



**City of Providence, Rhode Island
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008**



**Finance Department
25 Dorrance Street
Providence, Rhode Island 02903**



CITY OF PROVIDENCE, RHODE ISLAND
 Year Ended June 30, 2008
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CITY OF PROVIDENCE

INTRODUCTORY SECTION

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-



Finance Department, City Controller
"Building Pride in Providence"

December 31, 2008

City Council
Providence, Rhode Island

State law requires that all general-purpose local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

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

Braver PC, Accountants and Advisors, have issued an unqualified ("clean") opinion on the City of Providence, Rhode Island's financial statements for the year ended June 30, 2008. A copy of their independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Providence was incorporated in 1832, is located at the head of Narragansett Bay on the Providence River and is the major population, industrial, and commercial center of Rhode Island. The City is the center of State government. Providence occupies a total land area of 18.1 square miles and an additional 1.9 square miles of water. The City is ranked first in population among the thirty-nine cities and towns in Rhode Island.

The City utilizes a Mayor – Council form of government. A Home Rule Charter was adopted in 1980 and became fully effective on January 3, 1983. The City provides a full range of services including: General Government, Community Development, Administration Services, Public Safety, Sanitation, Planning and Development, Workforce Development, Recreation, Parks, and Education.

The City adopts an annual budget for the General Fund, including the School Department. The legal level of control is by department.

FACTORS AFFECTING FINANCIAL CONDITION

According to employment data furnished in 2003 by the Rhode Island Department of Labor and Training, manufacturing industries employed 8.13% of the workforce with the jewelry industry being the largest single employer group. Service employment has continued to exceed manufacturing, currently employing 61.49% of the workforce. Several industrial parks, built as part of major urban renewal projects, are

located in Providence. The Port of Providence, with its neighboring City of East Providence, has over 10 miles of commercial waterfront with 25 wharves and docks for medium and deep draft vessels. The channel has been deepened 40 feet to accommodate larger vessels. Rail service and transit sheds are accessible to ships docking in the Port. Cargo entering and leaving the Port of Providence principally includes gasoline, fuel and diesel oil, cement and lumber.

The population of the City of Providence has modestly increased between 1990 and 2000 from 160,728 to 173,618. The demographic profile of the City has changed considerable. Caucasians, African Americans, Hispanics, Asians and Native Americans represent approximately 54.5%, 14.5%, 30%, 6% and 1% of the population, respectively.

MAJOR INITIATIVES

To provide comprehensive, long-term opportunities for Providence's diverse population, the City has in recent years, embarked in a program to focus the City's assets – institutions of higher education, financial and corporate district, its cultural resources, and nonprofit housing and community institutions, on a unified set of goals. In the past decade, more than \$2 billion of new public and private investments have been completed or are underway in the City.

The City has succeeded in leveraging nearly \$100 million to improve its housing stock through new construction and related programs. With an emphasis on home ownership and owner occupancy, this program is the first of its kind to incorporate the City's resources with those of the Rhode Island Housing and Mortgage Finance Corporation and the State's leading banks. In collaboration with the State of Rhode Island, the development of the PNHC will also become the blueprint for identifying resources to expand and improve employment opportunities, health care, social services, crime prevention, recreation, and neighborhood revitalization programs.

Economic Development

Over the past few years, the City of Providence has pursued an economic development strategy designed to foster growth and stability in both the downtown and its neighborhoods. The objective of this strategy is to:

- 1) Support the transit of the economy from one dependent, primarily on manufacturing, to a diversified economic base with major service oriented employment;
- 2) Retain viable industry through the development of new industrial sites while promoting the establishment of new companies that have long-term potential for expansion;
- 3) Revitalize the Port of Providence district's maritime and industrial activities;
- 4) Broaden and enhance the residential tax base by planning and implementing revitalization projects and programs in the City's neighborhoods; and
- 5) Create a coherent development strategy for the downtown core, which provides a focus for public investment and private capital.

Redevelopment Initiatives

Under contract with the City, Sasaki Associates Inc. completed a redevelopment plan for more than 200 acres of industrial land along the Providence River, also known as Narragansett Landing, in 2003. The plan builds on a previous plan that Sasaki completed in 2000 that envisioned a conversion of the area to a mixed residential and commercial district. Through the *Providence Tomorrow* planning process, the City continues to plan work for this waterfront area.

Another redevelopment district is Promenade, which encompasses land adjacent to the Woonasquatucket River between downtown and Olneyville; this area has seen a considerable amount of private development over the past three years. A high-end, \$57 million, 325 residential apartment complex has been completed by the Texas based JPI company on land west of the Providence Place Mall. Feldco, Inc. has constructed the Eagle Square shopping center, a \$20 million project, at the corner of Atwells Avenue and Valley Street. The project was completed in 2004. Farther west, the Armory Revival Company and Struever Brothers of Baltimore are currently investing \$45 million to renovate a historic mill complex on Valley Street into office space and apartments (to be offered at market and affordable rates). The American Locomotive Works, another Struever Brothers project, a \$333 million, multi-phase mixed use project is currently under construction.

Commercial Expansion

Providence's employment base has experienced long-term shifts to high-grade employment in the service sector that are evidence by the proliferation of newly constructed office and institutional buildings. Prior to 1983, there was approximately 3,760,000 square feet of office space in the City of Providence, in all categories. Currently, office space has increased to approximately 8,000,000 square feet. Substantial increases in Providence's office market are due to the completion of commercial buildings, such as, the Fleet Center, One Providence Washington Plaza, One La Salle Square, Gateway Center (home of the Shareholder Services Division of First Data Corporation), and the Citizens Bank Building. Recent studies indicate an approximate average office vacancy rate of 11%. However, the vacancy rate varies drastically for the categories A-, B-, and C- class space. Vacancy rates for these classes are 5.0%, 10.0%, and 20.0%, respectively. Office development activity in downtown Providence has been reinforced by the completion of GTECH's new 10-story corporate headquarters last year. With its close proximity to Boston, Providence expects to benefit from the tighter markets to the north for viable opportunities for growth.

The \$15 million mixed-use project at 333 Atwells Avenue recently completed enhanced commercial expansion by developing retail space on the ground floor and condominiums on upper floors. Blue Cross/Blue Shield of RI is currently constructing a new 13-story building containing 325,000 square feet of office space. The project is estimated to cost \$114 million and completion is anticipated in 2009. \$25 million Capital Cove project is underway and completion is anticipated in 2009. It will construct 260 apartments, 360 parking spaces, and 18,000 square feet of retail space. The Marriot Residence Hotel, a \$77 million project, was completed in 2007. The Waterplace Condominiums, consisting of 193 units, and Westin Hotel and Residences were completed in 2007. The \$21 million Hampton Inn project is expected to be completed in late 2008. Also, the Dynamo House, a \$150 million project, is underway. It will construct approximately 320,000 square feet of hotel, museum and commercial space.

Institutional Expansion

Current and recently completed institutional expansion also represents a considerable investment in Providence. Collectively, since 1990 construction spending by the City's educational and healthcare institutions on completed projects, as well as, projects planned in the near future, exceeds \$200 million.

Public Investment

The City has supported private investments in downtown Providence with major public capital investments. This support has resulted in new and rehabilitated office buildings and hotels; arts and entertainment facilities; and new specialty retail centers and restaurants. Major public sector projects presently consist of the Capital Center, the Convention Center, infrastructure improvements in the Promenade and Old Harbor Sectors of the City; and ongoing capital improvements to the City's public

infrastructure, schools, public housing, port facilities, and roadways. Additionally, the following significant projects were completed in the past fifteen years:

- Kennedy Plaza, a Federal and City investment of \$7 million to refurbish roadway, public transit, and pedestrian facilities in the core of the Central Business District; it should also be noted that Kennedy Plaza, which serves as a focal point outside of Providence City Hall, was subject of a \$17 million renovation and reconfiguration project sponsored by the Federal Transit Authority (FTA) through the Rhode Island Transportation Authority (RIPTA) in 2000.
- The Silver Spring Industrial Park, a \$4 million, 30-acre industrial site consisting of 16 development parcels
- A \$6.1 million loan to the Providence Performing Arts Center (PPAC) for expansion of its stage house, which was completed in 1995
- The Fleet Skating center in the former Francis Street bus loop opened in November 1998; the outdoor skating rink is open to the public on an hourly fee basis; this facility is convertible for outdoor entertainment use during the summer months, currently it is being used as a Farmer’s Market one day a week.
- RIPTA redesigned and improved its transit facilities in the spring of 2002 completing redevelopment of Kennedy Plaza
- The Rhode Island Department of Transportation (RIDOT) committed \$3.2 million to improve traffic circulation in the downtown area; the project’s first phase was reconfiguration of Washington street from a one-way to a two-way traffic pattern with state-of-the-art traffic signals and emergency overrides for fire vehicles in 2003; other improvements include the reconfiguration of Empire and Weybosset Streets.
- A \$65 million renovation of the Dunkin Donuts Center, completed in 2008
- RIDOT is committed to improve traffic improvement with the relocation of Interstate – 195. This \$525 million project will make 40 acres of developable land available.
- \$5 million was invested in the construction of New Riverside Park.
- More than \$10 million was invested in the Roger Williams Zoo for the Botanical Center and Elephant Exhibit.

Debt Administration

Outstanding governmental and business-type activity bonds at June 30, 2008 totaled \$597,329. Note 7 of this report presents more detailed information about the City’s debt position. The City has the following bond ratings:

Moody’s Investor Services	A3
Standard and Poors	A
Fitch	A

Cash Management

Cash temporarily available during the year was invested for periods ranging from 30 to 181 days to maturity in accordance with Rhode Island General Laws, Chapter 35-10.1. Trust funds are also authorized to invest in corporate bonds, securities and other commercial paper. Three factors affecting investment income include: (1) interest rates, (2) available cash balances, and (3) cash flow management.

Risk Management

The City of Providence has a comprehensive program for managing all areas of risk, including health and life insurance for active and retired employees, worker's compensation, heart and hypertension, property and casualty, general liability, professional liability, and other exposures including theft, performance, and surety.

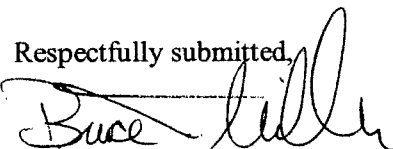
The activities of the risk management program are accounted for in an internal service fund. This fund operates on a full accrual basis with self-retention levels. Each year, total risk management costs are charged as an insurance premium to departments based on formulas applying elements of exposure and loss history.

Long-Term Financial Planning

As part of the annual budget process, the Finance and Planning Department present a five-year capital improvement plan. This plan identifies costs and financing methods for those capital projects the City expects to fund over the next five years. The 2009 – 2013 fiscal year capital project plan projects needs through fiscal 2013. The plan provides for the needs of the general government and addresses issues, such as, infrastructure, major equipment replacement, school facilities, public safety, recreation and public lands and parks. The estimated cost of the capital improvement plan is \$180,000,000.00.

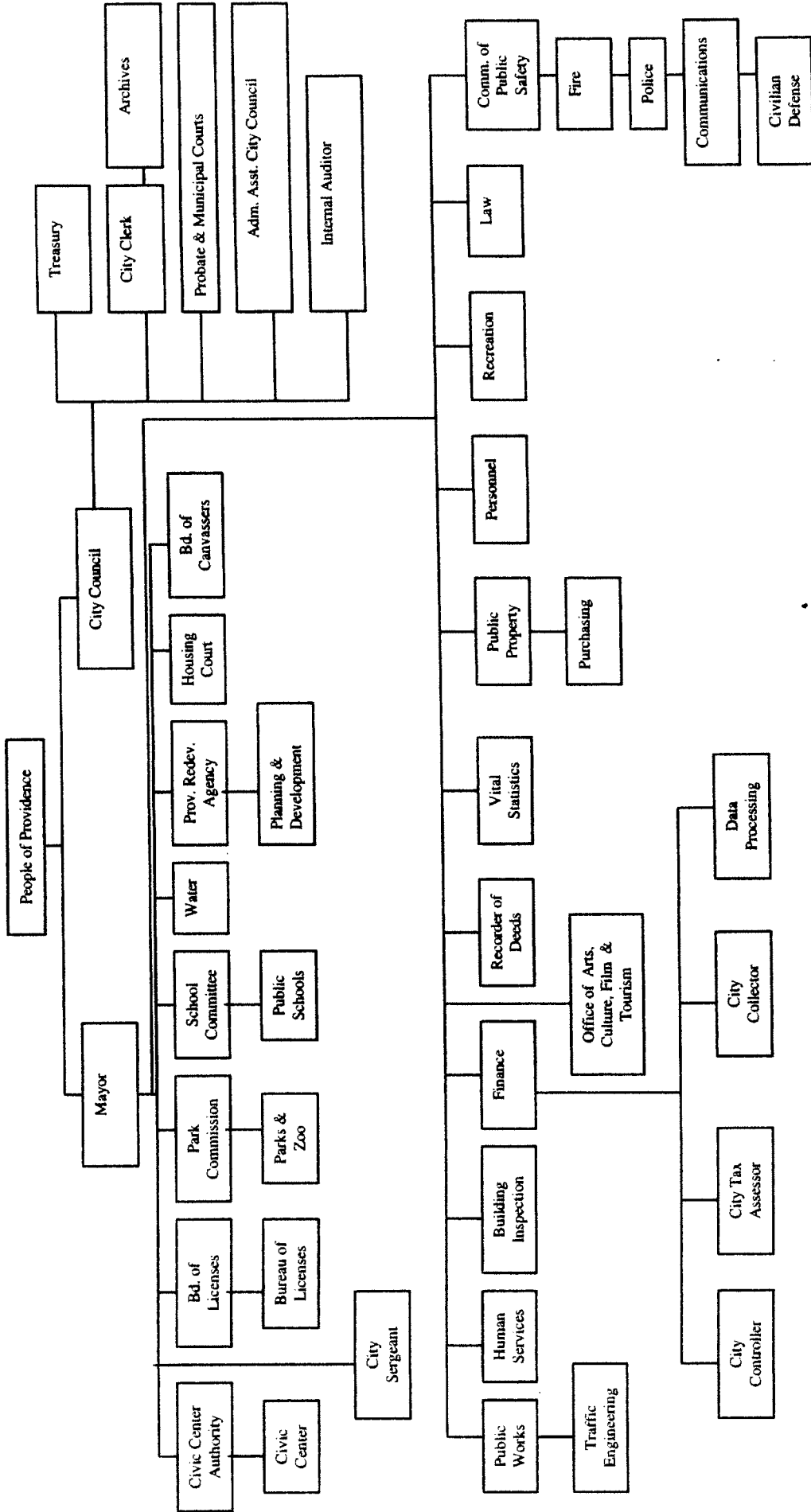
ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the dedication and hard work of the entire staff of the Finance Department. I would like to express my appreciation and gratitude to all members of the Department who assisted and contributed to its preparation. I also appreciate the assistance and dedication of Malloy, Lynch, Bienvenue, LLP and the audit team of Braver, PC. Finally, I would like to thank the Mayor and the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


Bruce T. Miller,
Director of Finance

ORGANIZATIONAL CHART



**CITY OFFICIALS
AS OF JULY 1, 2008**

MAYOR..... DAVID N. CICILLINE

City Council:

Ward 1.....	Seth Yurdin
Ward 2.....	Cliff Wood
Ward 3.....	Kevin Jackson
Ward 4.....	Nicholas J. Narducci, Jr.
Ward 5.....	Michael A. Solomon
Ward 6.....	Joseph DeLuca
Ward 7.....	John J. Iglizzi
Ward 8.....	Leon F. Tejada
Ward 9.....	Miguel Luna
Ward 10.....	Luis A. Aponte
Ward 11.....	Balbina A. Young
Ward 12.....	Terrence Hassett
Ward 13.....	John J. Lombardi
Ward 14.....	Peter S. Mancini
Ward 15.....	Josephine DiRuzzo

Chief of Staff.....	Deborah Brayton
Director of Administration.....	Rich Kerbel
Senior Advisor.....	Leo Perrotta
Internal Auditor.....	James Lombardi
Chief of Fire Department.....	George Farrell
Chief of Operations.....	Alix Ogden
Chief of Police Department.....	Dean Esserman
Chief of Protocol.....	Paul Brooks
City Clerk.....	Anna Stetson
City Solicitor.....	Joseph Fernandez
Controller, Acting.....	John Cimino
Deputy Chief of Staff.....	Rita Murphy
Director of Communications.....	Rhoades Alderson
Director of Community Relations.....	Ani Haroian
Director of Department of Arts, Culture, and Tourism.....	Lynne McCormack
Director of Emergency Management Agency.....	Peter Gaynor
Director of Finance.....	Bruce T. Miller
Director of Human Relations Commission.....	Melba Depena
Director of Personnel.....	Sybil Bailey
Director of Information Technology.....	Charles Hewitt
Director of Inspections and Standards, Acting.....	Francisco Ramirez
Director of Communication and Public Information.....	Gonzalo Cuervo
Director of Mayoral Advance.....	Rogelio Suchite
Director of Mayor's Office of Neighborhood Services.....	Pleshette Mitchell
Director of Planning and Development.....	Thomas Deller
Director of Policy.....	Matthew Stark
Director of Prov Stat.....	Pamela Cardillo
Director of Providence Community Action Project.....	Frank Corbishley
Deputy Director of Public Property.....	Alan Sepe
Director of Public Works.....	John Nicholson
Director of Recreation.....	Frank Santos, Jr.
Pension Administrator.....	Octavio Cunha
Assistant Director of Support Services.....	Sue Robbio
Director of Telecommunications.....	William Trinqu
Chief Engineer/GM of Water Supply.....	Pamela Marchand
Director of Workforce Solutions.....	Robert L. Ricci
Revenue Agent and Recorder of Deeds, Acting.....	John A. Murphy
Registrar of Vital Statistics.....	Ernesto Figueroa
Superintendent of Parks.....	Robert McMahon
Superintendent of Schools.....	Thomas Brady
Tax Assessor.....	John Gelati
Traffic Engineer.....	Bernard Lebby

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Providence
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Ertler

Executive Director

CITY OF PROVIDENCE

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT
 - MANAGEMENT'S DISCUSSION AND ANALYSIS
 - BASIC FINACIAL STATEMENTS
 - SUPPLEMENTARY INFORMATION
-

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
Of the City Council
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, 2008, 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 of Providence, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 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, 2008, 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.

