Administration | 543,535 | | 543,535 | 529,734 | 13,801 |
| Engineering and Sanitation | 422,790 | | 422,790 | 328,829 | 93,961 |
| Street Cleaning Section | | | | 10,569 | (10,569) |
| Waste Collection and Processing | | | | 4,771 | (4,771) |
| Highway and Environmental Control | 5,826,712 | | 5,826,712 | 5,790,060 | 36,652 |
| Bridge Maintenance Section | 186,101 | | 186,101 | 149,437 | 36,664 |
| Snow Removal | 450,000 | | 450,000 | 606,650 | (156,650) |
| Sewer Construction and Maintenance | 624,659 | | 624,659 | 472,396 | 152,263 |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

General Fund

Schedule of Expenditures and Transfers - Budget and Actual, Continued

| <u>Expenditures</u> | <u>Budget</u> | <u>Transfers increase (decrease)</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|--|---------------|--|---------------------------|--------------------------------|---|
| Public Works Activities, continued: | | | | | |
| Garage Maintenance and Equipment Repair | \$ 259,411 | | 259,411 | 195,934 | 63,477 |
| Total Public Works Activities | 8,313,208 | | 8,313,208 | 8,088,380 | 264,828 |
| Recreation Activities: | | | | | |
| Recreation Department | 311,286 | | 311,286 | 310,820 | 466 |
| Recreation - seasonal | 277,387 | | 277,387 | 274,922 | 2,465 |
| Total Recreation Activities | 588,673 | | 588,673 | 585,742 | 2,931 |
| Public Lands and Parks: | | | | | |
| Development and Environmental Services | 363,620 | | 363,620 | 424,953 | (61,333) |
| Zoological services | 757,773 | | 757,773 | 769,478 | (11,705) |
| Grounds maintenance services | 2,141,239 | 90,000 | 2,231,239 | 2,366,515 | (135,276) |
| Programming services | 222,887 | 25,000 | 247,887 | 211,100 | 36,787 |
| Office of the Superintendent of Parks | 272,652 | | 272,652 | 325,682 | (53,030) |
| Total Public Lands and Parks | 3,758,171 | 115,000 | 3,873,171 | 4,097,728 | (224,557) |
| Education: | | | | | |
| Local appropriation to School Department | 35,962,427 | | 35,962,427 | 36,866,893 | (904,466) |
| Other Departments: | | | | | |
| Recorder of Deeds | 330,665 | 7,000 | 337,665 | 284,837 | 52,828 |
| Archives and history | 76,689 | | 76,689 | 49,441 | 27,248 |
| Vital Statistics | 115,453 | 5,000 | 120,453 | 123,111 | (2,658) |
| Board of Canvassers | 190,002 | 110,000 | 300,002 | 418,135 | (118,133) |
| Bureau of Licenses | 169,868 | 8,000 | 177,868 | 193,565 | (15,697) |
| Providence Human Relations | 145,152 | | 145,152 | 118,459 | 26,693 |
| Civil Defense Preparedness | 102,166 | | 102,166 | 97,711 | 4,455 |
| Planning and Urban Development | 1,537,501 | | 1,537,501 | 1,509,715 | 27,786 |
| Administration to City Council | 91,896 | 10,000 | 101,896 | 111,446 | (9,550) |
| Providence Review Commission | 18,500 | | 18,500 | 18,277 | 223 |
| Department of Human Services | 268,438 | | 268,438 | 269,767 | (1,329) |
| Total Other Departments | 3,046,330 | 140,000 | 3,186,330 | 3,194,464 | (8,134) |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

General Fund

Schedule of Expenditures and Transfers - Budget and Actual, Continued

| <u>Expenditures</u> | <u>Budget</u> | <u>Transfers increase (decrease)</u> | <u>Revised budget</u> | <u>Actual expenditures</u> | <u>Actual (over) under budget</u> |
|------------------------------------|----------------|--|---------------------------|--------------------------------|---|
| Welfare Activities: | | | | | |
| General Public Assistance | \$ 15,694,076 | (2,000,000) | 13,694,076 | 10,432,279 | 3,261,797 |
| Total Welfare Activities | 15,694,076 | (2,000,000) | 13,694,076 | 10,432,279 | 3,261,797 |
| Miscellaneous Activities | 12,912 | | 12,912 | 118,918 | (106,006) |
| Transfer to Civic Center Authority | | | | 404,335 | (404,335) |
| Transfer to Neighborhood Trust | 1,685,664 | | 1,685,664 | 1,530,602 | 155,062 |
| Grants: | | | | | |
| Providence Public Library | 1,201,987 | | 1,201,987 | 1,201,987 | |
| RI Center | 258,550 | | 258,550 | 258,050 | 500 |
| Other | 50,000 | | 50,000 | 50,000 | |
| Total Grants | 1,510,537 | - | 1,510,537 | 1,510,037 | 500 |
| Public Properties: | | | | | |
| Public buildings | 2,575,703 | 45,000 | 2,620,703 | 2,117,757 | 502,946 |
| Purchasing | 304,663 | | 304,663 | 293,969 | 10,694 |
| Total Public Properties | 2,880,366 | 45,000 | 2,925,366 | 2,411,726 | 513,640 |
| Port of Providence | 661,063 | 15,000 | 676,063 | 588,044 | 88,019 |
| Public Celebrations | 5,600 | | 5,600 | 3,999 | 1,601 |
| Providence Housing Authority | 52,160 | | 52,160 | 791,506 | (739,346) |
| League of Cities and Towns | 35,000 | | 35,000 | 51,108 | (16,108) |
| Total expenditures and transfers | \$ 157,340,201 | - | 157,340,201 | 155,821,831 | 1,518,370 |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Special Revenue Funds

