
CITY OF EAST PROVIDENCE

***ANNUAL
FINANCIAL STATEMENTS***

***FOR THE FISCAL YEAR ENDED
OCTOBER 31, 2012***

Prepared by: Finance Department

EAST PROVIDENCE, RHODE ISLAND

**CITY OF EAST PROVIDENCE, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2012**

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INTRODUCTORY SECTION

This Section Contains the Following Subsections:

List of Town Officials

CITY OF EAST PROVIDENCE, RHODE ISLAND

PRINCIPAL OFFICIALS

CITY COUNCIL

James A. Briden, Mayor
Helder J. Cunha
Thomas A. Rose, Jr., Assistant Mayor
Christine A. Rossi
Tracy A Capobianco

CITY OFFICIALS

Peter Graczykowski, City Manager
Malcom Moore, Finance Director
Timothy J. Chapman, City Solicitor
Steven Hazard, Tax Assessor
Kim Casci, City Clerk
Joseph Tavares, Chief of Police
Oscar Elmasain, Acting Fire Chief

FINANCIAL SECTION

This Section Contains the Following Subsections:

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Supplementary Information

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council
City of East Providence
East 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 East Providence, Rhode Island (City) as of and for the year ended October 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City as of October 31, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Parmelee, Poirier & Associates, LLP
July 30, 2013

Management's Discussion and Analysis

CITY OF EAST PROVIDENCE, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of East Providence provides this Management's Discussion and Analysis of the City of East Providence's Annual Financial Report for the readers of the City's financial statements. This narrative overview and analysis of the financial statements of the City of East Providence is for fiscal year ended October 31, 2012.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate Changes in the City's financial position. These tables will reflect governmental activities, business - type activities and total activities for the 2011 and 2012 fiscal years.

FINANCIAL HIGHLIGHTS

The City Charter requires that any unreserved fund balance, i.e. surplus, be carried forward to the next fiscal year as a revenue source. The surplus from the fiscal year 2012 was projected to be \$6,000,000. The City's total General Fund fund balance as of October 31, 2012 was \$8,743,840.

The School Department reported a surplus of \$7,595,872, bringing their accumulated deficit to \$-0- as of October 31, 2012. This is a result of the Budget Commission of the City funding of the School Department's cumulative deficit in a one-time transfer.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's annual financial statements. The financial section of this report consists of **four** parts — management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information that includes combining statements for non-major governmental funds and other fiduciary funds.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall status.

The remaining statements are fund-financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government wide statements.

The *governmental fund* statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short and long term financial information about the activities the Government operates like businesses, such as the sewer system

Fiduciary fund statements provide information about assets that are held by the City as a trustee or agent for the benefit of someone or something other than the City itself. The City cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and how they relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements.

