



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.

Certified Public Accountants / Business Consultants

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE  
CITY OF PROVIDENCE)

YEAR ENDED JUNE 30, 1994



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(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

YEAR ENDED JUNE 30, 1994

CONTENTS

|   | Page |
|---|------|
| Independent Auditors' Report  | 1    |
| Financial statements:   |      |
| Balance sheet   | 2    |
| Statement of revenues, expenditures and changes in<br>fund balances | 3    |
| Notes to financial statements                                       | 4-15 |



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Independent Auditors' Report

Board Members  
Providence Public Buildings Authority  
Providence, Rhode Island

We have audited the accompanying balance sheet of the Providence Public Buildings Authority (a Component Unit of the City of Providence) as of June 30, 1994, and the related statement of revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Authority'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 and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Providence Public Buildings Authority (a Component Unit of the City of Providence) as of June 30, 1994, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 8, the Authority is a defendant in two lawsuits and subject to an unasserted claim involving personal injuries. The cases are in the preliminary stages, and the ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements.

As discussed in Notes 1 and 7, all of the Authority's rental income is derived from leases with the City of Providence.

August 25, 1994

*Lefkowitz, Garfinkel, Champi & DeRienzo P.C.*

|  | Totals<br>(memorandum only) |                      |
|--|-----------------------------|----------------------|
| ASSETS AND OTHER   | 1994                        | 1993                 |
| Cash and cash equivalents                                  |                             | \$ 2,254,962         |
| Investments (Note 2)                                       | \$ 18,697,475               | 15,867,807           |
| Gate income receivable                                     | 208,940                     |                      |
| Due from the City of Provider                              | 93,675                      |                      |
| Property and equipment (Note 556)                          | 57,139,556                  | 49,596,793           |
| Amount to be provided for retirement long-term obligations | 50,290,000                  | 51,860,000           |
| Total assets and other                                     | <u>\$126,429,646</u>        | <u>\$119,579,562</u> |
| LIABILITIES AND FUND EQUITY                                |                             |                      |
| Liabilities:   |                             |                      |
| General Revenue Bonds payable                              | \$ 50,290,000               | \$ 51,860,000        |
| Bond anticipation notes payable                            | 18,025,000                  | 13,470,000           |
| Accrued legal contingencies                                | 596,474                     | 2,831,286            |
| Due to the City of Provider                                | 834,107                     | 295,788              |
| Accrued expenditures (Note 556)                            | 1,694,625                   | 375,660              |
| Total liabilities  | <u>71,440,206</u>           | <u>68,832,734</u>    |
| Fund equity (deficit):                                     |                             |                      |
| Investment in general fixed assets                         | 57,139,556                  | 49,596,793           |
| Fund balances (deficits):                                  |                             |                      |
| Reserved for debt service                                  | 4,412,063                   | 3,487,572            |
| Unreserved   | ( 6,562,179 )               | ( 2,337,537 )        |
| Total fund equity  | <u>54,989,440</u>           | <u>50,746,828</u>    |
| Total liabilities and fund equity                          | <u>\$126,429,646</u>        | <u>\$119,579,562</u> |

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 1994 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1993)