Combining Balance Sheet

June 30, 1988

| <u>Assets</u> | <u>Total All Funds</u> | <u>School Fund</u> | <u>Other Educational Funds</u> | <u>Neigh- borhood Trust Fund</u> | <u>Community Development Block Grants</u> | <u>Providence Hotel Associates</u> |
|--|----------------------------|------------------------|--|--|---|--|
| Cash (overdraft) | \$ 855,452 | (2,789,131) | 1,369,608 | | 103,387 | 56,000 |
| Accounts receivable (net where applicable of allowance for uncollectible amounts of \$1,466,867) | 172,952 | | | | | |
| Due from: | | | | | | |
| Other funds | 3,453,351 | 2,024,178 | | 1,230,879 | 20,994 | |
| Other governments | 5,166,432 | | 848,782 | | 4,122,650 | |
| Loans receivable (net of allowance for uncollectible amounts of \$421,503) | 14,170,712 | | | | 999,352 | 1,400,000 |
| Short-term investments | 5,381,672 | 2,800,000 | | | | |
| Other assets | 255,973 | 27,732 | | | 41,639 | 4,667 |
| Total assets | \$ 29,456,544 | 2,062,779 | 2,218,390 | 1,230,879 | 5,288,022 | 1,460,667 |
| <u>Liabilities</u> | | | | | | |
| Accounts payable and accrued expenditures Due to: | \$ 3,668,152 | 2,024,725 | 1,120,444 | 8,376 | 374,682 | |
| Other funds | 786,752 | 34,838 | 524,638 | | 128,221 | |
| Other governments | 573,308 | | 573,308 | | | |
| Deferred revenues | 4,131,411 | | | | 4,122,650 | |
| Other liabilities | 315,265 | 3,216 | | | | |
| Total liabilities | 9,474,888 | 2,062,779 | 2,218,390 | 8,376 | 4,625,553 | - |
| <u>Fund Balances</u> | | | | | | |
| Fund balances | | | | | | |
| Unreserved | 278,295 | | | | | |
| Unreserved - designated for special purposes | 19,703,361 | | | 1,222,503 | 662,469 | 1,460,667 |
| Total fund balances | 19,981,656 | - | - | 1,222,503 | 662,469 | 1,460,667 |
| Total liabilities and fund balances | \$ 29,456,544 | 2,062,779 | 2,218,390 | 1,230,879 | 5,288,022 | 1,460,667 |

See accompanying auditors' report.

| <u>Urban Development Action Grants</u> | | | | | | | | |
|--|------------------------|---|--------------------------------------|-------------------|--|---|--|-----------------------------|
| <u>Fleet Center and Garage</u> | <u>Richmond Square</u> | <u>Special Neighborhood and Jobs Bill</u> | <u>UPARR Parks and Neighborhoods</u> | <u>Sewer Fund</u> | <u>Providence Redevelopment Agency</u> | <u>Providence Local Development Corporation</u> | <u>Providence Industrial Development Corporation</u> | <u>Miscellaneous Grants</u> |
| 236,416 | 90,041 | 1,431 | | 119,967 | 1,070,171 | 188,538 | 375,626 | 33,398 |
| | | | | 165,633 | 7,319 | | | |
| | | 79,316 | 8,761 | | 4,000 | 11,040 195,000 | | 74,183 |
| 6,973,324 | 869,002 | | | | | 2,807,347 | 1,121,687 | |
| | | | | | 2,081,672 | | 500,000 | |
| <u>69,733</u> | <u>3,621</u> | | | | | <u>103,500</u> | <u>5,081</u> | |
| <u>7,279,473</u> | <u>962,664</u> | <u>80,747</u> | <u>8,761</u> | <u>285,600</u> | <u>3,163,162</u> | <u>3,305,425</u> | <u>2,002,394</u> | <u>107,581</u> |
| | | | | 61,346 | 48,307 | | 13,090 | 17,182 |
| | | 6,000 | | 34,342 | 13,325 | | | 45,388 |
| | | | 8,761 | | | | | |
| | | | | | 312,049 | | | |
| <u>-</u> | <u>-</u> | <u>6,000</u> | <u>8,761</u> | <u>95,688</u> | <u>373,681</u> | <u>-</u> | <u>13,090</u> | <u>62,570</u> |
| | | | | 189,912 | | | 88,383 | |
| <u>7,279,473</u> | <u>962,664</u> | <u>74,747</u> | | | <u>2,789,481</u> | <u>3,305,425</u> | <u>1,900,921</u> | <u>45,011</u> |
| <u>7,279,473</u> | <u>962,664</u> | <u>74,747</u> | <u>-</u> | <u>189,912</u> | <u>2,789,481</u> | <u>3,305,425</u> | <u>1,989,304</u> | <u>45,011</u> |
| <u>7,279,473</u> | <u>962,664</u> | <u>80,747</u> | <u>8,761</u> | <u>285,600</u> | <u>3,163,162</u> | <u>3,305,425</u> | <u>2,002,394</u> | <u>107,581</u> |

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CITY OF PROVIDENCE, RHODE ISLAND

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year ended June 30, 1988

| | Total All Funds | School Fund | Other Educational Funds | Neigh- borhood Trust Fund | Community Development Block Grants | Providence Hotel Associates |
|---|--------------------|-------------------|-------------------------------|------------------------------------|---|-----------------------------------|
| Revenues: | | | | | | |
| Federal, state and local grants | \$ 61,379,297 | 46,447,451 | 8,581,878 | | 5,527,591 | |
| Charges for services | 108,143 | 108,143 | | | | |
| Miscellaneous | 1,329,621 | 119,009 | | | 97,367 | 55,000 |
| Interest | 596,672 | | | | | |
| Bad debt (expense) | 392,104 | | | | | |
| Total revenues | 63,805,837 | 46,674,603 | 8,581,878 | | 5,624,958 | 55,000 |
| Other financing sources: | | | | | | |
| Transfer from General Fund | 38,397,495 | 36,866,893 | | 1,530,602 | | |
| Transfer from other Special Revenue Funds | 946,218 | | 705,267 | | | |
| Total other financing sources | 39,343,713 | 36,866,893 | 705,267 | 1,530,602 | - | - |
| Total revenues and other financing sources | 103,149,550 | 83,541,496 | 9,287,145 | 1,530,602 | - | - |
| Expenditures: | | | | | | |
| Personal services | 60,894,225 | 55,831,178 | 5,015,822 | | | |
| Employee benefits | 16,264,298 | 14,601,923 | 1,655,456 | | | |
| Services other than personal | 4,649,808 | 3,735,103 | 838,988 | | | |
| Materials and supplies | 1,387,435 | 719,160 | 668,275 | | | |
| Equipment | 1,695,385 | 1,114,034 | 581,351 | | | |
| Program expenditures | 9,909,090 | | | 308,099 | 6,098,909 | |
| Bad debts | 47,475 | | | | | |
| Other | 7,193,271 | 6,804,482 | 316,651 | | | |
| Total expenditures | 102,040,987 | 82,805,880 | 9,076,543 | 308,099 | 6,098,909 | - |
| Other uses: | | | | | | |
| Transfer to other Special Revenue Funds | 946,218 | 735,616 | 210,602 | | | |
| Total other uses | 946,218 | 735,616 | 210,602 | - | - | - |
| Total expenditures and other uses | 102,987,205 | 83,541,496 | 9,287,145 | 308,099 | 6,098,909 | - |
| Revenues over (under) expenditures and other uses | 162,345 | | | 1,222,503 | (473,951) | 55,000 |
| Fund balances (deficit) at beginning of year | 19,819,311 | - | - | - | 1,136,420 | 1,405,667 |
| Fund balances at end of year | \$ 19,981,656 | - | - | 1,222,503 | 662,469 | 1,460,667 |

See accompanying auditors' report.