**Figure A-1
Required Components of
City of East Providence's Basic Financial Report**

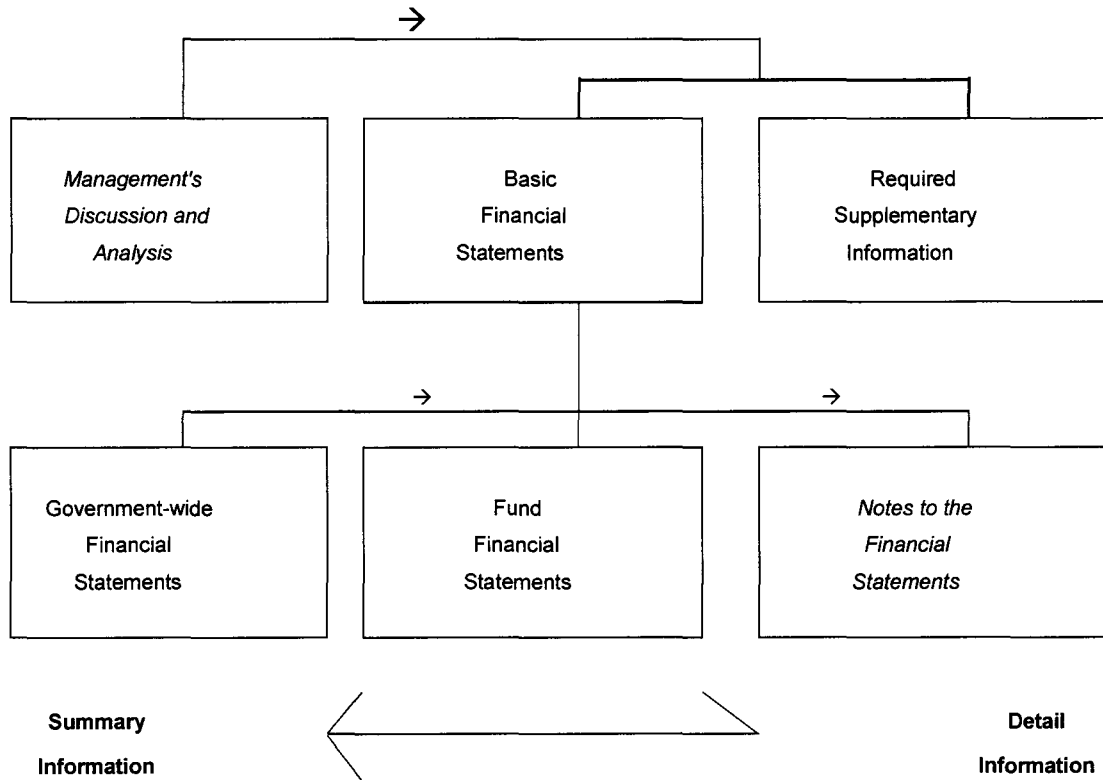


Figure A- 2

Major Features of the City of East Providence's Government-Wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire and DPW.	Activities the City operates similar to private businesses such as the water and sewer system.	Instances in which the City is the trustee or agent for someone else's resources.
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets. Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting Basis And Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability Information	All assets and liabilities both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets — the difference between the City's assets and liabilities — is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into three categories.

Governmental activities - Most of the City's basic services are included here, such as the police, fire, library, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.

Business-Type activities - The City charges fees to customers to cover the costs of certain services it provides. The City water and waste water system are included here.

Component units - The City does not have any entities that are deemed to be component units. The

government-wide financial statements are reported on pages 13 and 14.

Fund Financial Statements

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

The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. See figure A-2 for further explanation.

Governmental Funds — Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund 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 requirement.

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

The City maintains 75 governmental funds; two are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The City's two major governmental funds are:

1. General Fund
2. School Unrestricted Fund

The basic governmental fund financial statements can be found on pages 15 through 17 of this report.

Proprietary Funds — The City maintains two enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and waste-water operations.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary Funds — Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 22 and 23 of this report.

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 fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Information — In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This section includes budgetary comparison schedules, which include reconciliation between the statutory revenues and expenditures for budgetary purposes and the revenues and expenditures for the General Fund and School Unrestricted Fund as presented in the governmental fund financial statements. Required supplementary information follows the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL

ANALYSIS Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business -type activities) totaled \$47,854,808 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$55,532,014) reflects its investment in capital such as land, building, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The

City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of East Providence
Net Assets

	<i>October 31, 2011</i>			<i>October 31, 2012</i>		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 64,008,000	\$ 25,320,000	\$ 89,328,000	\$ 64,860,769	\$ 20,673,906	\$ 85,534,675
Capital assets	73,163,000	62,879,000	136,042,000	78,323,989	85,042,683	163,366,672
Other assets	2,628,000	517,000	3,145,000	1,297,838	-	1,297,838
Total Assets	<u>139,799,000</u>	<u>88,716,000</u>	<u>228,515,000</u>	<u>144,482,596</u>	<u>105,716,589</u>	<u>250,199,185</u>
Other Liabilities	36,969,000	11,757,000	48,726,000	15,824,237	8,141,813	23,966,050
Long-Term Liabilities	92,060,000	44,689,000	136,749,000	114,271,532	64,106,795	178,378,327
Total Liabilities	<u>129,029,000</u>	<u>56,446,000</u>	<u>185,475,000</u>	<u>130,095,769</u>	<u>72,248,608</u>	<u>202,344,377</u>
Net Assets:						
Invested in Capital						
Net of Related Debt	41,531,000	30,793,000	72,324,000	28,694,053	26,837,961	55,532,014
Restricted	4,200,000	908,000	5,108,000	8,014,882	908,120	8,923,002
Unrestricted	(34,961,000)	569,000	(34,392,000)	(22,322,108)	5,721,900	(16,600,208)
Total Net Assets	<u>\$ 10,770,000</u>	<u>\$ 32,270,000</u>	<u>\$ 43,040,000</u>	<u>\$ 14,386,827</u>	<u>\$ 33,467,981</u>	<u>\$ 47,854,808</u>