Boston

Newton

Providence

The Management's Discussion and Analysis, schedule of funding progress, and budgetary comparison information on Pages 3 through 11 and 58 through 65 are not a required part of the basic financial statements but are 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 a report dated December 31, 2008 on our consideration of the City of Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Providence, Rhode Island's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund financial statements, capital asset schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund financial statements, capital asset schedules and other schedules 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 and budgetary comparison schedules taken as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Braver, PC
Providence, Rhode Island
December 31, 2008

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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, 2008.

Financial Highlights – Primary Government

Government – Wide Highlights

Net Assets – The assets of the City's governmental activities exceeded its liabilities for the fiscal year ending June 30, 2008 by \$51.2 million (presented as "total net assets"). Of this amount, a deficit of \$29.1 million was reported as "unrestricted." The net investment in capital assets was \$80.3 million. The assets of the City's business-type activities exceed its liabilities by \$206.7million. Of this amount, \$143.5 million represents the City's net investment in capital assets.

Change in Net Assets – The City's total net assets increased by \$12.9 million in fiscal year 2008. Net Assets of governmental activities decreased by \$.9 million, while net assets of business-type activities increased by \$13.8 million.

Fund Highlights

Governmental Funds – Fund Balances – As of June 30, 2008, the City's governmental funds reported a combined ending fund balance of \$132.1 million. A \$25.9 million decrease from the prior year. Of the total fund balance reported, \$120.4 million represents "unreserved fund balance," of which \$7.4 million pertains to Capital Project Funds, \$87.9 million is for non-major funds, \$22.4 million pertains to the general fund, and \$2.7 million pertains to school grant funds.

Long-Term Debt

The City's total long-term debt obligations related to its government activities increased by \$129.7 million during the current fiscal year.

The total long-term debt of the City's proprietary activities increased by \$3.9 million during the current fiscal year.

Overview of the Financial Statements

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

Basic Financial Statements

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

Government-Wide Financial Statements

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The government-wide financial statements provide a broad view of the city's operations in a manner similar to a business operating in the private sector. The statements provide short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. 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." Overtime, 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 expense are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as, uncollected taxes and earned, but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

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

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

Fund Financial Statements

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

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

1. *Governmental Fund Financial Statements* – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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

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

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

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

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

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

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the general and school funds – the only governmental funds for which legal budgets are adopted annually. In fiscal year 2008, there were no significant modifications to the budgets originally adopted for each fund.

Other Supplementary Information

Combining Financial Statements and Schedules

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

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis

Net Assets

As earlier noted, net assets may serve as a useful indicator of the government's financial position overtime. The City's combined net assets (government and business-type activities) totaled \$257.9 million at the end of 2008, compared to \$248 million at the end last year.

The largest portion of the City's net assets, \$223.8 million, reflect its investment in capital assets, like land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any outstanding related debt used to acquire that asset. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets can not be used to liquidate these liabilities.

	June 30, 2008			June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 401,128	\$ 94,531	\$ 495,659	\$ 310,457	\$ 53,971	\$ 364,428
Capital assets	555,898	190,522	746,420	498,539	180,113	678,652
Total Assets	957,026	285,053	1,242,079	808,996	234,084	1,043,080
Current liabilities	119,628	30,874	150,502	100,405	26,023	126,428
Long-term liabilities	786,151	47,490	833,641	656,476	15,129	671,605
Total Liabilities	905,779	78,364	984,143	756,881	41,152	798,033
Net assets:						
Invested in capital assets, net of related debt	80,301	143,479	223,780	51,350	165,284	216,634
Restricted		54,745	54,745		19,470	19,470
Unrestricted	(29,054)	8,465	(20,589)	765	8,178	8,943
Total Net Assets	\$ 51,247	\$ 206,689	\$ 257,936	\$ 52,115	\$ 192,932	\$ 245,047

Restricted net assets of 54.7 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 decreased by \$.9 million and increased by \$13.8 million for governmental activities and business-type activities, respectively. The reason for the increase is largely due to a surplus of nearly \$10 million from the Water Supply Board operations for FY2008, as well as, \$3.8 million surplus from the PPBA. Approximately, 40.8% of the City's total governmental revenues was generated from taxes and payments in lieu of taxes. 46.1% resulted from grants and contributions, including Federal Aid. Charges for various goods and services provided 7.7% of total revenues, while

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

other revenues and investment and rental income accounted for 5.4% of total revenues, respectively. The City's expenses cover a range of services. The largest expenses were for school, public safety, retirement costs, and employee benefits. Revenues from business-type activities in 2008 exceeded expense by \$13.8 million. The increase in revenue was due from operating surpluses from the Water Supply Board and the PPBA which reported an increase in revenue of 11.5%, while expense increased only 7.9%.

The City of Providence's Changes in Net Assets - Primary Government
(in Thousands)

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 55,894	\$ 71,744	\$ 127,638	\$ 72,155	\$ 63,737	\$ 135,892
Operating grants and contributions	273,088		273,088	271,857		271,857
Capital grants and contributions	13,908	898	14,806	15,039	1,613	16,652
General revenues						
Property taxes	291,941		291,941	277,900		277,900
Grants not restricted to specific program	42,787		42,787	51,967		51,967
Miscellaneous	18,446		18,446	17,207		17,207
Unrestricted investment earnings	19,905	3,625	23,531	19,779	3,024	22,803
Total revenues	715,970	76,267	792,237	725,904	68,374	794,278
Expenses:						
Executive, legislative, and judicial	19,352		19,352	22,761		22,761
Finance	119,373		119,373	106,740		106,740
Public safety	111,183		111,183	110,246		110,246
Building inspection	2,717		2,717	2,495		2,495
Public works	18,384		18,384	21,992		21,992
Recreation	3,089		3,089	2,939		2,939
Public land and parks	17,249		17,249	17,535		17,535
Education	387,624		387,624	380,730		380,730
Community development	20,811		20,811	23,432		23,432
Interest on long-term debt	17,056		17,056	18,639		18,639
Economic development		14,900	14,900		11,790	11,790
Water		47,610	47,610		46,105	46,105
Total expenses	716,838	62,510	779,348	707,509	57,895	765,404
Change in net assets	(868)	13,757	12,889	18,395	10,479	28,874
Net assets - beginning	52,115	192,932	245,047	33,720	182,453	216,173
Net assets - ending	\$ 51,247	\$ 206,689	\$ 257,936	\$ 52,115	\$ 192,932	\$ 245,047

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Business-Type Activities

The business-type activities increased the City's net assets by \$13.8 million. This resulted primarily from a \$9.9 million increase in net assets of the Water Supply Board and an increase in net assets of \$3.8 million by the Providence Public Building Authority. The Water Supply Board to increase was primarily due to higher charges for services collected in FY2008.

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 \$22.4 million. As a measure of the general funds' liquidity, it may be useful to compare both unreserved fund balance and total fund balance of total fund expenditures. Unreserved and general fund balance represents 7.4% of total general fund expenditures. The City has achieved the goal of maintaining a minimum fund balance of 5.0% of annual general fund budgetary expenditures at the end of the fiscal year.

School Grants-Fund Balance – The school grant funds account for federal and state grants received and expended by the school system. The fiscal year 2008 school grants fund balance is reported at \$2.7 million, a \$3.2 million decrease from fiscal year 2007.

School Fund – The school fund ended the year with a \$0 fund balance in accordance with City charter regulations. The expenditures were \$327.9 million as compared to \$320.1 million in the prior year.

Capital Projects Fund-Fund Balance – The capital projects fund accounts for resources to be used for the acquisition or construction of capital assets for housing and community improvement activities in the City, other than those financed by proprietary funds. The fiscal year 2008 capital projects fund balance is \$7.4 million. The \$7.1 million decrease from fiscal year 2007 is attributable to the completion of projects previously started.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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 \$13.8 million as a result of operations in the individual enterprise funds. The Water Supply Board showed an increase in net assets of \$9.9 million resulting primarily from higher charges for services collected in FY 2008. The Providence Public Building Authority accounted for a \$3.8 million increase in net assets.

General Fund Budgetary Highlights

The budgetary surplus of \$.2 million represents the City's twenty-seventh consecutive budget surplus and will increase the cumulative fund balance to \$22.4 million. Total general fund revenues and transfer for the fiscal year were \$430.2 million and total general fund expenditures and transfers for the fiscal year were \$303.4 million. Further details of favorable and unfavorable variances of revenue and expense items can be found in the Required Supplementary Information on pages 58 to 64 of the Comprehensive Annual Financial Report.

Below are the changes in undesignated fund balance since June 30, 2002 (in millions):

	2002	2003	2004	2005	2006	2007	2008
Undesignated fund balance, beginning	\$ 7.3	\$ 8.3	\$ 10.2	\$ 12.5	\$ 16.7	\$ 19.7	\$ 22.2
Increase	1.0	1.9	2.3	4.2	2.6	2.5	0.1
Reallocation of Designated Fund Balance					0.4		
Undesignated fund balance, end	\$ 8.3	\$ 10.2	\$ 12.5	\$ 16.7	\$ 19.7	\$ 22.2	\$ 22.3

Capital Asset and Debt Administration

Capital Assets (Note 5 to the Basic Financial Statements)

	June 30, 2008			June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 45,707	\$ 11,091	\$ 56,798	\$ 45,707	\$ 11,091	\$ 56,798
Land Improvements	6,662	18,682	25,344	6,554	18,682	25,236
Building and Improvements	112,178	114,341	226,519	115,453	106,637	222,090
Machinery and Equipment	14,188	4,570	18,758	14,055	5,272	19,327
Infrastructure	115,462		115,462	114,546		114,546
Leased assets	190,428	10,964	201,392	134,380	11,149	145,529
Construction in Progress	66,568	30,874	97,442	67,844	27,282	95,126
Total	\$ 551,193	\$ 190,522	\$ 741,715	\$ 498,539	\$ 180,113	\$ 678,652

The City's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$ 868.7 million, net of accumulated depreciation of \$ 317.5 million, leaving a net book value of \$ 551.2 million. This investment in capital assets included land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

CITY OF PROVIDENCE, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

	June 30, 2008			June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 105,075	\$ 45,043	\$ 105,075	\$ 112,845	\$ 11,879	\$ 112,845
Revenue bonds	62,445		107,488	64,525		76,404
Tax increment obligations	23,755		23,755	26,260		26,260
Capital leases payable	49,300	2,000	51,300	58,453	2,950	61,403
Notes payable	2,546		2,546	3,434	300	3,734
PPBA Debt	-	501,263	501,263		315,474	315,474
Total	\$ 243,121	\$ 548,306	\$ 791,427	\$ 265,517	\$ 330,603	\$ 596,120

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 increased by \$195 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 A3 rating from Moody's Investors Service, and an A rating from Standard and Poor and Fitch. The City of Providence continues to perform long-term strategic planning in a proactive attempt to control costs: examples of these costs are health insurance, pension costs, education, salaries and benefits and debt service.

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

Requests for Information

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

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CITY OF PROVIDENCE

BASIC FINANCIAL STATEMENTS



CITY OF PROVIDENCE, RHODE ISLAND

Statement of Net Assets
June 30, 2008 (in thousands)

	Governmental Activities	Business-type Activities	Total*
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 155,285	\$ 137,413	\$ 292,698
Restricted cash and cash equivalents		16,444	16,444
Investments	26,196	13,077	39,273
Restricted investments		1,585	1,585
Taxes receivable (net of allowance)	23,312		23,312
Intergovernmental receivable	33,842		33,842
Loan receivable (net of allowance)	11,729		11,729
Other receivable	27,317		27,317
Restricted receivables		33,613	33,613
Charge for service receivable (net of allowance)		12,738	12,738
Internal balances	121,179	(121,179)	
Other assets	2,268	840	3,108
Total current assets	401,128	94,531	495,659
Noncurrent Assets:			
Deferred charges	4,705		4,705
Capital assets, nondepreciable	112,275	60,647	172,922
Capital assets, depreciable, net	438,918	129,875	568,793
Total noncurrent assets	555,898	190,522	746,420
TOTAL ASSETS	957,026	285,053	1,242,079
LIABILITIES			
Current Liabilities:			
Warrants and accounts payable	33,898	10,461	44,359
Payable to retirement plan	51,536		51,536
Due to other governments	782		782
Accrued liabilities	32,060	14,922	46,982
Unearned revenue	1,352	1,885	3,237
Amounts payable with current restricted assets		3,606	3,606
Total current liabilities	119,628	30,874	150,502
Noncurrent Liabilities:			
Due within one year	65,439	2,481	67,920
Due in more than one year	720,712	45,009	765,721
Total noncurrent liabilities	786,151	47,490	833,641
TOTAL LIABILITIES	905,779	78,364	984,143
NET ASSETS			
Invested in capital assets, net of related debt	80,301	143,479	223,780
Restricted for:			
Water Quality Protection		47,986	47,986
Debt Service		6,759	6,759
Unrestricted	(29,054)	8,465	(20,589)
TOTAL NET ASSETS	\$ 51,247	\$ 206,689	\$ 257,936

*After internal receivables and payables have been eliminated

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Activities
For the Year Ended June 30, 2008 (in thousands)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
Executive, legislative, and judicial	\$ 19,352	\$ 265	\$	\$	\$ (19,087)	\$	\$ (19,087)
Finance	119,373	18,779			(100,594)		(100,594)
Public safety	111,183	20,867	4,924		(85,392)		(85,392)
Building inspection	2,717	4,993			2,276		2,276
Public works	18,384	202			(18,182)		(18,182)
Recreation	3,089	361	743		(1,985)		(1,985)
Public land and parks	17,249	410	4,714		(12,125)		(12,125)
Education	387,624	1,621	248,949	13,908	(123,146)		(123,146)
Community development	20,811	8,397	13,758		1,344		1,344
Interest on long-term debt	17,056				(17,056)		(17,056)
Total governmental activities	716,838	55,895	273,088	13,908	(373,947)		(373,947)
Business-type activities							
PPBA	14,900	15,712				812	812
Water Supply Board	47,610	56,032	898			9,320	9,320
Total business-type activities	62,510	71,744	898			10,132	10,132
Total primary government	\$ 779,348	\$ 127,639	\$ 273,088	\$ 14,806	(373,947)	10,132	(363,815)
General revenues:							
Taxes:							
Property taxes					272,366		272,366
Payments in lieu of taxes					19,575		19,575
Grants and contributions not restricted to specific programs					42,787		42,787
Investment Income					19,905	3,625	23,530
Miscellaneous					18,037	409	18,037
Special item - gain on sale of asset							409
Transfers							
Total general revenues, special items, and transfers					373,079	3,625	376,704
Change in net assets					(868)	13,757	12,889
Net assets - beginning					52,115	192,932	245,047
Net assets - ending					\$ 51,247	\$ 206,689	\$ 257,936