| Urban Development Action Grants | | | | | Providence | Providence | Providence | |
|---------------------------------|----------------------------------|--------------------|---|---------------|------------------------------|-------------------------------------|--|-------------------------|
| SWAP | Fleet Center and Garage | Richmond Square | Special Neighborhood and Jobs Bill | Sewer Fund | Redevelop- ment Agency | Local Development Corporation | Industrial Development Corporation | Miscellaneous Grants |
| | | | | | | 250,000 | 5,000 | 567,377 |
| 1,602 | 279,473 | 62,664 | 119,432 | | 224,857 | | | 370,217 |
| | | | | 46,958 | 189,236 | 200,640 | 159,838 | |
| | | | | 387,604 | | 4,500 | | |
| 1,602 | 279,473 | 62,664 | 119,432 | 434,562 | 414,093 | 455,140 | 164,838 | 937,594 |
| | | | | | | | | 240,951 |
| - | - | - | - | - | - | - | - | 240,951 |
| 1,602 | 279,473 | - | 119,432 | - | - | 455,142 | 164,838 | 1,178,545 |
| | | | | | | | 47,225 | |
| | | | | | | | 6,919 | |
| | | | | | | 13,032 | 62,685 | |
| 36,094 | | | 136,500 | | 2,167,570 | | | 1,161,918 |
| | | | | 66,853 | | 12,339 | 35,136 | |
| | | | | | | | 5,285 | |
| 36,094 | - | - | 136,500 | 66,853 | 2,167,570 | 25,371 | 157,250 | 1,161,918 |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| 36,094 | - | - | 136,500 | 66,853 | 2,167,570 | 25,371 | 157,250 | 1,161,918 |
| (34,492) | 279,473 | 62,664 | (17,068) | 367,709 | (1,753,477) | 429,769 | 7,588 | 16,627 |
| 34,492 | 7,000,000 | 900,000 | 91,815 | (177,797) | 4,542,958 | 2,875,656 | 1,981,716 | 28,384 |
| - | 7,279,473 | 962,664 | 74,747 | 189,912 | 2,789,481 | 3,305,425 | 1,989,304 | 45,011 |

CITY OF PROVIDENCE, RHODE ISLAND

Special Revenue Funds

Combining Statement of Revenues and Expenditures -
Budget and Actual

Year ended June 30, 1988

| | <u>Unrestricted School Fund</u> | | |
|--|---------------------------------|-----------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
| Revenues: | | | |
| Charges for services | \$ 150,000 | 227,152 | 37,152 |
| Federal and state grants | <u>46,055,691</u> | <u>46,447,451</u> | <u>391,760</u> |
| Total revenues | <u>46,205,691</u> | <u>46,674,603</u> | <u>468,912</u> |
| Other financing sources (uses): | | | |
| Transfer from General Fund | 35,962,427 | 36,866,893 | 904,466 |
| Transfer to Indirect Cost Fund | <u> </u> | <u>(30,349)</u> | <u>(30,349)</u> |
| Total other financing sources | <u>35,962,427</u> | <u>36,836,544</u> | <u>874,117</u> |
| Total revenues and other financing sources | <u>82,168,118</u> | <u>83,511,147</u> | <u>1,343,029</u> |
| Expenditures: | | | |
| Personal services | 56,066,171 | 56,351,931 | (285,760) |
| Employee benefits | 14,722,821 | 14,786,437 | (63,616) |
| Services other than personal | 3,558,438 | 3,735,103 | (176,665) |
| Materials and supplies | 1,077,471 | 719,160 | 358,311 |
| Equipment | 1,080,319 | 1,114,034 | (33,715) |
| Other | <u>5,662,898</u> | <u>6,804,482</u> | <u>(1,141,584)</u> |
| Total expenditures | <u>82,168,118</u> | <u>83,511,147</u> | <u>(1,343,029)</u> |
| Revenues and other financing sources over expenditures | \$ <u> </u> | <u> </u> | <u> </u> |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Capital Project Funds

Combining Balance Sheet

June 30, 1988

| <u>Assets</u> | <u>Total All Funds</u> | <u>General Capital Projects</u> | <u>Urban Mass Transportation Administration Grant - Kennedy Plaza Construction</u> | <u>Urban Mass Transportation Administration Grant - Kennedy Plaza Design</u> |
|---|-----------------------------|---|--|--|
| Cash and cash equivalents | \$ 311,126 | 309,947 | 118 | 1,061 |
| Short-term investments | 24,233,131 | 24,233,131 | | |
| Due from other funds | 335,176 | 335,176 | | |
| Due from federal government | | | | |
| Total assets | \$ <u>24,879,433</u> | <u>24,878,254</u> | <u>118</u> | <u>1,061</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued expenditures | \$ 2,568,588 | 2,564,588 | 4,000 | |
| Due to other funds | 374,811 | 374,811 | | |
| Notes payable - current | <u>2,000,000</u> | <u>2,000,000</u> | | |
| | <u>4,943,399</u> | <u>4,939,399</u> | <u>4,000</u> | <u>-</u> |
| <u>Fund Balances (Deficit)</u> | | | | |
| Fund (deficit) balance - unreserved: | | | | |
| Undesignated | <u>19,936,034</u> | <u>19,938,855</u> | <u>(3,882)</u> | <u>1,061</u> |
| Total fund balance (deficit) | <u>19,936,034</u> | <u>19,938,855</u> | <u>(3,882)</u> | <u>1,061</u> |
| Total liabilities and fund balance (deficit) | \$ <u>24,879,433</u> | <u>24,878,254</u> | <u>118</u> | <u>1,061</u> |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Capital Project Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year ended June 30, 1988

| | Total All Funds | General Capital Projects | Urban Mass Transportation Administration Grant - Kennedy Plaza Construction | Urban Mass Transportation Administration Grant - Kennedy Plaza Design |
|---|----------------------|--------------------------------|--|---|
| Revenues: | | | | |
| Federal grants and reimbursements | \$ 199,712 | | 108,485 | 91,227 |
| Investment income | 228,287 | 228,287 | | |
| Other | <u>388,450</u> | <u>388,450</u> | | |
| Total revenues | 816,449 | 616,737 | 108,485 | 91,227 |
| Other financing sources: | | | | |
| Proceeds from sale of general obligation bonds | <u>15,000,000</u> | <u>15,000,000</u> | | |
| Total revenues and other financing sources | <u>15,816,449</u> | <u>15,616,737</u> | <u>108,485</u> | <u>91,227</u> |
| Expenditures: | | | | |
| Personal services | | | | |
| Service other than personal | 2,325,768 | 2,325,768 | | |
| Capital projects | 5,663,366 | 5,450,450 | 122,358 | 90,558 |
| Other | <u>32,409</u> | <u>32,409</u> | | |
| Total expenditures | <u>8,021,543</u> | <u>7,808,627</u> | <u>122,358</u> | <u>90,558</u> |
| Revenues and other financing sources over (under) expenditures | 7,794,906 | 7,808,110 | (13,873) | 669 |
| Fund balances at beginning of year | <u>12,141,128</u> | <u>12,130,745</u> | <u>9,991</u> | <u>392</u> |
| Fund balances (deficit) at end of year | <u>\$ 19,936,034</u> | <u>19,938,855</u> | <u>(3,882)</u> | <u>1,061</u> |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Fiduciary Fund Types

