

**McGladrey & Pullen**

Certified Public Accountants

**CITY OF PROVIDENCE, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY  
AND OTHER INFORMATION  
JUNE 30, 2006**



**CITY OF PROVIDENCE, RHODE ISLAND**

**FINANCIAL REPORT**

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**CITY OF PROVIDENCE, RHODE ISLAND**

**FINANCIAL REPORT**

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**Financial Section**



# McGladrey & Pullen

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

In accordance with "Government Auditing Standards," we have also issued our report dated November 3, 2006 on our consideration of the City of Providence, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
November 3, 2006

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

This Management's Discussion and Analysis of the City of Providence, Rhode Island's Basic Financial Statements provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006.

**Financial Highlights**

***Government-Wide Highlights***

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

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

***Fund Highlights***

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

***Long-Term Debt***

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

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

**Overview of the Financial Statements**

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

### ***Basic Financial Statements***

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

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

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

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

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

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

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

### ***Fund Financial Statements***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Other Supplementary Information

### *Combining Financial Statements and Schedules*

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

### Government-Wide Financial Analysis

#### *Net Assets*

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

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

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

|  | June 30, 2006              |                             |                   | June 30, 2005              |                             |                   |
|--|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|-------------------|
|  | Primary Government         |                             |                   | Primary Government         |                             |                   |
|  | Governmental<br>Activities | Business-type<br>Activities | Total             | Governmental<br>Activities | Business-type<br>Activities | Total             |
| Current and other assets                           | \$ 306,013                 | \$ 52,810                   | \$ 358,823        | \$ 272,127                 | \$ 50,826                   | \$ 322,953        |
| Capital assets                                     | 448,428                    | 176,465                     | 624,893           | 461,657                    | 172,223                     | 633,880           |
| <b>Total Assets</b>                                | <b>754,441</b>             | <b>229,275</b>              | <b>983,716</b>    | <b>733,784</b>             | <b>223,049</b>              | <b>956,833</b>    |
| Current liabilities                                | 100,460                    | 27,864                      | 128,324           | 146,594                    | 40,275                      | 186,869           |
| Long-term liabilities                              | 620,261                    | 18,958                      | 639,219           | 557,968                    | 19,925                      | 577,893           |
| <b>Total Liabilities</b>                           | <b>720,721</b>             | <b>46,822</b>               | <b>767,543</b>    | <b>704,562</b>             | <b>60,200</b>               | <b>764,762</b>    |
| Net assets:  |                            |                             |                   |                            |                             |                   |
| Invested in capital assets,<br>net of related debt | 22,435                     | 157,507                     | 179,942           | 34,042                     | 147,543                     | 181,585           |
| Restricted   | -                          | 17,515                      | 17,515            | -                          | 16,193                      | 16,193            |
| Unrestricted                                       | 11,285                     | 7,431                       | 18,716            | (4,820)                    | (888)                       | (5,708)           |
| <b>Total Net Assets</b>                            | <b>\$ 33,720</b>           | <b>\$ 182,453</b>           | <b>\$ 216,173</b> | <b>\$ 29,222</b>           | <b>\$ 162,848</b>           | <b>\$ 192,070</b> |

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

### *Changes in Net Assets*

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

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

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

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

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

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

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

### ***Governmental Funds***

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

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

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

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

*Capital Projects Fund-Fund Balance* – The capital projects fund accounts for resources to be used for the acquisition or construction of capital assets for housing and community improvement activities in the City, other than those financed by proprietary funds. The fiscal year 2006 capital projects fund balance is \$23.5 million. The \$1.4 million decrease from fiscal year 2005 is attributable to the timing of borrowing and spending of the note proceeds.

### **Proprietary Funds**

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

As discussed in the business-type activities above, the City's proprietary net assets increased by \$19.6 million as a result of operations in the individual enterprise funds and the sale of the Civic Center on December 4, 2005. The Water Supply Board showed an increase in net assets of \$10.9

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

### General Fund Budgetary Highlights

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

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

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

### Capital Asset and Debt Administration

#### Capital Assets (Note 5 to the Basic Financial Statements)

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

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

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

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

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

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

The City's total outstanding notes and bonds decreased by \$16.7 million during the current fiscal year.