CITY OF PROVIDENCE, RHODE ISLAND
Balance Sheet - Governmental Funds
June 30, 2008 (in thousands)

	Major Funds					Total Governmental Funds
	General Fund	School Fund	School Grants Fund	Capital Projects	Other Nonmajor Governmental Funds	
ASSETS:						
Cash and cash equivalents	\$ 44,596	\$ 176	\$ 16,149	\$ 10,342	\$ 80,114	\$ 151,377
Investments					26,196	26,196
Receivables, net:						
Taxes	23,312					23,312
Loans					11,729	11,729
Intergovernmental	21,990	311	11,026		515	33,842
Other	814	22,431	23		3,497	26,765
Due from other funds	30,427	27,089	5,184		20,239	82,939
Other assets						
TOTAL ASSETS	\$ 121,139	\$ 50,007	\$ 32,382	\$ 10,342	\$ 142,290	\$ 356,160
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Warrants and accounts payable	\$ 4,973	\$ 6,638	\$ 3,673	\$ 972	\$ 1,557	\$ 17,813
Accrued liabilities	2,805	14,568	525		13	17,911
Other payables	44,198	23,416				67,614
Unearned revenue			838		51	889
Deferred revenue	15,921				4,515	20,436
Due to other funds	30,436	5,385	24,340	1,976	36,439	98,576
Payable to other governments	445		288		49	782
TOTAL LIABILITIES	98,778	50,007	29,664	2,948	42,624	224,021
FUND BALANCES						
Reserved for:						
Loans					11,729	11,729
Unreserved:						
Designated for future uses					18,045	18,045
Undesignated, reported in:						
General fund	22,361					22,361
Special revenue			2,718		54,960	57,678
Capital projects funds				7,394		7,394
Permanent funds					14,932	14,932
TOTAL FUND BALANCES	22,361	50,007	2,718	7,394	99,666	132,139
TOTAL LIABILITIES AND FUND BALANCES	\$ 121,139	\$ 50,007	\$ 32,382	\$ 10,342	\$ 142,290	

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	551,193
Net pension obligations and other post employment benefits	(128,700)
Deferred charges	4,705
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(635,879)
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 the governmental activities in the statement of net assets	8,415
Unspent PPBA bond proceeds	119,374
Net assets of governmental activities (A-1)	<u>\$ 51,247</u>

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2008 (in thousands)

	<u>Major Funds</u>				<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>School Fund</u>	<u>School Grants Fund</u>	<u>Capital Projects</u>		
REVENUES:						
Taxes	\$ 273,956	\$	\$	\$	\$	\$ 273,956
Departmental revenue	48,877			724	14,535	64,136
Federal and state grants and reimbursements	61,660	193,261	55,192	3,779	20,641	334,533
Investment and rental income	13,150	99		453	7,499	21,201
Fines and forfeitures	7,241					7,241
Other		13,526	1,358	30	714	15,628
TOTAL REVENUES	<u>404,884</u>	<u>206,886</u>	<u>56,550</u>	<u>4,986</u>	<u>43,389</u>	<u>716,695</u>
EXPENDITURES:						
Current:						
Executive, legislative, and judicial	7,834				2,430	10,264
Finance	112,142					112,142
Public safety	96,979				12,218	109,197
Building inspection	2,686					2,686
Public works	14,331					14,331
Recreation	1,762				1,230	2,992
Public lands and parks	14,074				810	14,884
Other departments	5,394					5,394
Grants	4,148					4,148
Education		327,971	57,750			385,721
Community development					16,663	16,663
Noncurrent:						
Capital outlay				10,048	4,472	14,520
Debt Service:						
Principal	31,598				3,453	35,051
Interest and other charges	12,490			2,057	75	14,622
TOTAL EXPENDITURES	<u>303,438</u>	<u>327,971</u>	<u>57,750</u>	<u>12,105</u>	<u>41,351</u>	<u>742,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>101,446</u>	<u>(121,085)</u>	<u>(1,200)</u>	<u>(7,119)</u>	<u>2,038</u>	<u>(25,920)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	25,349	121,085	1,257		8,540	156,231
Transfers out	(126,598)		(3,229)		(26,404)	(156,231)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(101,249)</u>	<u>121,085</u>	<u>(1,972)</u>		<u>(17,864)</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	197		(3,172)	(7,119)	(15,826)	(25,920)
FUND BALANCES AT BEGINNING OF YEAR	<u>22,164</u>		<u>5,890</u>	<u>14,513</u>	<u>115,492</u>	<u>158,059</u>
FUND BALANCES AT END OF YEAR	<u>\$ 22,361</u>	<u>\$</u>	<u>\$ 2,718</u>	<u>\$ 7,394</u>	<u>\$ 99,666</u>	<u>\$ 132,139</u>

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, 2008 (in thousands)

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$	(25,920)
 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 capital outlays exceeded depreciation in the current period.		52,654
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(1,101)
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 transactions.		(19,883)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.		(10,811)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		4,193
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	\$	<u>(868)</u>

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Net Assets - Proprietary Funds
June 30, 2008 (in thousands)

	<u>Business-Type Activities-Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Supply Board</u>	<u>PPBA</u>	<u>Total</u>	<u>Internal Service Fund</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 2,034	\$ 135,379	\$ 137,413	\$ 3,908
Restricted cash	16,444		16,444	
Investments		13,077	13,077	
Restricted investments	1,585		1,585	
Receivables, net	12,739		12,739	550
Restricted receivables	33,613		33,613	
Rentals receivable		486,408	486,408	
Due from other funds				20,165
Inventories	440		440	
Other assets	400		400	2,268
Deferred gain on refunding		85	85	
Total current assets	<u>67,255</u>	<u>634,949</u>	<u>702,204</u>	<u>26,891</u>
Non-current assets:				
Deferred gain on refunding		962	962	
Capital assets:				
Land	11,091		11,091	
Buildings and improvements	44,956		44,956	
Improvements other than buildings	184,077		184,077	
Machinery and equipment	25,801		25,801	
Construction in progress	49,556		49,556	
	<u>315,481</u>		<u>315,481</u>	
Less accumulated depreciation	124,959		124,959	
Net capital assets	<u>190,522</u>		<u>190,522</u>	
Total non-current assets	<u>190,522</u>	<u>962</u>	<u>191,484</u>	
TOTAL ASSETS	<u>257,777</u>	<u>635,911</u>	<u>893,688</u>	<u>26,891</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	3,437	6,578	10,015	6
Claims payable				15,285
Unearned revenue	1,885		1,885	463
Due to other funds	1,806		1,806	2,722
Other		116,707	116,707	
Amounts payable from restricted assets	3,606		3,606	
Net bond premium		221	221	
Current portion of long-term debt and capital leases	2,481	15,851	18,332	
Total current liabilities	<u>13,215</u>	<u>139,357</u>	<u>152,572</u>	<u>18,476</u>
Noncurrent liabilities:				
Revenue bonds	43,572	485,413	528,985	
Net bond premium		4,005	4,005	
Capital leases	990		990	
Other post employment benefits	447		447	
Total noncurrent liabilities	<u>45,009</u>	<u>489,418</u>	<u>534,427</u>	
TOTAL LIABILITIES	<u>58,224</u>	<u>628,775</u>	<u>686,999</u>	<u>18,476</u>
NET ASSETS				
Invested in capital assets, net of related debt	143,479		143,479	
Restricted for Water Quality Protection	47,986		47,986	
Restricted for debt service		6,759	6,759	
Unrestricted	8,088	377	8,465	8,415
TOTAL NET ASSETS	<u>\$ 199,553</u>	<u>\$ 7,136</u>	<u>\$ 206,689</u>	<u>\$ 8,415</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Funds
For the Year Ended June 30, 2008 (in thousands)

	<u>Business-Type Activities-Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Supply Board</u>	<u>PPBA</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES:				
Charges for sales and services	\$ 56,032	\$	\$ 56,032	\$ 94,173
Lease receipts		15,528	15,528	
Other		184	184	879
Total operating revenues	<u>56,032</u>	<u>15,712</u>	<u>71,744</u>	<u>95,052</u>
OPERATING EXPENSES:				
Cost of sales and services	23,825	686	24,511	
Health claims				90,859
Administration	12,319	195	12,514	
Depreciation	10,714		10,714	
Total operating expenses	<u>46,858</u>	<u>881</u>	<u>47,739</u>	<u>90,859</u>
OPERATING INCOME (LOSS)	<u>9,174</u>	<u>14,831</u>	<u>24,005</u>	<u>4,193</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment income	649	2,976	3,625	
Interest expense	(752)	(14,019)	(14,771)	
Total non-operating revenue (expenses)	<u>(103)</u>	<u>(11,043)</u>	<u>(11,146)</u>	
NET INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	<u>9,071</u>	<u>3,788</u>	<u>12,859</u>	<u>4,193</u>
Capital grants and contributions	898		898	
Change in net assets	<u>9,969</u>	<u>3,788</u>	<u>13,757</u>	<u>4,193</u>
FUND NET ASSETS, BEGINNING	<u>189,584</u>	<u>3,348</u>	<u>192,932</u>	<u>4,222</u>
FUND NET ASSETS, ENDING	<u>\$ 199,553</u>	<u>\$ 7,136</u>	<u>\$ 206,689</u>	<u>\$ 8,415</u>

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2008 (in thousands)

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Water Supply Board	PPBA	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and other	\$ 57,331	\$ 20,277	\$ 77,608	\$ 91,268
Cash paid to vendors	(22,020)	(896)	(22,916)	(90,482)
Cash paid to employees	(12,894)	(15)	(12,909)	
Net cash provided by (used for) operating activities	<u>22,417</u>	<u>19,366</u>	<u>41,783</u>	<u>786</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Custodial assets		(27)	(27)	
Due to other funds	(2,891)		(2,891)	
Net cash provided by (used for) noncapital financing activities	<u>(2,891)</u>	<u>(27)</u>	<u>(2,918)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(21,124)	(39,784)	(60,908)	
Interest paid on debt	(752)	(13,254)	(14,006)	
Proceeds from bond issuance and net bond premium	1,982	168,491	170,473	
Repayment of long-term debt and capital leases	(2,786)	(29,542)	(32,328)	
Repayment of line of credit	(300)		(300)	
Capital grants	898		898	
Net cash provided by (used for) capital and related financing activities	<u>(22,082)</u>	<u>85,911</u>	<u>63,829</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	130	(592)	(462)	
Investment income	649	2,953	3,602	
Net cash provided by investing activities	<u>779</u>	<u>2,361</u>	<u>3,140</u>	
Net increase (decrease) in cash and cash equivalents	<u>(1,777)</u>	<u>107,611</u>	<u>105,834</u>	<u>786</u>
Cash and cash equivalents				
Beginning	20,255	27,768	48,023	3,122
Ending	<u>\$ 18,478</u>	<u>\$ 135,379</u>	<u>\$ 153,857</u>	<u>\$ 3,908</u>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2008 (in thousands)

	<u>Business-Type Activities-Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Supply Board</u>	<u>PPBA</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (loss)	\$ 9,174	\$ 14,831	\$ 24,005	\$ 4,193
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	10,714		10,714	
Administrative expenses funded by bond proceeds		(184)	(184)	
Changes in assets and liabilities:				
Receivables	86	4,749	4,835	248
Inventories	(146)		(146)	
Other assets	1,060		1,060	
Due from other funds				(3,335)
Accounts payable and accrued expenses	1,377	(30)	1,347	(299)
Unearned revenues	152		152	(21)
Net Cash Provided by (Used In) Operating Activities	<u>\$ 22,417</u>	<u>\$ 19,366</u>	<u>\$ 41,783</u>	<u>\$ 786</u>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2008 (in thousands)

	<u>Employee Retirement Plan</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS			
Investments, at fair value:			
U.S. Government securities	\$ 8,852	\$	\$
Corporate and foreign bonds	24,487		
Corporate equity securities	221,165		
Mutual funds	15,414	1,064	
Total investments	<u>269,918</u>	<u>1,064</u>	
Cash and cash equivalents	<u>14,690</u>	<u>15</u>	<u>19,182</u>
Receivables:			
Loans receivable	21,313		
Other receivables	55,195		
Total receivables	<u>76,508</u>		
Total assets	361,116	1,079	19,182
LIABILITIES			
Accounts payable	2,325		144
Due to student groups			565
Other payable	2		18,473
Total liabilities	<u>2,327</u>		<u>19,182</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 358,789</u>	<u>\$ 1,079</u>	<u>\$</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
For the Year Ended June 30, 2008 (in thousands)

	<u>Employee Retirement Plan</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS:		
Contributions:		
Employer	\$ 54,322	\$
Employees	11,464	19
Total contributions	<u>65,786</u>	<u>19</u>
Investment earnings		
Net appreciation (depreciation) in the fair value of investments	(45,044)	(151)
Interest	9,100	73
Dividends	4,436	
Total investment earnings	<u>(31,508)</u>	<u>(78)</u>
Less investment expenses		
Net investment earnings	<u>(31,508)</u>	<u>(78)</u>
Total additions	34,278	(59)
DEDUCTIONS:		
Benefits	79,017	
Refunds of contributions	4,815	28
Administrative expenses	2,469	
Total deductions	<u>86,301</u>	<u>28</u>
Change in net assets	(52,023)	(87)
Net assets - beginning	410,812	1,166
Net assets - ending	<u>\$ 358,789</u>	<u>\$ 1,079</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The City 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.

The City complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and

- * is able to impose its will on the potential component unit and/or
- * is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

The criteria has been considered, and the blended component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Individual Component Unit Disclosure

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

Providence Public Buildings Authority

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

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

Recently Issued Accounting Standards

The City has implemented GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the City's fiscal year ending June 30, 2008. A net "Other Post-employment Benefit" (OPEB) liability has been recorded as part of this implementation, as described in note 12.

The City has also implemented GASB Statement No. 50 – Pension Disclosures, GASB No. 48 – Sales and pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues effective for the City's fiscal year ending June 30, 2008.

The City will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations, effective for the City's fiscal year ending June 30, 2009.
- GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the City's fiscal year ending June 30, 2010.
- GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments, effective for the City's fiscal year ending June 30, 2009.

The impact of these pronouncements on the City's financial statements has not been determined.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

I. SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Fund Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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

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

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

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual, governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual, governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

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

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

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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

The *Agency Fund* accounts for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Interfund Receivables and Payables

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

Pension Plan Accounting

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.

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 net 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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Investments

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

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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as all computer equipment and assets with an initial, individual cost of more than a range of \$5,000 to \$100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

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

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

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

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

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

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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$53,056 and \$2,498, respectively. The majority of amounts relates 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.

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

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 reduce 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 do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Deficits require future funding.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Fund Equity and Net Assets

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.