Combining Balance Sheet

June 30, 1988

| Assets | Expendable Trust Funds | | Nonexpendable Trust Funds | | Agency Funds | | | Total |
|--|------------------------|-------------------------|---------------------------|--------------------|----------------|-----------------------------|--------------------|--------------------|
| | Revolving Funds | Other Expendable Trusts | Other | Retirement System | Probate Court | Deferred Compensation Plans | Other Agency Funds | |
| Cash and cash equivalents | \$ 34,418 | | 215,469 | 11,591,009 | 593,199 | | 240 | 12,434,335 |
| Due from other funds, net | 35,445 | 374,811 | | 3,989,819 | | | | 4,400,075 |
| Accounts receivable, net | | 163,430 | | 126,336 | | | | 289,766 |
| Investments, at carrying value | 325,000 | 2,484,015 | 5,210,571 | 137,725,580 (1) | | 4,207,078 | | 149,952,244 |
| Loans receivable | | | | 6,110,190 | | | | 6,110,190 |
| Other assets | | 139,120 | 2,613 | | | | | 141,733 |
| Total assets | \$ 394,863 | 3,161,376 | 5,428,653 | 159,542,934 | 593,199 | 4,207,078 | 240 | 173,328,343 |
| Liabilities and Fund Balances | | | | | | | | |
| Accounts payable and accrued expenditures | \$ 116,950 | 537,092 | | 15,322 | | | | 669,364 |
| Amounts held for others | | | | | 593,199 | 4,207,078 | (5,556) | 4,794,721 |
| Deferred revenues | | 162,584 | | | | | | 162,584 |
| Due to other funds | | | | | | | 5,796 | 5,796 |
| Total liabilities | 116,950 | 699,676 | - | 15,322 | 593,199 | 4,207,078 | 240 | 5,632,465 |
| Fund balances: | | | | | | | | |
| Reserved for benefits | | | | 159,527,612 | | | | 159,527,612 |
| Reserved for designated purposes | | 2,461,700 | 5,428,653 | | | | | 7,890,353 |
| Total reserved fund balances | - | 2,461,700 | 5,428,653 | 159,527,612 | - | - | - | 167,417,965 |
| Unreserved | 277,913 | | | | | | | 277,913 |
| Total fund balances | 277,913 | 2,461,700 | 5,428,653 | 159,527,612 | - | - | - | 167,695,878 |
| Total liabilities and fund balances | \$ 394,863 | 3,161,376 | 5,428,653 | 159,542,934 | 593,199 | 4,207,078 | 240 | 173,328,343 |

(1) Market value: \$170,559,405

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND

Fiduciary Fund Types - Agency Funds

Combining Schedule of Cash Receipts and Disbursements

Year ended June 30, 1988

| | Cash balances, June 30, 1987 | Receipts | Total available | Disbursements | Cash balances, June 30, 1988 |
|---|---------------------------------|-------------------|--------------------|-------------------|---------------------------------|
| Probate accounts | \$ 709,370 | 60,741 | 770,111 | 176,912 | 593,199 |
| Other agency funds: | | | | | |
| Deposit and Refund Account | 346,006 | 2,529,726 | 2,875,732 | 3,261,351 | (385,619) |
| Employees' Defense Savings Account | 16,977 | 276,736 | 293,713 | 275,628 | 18,085 |
| Employees' Retirement System, State of Rhode Island | 406,189 | 4,131,769 | 4,537,958 | 3,709,953 | 828,005 |
| Employees' Retirement System, Rhode Island Income Tax Withholding Pension Payments | 56,729 | 518,817 | 575,546 | 408,859 | 166,687 |
| Employees Withholding Tax Deductions | 12,447 | 1,150,539 | 1,162,986 | 1,669,417 | (506,431) |
| Hospital Service Corporation of Rhode Island | 21,633 | 313,727 | 335,360 | 361,613 | (26,253) |
| Local No. 799, International Association of Firefighters | 6 | | 6 | | 6 |
| Local No. 958, American Federation of Teachers | 169,864 | | 169,864 | | 169,864 |
| Local No. 1033, Public Employees Union | 1,586 | | 1,586 | | 1,586 |
| Payroll Deductions, Insurance Companies | 2,312 | 22,564 | 24,876 | 22,560 | 2,316 |
| Payroll Deductions and Withholdings, Other | 3,948 | 9,216 | 13,164 | 10,809 | 2,355 |
| Providence Municipal Employees Credit Union | 4,156 | | 4,156 | | 4,156 |
| Providence Permanent Fireman's Relief Association | 87 | | 87 | | 87 |
| Providence Teachers' Credit Union | (18,682) | | (18,682) | 653 | (19,335) |
| Reserve for Social Security Taxes | (593,993) | 11,963,727 | 11,369,734 | 11,921,360 | (551,626) |
| Rhode Island Income Tax Withholding | (54,671) | 364,274 | 309,603 | 364,188 | (54,585) |
| State of Rhode Island Real Estate Conveyance Tax | 263,743 | 968,645 | 1,232,388 | 958,488 | 273,900 |
| State Sales Tax, Water | 244,112 | 6,139 | 250,251 | 272,484 | (22,233) |
| Tax Sheltered Annuities | (2,825) | 110,931 | 108,106 | 131,611 | (23,505) |
| Other | 120,499 | 1,233,594 | 1,354,093 | 1,231,313 | 122,780 |
| | <u>1,000,123</u> | <u>23,600,404</u> | <u>24,600,527</u> | <u>24,600,287</u> | <u>240</u> |
| Total agency funds | \$ <u>1,709,493</u> | <u>23,661,145</u> | <u>25,370,638</u> | <u>24,777,199</u> | <u>593,439</u> |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND
 Schedule of Long-term Bonds Payable
 June 30, 1988