|  | Governmental Fund Types |                      | Totals<br>(memorandum only) |
|--|-------------------------|----------------------|-----------------------------|
|  | General                 | Capital<br>Projects  | 1994                        |
| Revenues:  |                         |                      | 1993                        |
| Investment income  | \$ 348,199              |                      | \$ 580,013                  |
| Rental income (Note 7)   | 4,984,229               | \$ 219,814           | 3,209,954                   |
| Gate and fundraising income  | 580,948                 |                      | 580,948                     |
| Miscellaneous income   | 2,148                   | 21,609               | 23,757                      |
| Total revenues   | 5,915,524               | 241,423              | 6,156,947                   |
| Expenditures:  |                         |                      |                             |
| Debt service   | 5,629,714               |                      | 5,629,714                   |
| Capital expenditures   | 3,652                   | 7,542,763            | 7,546,415                   |
| Litigation, accounting and other professional fees   | 204,336                 | 253,737              | 458,073                     |
| Bond issuance  | 70,252                  | 33,700               | 103,952                     |
| Administration   | 113,053                 | 15,703               | 128,756                     |
| Reduction of accrued legal contingencies (Note 8)  |                         | ( 2,234,812)         | ( 3,859,964)                |
| Total expenditures   | 6,021,007               | 5,611,091            | 7,978,053                   |
| Deficiency of revenues under expenditures  | ( 105,483)              | ( 5,369,668)         | ( 3,468,001)                |
| Other financing sources (uses):  |                         |                      |                             |
| Refunding of bond anticipation note with general revenue bonds                               |                         | 100,000              | 85,000                      |
| Contributed general fixed asset  |                         |                      |                             |
| Transfers:   |                         |                      |                             |
| Operating  | 128,182                 | ( 128,182)           |                             |
| Providence Water Supply Board (Note 9)   |                         | 2,000,000            | 2,000,000                   |
| City of Providence General Fund  |                         | 75,000               | 75,000                      |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures | 128,182                 | 2,046,818            | 2,175,000                   |
| Fund balance (deficit), beginning of year  | 22,699                  | ( 3,322,850)         | ( 3,300,151)                |
| Fund balance (deficit), end of year  | - 4,225,350             | ( 3,075,315)         | - 4,533,036                 |
|  | <u>\$4,248,049</u>      | <u>(\$6,398,165)</u> | <u>\$ 1,150,035</u>         |

See notes to financial statements.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1994

1. Summary of significant accounting policies:

Business purpose and general information:

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

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

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

Basis of presentation:

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

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

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

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

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

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

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

Basis of accounting:

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

Investments:

Investments, which include money market mutual funds, U.S. Treasury Notes and Strips and bank investment contracts, are recorded at cost. Although cost does not always approximate market, the Authority's policy is to recognize only those losses that are permanent (see Note 2).

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

1. Summary of significant accounting policies (continued):

Property and equipment:

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Project acquisition promissory notes payable:

The Authority executed a total of \$8,096,100 of project acquisition promissory notes payable to the City for certain properties conveyed by the City to the Authority. The notes bear interest ranging from 6.75% to 10% and are due upon the expiration of the leases for the properties to which they relate. The related lease agreements require the City to make lease payments to the Authority equal to all principal and interest payments due under the notes. Therefore, principal and interest payable under the notes, along with related rental income and debt service expenditures, have not been recorded in the accompanying financial statements. Interest expense related to these notes totaled \$770,610 for the year ended June 30, 1994.

Comparative totals:

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

During 1994, the Authority identified certain assets, totaling \$16,847,000, which had not been capitalized in the general fixed asset account group in the prior year. Accordingly, the property and equipment, and investment in general fixed assets have been restated as of June 30, 1993 to capitalize these costs.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

1. Summary of significant accounting policies (continued):

Investment income:

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

Gate and fundraising income:

Gate and fundraising income relating to zoo admissions, less any permitted expense of the zoo, are recognized when earned.

2. Investments:

The Authority's investments consist of Federated Investors, Fidelity Institutional Cash Portfolio and Galaxy Government Funds (money market mutual funds), U.S. Treasury Notes and Strips, and bank investment contracts. The various bond documents restrict the types of investments the Authority is permitted to purchase. The Authority's investments at year end are classified into three categories based on the level of risk assumed by the Authority. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. At June 30, 1994, all of the Authority's investments are Category 1, as follows:

|                                | Carrying<br>amount | Market<br>value |
|--------------------------------|--------------------|-----------------|
| Bank investment contracts      | \$ 4,113,459       | \$ 4,113,459    |
| U.S. Treasury Notes and Strips | 2,955,160          | 2,901,066       |
| Money Market Mutual Funds      | 11,628,856         | 11,628,856      |
|                                | \$18,697,475       | \$18,643,381    |