2. RECONCILIATION OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between fund balances — 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 \$635,879 difference are as follows:

Bonds and notes payable	\$	(554,832)
Add: premiums and discounts		5,184
Leases payable		(15,084)
Capital notes payable		(34,216)
Accrued interest payable		(4,975)
Compensated absences		(35,075)
Deferred revenue, net of related debt		16,778
Workers' compensation		(4,485)
Claims and judgments		(9,174)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	(635,879)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 \$52,654 difference is as follows:

Capital outlay - governmental funds	\$	13,848
PPBA capital outlay		53,396
Depreciation expense		<u>(14,590)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>52,654</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

2. RECONCILIATION OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

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 \$(19,883) difference are as follows:

Long-Term Liabilities issued or incurred:	
Issuance of general obligation refunding bonds	\$ (166,470)
 Principal repayments:	
General obligation bonds	136,546
Capital leases	5,865
Capital notes	3,288
Notes payable	<u>888</u>
 Net adjustment to increase net changes in fund balances -- total governmental funds to arrive at changes in net assets of governmental activities	
	<u>\$ (19,883)</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 \$(10,811) difference are as follows:

Compensated absences	\$ (4,128)
Accrued interest	(431)
Workers compensation	(39)
Net pension obligation	(1,873)
Other post employment benefits	<u>(4,340)</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	
	<u>\$ (10,811)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

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

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments

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

Interest Rate Risk

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

Concentrations

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

Custodial Credit Risk

Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2008 \$150,245 of the city's bank balance of 198,783 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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and investments of the City consist of the following at June 30, 2008:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 207,650
PPBA deposits with financial institutions	135,379
Total cash and cash equivalents	<u>343,029</u>
Investments	
Non-major Governmental Funds	
Mutual Funds	14,508
Municipal Bonds	6,560 *
Guaranteed Investment Contracts	5,128
	<u>26,196</u>
Private Purpose Trust Funds	
Mutual Funds	1,064
	<u>1,064</u>
PPBA Investments	
Guaranteed Investment Contracts	12,076
U.S. Government Agencies	1,001
	<u>13,077</u>
Water Supply Board	
Equity Mutual Funds	1,585
	<u>1,585</u>
Pension Trust Funds	
U.S. Government Securities	8,852 *
Corporate and Foreign Bonds	24,487 *
Common and Preferred Stocks	221,165 *
Equity Mutual Funds	15,414
	<u>269,918</u>
Total investments	<u>311,840</u>
Total cash and investments	<u>\$ 654,869</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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash, cash equivalents, and investments are classified in the accompanying financial statement as follows:

Cash and Cash Equivalents

Statement of Net Assets

Cash and cash equivalents	\$ 292,698
Restricted cash and cash equivalents	16,444
	<u>309,142</u>

Fiduciary Funds

Cash and cash equivalents	33,887
	<u>33,887</u>

Total cash and cash equivalents \$ 343,029

Investments

Statement of Net Assets

Investments	\$ 39,273
Restricted investments	1,585
	<u>40,858</u>

Fiduciary Funds

Investments	270,982
Restricted investments	
	<u>270,982</u>

Total investments \$ 311,840

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:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Government Securities	\$ 8,852	\$	\$ 699	\$ 1,896	\$ 6,257
Corporate and Foreign Bonds	24,487	1,000	17,035	2,963	3,489
Municipal Bonds	6,560				6,560
PPBA-Guaranteed Investment Contracts	12,076		3,378	3,257	5,441
PPBA-U.S. Government Agencies	1,001	1,001			
	<u>\$ 52,976</u>	<u>\$ 2,001</u>	<u>\$ 21,112</u>	<u>\$ 8,116</u>	<u>\$ 21,747</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 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	Guaranteed Investment Contracts	PPBA- Guaranteed Investment Contracts	PPBA- U.S. Government Agencies
AAA	\$ 4,469	\$ 6,560	\$ 5,128	\$ -	\$ -
AA+	399				
AA	824				
AA-	2,389			3,376	
A+	1,453				
A	2,646				
A1				3,260	
A-	2,103			5,440	
BBB+	2,719				
BBB	2,697				
BBB-	1,643				
BB+	39				
BB	343				
BB-	99				
B+	228				
B	246				
CCC+	107				
Unrated	2,083				1,001
	<u>\$ 24,487</u>	<u>\$ 6,560</u>	<u>\$ 5,128</u>	<u>\$ 12,076</u>	<u>\$ 1,001</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2008, interfund receivables and payables that resulted from various interfund transactions were as follows (in thousands):

	Due from Other Funds	Due to Other Funds
General Fund	\$ 30,427	\$ 30,436
School Fund	27,089	5,385
School Grants	5,184	24,340
Capital Projects		1,976
Non-Major Governmental Funds	20,239	36,439
 Fiduciary Funds		
Water Supply Board		1,806
Internal Service Fund	20,165	2,722
 Total	<u>\$ 103,104</u>	<u>\$ 103,104</u>

Amounts owed among funds result principally from timing of payments to the City's general fund of \$30.4 million, payments to the City's health insurance and legal claims fund of \$20.2 million, and amounts owed to the school fund for current year expenditures of \$28 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, 2008 were as follows (in thousands):

	Transfers from Other Funds	Transfers to Other Funds
General Fund	\$ 25,349	\$ 126,598
School Fund	121,085	
School Grants	1,257	3,229
Non-Major Governmental Funds	8,540	26,404
 Totals	<u>\$ 156,231</u>	<u>\$ 156,231</u>

The most significant transfer in fiscal year 2008 was the appropriated operating subsidy from the City's general fund to the school fund.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows: (in thousands):

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 45,707	\$	\$	\$ 45,707
Construction in progress-City	8,104	8,206	2,619	13,691
Construction in progress-PPBA	59,740	30,650	37,513	52,877
Total capital assets, not being depreciated	<u>113,551</u>	<u>38,856</u>	<u>40,132</u>	<u>112,275</u>
Capital assets, being depreciated:				
Buildings	173,961			173,961
Improvements other than buildings	13,590	987	229	14,348
Machinery and equipment	61,510	4,476	813	65,173
Infrastructure	270,185	4,404	564	274,025
Building - leases	168,656	60,259		228,915
Total capital assets being depreciated	<u>687,902</u>	<u>70,126</u>	<u>1,606</u>	<u>756,422</u>
Less accumulated depreciation for:				
Buildings	58,508	3,275		61,783
Improvements other than buildings	7,036	650		7,686
Machinery and equipment	47,455	3,530		50,985
Infrastructure	155,639	2,924		158,563
Building - leases	34,276	4,211		38,487
Total accumulated depreciation	<u>302,914</u>	<u>14,590</u>		<u>317,504</u>
Total capital assets, being depreciated, net	<u>384,988</u>	<u>55,536</u>	<u>1,606</u>	<u>438,918</u>
Governmental activities capital assets, net	<u>\$ 498,539</u>	<u>\$ 94,392</u>	<u>\$ 41,738</u>	<u>\$ 551,193</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 transactions are eliminated.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

5. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,091	\$	\$	\$ 11,091
Construction in progress-City	27,282	20,296	16,704	30,874
Other land improvements	18,682			18,682
Total capital assets, not being depreciated	<u>57,055</u>	<u>20,296</u>	<u>16,704</u>	<u>60,647</u>
Capital assets, being depreciated:				
Buildings	28,222	2,886		31,108
Improvements other than buildings	169,755	14,322		184,077
Machinery and equipment	24,596	323		24,919
Leased assets	14,730			14,730
Total capital assets being depreciated	<u>237,303</u>	<u>17,531</u>		<u>254,834</u>
Less accumulated depreciation for:				
Buildings	20,751	2,504		23,255
Improvements other than buildings	70,589	7,000		77,589
Machinery and equipment	19,324	1,025		20,349
Leased assets	3,581	185		3,766
Total accumulated depreciation	<u>114,245</u>	<u>10,714</u>		<u>124,959</u>
Total capital assets, being depreciated, net	<u>123,058</u>	<u>6,817</u>		<u>129,875</u>
Business-type activities capital assets, net	<u>\$ 180,113</u>	<u>\$ 27,113</u>	<u>\$ 16,704</u>	<u>\$ 190,522</u>

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

Executive, legislative, and judicial	\$ 25
Finance	42
Public safety	1,534
Public works	3,428
Recreation	17
Public lands & parks	1,221
Other departments	1,132
Education	2,982
Building Leases	4,209
Total depreciation expense	<u><u>\$ 14,590</u></u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

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:

	<u>Unearned Revenue</u>	<u>Deferred Revenue</u>
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$	\$ 15,682
Charges for services		239
School Grants:		
Grant drawdowns prior to meeting all eligibility requirements	838	
Nonmajor Funds:		
Charges for services		4,515
Deferred loan fees and loan fees	51	
	\$ 889	\$ 20,436
	\$ 889	\$ 20,436

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 112,845	\$	\$ 7,770	\$ 105,075	\$ 8,340
Revenue bonds	64,525		2,080	62,445	2,150
Special obligation tax increment	26,260		2,505	23,755	2,605
Total bonds payable	203,630		12,355	191,275	13,095
Notes payable	3,434		888	2,546	1,523
Capital leases	20,949		5,865	15,084	5,498
Capital notes	37,504		3,288	34,216	3,126
Total bonds and notes payable	265,517		22,396	243,121	23,242
Deferred items from refunding	(4,610)	982	1,556	(5,184)	
Other Long-Term Liabilities:					
Claims and judgments	19,720	4,033	325	23,428	23,428
Compensated absences	30,947	26,928	22,800	35,075	3,508
Net pension obligation	122,487	55,993	54,120	124,360	
Other post employment liability		4,340		4,340	
Total other long-term liabilities	173,154	91,294	77,245	187,203	26,936
Governmental activity long-term liabilities before PPBA reclassification	434,061	92,276	101,197	425,140	50,178
PPBA Debt	222,415	166,470	27,874	361,011	15,261
Government activity long-term liabilities	\$ 656,476	\$ 258,746	\$ 129,071	\$ 786,151	\$ 65,439

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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds - water	\$ 11,879	\$ 35,000	\$ 1,836	\$ 45,043	\$ 1,471
PPBA - CITY	222,415	166,470	27,874	361,011 *	15,261
Total bonds	<u>234,294</u>	<u>201,470</u>	<u>29,710</u>	<u>406,054</u>	<u>16,732</u>
Capital leases	2,950		950	2,000	1,010
Line of credit	300		300		
PPBA - PAP Loans	90,234	55,116	7,362	137,988 *	
PPBA - Water	2,825		561	2,264 *	590
Other post employment liability		447		447	
Business-type activity long-term liabilities	<u>\$ 330,603</u>	<u>\$ 257,033</u>	<u>\$ 38,883</u>	548,753	18,332
Less PPBA Eliminations				<u>(501,263)</u>	<u>(15,851)</u>
Business-type activity long-term liabilities				<u>\$ 47,490</u>	<u>\$ 2,481</u>

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

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

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Payable

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Dec 2001 Series A	12/1/2001	37,000	3.0-5.5%	1/15/2026	\$ 5,835	\$	\$ 760	\$ 5,075
GO's Refunding Bonds '97	5/15/1997	23,435	4.45-5%	1/15/2011	6,335		1,610	4,725
December 2001 - Taxable Judgement Bond	12/1/2007	13,000	3.0-6.84%	1/15/2026	11,785		340	11,445
Refunding Bonds 2001	8/1/2000	6,825	4.75-5.375%	8/15/2015	4,800		415	4,385
Revenue Refunding Bonds 2005 Series A	12/1/2001	21,620	3.0-5.5%	1/15/2013	11,345		1,910	9,435
GO Refunding Bonds 2004 Series A	3/1/2005	67,315	3.0-5.0%	4/1/2029	64,525		2,080	62,445
GO Refunding Bonds 2004 Series B	9/16/2004	34,395	2.5-5.5%	7/15/2019	31,585		1,940	29,645
Refinancing Neighborhood Bond 2001	9/16/2004	12,135	2.375-4.1%	7/15/2019	11,250		655	10,595
Special Obligation Bonds Series E	8/1/2006	29,910	3.625-3.75%	6/30/2026	29,910		140	29,770
Special Obligation Bonds Series F	6/1/2006	24,465	4-5%	6/1/2016	23,390		1,075	22,315
Special Obligation Bonds Series G	6/1/2006	1,480	5.07%	6/1/2009	655		535	120
	6/1/2006	2,730	4-5%	6/1/2010	2,215		895	1,320
Total governmental activities bonds payable					\$ 203,630	\$ 35,000	\$ 12,355	\$ 191,275
Revenue Bonds					\$	\$	\$	\$
1995 Series B	6/1/1995	7,500	4.7-7.10%	12/1/2014	11,879		1,837	45,042
1996 Series A	3/1/1996	36,225	3.5-5.40%	12/1/2011	4,135		420	3,715
(LESS: PP&A Water Portion)		(7,455)			13,730		2,725	11,005
1996 Series B	12/1/1996	21,225	5.375-6.50%	12/1/2017	(2,825)		(561)	(2,264)
1997 Series A	12/1/1997	1,925	4.3-6.50%	12/1/2007	235		235	
1998 Series A	5/1/1998	28,270	3.85-5.10%	12/1/2018	19,015		1,420	17,595
1999 Series A	7/1/1999	39,750	4.10-5.5%	12/1/2019	29,965		1,665	28,300
2000 Series A	5/1/2000	18,770	5.5-8%	12/1/2020	15,135		15,135	
2000 Series B	9/1/2000	10,435	5.2-5.75%	12/1/2010	4,685		1,075	3,610
2001 Series A	12/1/2001	9,995	3.25-5.125%	12/1/2021	8,510		405	8,105
2002 Series A	12/1/2002	1,216		12/1/2008	1,215			1,215
2003 Series A	3/1/2003	31,000	2.5-5.0%	12/1/2023	27,535		1,215	26,320
2003 Series B	6/1/2003	31,000	3.0-5.0%	12/1/2023	27,700		1,200	26,500
2006 Series A	9/1/2006	60,000	4.0-5.0%	5/1/2027	60,000		690	59,310
2007 Series A	11/7/2007	75,000	3.75-5.5%	5/15/2028		75,000		75,000
2007 Series B	11/7/2007	16,470	3.75-5.5%	5/15/2021		16,470		15,260
2007 Series C	12/20/2007	75,000	3.5-5.0%	5/15/2028		75,000		75,000
Total business-type activities bonds payable					\$ 234,294	\$ 201,470	\$ 29,711	\$ 406,054

Total interest expense paid on general long-term liabilities for the year ended June 30, 2008 was approximately \$21,000.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS (Continued)

Capital Notes

Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance June 30, 2007	Additions	Retirement	Balance June 30, 2008
4/1/2003	\$ 23,655	1.70 - 4.25%	2013	\$ 21,325	\$	\$ 1,170	\$ 20,155
7/1/2005	2,223	5.75%	2010	1,878		355	1,523
11/1/2005	9,145	3.61%	2010	7,444		1,763	5,681
5/1/2006	6,857	5.34 - 5.56%	2036	6,857			6,857
				\$ 37,504	\$	\$ 3,288	\$ 34,216

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS (Continued)

Notes Payable

At June 30, 2008, the City had several notes outstanding relating to planning and development activities. These notes included \$212 of notes payable through 2011 with an interest rate based on LIBOR (3.10%) plus 2%. The notes are payable in annual installments of approximately \$79. These notes also included \$1,020 of Section 108 loans payable through 2013 with interest rates ranging from 3.82% to 7.18%; \$780 was paid in 2008. 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, 2008 are as follows:

	City		Water Supply Board		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 15,261	\$ 16,573	\$ 590	\$ 102	\$ 15,851	\$ 16,675
2010	19,532	15,935	618	71	20,150	16,006
2011	20,359	15,074	641	39	21,000	15,113
2012	18,919	14,218	415	11	19,334	14,229
2013	18,085	13,408			18,085	13,408
2014-2018	100,115	53,612			100,115	53,612
2019-2023	93,965	29,747			93,965	29,747
2024-2028	74,775	9,775			74,775	9,775
	<u>\$ 361,011</u>	<u>\$ 168,342</u>	<u>\$ 2,264</u>	<u>\$ 223</u>	<u>\$ 363,275</u>	<u>\$ 168,565</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 has been shown as debt in those funds' financial statements. PPBA debt to be repaid by the City is presented as debt of the governmental activities in the government-wide statement of net assets.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS (Continued)

Debt limit

Except as explained below, under Rhode Island law, the City may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the City. The current outstanding debt of the City subject to the 3% debt limit is \$16.2 million and the current 3% debt limit of the City is \$294.2 million based on taxable property as of December 31, 2006, of approximately \$9.9 billion, leaving a remaining borrowing capacity of approximately \$278 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, 2008, the total outstanding debt of the City issued outside the 3% debt limit was \$88.9 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 transactions for the fiscal year ended June 30, 2008.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

7. LONG-TERM OBLIGATIONS (Continued)

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, 2008, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements, was approximately \$145 million.