| | Interest rate | Date of | | Bonds | |
|---|------------------|---------|-----------|---------------------|-------------------|
| | | Issue | Maturity | Issued | Outstanding |
| <u>Long-term Obligations Group of Accounts:</u> | | | | | |
| Bonds payable, serially: | | | | | |
| Bridge Replacement and Reconstruction | 3.60-3.80% | 5/1/67 | 5/1/91 | \$ <u>1,200,000</u> | <u>180,000</u> |
| Highways Loan of 1964 (1970 Series) | 6.30-6.60 | 6/15/70 | 6/15/90 | <u>500,000</u> | <u>50,000</u> |
| Recreational Facilities Loan V | 4.50 | 2/1/71 | 2/1/91 | <u>2,000,000</u> | <u>300,000</u> |
| Redevelopment Bonds: | | | | | |
| Redevelopment and Slum Clearance Bonds VI | 3.25-3.40 | 10/1/64 | 10/1/88 | <u>2,000,000</u> | <u>100,000</u> |
| Slum Clearance and Redevelopment IV (1970 Series) | 6.30-6.60 | 6/15/70 | 6/15/90 | <u>5,000,000</u> | <u>500,000</u> |
| Total Redevelopment Bonds | | | | <u>7,000,000</u> | <u>600,000</u> |
| Hurricane Barrier: | | | | | |
| Hurricane Barrier Bond Series I | 3.25-3.40 | 10/1/64 | 10/1/88 | <u>3,000,000</u> | <u>150,000</u> |
| General Obligation - Public Improvement Bonds | 4.75-7.25 | 5/1/79 | 5/1/99 | <u>15,000,000</u> | <u>9,000,000</u> |
| General Obligation - Public Improvement Bonds | | 8/15/86 | 8/15/2006 | 20,040,000 | 19,035,000 |
| General Obligation - Refunding Bonds | 4.2-7.00 | 9/15/86 | 3/15/2005 | 44,855,000 | 39,635,000 |
| Old Harbor Tax Increment Bonds | 5.50-8.5 | 8/15/86 | 8/15/2001 | <u>2,100,000</u> | <u>1,960,000</u> |
| | | | | <u>66,995,000</u> | <u>60,630,000</u> |

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND
Schedule of Long-term Bonds Payable, Continued

| | Interest rate | Date of | | Bonds | |
|--|------------------|---------|-----------|-----------------------|-------------------|
| | | Issue | Maturity | Issued | Outstanding |
| Schools: | | | | | |
| School Athletic Fields - Series III | 4.50-4.60% | 6/1/68 | 6/1/90 | \$ 500,000 | 500,000 |
| School Bonds of 1966 | 3.60-3.80 | 5/1/67 | 5/1/91 | 1,750,000 | 255,000 |
| School Bonds of 1971 Series I | 4.50 | 2/1/71 | 2/1/91 | 1,500,000 | 225,000 |
| School Bonds of 1971 Series II | 4.50 | 2/1/71 | 2/1/91 | 2,400,000 | 360,000 |
| School Modernization Bonds Series V | 3.60-3.80 | 5/1/67 | 5/1/91 | 1,500,000 | 225,000 |
| Classical High School Bonds | 6.30-6.60 | 6/15/70 | 6/15/90 | 1,000,000 | 100,000 |
| School Modernization and Construction Bonds Series II | 5.00 | 2/15/74 | 2/15/94 | 3,000,000 | 900,000 |
| School Modernization and Construction Bonds Series III | 5.00 | 2/15/74 | 2/15/94 | 3,000,000 | 900,000 |
| School for Handicapped Children | 5.00 | 2/15/74 | 2/15/94 | 2,500,000 | 750,000 |
| School Bonds of 1988 Series I | 7.356 | 1/15/88 | 2/15/2002 | 15,000,000 | 15,000,000 |
| Total Schools | | | | 32,150,000 | 18,765,000 |
| Civic Center Bonds | 5.00-5.25 | 2/1/72 | 2/1/92 | 13,000,000 | 2,600,000 |
| Total long-term obligations group of accounts bonds | | | | 140,845,000 | 92,275,000 |
| Proprietary fund - bonds payable: | | | | | |
| Water Distribution Reservoir | 3.25 | 12/1/62 | 12/1/92 | 2,050,000 | 465,000 |
| Water Purification Works Improvements I | 3.25 | 12/1/62 | 12/1/92 | 1,100,000 | 260,000 |
| Water Bonds of 1971 | 5.00-6.00 | 6/1/71 | 6/1/2001 | 11,000,000 | 6,990,000 |
| Total proprietary fund bonds | | | | 14,150,000 | 7,715,000 |
| Total long-term bonds payable | | | | \$ 154,995,000 | 99,990,000 |

See accompanying auditors' report.

CITY OF PROVIDENCE, RHODE ISLAND
 Schedule of Property Taxes Receivable
 June 30, 1988

| <u>Year of Assessment</u> | <u>Amount Receivable June 30, 1988</u> |
|--|--|
| 1987 | \$ 11,338,478 |
| 1986 | 4,522,974 |
| 1985 | 3,256,281 |
| 1984 | 2,596,571 |
| 1983 | 2,787,143 |
| 1982 | 2,504,275 |
| 1981 | 2,508,910 |
| 1980 | 2,518,524 |
| 1979 | 1,464,475 |
| 1978 | 1,140,251 |
| 1977 | 7,390,622 |
| 1976 and prior | <u>787,551</u> |
| Supplemental taxes | 42,816,055 |
| Less allowance for estimated uncollectible amounts | <u>34,766,215</u> |
| Net property taxes receivable | \$ <u>8,049,840</u> |

See accompanying auditors' report.

FILED

MAY 24 1 39 PM '89

DEPT. OF CITY CLERK
PROVIDENCE, R. I.



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KPMG

IN CITY COUNCIL
JUN 1 1989
FIRST READING
REFERRED TO COMMITTEE ON

Rose M. Mandone CLERK

FINANCE

THE COMMITTEE ON
FINANCE

Recommends

Be Received

Rose M. Mandone
Clark

June 13, 1989



Certified Public Accountants

IN CITY COUNCIL
JUN 15 1989

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

John M. Manda CLERK

CITY OF PROVIDENCE, RHODE ISLAND

Management Letter
and
Single Audit Report

June 30, 1988

CITY OF PROVIDENCE, RHODE ISLAND

Management Letter
and
Single Audit Report

June 30, 1988

CITY OF PROVIDENCE, RHODE ISLAND

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CITY OF PROVIDENCE, RHODE ISLAND

Management Letter

June 30, 1988

KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

February 17, 1989

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island, for the year ended June 30, 1988, and have issued our report thereon dated December 22, 1988. Our report on the general purpose financial statements was qualified due to the following:

- Pension costs are recorded in a manner which is not in conformity with generally accepted accounting principles
- The general purpose financial statements do not include a general fixed asset group of accounts

In planning and performing our audit of the general purpose financial statements of the City of Providence, Rhode Island, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are matters coming to our attention that, in our judgment, relate to significant deficiencies in the design or operation of the internal control structure and could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The reportable conditions noted during our audit, all of which have been discussed with the appropriate members of management, are summarized in Exhibit I.

Although not considered to be reportable conditions, we also noted other items during our audit which we would like to bring to your attention. These comments, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized in Exhibit II.



Member Firm of
Klynveld Peat Marwick Goerdeler

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions as defined above.

The conditions and comments referred to above were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the 1988 general purpose financial statements, and this report does not affect our report on these financial statements dated December 22, 1988. We have not considered the internal control structure since the date of our report.