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

The City of Providence maintains the following ratings from Wall Street's credit agencies for general obligation debt: an Aa3 rating from Moody's Investors Service, and an AA rating from Standard and Poor and Fitch.

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

### **Request for Information**

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

## **Basic Financial Statements**



**CITY OF PROVIDENCE, RHODE ISLAND**

**STATEMENT OF NET ASSETS**

**June 30, 2006 (in thousands)**

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

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

\* After internal receivables and payables have been eliminated.

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF ACTIVITIES

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

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

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

CITY OF PROVIDENCE, RHODE ISLAND

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006 (in thousands)

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2006 (in thousands)**

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

|   |    |              |
|---|----|--------------|
| Net change in fund balances – total governmental funds  | \$ | 39,005       |
| Amounts reported for governmental activities in the statement of activities are different because:  |    |              |
| Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.  |    | (312)        |
| The net effect of various sale transactions involving capital assets is to decrease net assets. In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.  |    | (12,917)     |
| Net expense of certain activities of internal service funds is reported with governmental activities.   |    | (3,482)      |
| Revenues recognized in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |    | (21,755)     |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. |    | 9,239        |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.   |    | (5,280)      |
| Change in net assets of governmental activities   | \$ | <u>4,498</u> |

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**June 30, 2006 (in thousands)**

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

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

CITY OF PROVIDENCE, RHODE ISLAND

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

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

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

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

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

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

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

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued  
 For the Year Ended June 30, 2006 (in thousands)

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**June 30, 2006 (in thousands)**

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

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

CITY OF PROVIDENCE, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
 For the Year Ended June 30, 2006 (in thousands)

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

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

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

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 (in thousands)**

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

##### **Reporting entity**

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

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

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

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

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

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

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

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

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

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

**June 30, 2006 (in thousands)**

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

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

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

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

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

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting, however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (matured).

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

**Interfund Receivables and Payables**

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

**Pension plan accounting**

*Employee Retirement Plan:*

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

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

*Governmental Funds:*

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

*Funding Policy:*

The City makes contributions at the discretion of management.

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

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

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#### **Accounting estimates**

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

#### **Property taxes**

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

#### **Cash equivalents**

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

#### **Investments**

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

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

Proprietary fund inventory is stated at the lower of weighted average cost or market using the first-in, first-out method. Inventory consists primarily of materials and supplies. Inventory is not maintained in governmental funds, but is recorded as an expenditure at the time of purchase. Inventory on hand at year-end is not material.

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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**Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as all computer equipment and assets with an initial, individual cost of more than a range of \$25,000 to \$100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

| <b>Assets</b>                | <b>Years</b> |
|------------------------------|--------------|
| Buildings                    | 45           |
| Building improvements        | 20           |
| Public domain infrastructure | 45           |
| System infrastructure        | 30           |
| Vehicles                     | 6            |
| Office equipment             | 7            |
| Computer equipment           | 5            |
| Machinery and equipment      | 15           |

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

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

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

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

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

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

#### **Self-insurance**

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

#### **Allowance for collection losses**

The allowance for possible loan losses is maintained at a level believed adequate by management to absorb potential losses for outstanding loans. Management’s determination of the adequacy of the allowance is based on an evaluation of the portfolio, past loan loss experience and current economic conditions.

All trade and property tax receivables for governmental and proprietary funds are reported net of an allowance for uncollectibles, totaling \$30,000 and \$2,173, respectively. The majority of amounts relate to property taxes and water usage. Amounts determined to be uncollectible are based on the type and age of the related receivable and the ability of the debtor to pay.

#### **Compensated absences**

Under the terms of various contracts and policies, employees are granted vacation and sick leave based on length of service. The City’s policy is to recognize the cost of vacation and sick leave in governmental funds when paid (matured). The liability for vacation and sick leave is recognized when earned in the government-wide and proprietary fund financial statements.

#### **Long-term obligations**

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

## CITY OF PROVIDENCE, RHODE ISLAND

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

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

#### **Fund equity and net assets**

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

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

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

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

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(470,627) difference is as follows:

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(312) difference are as follows:

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$9,239 difference are as follows:

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$5,280 difference are as follows:

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

Deposits:

The City's custodial credit risk policy is in accordance with RI General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators will insure or pledge eligible collateral equal to 100% of deposits, regardless of maturities.