2008 General Obligation Refunding Bond

During October 2007, the Providence Public Building Authority, a component unit of the City, through the Rhode Island Health and Educational Building Corporation issued \$166,470 of Series B refunding bonds with interest rates ranging from 3.75% to 4.25%, which was used to refund portions of the Authority's outstanding \$15,135 Series A Bonds and to provide for all or a portion of the Costs of Issuance of the 2007 Series B Bonds. Net proceeds of \$16,242 (after payment of underwriters fees and other costs) was placed into a irrevocable trust fund under a Refunding Trust Agreement with the Trustee to be applied immediately to purchase non-callable direct obligations of the United States of America- State and Local Government Series ("Government Obligations") and to fund, if needed, a cash deposit in such amount. The maturing interest and principle of the Government Obligations will be applied solely to the payment of the principal of the redemption premium, and interest on the Refunded Bonds.

The City advance refunded the above bonds to reduce total debt service payments over the next 13 years by approximately \$511 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$511.

The balance in escrow was approximately \$14,405 at June 30, 2008. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

8. LEASE COMMITMENT

Property and equipment carried at approximately \$98,000 with approximately \$64,000 in accumulated depreciation, in the governmental activities is being acquired under capital lease arrangements.

The City is obligated under various capital and operating leases to make the following aggregate annual lease payments (in thousands): Lease expenditures approximated \$2,030 for fiscal year ended June 30, 2008.

	<u>Operating</u>	<u>Capital</u>
2009	\$ 2,030	\$ 6,089
2010	2,030	4,581
2011	2,030	3,066
2012	2,030	2,042
Thereafter	6,090	664
	<u>\$ 14,210</u>	16,442
Less: Interest		<u>1,358</u>
Present value of minimum payments		<u>\$ 15,084</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
June 30, 2008 (in thousands)

8. LEASE COMMITMENT (Continued)

Minimum future lease payments under capital leases for the proprietary funds as of June 30, 2008 are as follows (in thousands):

Years	Water Supply Board
2009	\$ 1,083
2010	<u>1,014</u>
Total minimum lease payments	2,097
Less: interest	<u>(97)</u>
Present value of minimum payments	<u>\$ 2,000</u>

Sale-Leaseback

During fiscal year 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:

2009	\$ 1,034
2010	<u>990</u>
Total Minimum lease payments	<u>\$ 2,024</u>

9. RESTRICTED ASSETS AND RELATED LIABILITIES

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

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

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

10. FUND EQUITY

The following non-major funds had deficits as of June 30, 2008:

Governmental:

Skating Rink..... \$ 549

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

Reserved fund balances at June 30, 2008 are as follows (in thousands):

Non-Major Governmental Funds:

Reserved for loans \$12,384

The City has also designated \$18,045 in the non-major Governmental Funds.

The Water Supply Board has restricted net assets of \$47.9 million at June 30, 2008. This represents the excess of restricted assets over liabilities payable from restricted assets unexpended water quality protection revenue.

11. EMPLOYEE RETIREMENT SYSTEM

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, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,907
Active plan members.....	
Vested	1,827
Nonvested	<u>1,181</u>
	<u>5,915</u>

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

11. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2008
Actuarial cost method	Individual entry age method
Amortization cost method	Approximate level percent of payroll-open
Remaining amortization period	22 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	2009-2010 – 4.5%
	2011-2014 – 4.25%
	Thereafter – 4.5%
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. 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%.

ERS is governed by an Employee Retirement Board provided by the Providence Home Rule Charter. The ERS consists of elected officials, management and employee representation and provides for establishing rules and regulations and is responsible for the administration and operation of the city employee retirement system.

Contributions

Class A members and police officers are required to contribute 8% of their salary to the Plan. Class B members, other than police officers, are required to contribute 9.5% of their salary to the Plan. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City shall contribute from time to time amounts sufficient with the contributions of elected officials to provide the special pensions granted to them. The City's contributions to the ERS for the years ended June 30, 2008, 2007 and 2006 were \$54,120, \$50,686 and \$49,510, respectively, which were equal to the required contributions for each year and representing 99.9%, 100.2%, and 96.2% of the system-wide annual pension costs contributed.

Funded Status of Plan

The required supplementary information, which follows the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the ERS with a valuation date of June 30, 2008, which is the most recent report available.

Actuarial value of assets	449,464
Actuarial accrued liability	1,165,183
Unfunded (excess) actuarial accrued liability	715,719
Funded ratio	38.57%
Annual covered payroll	133,008
UAAL (excess) as percentage of payroll	538.10%

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

11. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

Annual Pension Cost and Net Pension Obligation (NPO)

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

	FY	FY	FY
	2008	2007	2006
Annual required contribution	\$ 54,120	\$ 50,584	\$ 51,454
Interest on NPO	10,411	10,244	9,893
Amortization of NPO	<u>(8,538)</u>	<u>(8,181)</u>	<u>(7,705)</u>
Annual pension cost	55,993	52,647	53,642
Contributions made	<u>(54,120)</u>	<u>(50,686)</u>	<u>(49,510)</u>
Increase in net pension obligation	1,873	1,961	4,132
Net pension obligation, beginning of year	<u>122,487</u>	<u>120,526</u>	<u>116,394</u>
Net pension obligation, end of year	<u>\$ 124,360</u>	<u>\$ 122,487</u>	<u>\$ 120,526</u>
Percentage of annual pension cost contributed	<u>96.65%</u>	<u>96.28%</u>	<u>92.30%</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 plan issues a stand-alone publicly available financial report that includes the financial statements and required supplementary information. A copy of that report can be obtained from the State Employees Retirement Board, 40 Fountain Street, Providence, Rhode Island 02903, or by accessing their website at www.ersri.org.

Classified employees who retire at or after age 60 with 10 years of credited service or at any age with 28 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credit service with a maximum benefit of 80% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding, overtime, bonuses or severance pays. The System also provides death and disability benefits. Benefits are established by State statute. The percent of earnings relating to each year of credited service is as follows:

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1 – 10	1.7%
11 – 20	1.9%
21 – 34	3.0%
35	2.0%

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

11. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

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, 2008, 2007, and 2006 were approximately \$20.1, \$15.9 million and \$12.8 million, respectively, and were equal to the required contributions for each year. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial liability as of July 1, 1989 over 27 year; and (c) interest on the unfunded frozen actuarial liability. Both employers and employees contribute 1% of the first \$9,600 of salary for survivor benefits. In addition, the School Department is required to contribute .7% for post-retirement health benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. Mortality – 1994 Group Annuity Mortality Table with mortality for disable persons set equal to the age 65 under the 1971 Group Annuity Mortality Table.
- B. Investment return – 8.25 percent, compounded annually.
- C. Salary increase – Salaries will increase at a rate of 4.50 – 8.50 percent, compounded annually.
- D. Retirement age – Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- E. Cost of living adjustments – 3.0 percent compounded annually beginning on the January 1st following participant's third anniversary of retirement.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. This resulted in contribution rates paid by the State on behalf of the School Department totaling \$12.8 million for the fiscal year ended June 30, 2008. These amounts are included as revenues and expenditures/expenses in the accompanying financial statements.

(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 \$2.9 million for the year ended June 30, 2008.

12. POSTEMPLOYMENT BENEFITS

Plan Description

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health insurance program administered by the City. The City provides for a portion of the lifetime health care benefits to substantially all retired employees and their spouses. Health care benefits were paid to approximately 4,283 retired participants and spouses during the fiscal year ended June 30, 2008 and are paid substantially on a pay as you go basis. Health care benefits are provided through the City's self-insured health insurance program covering both active and retired employees. The financial activity of which is reported as an internal service fund. The Plan does not issue a separate financial report. These benefits are provided for and amended under various provisions of Rhode Island General Law, City Ordinances and the terms of collective bargaining agreements.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

12. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through provisions of Rhode Island General Law, City Ordinances and through collective bargaining. The required contribution is based on pay as you go financing requirements. For fiscal year 2008 the City contributed approximately \$34,420 to the health insurance program on behalf of retirees. Plan members contributed approximately \$1,240, or 3.60% of the total premium. The plan can cover 100% of the costs of the benefit, however, retirees and their spouses are potentially required to fund a portion of the Plan costs depending upon the class an employee has been assigned and their date of hire. Current employee co-share for the retiree health insurance benefit requires a co-share of .01 of final average salary with a maximum limit of \$400.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (amounts in thousands):

	Governmental Activities	Business-Type Activities - Water	Total
Annual required contribution	\$ 9,224	\$ 376	\$ 9,600
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contributions	<u>30,306</u>	<u>541</u>	<u>30,847</u>
Annual OPEB cost (expense)	39,530	917	40,447
Contributions made	<u>(35,190)</u>	<u>(470)</u>	<u>(35,660)</u>
Increase in net OPEB obligation	4,340	447	4,787
Net OPEB obligation - beginning of year	-	-	-
Net OPEB obligation - end of year	<u>\$ 4,340</u>	<u>\$ 447</u>	<u>\$ 4,787</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities:			
6/30/2008	\$ 39,530	89.02%	\$ 4,340
6/30/2007	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A
Business-Type Activities:			
6/30/2008	\$ 917	51.25%	\$ 447
6/30/2007	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

12. POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental Activities:						
7/1/2007	\$ -	\$ 533	\$ 533	0%	\$ 245	217.16%
Business-Type Activities - Water:						
7/1/2007	\$ -	\$ 10	\$ 10	0%	\$ 11	88.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2007, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 8.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.6% initially, reduced by decrements to an ultimate rate of 5% after five years. Both rates included a 4.5% inflation assumption. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2007, was 30 years.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

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 Rhode Island Department of Education is reviewing the calculation of the City's prior year school housing aid revenue. It is not possible at this time to determine the ultimate liability, if any, that may result from this review. According, not liability has been reflected in the accompanying financial statements.

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

The City is committed under contracts for outstanding project approximating \$6.5 million as of June 30, 2008.

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 2028. 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).

15. RISK MANAGEMENT

The City is self-insured in most areas of risk, subject to certain third-party "stop loss" coinsurance of \$300 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 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 (BCIBS). 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 BCIBS 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, 2008 and June 30, 2007 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.

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

June 30, 2008 (in thousands)

15. RISK MANAGEMENT (Continued)

	<u>2008</u>	<u>2007</u>
Beginning of year	\$ 19,720	\$20,953
Incurred claims	90,143	86,320
Less: payments of claims attributable to events of both the current and prior fiscal years:		
Health, legal and workers' compensation.....	<u>90,093</u>	<u>87,553</u>
Total ..	<u>\$ 19,770</u>	<u>\$19,720</u>
Legal claims	\$8,823	\$8,823
Health – IBNR.....	6,462	6,451
Workers' compensation.....	<u>4,485</u>	<u>4,446</u>
Total	<u>\$ 19,770</u>	<u>\$19,720</u>

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CITY OF PROVIDENCE

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 General Fund Revenues and Expenditures-Budgetary Basis
 Budget and Actual
 For the Year Ended June 30, 2008 (in thousands)

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues and Transfers				
Tax revenues:				
Local Property Taxes	\$ 261,593	\$ 261,593	\$ 268,821	7,228
Interest on overdue taxes	5,200	5,200	5,134	(66)
	<u>266,793</u>	<u>266,793</u>	<u>273,955</u>	<u>7,162</u>
Payments in lieu of taxes	20,129	20,129	19,576	(553)
Tax stabilization plans	6,600	6,600	6,600	
State revenue	67,282	67,282	61,660	(5,622)
Fines	6,600	6,600	7,241	641
Rents	9,250	9,250	9,252	2
Investment interest	4,275	4,275	3,898	(377)
Miscellaneous	64	64	275	211
	<u>114,200</u>	<u>114,200</u>	<u>108,502</u>	<u>(5,698)</u>
Executive, legislative, and judicial:				
City clerk	8	8	21	13
Law Department			5	5
Probate court	200	200	218	18
Housing court	15	15	27	12
	<u>223</u>	<u>223</u>	<u>271</u>	<u>48</u>
Finance:				
Data processing	230	230	230	
City collector	475	475	566	91
City controller			4	4
City assessor	5	5	47	42
Personnel			1	1
	<u>710</u>	<u>710</u>	<u>848</u>	<u>138</u>
Public safety:				
Commissioner of public safety	55	55	44	(11)
Police department	1,260	1,260	767	(493)
Fire department	1,043	1,043	1,112	69
Communications department	5	5	27	22
Traffic engineering	1,200	1,200	1,211	11
Cost recovery	480	480		(480)
	<u>4,043</u>	<u>4,043</u>	<u>3,161</u>	<u>(882)</u>
Building inspection department:				
Building inspection administration	4,950	4,950	4,911	(39)
Zoning board of review	85	85	73	(12)
Building board of review	25	25	10	(15)
Structures and zoning			9	9
	<u>5,060</u>	<u>5,060</u>	<u>5,003</u>	<u>(57)</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, 2008 (in thousands)

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues and Transfers				
Public works:				
Environmental control	30	30		(30)
Highway	145	145	185	40
Snow removal				
Sewer construction and maintenance	35	35	17	(18)
	<u>210</u>	<u>210</u>	<u>202</u>	<u>(8)</u>
Public lands and parks:				
North Burial Ground			210	210
Other departments:				
Recorder of deeds	4,500	4,500	3,730	(770)
Vital statistics	350	350	343	(7)
Board of canvassers				
Bureau of licenses	1,535	1,535	1,393	(142)
Civil defense preparedness	197	197	178	(19)
Post Retirement Benefits (GASB 45)	3,000	3,000	3,000	
WSB reimbursement	1,246	1,246	591	(655)
JTPA/planning reimbursement	550	550	469	(81)
Room tax	1,100	1,100	1,503	403
Tax stabilization			52	52
School department master lease	410	410	410	
Master alarm connection fee	623	623		(623)
Planning and urban development			6	6
Providence Place Mall	200	200	200	
PNHC				
Non-union furlough	240	240		(240)
Voluntary payments in lieu of taxes	1,837	1,837	1,856	19
	<u>15,788</u>	<u>15,788</u>	<u>13,731</u>	<u>(2,057)</u>
Public Properties				
Transfers:				
Transfer from School Department				
Transfer from Planning Department				
Transfers from Finance Department			8,704	8,704
Transfer from revolving funds	500	500	500	
Transfer from parking tickets	1,800	1,800	2,891	1,089
Transfer from rescue runs	2,150	2,150	2,260	110
Transfer from police detail fund	550	550	1,100	550
Transfer from expendable trust	6,600	6,600	7,430	830
Transfers from North Burial Ground	530	530	380	(150)
Transfer from Water Supply Board	1,085	1,085	1,085	
	<u>13,215</u>	<u>13,215</u>	<u>24,350</u>	<u>11,133</u>
Total	\$ 420,242	\$ 420,242	\$ 430,233	\$ 9,989

(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, 2008 (in thousands)