An additional portion of the City's net assets (\$8,923,002) represents resources that are subject to external restrictions on how they may be used. The remaining balance (deficit) of unrestricted net assets (\$16,600,208) may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

City of East Providence
Changes in Net Assets

	<u>October 31, 2011</u>			<u>October 31, 2012</u>		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 7,206,678	\$ 15,736,124	\$ 22,942,802	\$ 8,699,438	\$ 17,297,056	\$ 25,996,494
Operating Grants and Contributions	38,420,125	219,164	38,639,289	34,824,181	-	34,824,181
Capital Grants and Contributions	854,790	1,039,633	1,894,423	2,087,541	993,693	3,081,234
General Revenues						
Property taxes	93,641,737	-	93,641,737	94,333,710	-	94,333,710
State general revenue sharing	2,765,769	-	2,765,769	6,006,419	-	6,006,419
Miscellaneous	548,890	775	549,665	1,177,111	755	1,177,866
Total revenues	<u>143,437,989</u>	<u>16,995,696</u>	<u>160,433,685</u>	<u>147,128,400</u>	<u>18,291,504</u>	<u>165,419,904</u>
Expenses						
General government	11,232,391	-	11,232,391	13,426,102	-	13,426,102
Public safety	34,080,289	-	34,080,289	28,258,277	-	28,258,277
Public works	7,509,252	-	7,509,252	6,951,523	-	6,951,523
Public libraries	2,431,001	-	2,431,001	2,689,869	-	2,689,869
Parks and recreation	3,016,910	-	3,016,910	3,017,771	-	3,017,771
Sanitation	2,802,521	-	2,802,521	2,163,456	-	2,163,456
Education	83,427,360	-	83,427,360	80,880,979	-	80,880,979
Miscellaneous	-	-	-	4,062,164	-	4,062,164
Debt service	2,302,631	-	2,302,631	2,061,217	-	2,061,217
Water Fund Expenses	-	6,554,881	6,554,881	-	6,233,518	6,233,518
WPC Fund Expenses	-	9,634,301	9,634,301	-	10,859,802	10,859,802
Total expenses	<u>146,802,355</u>	<u>16,189,182</u>	<u>162,991,537</u>	<u>143,511,358</u>	<u>17,093,320</u>	<u>160,604,678</u>
Excess/(deficiency) before transfers	(3,364,366)	806,514	(2,557,852)	3,617,042	1,198,184	4,815,226
Change in net assets	(3,364,366)	806,514	(2,557,852)	3,617,042	1,198,184	4,815,226
Net assets - beginning	<u>14,134,151</u>	<u>31,463,283</u>	<u>45,597,434</u>	<u>10,769,785</u>	<u>32,269,797</u>	<u>43,039,582</u>
Net assets - ending	<u>\$ 10,769,785</u>	<u>\$ 32,269,797</u>	<u>\$ 43,039,582</u>	<u>\$ 14,386,827</u>	<u>\$ 33,467,981</u>	<u>\$ 47,854,808</u>

Governmental activities — Governmental activities increased the City's net assets by \$3,617,042.
Business-type activities - Business-type activities increased the City's net assets by \$1,198,184.

Financial Analysis of the Government's 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,745,145 a increase of \$17,358,280 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$8,743,840.

The fund balance in the City's general fund increased by \$1,197,377 during the current fiscal year.

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

Unrestricted net assets of the water fund at the end of the year amounted to \$2,735,544. In the wastewater fund, unrestricted net assets amounted to \$2,986,356, an increase of \$250,812. The accumulated deficit in wastewater was caused by a number of years of under-funding. Effective November 2011, the City Council took action that resulted in significantly higher rates being charged. The Budget Commission adopted revised wastewater rates on April 26, 2012 to initiate the elimination of the projected deficit within the next four (4) years. The upgrades to the treatment facility were completed in September 2012, which is ahead of schedule and under budget.