Investments:

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2006 \$218,210 of the entity's bank balance of \$241,855 was uninsured and uncollateralized. (Amounts do not include PPBA, as such amounts cannot be separated.)

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a custodial credit risk policy.

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

|   |                   |
|---|-------------------|
| <b>Cash and Cash Equivalents</b>          |                   |
| Deposits with financial institutions      | \$ 223,928        |
| PPBA deposits with financial institutions | 6,887             |
|   | <u>230,815</u>    |
| <b>Investments</b>                        |                   |
| Special Revenue Funds                     |                   |
| Equity Mutual Funds                       | 16,111            |
| Municipal Bonds                           | 6,850 *           |
|   | <u>22,961</u>     |
| Private Purpose Trust Funds               |                   |
| Equity Mutual Funds                       | 960               |
|   | <u>960</u>        |
| PPBA Investments                          |                   |
| Guaranteed Investment Contracts           | 13,866            |
| U.S. Government Securities                | 2,360             |
| U.S. Government Agencies                  | 2,164             |
|   | <u>18,390</u>     |
| Water Supply Board                        |                   |
| Equity Mutual Funds                       | 1,476             |
|   | <u>1,476</u>      |
| Pension Trust Funds                       |                   |
| U.S. Government Securities                | 3,879 *           |
| Corporate and foreign bonds               | 15,374 *          |
| Common and Preferred Stocks               | 250,856 *         |
| Equity Mutual Funds                       | 12,626            |
|   | <u>282,735</u>    |
| <b>Total investments</b>                  | <u>326,522</u>    |
| <b>Total cash and investments</b>         | <u>\$ 557,337</u> |

\* These investments are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, in the City's name.

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

| Type of Investment                   | Fair Value              | Investment Maturities (in Years) |                         |                        |                         |
|--------------------------------------|-------------------------|----------------------------------|-------------------------|------------------------|-------------------------|
|                                      |                         | Less Than 1 Year                 | 1-5 Years               | 6-10 Years             | Over 10 Years           |
| U.S. Government Securities           | \$ 3,879                | \$ -                             | \$ 982                  | \$ 2,897               | \$ -                    |
| Corporate and Foreign Bonds          | 15,374                  | 1,325                            | 9,834                   | 2,566                  | 1,649                   |
| Municipal Bonds                      | 6,850                   | -                                | -                       | -                      | 6,850                   |
| PPBA-Guaranteed Investment Contracts | 13,866                  | 1,791                            | 3,378                   | -                      | 8,697                   |
| PPBA-U.S. Government Securities      | 2,360                   | 2,360                            | -                       | -                      | -                       |
| PPBA-U.S. Government Agencies        | 2,164                   | 1,798                            | 366                     | -                      | -                       |
| <b>TOTAL</b>                         | <u><u>\$ 44,493</u></u> | <u><u>\$ 7,274</u></u>           | <u><u>\$ 14,560</u></u> | <u><u>\$ 5,463</u></u> | <u><u>\$ 17,196</u></u> |

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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**Note 4. Interfund Receivables, Payables and Transfers**

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

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

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

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**Note 5. Capital Assets**

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

Business-type activities:

|                                     |                  |
|-------------------------------------|------------------|
| Depreciation expense - Water Board  | \$ 9,891         |
| Depreciation expense - Civic Center | 127              |
|                                     | <u>\$ 10,018</u> |

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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**Note 6. Deferred Revenue/Unearned Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not available to liquidate liabilities of the current period. Governmental funds and governmental activities report unearned revenue in connection with resources that have been received, but not yet earned. At year-end, the various components of unearned revenue and deferred revenue reported in governmental funds and governmental activities were as follows:

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**Note 7. Long-Term Obligations**