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures and Transfers				
Executive, legislative and judicial:				
Mayor's office	\$ 1,951	\$ 1,951	\$ 1,925	\$ 26
City Council	818	818	783	35
City sergeant	35	35	36	(1)
City clerk	625	625	543	82
Law department	2,710	2,710	3,085	(375)
Municipal court	606	606	843	(237)
Probate court	247	247	261	(14)
Housing court	253	253	245	8
Contingencies-Mayor	110	110	113	(3)
Contingencies-City Council	76	76		76
	<u>7,431</u>	<u>7,431</u>	<u>7,834</u>	<u>(403)</u>
Finance:				
Finance director	405	405	403	2
City controller	983	983	971	12
Employees retirement office	327	327	322	5
Data processing	2,513	2,513	2,218	295
City collector	1,805	1,805	1,432	373
City assessor	1,153	1,153	1,184	(31)
Board of tax assessment review	16	16		16
Treasury department	280	280	204	76
Personnel	817	817	841	(24)
Heat, light and power	5,864	5,864	5,214	650
Employees Retirement System contributions	43,246	43,246	44,094	(848)
Elected officials	125	125	104	21
Laborers legal fees	166	166	144	22
Local 1033 benefits-Public Employees Health Services	2,053	2,053	2,379	(326)
Laborers International Pension contributions	1,325	1,325	1,298	27
Debt service	31,715	31,715	31,598	117
Interest on bonded debt	16,576	16,576	12,490	4,086
FICA	4,100	4,100	4,090	10
Medical insurance	44,578	44,578	44,734	(156)
Workers compensation	1,692	1,692	1,699	(7)
Unemployment compensation	160	160	209	(49)
Reserve for anticipated tax abatements	350	350	386	(36)
	<u>160,249</u>	<u>160,249</u>	<u>156,014</u>	<u>4,235</u>
Public safety:				
Commissioner of public safety	385	385	331	54
Police department	43,385	43,385	47,926	(4,541)
Fire department	40,310	40,310	41,667	(1,357)
Communications department	6,126	6,126	5,985	141
Traffic Engineering	1,200	1,200	1,070	130
	<u>91,406</u>	<u>91,406</u>	<u>96,979</u>	<u>(5,573)</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, 2008 (in thousands)

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures and Transfers				
Building inspection department:				
Building inspection administration	1,133	1,133	1,108	25
Structures and zoning division	646	646	615	31
Plumbing, drainage, and gas piping division	159	159	155	4
Electrical installations division	192	192	214	(22)
Mechanical equipment and installation division	159	159	156	3
Zoning board of review	16	16	21	(5)
Building and housing board of review	13	13	10	3
Building inspection code enforcement	379	379	260	119
Building inspection prosecution	151	151	147	4
	<u>2,848</u>	<u>2,848</u>	<u>2,686</u>	<u>162</u>
Public works:				
Public works administration	418	418	463	(45)
Engineering and sanitation	424	424	428	(4)
Environmental control	8,715	8,715	8,276	439
Highway	3,437	3,437	2,751	686
Snow removal	800	800	1,398	(598)
Sewer construction and maintenance	455	455	432	23
Garage maintenance and equipment repair	646	646	583	(583)
	<u>14,895</u>	<u>14,895</u>	<u>14,331</u>	<u>564</u>
Recreation:				
Recreation	1,087	1,087	1,016	71
Recreation seasonal	689	689	746	(57)
	<u>1,776</u>	<u>1,776</u>	<u>1,762</u>	<u>14</u>
Public lands and parks:				
Grounds maintenance services	2,528	2,528	2,549	(21)
Forestry services	765	765	773	(8)
Zoological services	1,854	1,854	1,888	(34)
Park environmental services	520	520	486	34
Park programming	1,348	1,348	1,364	(16)
Superintendent of parks	1,053	1,053	946	107
North Burial Grounds	500	500	576	(76)
	<u>8,568</u>	<u>8,568</u>	<u>8,582</u>	<u>(14)</u>
Other departments:				
Recorder of deeds	406	407	401	6
Vital statistics	216	216	213	3
Board of canvassers	456	456	392	64
Bureau of licenses	445	445	457	(12)

(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, 2008 (in thousands)

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures and Transfers				
Other departments, Continued:				
Civil defense preparedness	360	360	358	2
Planning and urban development	1,969	1,969	1,621	348
Administration to City Council	635	635	536	99
Internal auditor	275	275	256	19
Archives	198	198	183	15
Human relations commission	129	129	103	26
Department of human services	181	181	217	(36)
Office of parking administration	65	65		65
Providence Housing Authority	50	50	57	(7)
League of Cities	12	12	12	
Public celebrations	10	10	5	5
Office of Arts, Culture, Film & Tourism	362	362	389	(27)
P.E.R.A.	224	224	194	30
	<u>5,993</u>	<u>5,994</u>	<u>5,394</u>	<u>600</u>
Grants:				
Providence Public Library	3,000	3,000	3,000	
Rhode Island Historical Society	8	8	9	(1)
Capital Center	35	35	35	
Providence Plan Commission	120	120	163	(43)
Providence Center	160	160		160
Mary E. Sharpe Tree Fund	27	27	27	
Community centers	350	350	320	30
Crossroads	135	135	135	
P.A.S.A	225	225	225	
Institute of Non-Violence	90	90	90	
Procap	83	83	83	
Grants			26	(26)
First source	180	180	35	145
	<u>4,413</u>	<u>4,413</u>	<u>4,148</u>	<u>265</u>
Public properties	<u>4,847</u>	<u>4,847</u>	<u>5,492</u>	<u>(645)</u>
Purchasing	<u>252</u>	<u>252</u>	<u>232</u>	<u>20</u>
Transfers:				
Transfers to School Department	117,564	117,564	118,114	(550)
Transfer to Finance Department			8,458	(8,458)
Transfer to Council Contingency			10	(10)
	<u>117,564</u>	<u>117,564</u>	<u>126,582</u>	<u>(9,018)</u>
Total	<u>\$ 420,242</u>	<u>\$ 420,243</u>	<u>\$ 430,036</u>	<u>\$ (9,793)</u>

(CONCLUDED)

CITY OF PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 Schedule of Revenues and Expenditures-Budget and Actual-
 School Fund
 For the Year Ended June 30, 2008 (in thousands)

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and state revenue	\$ 195,550	\$ 195,550	\$ 195,207	\$ (343)
Other revenue	340	340	510	170
Transfers from other funds	117,564	117,564	119,113	1,549
Master lease proceeds	850	850	375	(475)
Total revenues	314,304	314,304	315,205	901
Expenditures:				
Education	314,304	314,304	315,205	(901)
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -

CITY OF PROVIDENCE, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

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

	General Fund	School Fund
Total budgetary revenues and transfers per schedule		
Reclassification of:	\$ 430,233	\$ 315,205
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System	-	12,766
Total revenues and transfers per per financial statements	\$ 430,233	\$ 327,971
 Total budgetary expenditures and transfers per schedule		
Reclassification of:	\$ 430,036	\$ 315,205
On-behalf payments paid directly by the State of Rhode Island Teachers' Retirement System	-	12,766
Total expenditures and transfers per financial statements	\$ 430,036	\$ 327,971

CITY OF PROVIDENCE, RHODE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION – FUNDING PROGRESS
JUNE 30, 2008

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

Pension

SCHEDULE OF FUNDING PROGRESS
(Dollar Amounts in Thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2007	426,055	1,079,017	652,962	39.49%	132,719	491.99%
2008	449,464	1,165,183	715,719	38.57%	133,008	538.10%

SCHEDULE OF CONTRIBUTIONS FROM THE CITY

Year Ended June 30	Annual Required Contribution	Percentage 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%
2007	50,584	100.20%
2008	54,200	100.00%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental Activities:						
7/1/2007	\$ -	\$ 533	\$ 533	0%	\$ 245	217.16%
7/1/2006	NA	NA	NA	NA	NA	NA
7/1/2005	NA	NA	NA	NA	NA	NA
Business-Type Activities - Water:						
7/1/2007	\$ -	\$ 10	\$ 10	0%	\$ 11	88.42%
7/1/2006	NA	NA	NA	NA	NA	NA
7/1/2005	NA	NA	NA	NA	NA	NA

CITY OF PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION

CITY OF PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

CITY OF PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT TRUST FUNDS

Other nonmajor governmental funds is used to account for permanent trust funds.

CITY OF PROVIDENCE, RHODE ISLAND
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008 (in thousands)

	Other Special Revenue Funds	Capital Proceeds Fund	Slating Risk	WFO	Neighborhood Housing	Federal Funds	FECD	PRA	Other P&D	Other Nonmajor Governmental Funds	Totals
ASSETS											
Cash and cash equivalents	\$ 27,106	\$ 29,208	\$ 37	\$	\$ 2,265	\$ 811	\$ 4,865	\$ 14,365	\$ 160	\$ 1,297	\$ 80,114
Investments	147							11,688		14,361	26,196
Due from other funds	11,544	6,858		49	41	832	583	11		321	20,239
Receivables, net											
Taxes											
Loans	171			344	3,092		8,637				11,729
Intergovernmental		14									14
Other reserves	2,260			3							2,263
Total assets	\$ 41,228	\$ 36,080	\$ 37	\$ 396	\$ 5,398	\$ 1,643	\$ 15,205	\$ 26,164	\$ 160	\$ 15,979	\$ 142,290
LIABILITIES AND FUND BALANCES											
Liabilities:											
Warrants and accounts payable	\$ 496	\$	\$	\$ 283	\$ 1	\$ 273	\$	\$ 341	\$ 110	\$ 53	\$ 1,557
Accrued liabilities	8										13
Unearned revenues	3,394					1	43			8	51
Deferred revenue	15,268	10,363	583	18	87	668	794	7,960	1	697	4,515
Due to other funds				49							36,439
Due to other governments											
Total liabilities	\$ 19,166	\$ 10,363	\$ 588	\$ 350	\$ 88	\$ 942	\$ 1,957	\$ 8,301	\$ 111	\$ 758	\$ 42,624
Fund balances:											
Reserved for:											
Loans					3,092		8,637				11,729
Encumbrances											
Prepaid expenses											
Unreserved	17,756									289	18,045
Designated for future uses											
Undesignated - Reported in:											
Capital Project Funds											
Permanent Funds											
Special Reserve Funds	4,506	25,717	(551)	46	2,218	703	1,611	17,863	49	14,932	14,932
Total fund balances	\$ 22,092	\$ 25,717	\$ (551)	\$ 46	\$ 5,110	\$ 701	\$ 17,218	\$ 17,863	\$ 40	\$ 15,221	\$ 54,960
Total liabilities and fund balances	\$ 41,228	\$ 36,080	\$ 37	\$ 396	\$ 5,398	\$ 1,643	\$ 15,205	\$ 26,164	\$ 160	\$ 15,979	\$ 142,290

CITY OF PROVIDENCE, RHODE ISLAND
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 June 30, 2008 (in thousands)

	Other Special Revenue Funds	Capital Proceeds Fund	Skating Rink	WDO	Neighborhood Housing	Federal Funds	PEDC	PRA	Other P&D	Other Nonmajor Governmental Funds	Totals
REVENUES	\$ 7,139	\$ 352	\$ 350	\$ 3,326	\$ 184	\$ 9,202	\$ 670	\$ 304	\$	\$	\$ 20,641
Intergovernmental											
Charges for services	16	(26)	1	8			621	897		(1,253)	264
Investment earnings	360		8					6,867			7,235
Rental income	12,670		341	176		215	1	1,113		19	14,535
Departmental	336	378									714
Other	20,521	352	350	3,326	184	9,417	1,292	9,181		(1,234)	43,389
EXPENDITURES											
Current:											
Executive, legislative, and judicial	1,784									646	2,430
Finance	8,947			3,271							12,218
Public safety											
Building inspection											
Public works											
Recreation	901		329							54	1,230
Public lands and parks	756										810
Other departments					781	9,741	732	5,288			16,663
Community development	121										
Debt Service											
Principal						780	79	2,594			3,453
Interest and other charges						56	19			115	75
Capital outlay	4,088							269			4,472
Total Expenditures	16,597		329	3,271	781	10,577	830	8,151		815	41,351
Excess (deficiency) of revenues over expenditures	3,924	352	21	55	(597)	(1,160)	462	1,030		(2,049)	2,038
OTHER FINANCING SOURCES (USES)											
Proceeds from long-term debt, net										5	8,540
Proceeds from capital leases								(500)		(1,125)	(26,404)
Other source								(500)		(1,120)	(17,864)
Other use											
Transfers in											
Transfers out											
Total other financing sources and uses										(3,169)	(15,826)
Net change in fund balances											
Fund balances - beginning	27,647	32,100	(572)	(9)	5,907	1,861	12,786	17,333	49	18,390	115,492
Fund balances - ending	\$ 22,062	\$ 25,717	\$ (551)	\$ 46	\$ 5,310	\$ 701	\$ 13,248	\$ 17,863	\$ 49	\$ 15,221	\$ 99,666

CITY OF PROVIDENCE, RHODE ISLAND
 Combining Balance Sheet
 By Grant Account
 June 30, 2008 (in thousands)

	Title I	Special Education	Bilingual	State Reimbursable	Indirect Costs	School Lunch	Miscellaneous Program	Totals
ASSETS								
Cash and cash equivalents	\$ 3,931	\$ 1,520	\$ 447	\$ 5,658	\$ 1,859	\$ 912	\$ 2,734	\$ 16,149
Due from other funds	1,572	949		244	154		1,353	5,184
Receivables, net								
Other governments	2,873	2,213	258			2,241	3,343	11,026
Other						20	3	23
Total assets	\$ 8,376	\$ 4,682	\$ 705	\$ 5,902	\$ 2,013	\$ 3,173	\$ 7,433	\$ 32,382

LIABILITIES AND FUND BALANCES

Liabilities:								
Warrants and accounts payable	\$ 85	\$ 158	\$ 34	\$ 1	\$	\$ 2,780	\$ 420	\$ 3,673
Accrued liabilities		5	1	153			366	525
Unearned revenues							838	838
Deferred revenue								
Due to other funds	12	4,204	626	4,798	1,974	331	4,182	24,340
Due to other governments	1	274					13	288
Total liabilities	\$ 98	\$ 8,376	\$ 661	\$ 4,952	\$ 1,974	\$ 3,111	\$ 5,819	\$ 29,664

Fund balances:

Unreserved		9	44	950	39	62	1,614	2,718
Total fund balances		9	44	950	39	62	1,614	2,718

Total liabilities and fund balances

	\$ 98	\$ 8,376	\$ 705	\$ 5,902	\$ 2,013	\$ 3,173	\$ 7,433	\$ 32,382
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CITY OF PROVIDENCE, RHODE ISLAND
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 By Grant Account
 June 30, 2008 (in thousands)

	Title IV	Title I	Special Education	Bilingual	State Reimbursable	Indirect Costs	School Lunch	Miscellaneous Program	Totals
REVENUES									
Federal and state grants and reimbursements	\$ 163	\$ 21,845	\$ 6,552	\$ 932	\$ 3,337	\$	\$ 10,923	\$ 11,440	\$ 55,192
Other	163	21,845	6,552	932	3,337		861	497	1,358
Total revenues							11,784	11,937	56,550
EXPENDITURES									
Personnel services		9,745	3,566	497	2,926		17	5,186	21,920
Employee benefits		4,892	1,935	181	1,528			1,437	9,990
Other supplies		42						311	353
Equipment		5,250						1,552	6,947
Miscellaneous services	145		832	204	304			1,200	2,540
Other services		234		25				133	392
Pupil transportation									
Repairs		42			197			120	359
Office supplies	13		19	4	806	80	11,777	55	12,754
Education supplies		968		9				1,518	2,495
Textbooks									
Total Expenditures	158	21,173	6,352	920	5,761	80	11,794	11,512	57,750
OTHER FINANCING SOURCES (USES)									
Transfers in						1,257			1,257
Transfers out	(5)	(672)	(200)	(12)		(1,972)		(368)	(3,229)
Total other financing sources and uses	(5)	(672)	(200)	(12)		(715)		(368)	(1,972)
Net change in fund balances					(2,424)	(795)	(10)	57	(3,172)
Fund balances - beginning			9	44	3,374	834	72	1,557	5,890
Fund balances - ending	\$	\$	\$ 9	\$ 44	\$ 950	\$ 39	\$ 62	\$ 1,614	\$ 2,718

CITY OF PROVIDENCE

AGENCY FUNDS

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

CITY OF PROVIDENCE, RHODE ISLAND
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2008 (in thousands)

	<u>Balance</u> <u>July 01, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS:				
Cash and cash equivalents	\$ 541	\$ 343,929	\$ 325,289	\$ 19,181
Other receivables		190	190	
Total Assets	<u>\$ 541</u>	<u>\$ 344,119</u>	<u>\$ 325,479</u>	<u>\$ 19,181</u>
LIABILITIES:				
Accounts payable	\$ 11	\$ 2,833	\$ 2,700	\$ 144
Other payable	530	347,976	330,033	18,473
Due to student groups		1,735	1,171	564
Total Liabilities	<u>\$ 541</u>	<u>\$ 352,544</u>	<u>\$ 333,904</u>	<u>\$ 19,181</u>