General Fund Budgetary Highlights

The budget passed in October 2012. Revenue exceeded budget estimates substantially. The following Departments had expenditures that were materially over budget for the fiscal year.

- a) General Government - due to Information technology upgrades.
- b) Public works – due to overtime
- c) Sanitation- due to increased state tipping fees

Capital Assets and Debt Administration

Capital Assets — The City's investment in capital assets for its governmental and business-type activities as of October 31, 2012 amounted to \$163,366,672 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and construction in progress.

City of East Providence
Capital Assets (Net of Accumulated Depreciation)

	<i>October 31, 2011</i>			<i>October 31, 2012</i>		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Land /improvements	\$ 7,452,974	\$ 3,536,549	\$ 10,989,523	\$ 7,452,974	\$ 3,536,549	\$ 10,989,523
Buildings/improvements	60,104,137	19,721,796	79,825,933	60,566,157	20,246,796	80,812,953
Infrastructure	44,177,703	46,797,433	90,975,136	44,177,703	46,787,433	90,965,136
Vehicles	13,746,841	1,161,547	14,908,388	13,874,639	636,547	14,511,186
Machinery & equipment	11,401,011	5,884,070	17,285,081	11,889,504	5,884,070	17,773,574
Construction in progress	15,616,430	30,003,241	45,619,671	22,735,134	53,526,189	76,261,323
Less: Accumulated Depreciation	(79,336,296)	(44,215,979)	(123,552,275)	(82,372,122)	(45,574,901)	(127,947,023)
Total	\$ 73,162,800	\$ 62,888,657	\$ 136,051,457	\$ 78,323,989	\$ 85,042,683	\$ 163,366,672

Additional information on the City's capital assets can be found in the notes to the financial statements of this report.

Long-Term Debt – At the end of the fiscal year, the City had total debt outstanding of \$113,590,705. 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 citizens.

City of East Providence
Outstanding Debt
General Obligation Bonds and Notes Payable

	<u>October 31, 2011</u>			<u>October 31, 2012</u>		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
General Obligation Bonds	\$ 20,700,300	\$ 2,044,700	\$ 22,745,000	\$ 18,978,800	\$ 1,846,200	\$ 20,825,000
Capital Leases Payable	14,048,094	-	14,048,094	28,023,891	-	28,023,891
Loans Payable	2,857,163	43,638,750	46,495,913	2,627,245	62,114,569	64,741,814
Totals	<u>\$ 37,605,557</u>	<u>\$ 45,683,450</u>	<u>\$ 83,289,007</u>	<u>\$ 49,629,936</u>	<u>\$ 63,960,769</u>	<u>\$ 113,590,705</u>

The City retired bond debt of \$1,721,500 during the current fiscal year. The City has a Ba1 rating and remains on review for possible downgrade from Moody's Investors Service and BB+ and placed on CreditWatch from Standard & Pools.

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for City bonds is \$123,849,613.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Independent Audit

State statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of Parmelee Poirier & Associates provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended October 31, 2012. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' reports related specifically to the single audit are contained in a separate document.

Budget Commission

Pursuant to R.I. Gen. Laws § 45-9-3, in consultation with the auditor general, the Director of Revenue appointed a fiscal overseer for the City of East Providence on November 14, 2011. The appointment was made to assess the ability of the City to manage its fiscal affairs. The City was projecting a deficit in its municipal budget in the current fiscal year and again in the upcoming fiscal year and had been downgraded by one of the nationally recognized statistical rating organizations.

On December 19, 2011 the fiscal overseer concluded that the City was (1) unable to present a balanced municipal budget; (2) faced a fiscal crisis that posed an imminent danger to the safety of the citizens of the City and/or their property; and (3) was not able to achieve fiscal stability without the assistance of a budget

commission. Further, the fiscal overseer indicated that it was his belief that a budget commission should be appointed.