We wish to take this opportunity to thank officials and employees of the City for the help and cooperation which our staff received during the course of the audit.

Should you have any questions concerning the matters presented herein, we shall be pleased to discuss them with you at your convenience.

This report is intended solely for the information and use of the finance committee, management and others within the organization.

Very truly yours,

Paul Marwick Merrill

CITY OPERATIONSFinding - General Fund Operating and Payroll Accounts

During our testwork of general fund cash, we noted that general fund operating and payroll bank accounts were not reconciled to the accounting records for the year ended June 30, 1988. This resulted in extensive time and effort expended for this purpose at year end. In fact, the final reconciliation between the respective bank accounts and the general ledger was completed in early December, 1988. The major cause for the difficulty in the reconciliation process was because transfers between funds and large investments made out of the general fund were not recorded in the accounting records during the entire year. Consequently, outstanding investments also had to be adjusted as they were not accurately reflected at year end. The lack of a reconciliation process and the lack of recording fund transfers and investment activity can result in the possibility that bank errors and accounting errors could occur during the entire year and be undetected by management.

Recommendation

To ensure the correctness of available general fund operating and payroll cash, as well as to detect potential bank and accounting errors, all cash accounts should be reconciled on a monthly basis. Additionally, the controller's office should also be notified each time a cash transfer is made by the finance department, either between funds or to purchase investments. This information should be compared to the information received from the respective banks to assure that all outstanding investments are recorded as such at month end, and that all investment income has been properly received from the bank and recorded in the accounting records.

CITY OPERATIONSEMPLOYEE RETIREMENT SYSTEM (ERS)Finding - Investments

During the greater part of fiscal year 1988, there was no reconciliation performed between the trustees records of ERS investments and the accounting records. This resulted in extensive, additional effort required at year end to reconcile the ERS investments to the accounting records.

Recommendation

We recommend that ERS investments be reconciled to trustee records on a monthly basis to facilitate an accurate presentation of financial information.

Finding - Loans Receivable

The loan receivable detail did not agree to the general ledger balance at June 30, 1988. This resulted from accounting changes made to the detail that were not communicated to the controller's department by the ERS department and adjustments made to general ledger by the controller's office that were not communicated to the ERS department.

Recommendation

All adjustments made to the loans receivable detail should be communicated through interoffice memos to the controller's office. All adjustments to the general ledger should be communicated to the ERS department as they effect that department. Monthly reconciliations of the loan receivable detail to the general ledger should be performed to assure that this control is functioning properly and to present an accurate loan receivables balance at any given point in time.

PROVIDENCE WATER SUPPLY BOARDINTERFUND ACCOUNT

Since the Water Supply Board does not have its own cash account, all cash receipts and disbursements are handled through the general fund of the City of Providence (the City). The accounts are reconciled once a year at year end. Reconciling the account requires personnel to verify that every cash disbursements and receipt for the year was properly recorded at the City. This is a very time consuming and inefficient practice which results in poor controls over the cash cycle. This account was not reconciled until several months after year end.

The interfund account should be reconciled to the City's records on a quarterly basis. This will result in better control and eliminate the year end reconciliation.

PROVIDENCE REDEVELOPMENT AGENCY (PRA) AND
PROVIDENCE LOCAL DEVELOPMENT CORPORATION (PLDC)

ACCOUNTING RECORDS

Findings

- During fiscal year 1988 the Department of Planning and Development implemented a general ledger system for generating financial data and reports. Although, journal entries to the accounting system are approved by a responsible official prior to posting, the detail accounting records are not conducive to the preparation of reliable financial data because the revenue and expenditure accounts are maintained on a cumulative basis rather than on a fiscal year basis.

Recommendation

Although significant improvements have been made to the PLDC and PRA records, continued efforts should be made to monitor sound detail accounting records supporting the ending general ledger balances for PLDC and PRA accounts.

CITY OPERATIONSFIXED ASSETSFinding

Although the City maintains a fixed asset ledger which serves as a recordkeeping function for fixed asset purchases, this ledger does not facilitate the preparation and maintenance of a fixed asset group of accounts as required by generally accepted accounting principles.

Recommendation

The City maintains control over the proper input into the records for additions, sales, abandonments and transfers of fixed assets and takes periodic inventory counts of fixed assets by location.

However, for the City to account for fixed assets in accordance with generally accepted accounting principles, it should develop a system to provide costs for fixed assets purchased in prior to 1980's thus providing a complete listing of fixed assets owned by the City.

ACCOUNTS RECEIVABLEFinding

When establishing the municipal dock receivable accounts, specific general ledger accounts were set up to reflect the exact nature of each receivable. As payments were received on these receivables, they were credited against each specific account, however, the initial debit for the total municipal dock accounts receivable was made to only one general ledger account, thus as cash receipts were recorded against the respective receivables, many credit balances were created in the respective general ledger accounts.

Recommendation

The miscellaneous dock receivable accounts should be adjusted to reflect their true balance.

PROVIDENCE CIVIC CENTERINVESTMENT POLICY

At present, the Civic Center Authority (PCA) and the Providence Civic Center (PCC) appropriately invest their excess cash in short-term investments. At various points during the year, this total could be in excess of two million dollars. Current practices of investing include Commercial Paper, Eurodollars, Repurchase Agreements for secured instruments and Certificates of Deposit. These short-term facilities yield attractive interest income to the PCC and help defray the cost of the expansion project. At this time no formal investment policy has been established. We recommend a comprehensive investment guideline be established by the PCA.

VACATION ACCRUAL

Based on current policy, vacation time can be carried into the next fiscal year if unused. The present system for monitoring that time is maintained manually. The controller's office has the capacity to account for this using Lotus or similar spreadsheet software. This would decrease the time spent and tend to eliminate errors.

We would also suggest that a policy be set that vacation time expires if not used by a certain date, possibly after 1½ years. This would encourage hard working employees to take well earned vacations and force other employees to learn various tasks of absent employees.

PROVIDENCE INDUSTRIAL DEVELOPMENT CORPORATIONLOANS RECEIVABLEFinding

During our review of loans receivable we noted several instances for which loan amortization was not being properly accounted for. The proper accounting for the loans is to create an amortization schedule at the issuance of the loan and subsequently record principle and interest payments as they are made. Also consideration should be given to implementing a late fee or penalty charge on delinquent loans. This accounting treatment should be immediately followed by PIDC personnel. We also noted that there were several delinquent loans for which payment had not been received for several months. Upon inquiry we learned that PIDC does have a formal policy with respect to delinquent loan collections. In order to maintain a positive cash flow and minimize bad debts, we recommend that this collection policy be followed.