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CITY OF PROVIDENCE

CAPITAL ASSETS

CITY OF PROVIDENCE, RHODE ISLAND

**Capital Assets Used in the Operation of Governmental Funds
For the Year Ended June 30, 2008 (in thousands)**

Governmental funds capital assets, net of related
accumulated depreciation

Land	\$	45,707
Improvements other than buildings		6,662
Buildings and improvements		112,178
Buildings - leases		190,428
Infrastructure		115,462
Machinery and equipment		14,188
Construction in progress - City		13,691
Construction in progress - PPBA		52,877
	\$	<u>551,193</u>

Investments in governmental funds capital assets:

Assets put into service as of June 30, 2008	\$	551,193
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CITY OF PROVIDENCE

STATISTICAL SECTION

This part of the City of Providence, Rhode Island's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed overtime.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment where the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provide and the activities it performs.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule I

Net Assets By Component

Last Five Fiscal Years*

(accrual basis of accounting)

(in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 41,960	\$ 52,962	\$ 34,042	\$ 22,435	\$ 51,350	\$ 80,301
Unrestricted	(43,153)	(18,473)	(4,820)	11,285	765	(29,054)
Total governmental activities						
net assets	\$ (1,193)	\$ 34,489	\$ 29,222	\$ 33,720	\$ 52,115	\$ 51,247
Business-type activities:						
Invested in capital assets, net of related debt	\$ 130,055	\$ 137,962	\$ 147,543	\$ 157,507	\$ 165,284	\$ 143,479
Restricted	22,650	16,411	16,193	17,515	19,470	54,745
Unrestricted	(1,004)	3,967	(888)	7,431	8,178	8,465
Total business-type activities						
net assets	\$ 151,701	\$ 158,340	\$ 162,848	\$ 182,453	\$ 192,932	\$ 206,689
Primary government:						
Invested in capital assets, net of related debt	\$ 172,015	\$ 190,924	\$ 181,585	\$ 179,942	\$ 216,634	\$ 223,780
Restricted	22,650	16,411	16,193	17,515	19,470	54,745
Unrestricted	(44,157)	(14,506)	(5,708)	18,716	8,943	(20,589)
Total primary government						
net assets	\$ 150,508	\$ 192,829	\$ 192,070	\$ 216,173	\$ 245,047	\$ 257,936

CITY OF PROVIDENCE, RHODE ISLAND

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

	Fiscal year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
Executive, legislative, and judicial	\$ 15,042	\$ 11,240	\$ 15,514	\$ 15,552	\$ 22,761	\$ 19,352
Finance	110,366	96,286	38,517	32,655	106,740	119,373
Public safety	87,529	87,558	152,354	170,273	110,246	111,183
Building inspection	2,617	2,537	4,578	5,455	2,495	2,717
Public works	20,611	24,119	28,223	30,275	21,992	18,384
Recreation	2,585	2,751	3,341	3,933	2,939	3,089
Public land and parks	14,378	16,654	22,484	23,992	17,535	17,249
Education	309,029	351,656	361,220	373,591	380,730	387,624
Community development	19,218	20,632	16,758	21,175	23,432	20,811
Interest on long-term debt	23,945	14,531	26,134	21,863	18,639	17,056
Other	-	-	-	-	-	-
Total governmental activities expenses	605,320	627,964	669,123	698,764	707,509	716,838
Business-type activities:						
PPBA	9,426	11,496	9,929	9,314	11,790	14,900
Water Supply Board	37,868	39,184	42,421	43,661	46,105	47,610
Civic Center	6,691	7,743	9,106	2,241	-	-
Total business-type activities expenses	53,985	58,423	61,456	55,216	57,895	62,510
Total primary government expenses	659,305	686,387	730,579	753,980	765,404	779,348
Program revenue:						
Governmental activities:						
Charges for services:						
Executive, legislative, and judicial	245	238	224	234	788	265
Finance	6,912	19,273	22,216	24,526	34,717	18,779
Public safety	14,751	16,078	19,412	16,336	14,831	20,867
Building inspection	2,845	4,381	4,660	4,817	6,379	4,993
Public works	185	208	258	244	2,259	202
Recreation	64	94	91	90	418	361
Public land and parks	952	1,133	1,271	1,216	4,004	410
Education	1,201	1,942	1,931	2,802	1,526	1,621
Community development	-	-	2,054	125	7,233	8,397
Operating grants and contributions:						
Executive, legislative, and judicial	5,157	410	136	142	1	-
Finance	1,339	1	269	683	61	-
Public safety	918	1,733	1,696	3,039	2,702	4,924
Public works	-	3,474	3,044	3,171	-	-
Recreation	466	504	570	599	703	743
Public land and parks	109	32	-	-	4,679	4,714
Education	214,700	242,517	248,927	252,043	248,239	248,949
Community development	17,959	22,198	17,361	25,502	15,472	13,758
Capital grants and contributions:						
Finance	11,868	13,609	-	-	-	-
Education	-	-	13,115	15,199	15,039	13,908
Total governmental activities	279,671	327,825	337,235	350,768	359,051	342,891
Program revenue:						

(CONTINUED)

CITY OF PROVIDENCE, RHODE ISLAND

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

	Fiscal year					
	2003	2004	2005	2006	2007	2008
Program revenue:						
Business-type activities:						
Charges for services:						
PPBA	10,850	7,110	8,197	7,825	10,988	15,712
Water Supply Board	46,661	49,168	48,807	52,432	52,749	56,032
Civic Center	4,159	5,306	5,581	1,824	-	-
Capital grants and contributions:						
Water Supply Board	1,236	1,197	1,464	1,309	1,613	898
Civic Center	707	-	-	-	-	-
Total business-type activities program revenues	63,613	62,781	64,049	63,390	65,350	72,642
Total primary government program revenues	343,284	390,606	401,284	414,158	424,401	415,533
Net (expense) revenue:						
Governmental activities	(325,649)	(300,139)	(331,888)	(347,996)	(348,458)	(373,947)
Business-type activities	9,628	4,358	2,593	8,174	7,455	10,132
Total primary government net expense	(316,021)	(295,781)	(329,295)	(339,822)	(341,003)	(363,815)
General revenues and other changes in net assets:						
Governmental activities:						
Property taxes	223,186	257,116	258,213	260,629	257,776	272,366
Payments in lieu of taxes	17,000	17,078	17,656	26,879	20,124	19,575
Grants and contributions not restricted to specific programs	36,947	42,869	45,781	49,546	51,967	42,787
Investment income	8,458	4,191	4,465	8,033	19,779	19,905
Gain (loss) on disposal	-	-	(31)	3,563	-	409
Miscellaneous	14,191	(3,430)	782	696	17,207	18,037
Transfers	(400)	(600)	(245)	-	-	-
Sale of building and land	-	-	-	3,148	-	-
Total governmental activities	299,382	317,224	326,621	352,494	366,853	373,079
Business-type activities:						
Investment earnings	1,179	1,681	1,670	2,227	3,024	3,625
Miscellaneous	-	-	-	-	-	-
Transfers	400	600	245	-	-	-
Special items:						
Sale of building and land	-	-	-	9,204	-	-
Total business-type activities	1,579	2,281	1,915	11,431	3,024	3,625
Total primary government	300,961	319,505	328,536	363,925	369,877	376,704
Changes in net assets:						
Governmental activities	(26,267)	17,085	(5,267)	4,498	18,395	(868)
Business-type activities	11,207	6,639	4,508	19,605	10,479	13,757
Total primary government	\$ (15,060)	\$ 23,724	\$ (759)	\$ 24,103	\$ 28,874	\$ 12,889

(CONCLUDED)

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Designated for future uses	\$ 403	\$ 403	\$ -	\$ 10,200	\$ 900	\$ 2,290	\$ 401	\$ 433	\$ 550	\$ -
Unreserved	5,243	6,462	7,323	8,328	10,226	12,532	16,706	19,251	21,614	22,361
Total General Fund	\$ 5,646	\$ 6,865	\$ 7,323	\$ 18,528	\$ 11,126	\$ 14,822	\$ 17,107	\$ 19,684	\$ 22,164	
All Other Governmental Funds:										
Reserved	\$ 33,848	\$ 74,409	\$ 67,467	\$ 71,557	\$ 51,922	\$ 10,264	\$ 11,758	\$ 10,885	\$ 10,157	\$ 11,729
Unreserved:										
Designated for future uses	-	-	-	-	-	11,035	11,146	11,146	16,026	18,045
Capital Projects										
Special Revenue										
Permanent Trust										
Undesignated:										
Capital Projects	24,501	26,367	21,133	-	-	26,942	24,930	23,541	14,513	7,394
Special Revenue	(944)	11,761	1,923	24,579	20,702	26,833	57,228	95,918	76,976	57,678
Permanent Trust	-	-	-	14,440	18,048	20,673	-	-	18,223	14,932
Total all other government funds	\$ 57,405	\$ 112,537	\$ 90,523	\$ 110,576	\$ 90,672	\$ 95,747	\$ 105,062	\$ 141,490	\$ 135,895	\$ 109,778

CITY OF PROVIDENCE, RHODE ISLAND

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Taxes	192,301	203,242	211,527	216,770	243,838	262,873	276,302	285,966	281,422	273,956
Departmental revenue	3,656	4,948	7,861	23,554	8,728	31,352	32,911	33,877	67,352	64,136
Federal and state grants and reimbursements	201,565	222,524	252,851	288,410	281,956	326,516	329,141	345,627	338,863	334,433
Investment and rental income	17,888	25,413	28,195	10,445	13,315	17,047	15,628	19,779	19,779	21,201
Fines and forfeitures	2,873	3,721	3,898	3,773	3,805	5,231	5,597	5,486	4,307	7,241
Other	38,848	29,565	47,778	10,473	26,223	4,075	3,772	4,267	17,207	15,628
Total revenues	457,101	499,413	552,110	553,425	577,865	647,084	657,351	696,528	728,930	716,693
Expenditures:										
Current:										
Executive, legislative, and judicial	4,630	6,455	18,971	9,528	15,417	11,285	11,074	12,995	9,852	10,264
Finance	62,437	47,952	54,715	86,126	94,124	98,836	119,565	124,814	106,674	112,142
Public safety	72,384	69,559	76,399	85,369	85,498	95,137	95,110	108,146	103,111	109,197
Building inspection	2,390	2,637	2,639	2,704	2,952	2,610	2,521	2,640	2,462	2,686
Public works	10,148	10,275	12,240	12,134	12,481	13,426	12,866	13,919	13,423	14,331
Recreation	1,412	1,576	1,731	3,758	2,611	2,766	2,470	2,939	2,969	2,992
Public lands and parks	7,465	8,337	13,036	15,411	13,565	15,411	14,446	16,211	23,718	14,884
Education	224,414	240,914	257,444	282,021	299,911	338,485	345,255	366,910	377,783	385,721
Community development	10,245	4,792	5,229	22,929	19,218	20,185	18,942	21,145	19,101	16,663
Other departments	3,404	3,504	4,042	-	-	-	-	5,742	5,394	5,394
Grants	2,515	3,198	2,951	-	-	-	-	-	4,331	4,148
Public properties	20,870	31,291	31,831	-	-	-	-	-	-	-
Other	22,394	110	209	-	-	-	-	-	-	-
Program expenditures	23,538	61,841	32,934	31,890	16,564	10,979	5,709	6,279	19,627	14,520
Capital outlays	13,653	35,558	43,635	35,719	39,777	22,649	19,061	10,000	32,267	35,051
Debt service principal payments	481,899	527,337	553,307	585,244	612,303	642,248	638,934	701,086	18,978	14,622
Debt service interest and other payments	(24,798)	(27,924)	(1,197)	(31,819)	(34,439)	4,836	(1,585)	(3,538)	(11,038)	(25,920)
Total expenditures	1,042,424	1,042,424	1,042,424	1,042,424	1,042,424	1,042,424	1,042,424	1,042,424	1,042,424	1,042,424
Excess of revenues (under) expenditures	(585,323)	(542,911)	(490,314)	(488,999)	(464,559)	(495,340)	(385,073)	(345,896)	(313,494)	(325,731)
Other financing sources (uses):										
Capital leases issued	-	-	-	79,995	34,851	4,535	7,435	9,145	7,547	10,264
Capital notes issued	-	-	-	(22,038)	(27,319)	-	(11,980)	(28,244)	(29,514)	-
Payment to refunding bonds escrow agent	-	-	-	-	-	-	3,013	778	-	-
Premium on bond issued	10,424	128,287	17,216	-	-	-	-	6,440	-	-
Proceeds from sale of real estate	-	-	-	-	-	-	-	-	-	-
Transfers in	218	182	64,120	103,521	97,306	118,126	112,305	138,153	139,458	156,231
Transfers out	(20)	-	(103,220)	(103,951)	(97,706)	(118,726)	(112,550)	(138,270)	(139,458)	(156,231)
Proceeds on refunding bonds issued	-	-	-	-	-	-	114,960	28,675	29,910	-
Total other financing sources (uses)	10,622	128,469	(21,884)	57,527	7,132	3,935	13,183	25,758	7,943	-
Special Items										
Proceeds from sale	-	-	-	-	-	-	-	16,805	-	-
Net changes in fund balance	(14,176)	100,545	(23,081)	34,708	(27,306)	8,771	11,600	30,205	(3,115)	(25,920)
Debt service as a percentage of noncapital expenditures	3.0%	7.6%	8.4%	6.5%	6.7%	3.6%	2.4%	2.0%	2.6%	2.1%

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 5

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

(in thousands)

Fiscal Year	Real Estate	Tangible Taxes	Excise Taxes	Total
1999	123,120	40,671	19,476	183,267
2000	131,962	44,777	17,880	194,619
2001	143,781	47,202	20,544	211,527
2002	167,962	30,512	18,294	216,768
2003	181,222	28,834	16,782	226,838
2004	193,896	31,121	18,254	243,271
2005	203,258	28,378	17,131	248,767
2006	209,251	28,154	17,768	255,173
2007	211,732	28,440	15,685	255,857
2008	226,176	26,087	16,564	268,827
Change 1999-2008	83.7%	-35.9%	-15.0%	46.7%

Source: City records.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 6

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands)

(unaudited)

Fiscal Year	Residential Property		Tangible Personal Property (1)		Motor Vehicle	Exemptions	Total Taxable		Percent Growth	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Property	Property (1)	Property (1)	Property (1)			Assessed Value	Value				
1999	5,436,099	584,914	325,322	(1,291,537)	5,054,798	5,054,798	40.04	6,017,617	84.00%			
2000	5,437,478	622,022	296,593	(1,296,243)	5,059,850	5,059,850	41.54	6,023,631	84.00%			
2001	5,375,740	646,851	268,898	(1,261,983)	5,029,506	5,029,506	43.12	5,987,507	84.00%			
2002	6,208,931	632,987	258,320	(1,102,234)	5,998,004	5,998,004	37.61	7,140,481	84.00%			
2003	6,162,597	636,696	232,133	(1,052,670)	5,978,756	5,978,756	38.92	7,033,831	85.00%			
2004	6,154,269	672,482	243,658	(1,082,370)	5,988,039	5,988,039	41.39	7,044,752	85.00%			
2005	9,484,121	638,720	222,344	(3,055,179)	7,290,006	7,290,006	34.75	8,570,428	85.06%			
2006	9,496,709	636,126	241,061	(3,139,525)	7,234,371	7,234,371	35.36	8,818,102	82.04%			
2007	9,651,377	657,840	599,020	(3,593,637)	7,314,600	7,314,600	35.17	8,511,287	85.94%			
2008	13,721,337	631,015	638,107	(4,781,679)	10,208,780	10,208,780	26.62	12,153,310	84.00%			