Effective December 20, 2011, the Director of Revenue established a budget commission for the City consisting of five (5) members, three (3) of whom are designated by the Director of Revenue and two (2) are members from the City i.e. the President of the City Council and the City Manager. The budget commission's obligation is to initiate and assure the implementation of appropriate measures to secure the financial stability of the City. Further, pursuant to R.I. Gen. Laws § 45-9-6(d)(20), the budget commission exercises "...all powers under the general laws and this chapter or any special act, any charter provision or ordinance that any elected official of the city or town may exercise, acting separately or jointly; provided, however, that with respect to any such exercise of powers by the budget commission, the elected officials shall not rescind or take any action contrary to such action by the budget commission so long as the budget commission continues to exist.". The budget commission, On February 28, 2013 returned financial control to the City (through February 28, 2014) after adopting a five year budget which includes continued expenditure reductions, collective bargaining agreements. However, the budget commission will, If it concludes that the City's implementation of its recommendations are insufficient to restore fiscal stability to the city, It will re-convene at that time.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of East Providence is 11.9 percent. This compares unfavorably to the State's average unemployment rate of 11.1 percent and the national average of 8.2 percent. Per capita and median family income remains some of the highest in the State and favorable nationally.

	Per Capita	Median Family
East Providence ¹	\$27,349	\$66,754
Rhode Island ¹	\$28,638	\$71,037
United States ²	\$21,587	\$50,046

¹ Based on RI Department of Municipal Finance "RI Median Income According to the 2009 Census" table.

² Based on US Census Bureau data – fact finder.

The FY2013 budget was adopted based on an estimated 2.5% tax rate increase. The City's actual tax rate will increase from \$20.74 to \$22.78 (9.8%) for fiscal year ended October 2013. The waste water rates increased to \$7.78 per 100 cubic feet of water used based upon the actual quarterly or monthly meter reading of water consumption less an annual exemption of 3,500 cubic feet effective November 1, 2011. The City of East Providence faces the same facts and conditions of most other communities in Rhode Island and across the country. The general economic downturn has affected the ability to raise revenue and control expenses in these poor economic times.

The city will be the recipient of approximately \$60,000,000 award from Google USA via the Department of Justice's asset forfeiture funds. The funds will be used to provide funding for the City's police pension fund. Payment of the award is expected to occur in the 2013 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, 145 Taunton Avenue, East Providence, RI 02914.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF EAST PROVIDENCE, RHODE ISLAND

Statement of Net Assets

October 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,782,437	\$ 4,089,398	\$ 30,871,835
Restricted cash and cash equivalents	-	4,465,759	4,465,759
Investments	6,807,365	22,004	6,829,369
Accounts receivable:			
Accounts receivable net	24,673,518	5,440,873	30,114,391
Due from other governments	1,012,904	5,756,047	6,768,951
Other receivables	4,195,642	-	4,195,642
Inventory at cost	60,048	181,633	241,681
Tax title property	376,028	-	376,028
Prepaid expenditures	952,827	-	952,827
Net OPEB asset	1,297,838	-	1,297,838
Other assets			
Other assets - net	-	718,192	718,192
Capital assets:			
Property, plant and equipment	51,511,892	28,188,160	79,700,052
Construction in progress	22,735,134	53,526,189	76,261,323
Assets not being depreciated-Land	4,076,963	3,328,334	7,405,297
Total capital assets	<u>78,323,989</u>	<u>85,042,683</u>	<u>163,366,672</u>
TOTAL ASSETS	<u>144,482,596</u>	<u>105,716,589</u>	<u>250,199,185</u>
LIABILITIES			
Cash overdraft	58,249	-	58,249
Accounts payable and accrued expenses	11,055,778	2,759,806	13,815,584
Unearned revenue	5,716,341	477,799	6,194,140
Revenue anticipation notes	-	3,000,000	3,000,000
Internal balances	(1,904,208)	1,904,208	-
Other liabilities	898,077	-	898,077
Long-term liabilities			
Due within one year	3,369,982	2,021,020	5,391,002
Due in more than one year	110,901,550	62,085,775	172,987,325
Total liabilities	<u>130,095,769</u>	<u>72,248,608</u>	<u>202,344,377</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,694,053	26,837,961	55,532,014
Restricted for:			
RIHEBC School capital improvements	7,908,723	-	7,908,723
Permanent funds	106,159	-	106,159
Improvements	-	908,120	908,120
Unrestricted (deficit)	(22,322,108)	5,721,900	(16,600,208)
Total net assets	<u>\$ 14,386,827</u>	<u>\$ 33,467,981</u>	<u>\$ 47,854,808</u>