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

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

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 (in thousands)**

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**Bonds Payable**

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

**Capital Notes**

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 (in thousands)**

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 (in thousands)**

**Notes Payable**

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

**PPBA Eliminations**

The Providence Public Building Authority (PPBA) issues long-term bonds for the acquisition and construction of capital assets. Upon acquisition or completion, these capital assets are leased to the City. Because the PPBA is included as a blended component unit in the accompanying statements, the capital assets and related debt are reported as part of the governmental activities and business-type activities columns in the government-wide statements as presented below. The respective amounts in the PPBA statements have been eliminated in the business-type activities column in order to properly reflect the debt and assets. The annual requirements to amortize the debt payable at June 30, 2006 are as follows:

| Year Ending<br>June 30: | City              |                  | Water Supply Board |               | Total             |                  |
|-------------------------|-------------------|------------------|--------------------|---------------|-------------------|------------------|
|                         | Principal         | Interest         | Principal          | Interest      | Principal         | Interest         |
| 2007                    | \$ 11,256         | \$ 8,087         | \$ 567             | \$ 158        | \$ 11,823         | \$ 8,245         |
| 2008                    | 12,558            | 7,621            | 560                | 131           | 13,118            | 7,752            |
| 2009                    | 11,880            | 7,110            | 589                | 102           | 12,469            | 7,212            |
| 2010                    | 12,147            | 6,391            | 618                | 71            | 12,765            | 6,462            |
| 2011                    | 12,689            | 5,804            | 612                | 39            | 13,301            | 5,843            |
| 2012-2016               | 52,599            | 21,165           | 416                | 11            | 53,015            | 21,176           |
| 2017-2021               | 46,865            | 8,363            | -                  | -             | 46,865            | 8,363            |
| 2022-2026               | 13,480            | 893              | -                  | -             | 13,480            | 893              |
|                         | <u>\$ 173,474</u> | <u>\$ 65,434</u> | <u>\$ 3,362</u>    | <u>\$ 512</u> | <u>\$ 176,836</u> | <u>\$ 65,946</u> |

The City and the Water Supply Board entered into lease agreements with the PPBA relating to various capital projects. In connection with these lease agreements, the PPBA issued revenue bonds that will be repaid by the Water Board with the \$0.01 per hundred gallons Water Quality Protection Charge. The City repays the PPBA as lease payments from general revenues. The PPBA debt to be repaid by the proprietary funds have been shown as debt in those funds' financial statements. PPBA debt to be repaid by the City is presented as debt of the governmental activities in the government-wide statement of net assets.

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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**Debt limit**

Except as explained below, under Rhode Island law, the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. The current outstanding debt of the City subject to the 3% debt limit is \$23.4 million and the current 3% debt limit of the City is \$210.7 million based on taxable property as of December 31, 2005, of approximately \$7.0 billion, leaving a remaining borrowing capacity of approximately \$187.3 million.

The State of Rhode Island General Assembly (General Assembly) may, by special act permit the City to incur indebtedness outside the 3% debt limit. Bonds issued either within the 3% debt limit or by special legislation adopted by the General Assembly authorizing the City to incur debt are subject to referendum by the electors of the City. On June 30, 2006, the total outstanding debt of the City issued outside the 3% debt limit was \$95.7 million, excluding water bonds and sewer bonds that are deemed self-supporting.

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

**Bond Anticipation Notes**

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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**In-Substance Defeasance - Prior Years**

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

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

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

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

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

**Note 8. Lease Commitments**

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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*Sale-Leaseback*

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

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

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

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

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

**Note 10. Fund Equity**

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

|                               |                     |
|-------------------------------|---------------------|
| Non-Major Governmental Funds: |                     |
| Reserved for loans            | <u>\$    10,885</u> |

The City has also designated \$433 in the general fund and \$11,146 in the non-major Governmental Funds. This amount will be appropriated in the fiscal 2006 budget.

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

**Note 11. Employee Retirement Systems**

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

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

• *Plan Description and Contribution Information*

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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Additional information as of the latest actuarial valuation follows:

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

**Plan Description**

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

**Contributions**

Class A members and police officers are required to contribute 8% of their salary to the Plan. Class B members, other than police officers, are required to contribute 9 ½% of their salary to the Plan. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City shall contribute from time to time amounts sufficient with the contributions of elected officials to provide the special pensions granted to them. The City's contributions to the ERS for the years ended June 30, 2006, 2005 and 2004 were \$49,510, \$45,455 and \$39,765, respectively.