Source: City Records

CITY OF PROVIDENCE, RHODE ISLAND

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Narragansett Electric Co	\$ 336,671,070	1	3.30%	164,156,851	1	3.29%
PRI XVII L P	144,234,640	2	1.41%	-	-	0.00%
ONA Providence Office It LLC	61,710,400	3	0.60%	-	-	0.00%
Capital Properties Inc	52,502,700	4	0.51%	126,536,803	2	2.54%
Avalon Properties Inc	45,966,700	5	0.45%	-	-	0.00%
One Financial Holdings LLC.	44,182,600	6	0.43%	-	-	0.00%
Blue Cross And Blue Shield Of Rhode Island	40,245,400	7	0.39%	39,800,500	7	0.80%
Textron Realty Corporation	40,019,500	8	0.39%	37,751,210	8	0.76%
Edward E Zuker (Trustee)	37,027,100	9	0.36%	-	-	0.00%
G Tech Waterplace park	35,714,286	10	0.35%	-	-	0.00%
Providence Realty Associates LP	33,471,400	11	0.33%	-	-	0.00%
Brown University	31,826,100	12	0.31%	-	-	0.00%
The Providence Journal Company	31,745,100	13	0.31%	51,876,826	4	1.04%
Historic Hotel Partners Of Prov Lp	30,889,400	14	0.30%	-	-	0.00%
Rubicon NGB Providence RI LLC	23,634,200	15	0.23%	-	-	0.00%
PRI I LP	23,495,900	16	0.23%	-	-	0.00%
One Financial Center Plaza LLC	22,310,600	17	0.22%	-	-	0.00%
Motiva Enterprises LLC	20,800,600	18	0.20%	-	-	0.00%
RI Gateway Properties	19,545,500	19	0.19%	-	-	0.00%
Cox Com Inc	14,075,650	20	0.14%	-	-	0.00%
Total	\$ 1,090,068,846		10.68%	\$ 420,122,190		8.42%

Source: City Records

CITY OF PROVIDENCE, RHODE ISLAND

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

Fiscal Year Ended June 30:	Net Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	198,276,055	180,839,604	91.21%	11,903,302	192,742,906	97.21%
2000	206,444,935	191,437,915	92.73%	10,209,612	201,647,527	97.68%
2001	214,851,680	199,539,625	92.87%	10,741,936	210,281,561	97.87%
2002	221,121,470	208,194,767	94.15%	11,500,233	219,695,000	99.35%
2003	228,040,394	215,494,344	94.50%	8,775,461	224,269,805	98.35%
2004	240,581,574	231,862,834	96.38%	4,605,251	236,468,085	98.29%
2005	248,700,567	240,140,679	96.56%	5,403,778	245,544,457	98.73%
2006	254,005,375	243,165,192	95.73%	10,498,841	253,664,033	99.87%
2007	261,450,407	245,357,642	93.84%	9,385,604	254,743,246	97.43%
2008	275,853,725	255,874,916	92.76%	-	255,874,916	92.76%

Source: City Tax Collector Records

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 9

Ratios of Net General Bonded Debt Outstanding by Type
Last Ten Fiscal Years

(unaudited)
(in thousands)

Fiscal Year	Governmental Activities						Business-Type Activities						Net General Obligation Bonds to Estimated Actual Value
	General Obligation Bonds	Revenue Bonds	Special Obligation Tax Increment	PPBA Debt	Capital Notes and Leases	Notes Payable	Line of Credit	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Debt Per Capita	
1999	153,665	-	*	92,410	28,053	2,847	-	22,396	11,811	311,182	**	710	2.55%
2000	140,215	68,000	*	146,853	38,615	2,659	-	24,677	11,316	432,335	**	594	2.33%
2001	102,735	69,430	33,275	141,811	44,602	2,349	-	26,823	9,990	431,015	**	591	1.72%
2002	147,250	66,750	32,040	143,534	48,084	7,764	-	27,129	8,621	481,172	**	851	2.06%
2003	140,340	65,445	30,700	200,120	50,123	6,904	-	28,856	7,391	529,879	**	808	2.00%
2004	131,875	64,085	29,250	192,768	47,959	5,966	789	22,135	6,105	500,932	**	760	1.87%
2005	127,250	67,315	27,675	182,930	50,987	4,974	1,104	22,437	5,009	489,681	**	719	1.48%
2006	119,215	66,500	28,285	173,474	59,994	4,215	385	18,070	3,865	474,003	**	674	1.35%
2007	112,845	64,525	26,260	222,415	58,453	3,434	300	11,879	2,950	503,061	**	638	1.33%
2008	105,075	62,445	23,755	361,011	49,300	2,546	-	45,043	2,000	651,175	**	1731	0.86%

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

* Amounts were included in general obligation bonds.

** Information not available.

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 10
Direct Governmental Activities Debt
For the Year Ended June 30, 2008
(unaudited)
(in thousands)

Governmental Unit	Debt Outstanding
General obligation debt:	
General obligation bonds	\$ 105,075
Revenue bonds	62,445
Special obligation tax increment	23,755
Notes payable	2,546
Capital leases	15,084
Capital notes	34,216
PPBA debt-City	361,011
Total direct debt	<u><u>\$ 604,132</u></u>

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

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 11

Legal Debt Margin Information

Last Ten Fiscal Years and Current Year Computation

(unaudited)

(in thousands)

Legal Debt Margin Calculation for Fiscal Year 2008	
Taxable Property	\$ 9,805,440
Debt limit (3% of taxable property)	294,163
Debt applicable to limit:	
General obligaton bonds	105,075
Less: debt not subject to 3% limit	<u>88,828</u>
Total net debt applicable to limit	<u>16,247</u>
Legal debt margin	<u><u>\$ 277,916</u></u>

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 12

Legal Debt Margin Information

Last Ten Fiscal Years and Current Year Computation

(unaudited)

(in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 180,500	\$ 180,700	\$ 179,600	\$ 179,600	\$ 179,400	\$ 218,700	\$ 206,500	\$ 210,700	\$ 219,400	\$ 294,163
Total net debt applicable to limit	43,000	39,000	35,300	33,200	29,500	31,600	27,500	23,400	19,400	16,247
Legal debt margin	137,500	141,700	144,300	146,400	149,900	187,100	179,000	187,300	200,000	277,916
Total net debt applicable to the limit as a percentage of debt limit	31%	28%	24%	23%	20%	17%	15%	12%	10%	6%
Debt outstanding issued outside the 3% debt limit*	\$ 108,200	\$ 99,200	\$ 100,900	\$ 114,000	\$ 110,900	\$ 102,500	\$ 99,800	\$ 95,700	\$ 93,400	\$ 88,828

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

CITY OF PROVIDENCE, RHODE ISLAND

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

Water Supply Board							Redevelopment Revenue Bonds				
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Fiscal Year	Collections	Debt Service		Coverage
				Principal	Interest				Principal	Interest	
1999	39,809	29,838	9,971	-	**	-	1999	-	-	-	-
2000	41,558	32,961	8,597	-	**	-	2000	5,394	-	-	-
2001	42,613	34,530	8,083	-	**	-	2001	11,584	-	-	-
2002	41,699	32,925	8,774	425	**	20.60	2002	4,767	1,250	-	3.80
2003	45,177	36,759	8,418	443	179	13.50	2003	4,360	1,305	-	3.40
2004	49,168	37,614	11,554	464	229	16.70	2004	6,624	1,360	3,662	1.32
2005	48,807	40,871	7,936	516	207	11.00	2005	6,858	*	-	-
2006	52,432	42,446	9,986	509	183	14.43	2006	-	*	-	-
2007	52,749	45,181	7,568	537	158	10.89	2007	-	*	-	-
2008	56,032	46,410	9,622	561	131	13.90	2008	-	*	-	-

Civic Center Bonds							Providence Public Building Authority Revenue				
Fiscal Year	Charges	Operating Expenses	Net Available Revenues	Debt Service		Coverage	Fiscal Year	Collections	Debt Service		Coverage
				Principal	Interest				Principal	Interest	
1999	4,100	5,929	(1,829)	-	-	-	1999	-	-	-	-
2000	4,569	6,394	(1,825)	190	109	(6.1)	2000	-	-	-	-
2001	3,934	6,153	(2,219)	195	99	(7.5)	2001	-	-	-	-
2002	4,645	6,744	(2,099)	205	109	(6.7)	2002	7,958	6,330	7,666	0.57
2003	4,159	6,592	(2,433)	215	99	(7.7)	2003	10,850	6,630	7,782	0.75
2004	5,492	7,659	(2,167)	225	68	(7.4)	2004	7,110	7,322	6,943	0.50
2005	4,885	8,949	(4,064)	235	151	(10.4)	2005	8,197	9,838	9,189	0.43
2006	1,824	2,241	(417)	****	-	-	2006	7,825	10,516	8,713	0.41
2007	-	-	-	****	-	-	2007	10,988	11,058	9,829	0.53
2008	-	-	-	****	-	-	2008	15,712	27,874	13,124	0.38

* Bond was fully refunded in 2005.

** Not available.

*** Bonds were refunded.

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

CITY OF PROVIDENCE, RHODE ISLAND

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

Fiscal Year Ended June 30	Population***	Personal Income	Per Capita Income****	Median Age***	School Enrollment**	Unemployment(*) Rate
1999	160,728	(1)	25,017	(1)	26,427	5.4%
2000	173,618	(1)	26,617	28.1	26,937	5.0%
2001	173,618	(1)	28,318	28.1	27,159	6.1%
2002	173,618	(1)	28,925	28.1	27,580	6.1%
2003	173,618	(1)	29,787	28.1	27,900	6.4%
2004	173,618	(1)	30,837	28.1	26,741	6.1%
2005	176,862	(1)	21,978	30.4	25,615	6.3%
2006	176,862	(1)	(1)	30.4	25,190	6.9%
2007	176,862	(1)	(1)	30.4	24,494	6.1%
2008	178,400	(1)	26,867	28.1	32,268	10.5%

⁽¹⁾ Unavailable

* Source: Rhode Island Department of Labor and Training

** RI Department of Education

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

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

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 15
Principal Employers
2008 and 1999
(unaudited)

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rhode Island Hospital	6,829	1	6.10%	5,185	1	5.22%
Brown University	4,443	2	3.97%	3,000	2	3.02%
Bank of America/Fleet National bank	3,040	3	2.72%	1,168	10	1.18%
Women & Infants Hospital	2,880	4	2.57%	2,006	4	2.02%
The Miriam Hospital	2,399	5	2.14%	1,646	9	1.66%
Roger Williams Medical Center	1,400	6	1.25%	1,626	7	1.64%
Citizens Bank	1,289	7	1.15%	2,200	3	2.22%
Verizon	1,205	8	1.08%	-	-	0.00%
Johnson & Wales University	1,200	9	1.07%	1,500	8	1.51%
Pinkerton Northeast/Securitas	1,167	10	1.04%	-	-	0.00%
Blue Cross/Blue Shield of Rhode Island	1,080	11	0.96%	1,441	6	1.45%
GTECH	954	12	0.85%	-	-	0.00%
Veteran's Administration Medical Center	950	13	0.85%	-	-	0.00%
Rhode Island College	933	14	0.83%	-	-	0.00%
Rhode Island School of Design	912	15	0.81%	900	12	0.91%
National Grid	850	16	0.76%	-	-	0.00%
Butler Hospital	850	17	0.76%	-	-	0.00%
Belo Corp/Providence Journal	735	18	0.66%	1,800	5	1.81%
Textron Inc	670	19	0.60%	-	-	0.00%
Lifespan Corporate Services	669	20	0.60%	-	-	0.00%
St. Joseph Hospital for Specialty Care	522	21	0.47%	1,000	11	1.01%

Sources: Rhode Island Department of Labor and Training

CITY OF PROVIDENCE, RHODE ISLAND

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

Functions/Program	Full-Time Equivalent Employees as of June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Executive, Legislative, Judicial and Finance:										
City Council	15	15	15	15	15	15	15	15	15	15
City Sergeant	1	1	1	1	1	1	1	1	1	1
City Clerk	11	10	9	9	10	10	10	10	10	9
Personnel	13	12	12	10	10	10	11	9	7	9
Finance	22	30	23	30	33	30	30	22	23	23
Computer Services		7						5	2	3
Legal	23	22	22	22	22	20	21	20	21	23
Courts	23	23	23	23	24	23	24	25	18	21
Retirement	5	5	5	5	5	5	5	4	5	5
Board Tax Assessment	5	5	5	5	5	5	5	5	5	5
City Treasurer	5	5	5	5	5	5	5	5	4	5
City Collector	14	18	16	16	20	19	18	16	15	18
City Assessor	17	16	18	16	20	19	22	21	21	23
Recreation and Public Land and Parks:										
Grounds Maintenance	44	44	47	52	62	64	66	58	66	62
Recreation	20	20	20	20	20	28	28	25	22	24
Zoo	31	31	37	37	36	35	34	34	29	33
Forestry	14	14	14	16	17	17	17	16	16	18
Parks	48	49	45	39	39	49	56	48	39	47
Greenhouse	11	11	11	14	14	12	12	13	11	11
Public Property	31	33	24	25	29	28	29	28	27	30
Police Safety:										
Police Department	581	592	592	563	584	587	590	592	532	550
Commissioner's Office	8	7	7	7	7	7	10	8	11	12
Firefighters' Department	487	487	484	485	508	511	511	510	490	500
Communication	76	78	78	78	84	97	99	94	83	88
Public Works:										
Administration	7	10	10	10	10	9	10	10	9	10
Engineering	7	7	7	8	7	7	7	7	5	6
Environmental Control	12	12	12	12	12	26	25	24	19	19
Highway and Bridge Maintenance	50	50	48	48	56	42	44	44	32	35
Sewer Maintenance	10	10	9	10	9	9	9	9	11	7
Miscellaneous	117	45	45	44	47	52	55	56	51	50
Garage	9	9	8	9	9	8	9	9	6	8
Traffic Engineering	13	12	12	11	11	-	-	-	-	-
Building Inspection	49	13	12	13	14	15	14	14	15	15
School Department	3,300	3,345	3,333	3,342	3,473	3,435	3,382	3,243	N/A	N/A
Total	5,086	5,041	5,016	5,004	5,220	5,199	5,174	4,992	4,619	4,685

Source: City Records

CITY OF PROVIDENCE, RHODE ISLAND

Schedule 17
 Operating Indicators By Function/Program
 Last Ten Fiscal Years
(unaudited)
(in thousands)

Function/Program	Calendar Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police:										
Calls for service	138	149	190	190	190	190	190	190	150	170
Fire:										
Total fire calls	13	14	13	13	13	13	13	15	15	12
Total rescue calls	27	26	25	25	25	25	26	26	26	23
Building safety:										
Total building permits	7,361	3,210	8,250	7,759	7,418	5,914	5,165	5,145	5,821	5,608
Total value all permits	217,629	TBD	251,400	172,700	315,400	166,000	140,300	107,800	106,600	144,800
Public service:										
Residential garbage collected (ton)	81	TBD	69	69	69	69	60	60	60	70

Source: City Records

CITY OF PROVIDENCE, RHODE ISLAND

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

Function/Program	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public Safety:										
Fire, Fire Stations	15	15	15	15	15	15	15	15	15	16
Fire trucks	23	23	28	28	28	28	28	28	28	28
Public Works:										
Traffic signals										
Collection Trucks										
Bridges	27	27	53	53	53	53	53	53	53	53
Streets (Miles)	370	370	417	417	417	417	417	417	417	417
Manholes	20	20	20	20	20	20	20	12	12	-
Catch Basins	12	12	12	12	12	12	12	12	12	12
Drain Inlets	4	4								
Parks & Recreation:										
Acreage	1,300	1,300								
Parks	124	124	141	141	141	141	141	141	110	110
Golf Course	2	2	1	1	1	1	1	1	1	-
Baseball/Softball Diamonds	40	40	1	1	1	1	1	-	-	-
Greenhouse	6	6	1	1	1	1	1	1	1	1
Soccer/Football Fields	11	11	1	1	1	1	1	-	-	-
Water Parks	9	9	3	3	3	3	3	3	3	2
Museum	1	1	1	1	1	1	1	1	1	-
Swimming pools	6	6	6	6	6	6	6	6	6	-
Recreation Centers	10	10	12	12	12	12	12	12	12	-
Zoo	1	1	1	1	1	1	1	1	1	1
Community Centers										
Water:										
Lakes	10	10	10	10	10	10	10	10	10	10
Wastewater:										
Sanitary Sewer Lines (miles)	300	300	415	415	415	415	415	415	415	415

Source: City Records

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