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Activities
For the Year Ended October 31, 2012

	<u>Program revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/ Programs						
Primary government						
Governmental activities:						
General government	\$ 13,426,102	\$ 1,555,806	\$ 1,228,263	\$ -	\$ (10,642,033)	\$ (10,642,033)
Public safety	28,258,277	3,173,305	138,509	1,554,600	(23,391,863)	(23,391,863)
Public works	6,951,523	542,224	77,841	532,941	(5,798,517)	(5,798,517)
Sanitation	2,689,869	-	-	-	(2,689,869)	(2,689,869)
Parks and recreation	3,017,771	202,392	9,857	-	(2,805,522)	(2,805,522)
Public libraries	2,163,456	47,339	82,582	-	(2,033,535)	(2,033,535)
Education	80,880,979	3,178,372	33,287,129	-	(44,415,478)	(44,415,478)
Miscellaneous	4,062,164	-	-	-	(4,062,164)	(4,062,164)
Debt service	2,061,217	-	-	-	(2,061,217)	(2,061,217)
Total governmental activities	<u>143,511,358</u>	<u>8,699,438</u>	<u>34,824,181</u>	<u>2,087,541</u>	<u>(97,900,198)</u>	<u>(97,900,198)</u>
Business type activities:						
Water fund	6,233,518	5,877,908	-	703,901	-	\$ 348,291
Sewer fund	10,859,802	11,419,148	-	289,792	-	849,138
Total business-type activities	<u>17,093,320</u>	<u>17,297,056</u>	<u>-</u>	<u>993,693</u>	<u>-</u>	<u>1,197,429</u>
Total primary government	<u>\$ 160,604,678</u>	<u>\$ 25,996,494</u>	<u>\$ 34,824,181</u>	<u>\$ 3,081,234</u>	<u>(97,900,198)</u>	<u>1,197,429</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				94,333,710	-	94,333,710
Unrestricted investment earnings				772,250	755	773,005
State general revenue sharing				6,006,419	-	6,006,419
Miscellaneous				404,861	-	404,861
Total general revenues and transfers				<u>101,517,240</u>	<u>755</u>	<u>101,517,995</u>
Change in net assets				<u>3,617,042</u>	<u>1,198,184</u>	<u>4,815,226</u>
Net assets-beginning				<u>10,769,785</u>	<u>32,269,797</u>	<u>43,039,582</u>
Net assets-ending				<u>\$ 14,386,827</u>	<u>\$ 33,467,981</u>	<u>\$ 47,854,808</u>

See auditor's report and accompanying notes to these financial statements

Fund Financial Statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Balance Sheet
Governmental Funds
October 31, 2012

	General Fund	School Special Revenue Unrestricted Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,089,568	\$ -	\$ 9,692,869	\$ 26,782,437
Investments	2,210,774	-	4,596,591	6,807,365
Accounts receivable:				
Real estate and personal property taxes (net)	23,969,042	-	-	23,969,042
Due from other governments	-	680,332	332,572	1,012,904
Other receivables	322,289	-	1,269,080	1,591,369
Internal balances	3,368,161	11,317,189	537,779	15,223,129
Inventory	60,048	-	-	60,048
Tax title property	376,028	-	-	376,028
Prepaid expenditures	725,735	227,092	-	952,827
TOTAL ASSETS	\$ 48,121,645	\$ 12,224,613	\$ 16,428,891	\$ 76,775,149
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ 58,249	\$ 58,249
Accounts payable and accrued expenditures	5,109,052	4,368,818	778,344	10,256,214
Internal balances	9,668,949	3,222,197	680,742	13,571,888
Deferred revenue:				
Real estate and personal property taxes (net)	23,835,509	-	-	23,835,509
Other	388,267	4,623,598	704,476	5,716,341
Other liabilities	376,028	10,000	205,775	591,803
Total liabilities	39,377,805	12,224,613	2,427,586	54,030,004
Fund balances:				
Nonspendable fund balances	785,783	227,092	106,159	1,119,034
Restricted fund balances, reported in:				
Capital projects funds	-	-	11,789,645	11,789,645
Special revenue funds	-	-	2,185,536	2,185,536
Assigned fund balances	107,500	-	-	107,500
Unassigned, reported in:				
General fund	7,850,557	-	-	7,850,557
Capital projects funds	-	-	(30,802)	(30,802)
Special revenue funds	-	(227,092)	(49,233)	(276,325)
Total fund balances	8,743,840	-	14,001,305	22,745,145
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,121,645	\$ 12,224,613	\$ 16,428,891	