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

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

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

- *Plan Description*

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

- *Funding Policy*

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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(c) ***Other City Pension Costs***

The City is required to make contributions to the National Pension Plan of the Laborers' International Union of North America, a multi-employer plan. The pension cost charged to the general fund for these purposes amounted to \$1.2 million for the year ended June 30, 2006.

**Note 12. Postemployment Benefits**

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

**Note 13. Contingencies**

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

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

**Note 14. Related Party Transactions**

The City leases certain properties from the PPBA. The estimated future minimum lease payments required under these agreements coincide with the principal and interest payments on bonds issued by the PPBA. The leases terminate between 2010 and 2012. The City, in turn, subleases a portion of this property to the School Department. At the expiration of the leases, the City, at its option, can purchase the properties for a nominal amount (see Notes 5 and 7).

**Note 15. Risk Management**

The City is self-insured in most areas of risk, subject to certain third-party "stop loss" coinsurance of \$225 per claim for health insurance. Self-insured risks include general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims. The City does, however, purchase commercial insurance for all buildings leased from the PPBA. The City's Counsel defends the City in any lawsuits that arise from the

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

The City is required to record liabilities for self-insured claims if it is probable that a loss has been incurred and the amount can be reasonable estimated. The City has established a liability based on historical trends of previous years, where available, and attorney's estimates of pending matters and lawsuits in which the City is involved.

Changes in the risk management liability for the fiscal years ended June 30, 2006 and June 30, 2005 are below. Legal claims and incurred but not reported claims for health benefits are recorded in the City's internal service fund. Accrued workers' compensation claims are recorded on the entity-wide statements. This schedule presents the activity for all self-insured risks.

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

**Note 16. Subsequent Events**

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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**Note 17. Special Item**

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

**Note 18. Pronouncements Issued, Not Yet Effective**

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

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**



**General Fund**



**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

(Continued)

**CITY OF PROVIDENCE, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**BUDGET AND ACTUAL, Continued**

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

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

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

(Continued)

CITY OF PROVIDENCE, RHODE ISLAND

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

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

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**School Fund**



**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

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

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

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

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

The General and School funds are the only governmental funds that have legally adopted annual budgets. The "actual amounts" presented in the accompanying schedules are presented on a budgetary basis.

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

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

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

**CITY OR PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information - Pension Schedules  
June 30, 2006**

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

Additional information as of the latest actuarial valuation follows:

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

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

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

**SCHEDULE OF CONTRIBUTIONS FROM THE CITY**

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

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## **Nonmajor Governmental Funds**



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**CITY OF PROVIDENCE, RHODE ISLAND**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2006 (in thousands)**

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

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

**CITY OF PROVIDENCE, RHODE ISLAND**

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

**NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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**School Grants Fund**



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**CITY OF PROVIDENCE, RHODE ISLAND**

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

**June 30, 2006 (in thousands)**

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

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

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

|               |                 |                 |                 |                  |
|---------------|-----------------|-----------------|-----------------|------------------|
| 50            | 4,398           | 984             | -               | 7,121            |
| <u>\$ 458</u> | <u>\$ 6,774</u> | <u>\$ 1,163</u> | <u>\$ 1,351</u> | <u>\$ 26,631</u> |

**CITY OF PROVIDENCE, RHODE ISLAND**

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

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

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

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

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**Agency Fund**



**CITY OF PROVIDENCE, RHODE ISLAND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**AGENCY FUND**

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

---

|                    | Balance<br>July 1,<br>2005 | Additions  | Deletions | Balance<br>June 30,<br>2006 |
|--------------------|----------------------------|------------|-----------|-----------------------------|
| <b>AGENCY FUND</b> |                            |            |           |                             |
| <b>Assets</b>      | \$ 2,211                   | \$ 311,843 | \$313,176 | \$ 878                      |
| <b>Liabilities</b> | \$ 2,211                   | \$ 315,741 | \$317,074 | \$ 878                      |

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## **Capital Assets Schedules**



**CITY OF PROVIDENCE, RHODE ISLAND**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**June 30, 2006 (in thousands)**

---

Governmental funds capital assets, net of related  
accumulated depreciation

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

Investments in governmental funds capital assets:

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

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