CREDIT FILE DOCUMENTATIONFinding

Credit files form the basis for evaluating the credit worthiness of borrowers and can be valuable in portraying the lending history of a borrower as well as providing useful information in the event of personnel turnover. During our review of the credit files, we noted that the files were not adequately maintained or updated on a timely basis. In many instances, the credit files did not contain recent financial statements and were actually missing financial statements from the borrower. The responsibility for maintaining credit files should rest with the loan officer. We recommend that greater attention be given in this area and PIDC implement procedures to update and maintain loan credit files properly.

RECONCILIATIONFinding

During our review of the loans receivable, we noted that the loan receivable detail did not reconcile to the general ledger. In order to accurately present the balance in this account, we recommend that the supporting detail be reconciled to the general ledger each month and that this reconciliation be reviewed on a timely basis.

PROVIDENCE INDUSTRIAL DEVELOPMENT CORPORATION, CONTINUEDSEGREGATION OF DUTIESFinding

Segregation of duties is somewhat limited by the number of office personnel. The size of the staff, although adequate for efficient operation of the Corporation, prohibits the optimal segregation of accounting functions. We recognize that this weakness is common in many business organizations, and therefore propose no recommendation for improvement, except to stress the importance of close scrutiny of financial transactions by senior management.

JOB DESCRIPTIONSFinding

Personnel job descriptions have not been updated since their initial writing. Numerous changes have occurred due to the growth and volume of accounts since inception and consequently, job descriptions are outdated and do not provide a useful reference to set standards of job performance. We recommend that job descriptions be updated to reflect changes in personnel responsibilities.

It should be noted that PIDC is currently in the process of merging with PLDC, hence the above comments are based on conditions which existed at June 30, 1988, however, once the merger takes place, some of the comments may not be applicable to PIDC.

PROVIDENCE SCHOOL DEPARTMENTCASHFinding

During our testwork, we again noted that various general ledger cash and related accounts were not closed at June 30, 1988. The proper closing of accounts facilitates timely preparation of general purpose financial statements.

Also, we noted that receipts were held at the Providence School Department for periods of up to two weeks before being deposited.

Recommendation

We recommend that all cash and other related general ledger accounts which require closing at year end be closed on a timely basis.

Also, we recommend that, for security purposes as well as to increase the interest earning potential of School Department cash receipts, deposits be made on a daily basis. A check of this procedure should be made periodically by the School Department controller by comparing the date on the validated deposit ticket to the date received per a daily cash receipts listing maintained by someone independent of the record keeping and depositing function.

Finding

Currently, the School Department does not have an accounting procedures manual.

Recommendation

The Providence School Department should develop an accounting procedures manual to codify its many and diverse accounting procedures. The manual could also be used to set forth job descriptions, lines of authority and supervision for all departments, reporting formats, account codes and descriptions and help in the preparation of Form 31.

The advantages of developing an accounting procedures manual are that it (1) provides documentation, in one location, of the entire financial operations of the Providence School Department, thereby facilitating an overall understanding of those operations by management and providing detailed guidance to all personnel involved in the financial function; and (2) facilitates the training of new personnel.

PROVIDENCE WATER SUPPLY BOARDINVENTORY CONTROL

Due to the time lag occurring between the posting of inventory transactions to the general ledger and the inventory subsidiary ledger there can be a difference between these two postings. This occurs because each record is posted from a different source.

The subsidiary ledger should be periodically reconciled to the general ledger and any differences should be investigated and corrected.

ACCOUNTS RECEIVABLE

In several cases, we noted that accounts receivable customer balances are several years old. Although the Water Board does have the appropriate collection policies in place, they are not being adequately enforced.

We strongly recommend that the Water Board take measures to ensure that their policies with respect to delinquent accounts receivable and the ultimate consequences thereof, be enforced.

We have been informed by management personnel that collection policies are in the process of being enforced.

CITY OF PROVIDENCE, RHODE ISLAND

Single Audit Report

June 30, 1988

THE DEPARTMENT OF PLANNING AND DEVELOPMENT

The following is the status of the prior year findings from our compliance audit of the grants administered by the Department of Planning and Development (DPD).

STATUS OF
PRIOR YEAR FINDINGS

1. TRAVEL ALLOWANCESFinding

Employees of the DPD were paid approximately \$14,000 as allowances for automobile usage and benefits. There is no documentation that exists to support the expenditures which were charged to the CDBG.

Status

The Department of Planning and Development is no longer paying employees a mileage allowance with Federal money. The City has reimbursed the CDBG and is no longer paying the allowance with City funds.

2. SUBGRANTEE AUDIT REPORTSFinding

A Subgrantee audit report has not been submitted for South Providence Revitalization for year end December 31, 1986:

All subgrantee contracts using DPD funds for administration purposes must have annual audited financial statements and audit reports prepared in conjunction with OMB Circular A-128.

Status

The audit report has been received by the Department of Planning and Development.

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
RELATED TO FEDERAL ASSISTANCE PROGRAMS
(MAJOR AND NONMAJOR)

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island, for the year ended June 30, 1988, and have issued our report thereon dated December 22, 1988 which was qualified to the omission of a general fixed asset account group and because pension costs are recorded in a manner which is not in conformity with generally accepted accounting principles. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial audits contained in the Standards for Audit of Governmental Organization, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the City of Providence, Rhode Island, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs.

The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Providence, Rhode Island, had, in all material respects, administered its major programs and executed the tested nonmajor program transactions in compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. Such laws and regulations include those pertaining to federal financial reports and claims for advances and reimbursements.



In our opinion, the City of Providence, Rhode Island, administered each of its major federal financial assistance programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures for the year ended June 30, 1988.

The results of our testing of transactions and records from nonmajor federal financial assistance programs indicate that, for the transactions and records tested, the City of Providence, Rhode Island, complied with those laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the City of Providence, Rhode Island, administered those programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Providence, Rhode Island, had not complied with laws and regulations.

Rest Maswink Main Co.

February 17, 1989

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AT THE
GENERAL PURPOSE FINANCIAL STATEMENT LEVEL

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island, for the year ended June 30, 1988, and have issued our report thereon dated December 22, 1988 which was qualified due to the omission of a general fixed asset account group and because pension costs are recorded in manner which is not in conformity with generally accepted accounting principles. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

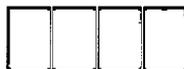
We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the City of Providence, Rhode Island, is responsible for the City's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the Federal Financial Assistance Programs to determine the City's compliance with those laws and regulations for which noncompliance could have a material effect on the City's general purpose financial statements.

The results of our tests indicate that for the transactions and records tested, the City of Providence, Rhode Island, complied with those laws and regulations for which noncompliance could have a material effect on the City's general purpose financial statements. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Providence, Rhode Island, had not complied with laws and regulations.

Peat Marwick Main & Co.