3. Property and equipment:

|                            |              |
|----------------------------|--------------|
| Land                       | \$13,230,432 |
| Buildings and improvements | 40,317,996   |
| Construction in progress   | 3,591,128    |
|                            | \$57,139,556 |

The Authority has construction contract commitments for various projects totaling approximately \$4,700,000 as of June 30, 1994.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

4. General Revenue Bonds:

Series A and Series B:

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

The proceeds from Bond Issue Series A were used to refund certain bond anticipation notes issued to finance the Scituate Reservoir Project, to capitalize interest, to pay costs of issuance and to finance the debt service reserve fund. The 1990 Series B Bonds were issued to provide funds to effect the advance refunding of the 1988 Series A School Administration Building and School Buildings Project General Revenue Bonds. A payment of \$13,289,000, which represents the present value of the adjusted cash receipts from the 1988 Series A bonds, was placed in an escrow account for future debt service requirements.

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

| <u>Year ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 1995                        | \$ 660,000          | \$ 1,414,060        | \$ 2,074,060        |
| 1996                        | 705,000             | 1,371,734           | 2,076,734           |
| 1997                        | 750,000             | 1,325,702           | 2,075,702           |
| 1998                        | 805,000             | 1,275,540           | 2,080,540           |
| 1999                        | 865,000             | 1,220,832           | 2,085,832           |
| 2000                        | 915,000             | 1,161,635           | 2,076,635           |
| 2001                        | 980,000             | 1,097,663           | 2,077,663           |
| 2002                        | 1,050,000           | 1,028,117           | 2,078,117           |
| 2003                        | 1,125,000           | 952,517             | 2,077,517           |
| 2004                        | 1,205,000           | 870,365             | 2,075,365           |
| 2005                        | 1,300,000           | 780,463             | 2,080,463           |
| 2006                        | 1,395,000           | 682,769             | 2,077,769           |
| 2007                        | 1,515,000           | 577,281             | 2,092,281           |
| 2008                        | 1,610,000           | 464,000             | 2,074,000           |
| 2009                        | 1,735,000           | 342,744             | 2,077,744           |
| 2010                        | 1,860,000           | 212,425             | 2,072,425           |
| 2011                        | 2,000,000           | 72,500              | 2,072,500           |
|                             | <u>\$20,475,000</u> | <u>\$14,850,347</u> | <u>\$35,325,347</u> |

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

4. General Revenue Bonds (continued):

Series A and Series B (continued):

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

| <u>Year ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|-----------------------------|---------------------|--------------------|---------------------|
| 1995                        | \$ 425,000          | \$ 899,699         | \$ 1,324,699        |
| 1996                        | 450,000             | 872,568            | 1,322,568           |
| 1997                        | 480,000             | 843,144            | 1,323,144           |
| 1998                        | 510,000             | 811,210            | 1,321,210           |
| 1999                        | 540,000             | 776,815            | 1,316,815           |
| 2000                        | 585,000             | 739,397            | 1,324,397           |
| 2001                        | 625,000             | 698,550            | 1,323,550           |
| 2002                        | 670,000             | 654,185            | 1,324,185           |
| 2003                        | 715,000             | 606,045            | 1,321,045           |
| 2004                        | 770,000             | 553,685            | 1,323,685           |
| 2005                        | 825,000             | 496,444            | 1,321,444           |
| 2006                        | 890,000             | 434,275            | 1,324,275           |
| 2007                        | 940,000             | 367,937            | 1,307,937           |
| 2008                        | 1,030,000           | 296,525            | 1,326,525           |
| 2009                        | 1,105,000           | 219,131            | 1,324,131           |
| 2010                        | 1,190,000           | 135,938            | 1,325,938           |
| 2011                        | 1,280,000           | 46,400             | 1,326,400           |
|                             | <u>\$13,030,000</u> | <u>\$9,451,948</u> | <u>\$22,481,948</u> |