February 17, 1989



Member Firm of
Klynveld Peat Marwick Goerdeler

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING
AND ADMINISTRATIVE CONTROLS AT THE
FEDERAL FINANCIAL ASSISTANCE PROGRAM LEVEL

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island, for the year ended June 30, 1988, and have issued our report thereon dated December 22, 1988 which was qualified due to the omission of a general fixed asset group of accounts and because pension costs are recorded in a manner which is not in conformity with generally accepted accounting principles. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Under the date of February 17, 1989, we reported separately on the results of our study and evaluation of internal accounting controls performed in connection with our audit of the general purpose financial statements. The results of our study and evaluation of internal accounting and administrative controls used in administering federal financial assistance programs are presented herein.



For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering the major federal financial assistance programs in the following categories:

- Control categories for which our study was extended beyond the preliminary review phase:
 - Purchases/disbursements
- Control categories for which our study was limited to a preliminary review:
 - Property tax revenue/receipts
 - Payroll
 - Eligibility
 - Other general requirements

The management of the City of Providence, Rhode Island, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

During the year ended June 30, 1988, the City of Providence, Rhode Island, expended 94 percent of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering nonmajor federal financial assistance programs, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Accordingly, our audit would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

Our study and evaluation described in the two preceding paragraphs was more limited than would be necessary to express an opinion on the internal control systems used in administering the major and nonmajor federal financial assistance programs of the City of Providence, Rhode Island. Accordingly, we do not express an opinion on the internal control systems used in administering the major and nonmajor federal financial assistance programs of the City of Providence, Rhode Island. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the City of Providence, Rhode Island. In our letter to management dated February 17, 1989, we have separately communicated our observations and recommendations regarding certain other matters, including those pertaining to reportable conditions and nonmaterial internal control findings.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Providence, Rhode Island, is a matter of public record.

Peat Marwick Main Co.

February 17, 1989

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL ACCOUNTING CONTROLS AT THE
GENERAL PURPOSE FINANCIAL STATEMENT LEVEL

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island, for the year ended June 30, 1988, and have issued our report thereon dated December 22, 1988 which was qualified due to the omission of a general fixed asset group of accounts and because pension costs are recorded in a manner which is not in conformity with generally accepted accounting principles. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Under the date of February 17, 1989, we reported separately on the results of our study and evaluation of internal accounting and administrative controls used in administering federal financial assistance programs. The results of our study and evaluation of internal controls other than those used in administering federal financial assistance programs are presented herein. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Control categories for which our study was extended beyond the preliminary review phase:
 - Purchases/disbursements
 - Property tax revenue/receipts



- Control categories for which our study was limited to a preliminary review:
 - Payroll

The purpose of our study and evaluation was to determine the nature, timing, and extent of auditing procedures necessary for expressing an opinion on the general purpose financial statements of the City of Providence, Rhode Island. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of control identified above.

The management of the City of Providence, Rhode Island, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first three paragraphs would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Providence, Rhode Island, taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no material weaknesses. In our letter to management dated February 17, 1989, we have separately communicated our observations and recommendations regarding certain other matters, including those pertaining to reportable conditions and nonmaterial internal control findings.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Providence, Rhode Island, is a matter of public record.

Pat Marwick mair slo

February 17, 1989

Certified Public Accountants

Peat Marwick Main & Co.
600 Fleet Center
Providence, RI 02903

AUDITORS' REPORT ON SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE

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

We have audited the general purpose financial statements of the City of Providence, Rhode Island, as of and for the year ended June 30, 1988, and have issued our report thereon dated December 22, 1988 which was qualified due to the omission of a general fixed account group and because pension costs are not accounted for in accordance with generally accepted accounting principles. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Providence, taken as a whole. The supplementary information included in the accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Peat Marwick Main & Co.

February 17, 1989



Member Firm of
Klynveld Peat Marwick Goerdeler

CITY OF PROVIDENCE, RHODE ISLAND
 Schedule of Federal Financial Assistance
 For the year ended June 30, 1988

| <u>Federal Grantor/Pass-Through Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> | <u>Financial Statements Reference</u> |
|--|------------------------------------|---------------------|---|
| Major Federal financial assistance programs: | | | |
| U.S. Department of Housing and Urban Development (HUD): | | | |
| Community Development Block Grant | 14.219 | \$ 6,098,909 | (a) |
| U.S. Department of Education Chapter I (pass-through grant from State of Rhode Island) | | | |
| Chapter II | 1420.51600 | 4,076,704 | (c) |
| Title VI | 1420-51000-501 | 560,501 | (c) |
| Vocational Education | 1430 | 613,891 | (c) |
| | 5-1440-552-555 | 781,297 | (c) |
| Title VII - pass-through | Various | 913,326 | (c) |
| - from Federal Government | G008202858 and G008303655 | 301,989 | (c) |
| Nonmajor Federal financial assistance programs: | | | |
| HUD: | | | |
| U.S. Department of Transportation Urban Mass Transportation Capital Improvement Grant | | | |
| Jobs Bill | 20.500 | 122,353 | (b) |
| | | 59,731 | (a) |
| U.S. Department of Transportation Urban Mass Transportation Capital and Operating Assistance Grant | | | |
| | 20.507 | 90,558 | (b) |
| U.S. Department of Education: | | | |
| Pass-through grants from Rhode Island: | | | |
| Summer | - | 5,903 | (c) |
| Other miscellaneous programs | - | 855,000 | (c) |

CITY OF PROVIDENCE, RHODE ISLAND

Schedule of Federal Financial Assistance, Continued

The following is a cross reference of the grant expenditures presented to the applicable June 30, 1988 City of Providence general purpose financial statements:

- (a) These expenditures appear on the Combining Statement of Revenues and Expenditures for Special Revenue Funds (Schedule 4) of the City of Providence Annual Financial Report and on the Combining Statement of Revenues and Expenditures of the Department of Planning and Development financial statements.
- (b) These expenditures appear on the Combining Statement of Revenues and Expenditures for Capital Project Funds (Schedule 7) of the City of Providence Annual Financial Report.
- (c) These expenditures are included in the Other Educational Funds expenditures on Schedule 4 of the City of Providence Annual Financial Report.

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Schedule of Federal Financial Assistance

June 30, 1988

(1) General

The accompanying Schedule of Federal Financial Assistance presents the activity of all federal financial assistance programs of the City of Providence, Rhode Island. The City's reporting entity is defined in note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Federal Financial Assistance is presented using the modified accrual basis of accounting, which is described in note 1(b) to the City's general purpose financial statements.

FILED

FILED

MAY 24 10 32 AM '89
DEPT. OF CITY CLERK
PROVIDENCE, R.I.

MAY 24 2 05 PM '89

DEPT. OF CITY CLERK
PROVIDENCE, R.I.

KPMG

IN CITY COUNCIL
JUN 7 1989
FIRST READING
REFERRED TO COMMITTEE ON
Steve Mendonca CLERK

FINANCE

THE COMMITTEE ON
FINANCE

Recommends Be Received
Steve Mendonca
Clerk
June 13, 1989