Series 1991:

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

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

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

4. General Revenue Bonds (continued):

Series 1991 (continued):

The annual principal and interest payments required to amortize the 1991 Series General Revenue Bonds are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|-----------------------------|---------------------|--------------------|---------------------|
| 1995                        | \$ 390,000          | \$ 912,990         | \$ 1,302,990        |
| 1996                        | 410,000             | 881,990            | 1,291,990           |
| 1997                        | 435,000             | 849,246            | 1,284,246           |
| 1998                        | 460,000             | 815,140            | 1,275,140           |
| 1999                        | 490,000             | 779,515            | 1,269,515           |
| 2000                        | 525,000             | 741,453            | 1,266,453           |
| 2001                        | 555,000             | 702,617            | 1,257,617           |
| 2002                        | 595,000             | 662,645            | 1,257,645           |
| 2003                        | 635,000             | 619,436            | 1,254,436           |
| 2004                        | 680,000             | 572,913            | 1,252,913           |
| 2005                        | 730,000             | 522,675            | 1,252,675           |
| 2006                        | 780,000             | 468,498            | 1,248,498           |
| 2007                        | 835,000             | 410,149            | 1,245,149           |
| 2008                        | 900,000             | 347,255            | 1,247,255           |
| 2009                        | 965,000             | 279,408            | 1,244,408           |
| 2010                        | 1,035,000           | 206,408            | 1,241,408           |
| 2011                        | 1,115,000           | 127,933            | 1,242,933           |
| 2012                        | <u>1,195,000</u>    | <u>43,618</u>      | <u>1,238,618</u>    |
|                             | <u>\$12,730,000</u> | <u>\$9,943,889</u> | <u>\$22,673,889</u> |

1992 Series A:

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

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

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

4. General Revenue Bonds (continued):

1992 Series A (continued):

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

| <u>Year ending June 30,</u> | <u>Principal</u>   | <u>Interest</u>  | <u>Total</u>       |
|-----------------------------|--------------------|------------------|--------------------|
| 1995                        | \$ 190,000         | \$198,000        | \$ 388,000         |
| 1996                        | 200,000            | 188,250          | 388,250            |
| 1997                        | 215,000            | 177,875          | 392,875            |
| 1998                        | <u>3,450,000</u>   | <u>86,250</u>    | <u>3,536,250</u>   |
|                             | <u>\$4,055,000</u> | <u>\$650,375</u> | <u>\$4,705,375</u> |

All the General Revenue Bonds are secured by a pledge of lease rentals to be received from the City pursuant to the lease agreements relating to projects financed by the Authority and leased to the City (see Note 7).

5. Bond Anticipation Notes:

1993, Series 2:

The \$6,760,000 Communities Facilities Projects Revenue Bond Anticipation Notes, 1993, Series 2, dated May 15, 1993 and due May 15, 1996, have an interest rate of 4.5%.

1994, Series 1:

The \$4,740,000 Scituate Reservoir II Project Revenue Bond Anticipation Notes, 1994, Series 1, dated March 17, 1994 and due March 16, 1995, have an interest rate of 3.6%. The proceeds from the notes, along with \$2,000,000 received from the Providence Water Supply Board (see Note 9), were used to pay the 1993 Series 1 Bond Anticipation Notes.

1994, Series 2:

The \$6,525,000 Feinstein School Project Revenue Bond Anticipation Notes, 1994, Series 2, dated June 28, 1994 and due June 27, 1995, have an interest rate of 4.5%.

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

6. Accrued expenditures:

Included in accrued expenditures is \$500,000 outstanding under a note payable, in the original amount of \$900,000, for the purchase of the Feinstein School Property. The note payable was paid in full on July 5, 1994, with no interest, in accordance with the terms of the note.

7. Leases:

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

School Administration Building and School Buildings Project:

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

Carousel Project:

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

Scituate Reservoir Project:

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

Municipal Facilities Project:

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

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

7. Leases (continued):

Scituate Reservoir II Project:

This project relates to the acquisition and maintenance of parcels of land surrounding the Scituate Reservoir. It was financed with proceeds from the issuance of \$6,710,000 in General Revenue Bond Anticipation Notes. The lease commenced on March 19, 1991 and terminates on September 15, 2021.

Veazie Street School Project:

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

Roger Williams Park Zoo "Plains of Africa Exhibit" Project:

This project involved considerable site work, dry and wet moat construction, artificial rock work construction, new landscaping, barrier construction and educational graphics. It was financed with the proceeds of \$4,150,000 in Bond Anticipation Notes and the \$4,235,000 1992 Series A Project Revenue Bonds (see Note 4). The lease commenced on July 31, 1991 and terminates on July 30, 2010.

Community Facilities Project:

These projects consist of the acquisition, construction, renovation and equipping of certain neighborhood centers and facilities. The lease commenced on May 15, 1993 and terminates on May 15, 2016.

Feinstein School Project:

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

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

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

7. Leases (continued):

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

Also, the obligation of the City to pay rents under the lease agreements is subject to and dependent upon appropriations being made by the City for such purposes. Such appropriations are dependent upon the City's budgetary process and are therefore dependent on the City's general financial resources and factors affecting those resources. Rental income from the City amounted to \$4,890,554 and \$3,209,954 for the years ended June 30, 1994 and 1993, respectively.

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

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

PROVIDENCE PUBLIC BUILDINGS AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF PROVIDENCE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1994

8. Accrued legal contingencies:

The Authority received an adverse decision dated May 23, 1991 by the Superior Court of the State of Rhode Island in an action brought by certain landowners against the Authority for damages sustained as a consequence of the Authority's condemnation of certain land surrounding the reservoir located in Scituate, Rhode Island. The judgment amounted to \$9,797,200 plus interest, of which \$2,637,500 of principal had been paid into an escrow account on January 4, 1991 and another \$2,637,500 of principal was deposited on May 23, 1991. The Authority filed an appeal of the decision with the Rhode Island Supreme Court. On July 14, 1992, the Supreme Court of the State of Rhode Island sustained the Authority's appeal, reversed and vacated the judgment previously entered and ordered a new hearing to determine the value of the land. The case was retried in the Superior Court, and the Superior Court entered a judgment in favor of the landowners on June 21, 1994, requiring the Authority to pay an additional \$586,828, which was paid into the escrow on August 10, 1994 with accrued statutory interest totaling \$9,646. This judgment resulted in a reduction of the accrued legal contingencies totaling \$2,234,812. The Authority appealed the judgment on July 1, 1994. Should the Authority be unsuccessful in its appeal, additional interest on the judgment entered June 21, 1994 may be due the landowners.

The Authority is a defendant in two lawsuits and is subject to an unasserted claim relating to personal injuries allegedly sustained at construction sites. The cases are in the preliminary stages and the Authority's legal counsel is presently not able to estimate the total amount of the claims. The ultimate outcome of these matters cannot be determined, consequently, no provision for any liability has been made in the accompanying financial statements.

The Authority is involved in other litigation and various legal matters which are being defended and handled in the ordinary course of business. Management does not expect these matters to result in outcomes having a material adverse effect on the Authority's financial position.

9. Transfer, Providence Water Supply Board:

During 1994, the Providence Water Supply Board transferred \$2,000,000 to the Authority to reduce debt service requirements related to the Scituate Reservoir II Project. This transfer was used by the Authority in conjunction with the 1994 Series I Bond Anticipation Notes proceeds to pay the 1993 Series I Bond Anticipation Notes (see Note 5).