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. (see note 8)	78,323,989
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (see note 8)	27,589,225
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (see note 8)	(114,271,532)
Net assets of governmental activities	\$ 14,386,827

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended October 31, 2012

	<u>General Fund</u>	<u>School Special Revenue Unrestricted Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
General property tax	\$ 96,796,906	\$ -	\$ -	\$ 96,796,906
Federal and state aid and grants	4,378,439	28,470,149	7,733,516	40,582,104
Charges for services	4,854,996	2,466,841	776,102	8,097,939
Fines and penalties	468,084	-	177,247	645,331
Investment and interest income	771,417	-	833	772,250
Contributions and private grants	-	-	37,372	37,372
Other revenue	-	88,566	463,018	551,584
Total revenues	<u>107,269,842</u>	<u>31,025,556</u>	<u>9,188,088</u>	<u>147,483,486</u>
Expenditures				
Current:				
General government	5,117,567	-	822,444	5,940,011
Public safety	27,037,691	-	2,048,251	29,085,942
Public works	6,140,602	-	1,373,396	7,513,998
Parks and recreation	2,515,939	-	173,930	2,689,869
Sanitation	2,756,175	-	-	2,756,175
Public libraries	2,147,896	-	21,150	2,169,046
Education	-	74,492,638	10,534,826	85,027,464
Miscellaneous	4,332,240	-	-	4,332,240
Debt service	4,712,673	283,855	613,933	5,610,461
Total expenditures	<u>54,760,783</u>	<u>74,776,493</u>	<u>15,587,930</u>	<u>145,125,206</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>52,509,059</u>	<u>(43,750,937)</u>	<u>(6,399,842)</u>	<u>2,358,280</u>
Other financing sources (uses)				
Proceeds of debt issuance	-	-	15,000,000	15,000,000
Transfers from other funds	270,884	51,346,809	235,757	51,853,450
Transfers to other funds	(51,582,566)	-	(270,884)	(51,853,450)
Total other financing sources (uses)	<u>(51,311,682)</u>	<u>51,346,809</u>	<u>14,964,873</u>	<u>15,000,000</u>
Net change in fund balances	1,197,377	7,595,872	8,565,031	17,358,280
Fund balances - beginning	<u>7,546,463</u>	<u>(7,595,872)</u>	<u>5,436,274</u>	<u>5,386,865</u>
Fund balances - ending	<u>\$ 8,743,840</u>	<u>\$ -</u>	<u>\$ 14,001,305</u>	<u>\$ 22,745,145</u>

See auditor's report and accompanying notes to these financial statements

CITY OF EAST 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 October 31, 2012

Net change in fund balances-total governmental funds	\$	17,358,280
<p>Amounts reported for governmental activities in the statement of activities are different from the amounts reported as fund expenditures because:</p>		
<p>Governmental funds reported 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. This is the amount by which depreciation expense exceed capital outlays of in the current period.</p>		5,855,813
<p>Increases in deferred revenues provide current financial resources in the statement of activities, but are reported as decreases in revenues in the governmental funds.</p>		(359,338)
<p>Some expenditures reported in the governmental funds that require the use of current financial resources are not reported as expenditures in the statement of activities.</p>		126,989
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which long-term borrowings were reduced.</p>		(12,020,127)
<p>Other certain accrued expenditures that do not use current financial resources are not reported in the fund financial statements. However, in the statement of activities these accrued expenses are recognized and charged to current activities.</p>		<u>(7,344,575)</u>
Change in net assets of governmental activities	\$	<u><u>3,617,042</u></u>

Please see Notes 7 and 8 in the Notes to Financial Statements for a more detailed explanation of the differences between the Government-Wide Financial Statements and the Fund Financial Statements

CITY OF EAST PROVIDENCE, RHODE ISLAND

Statement of Net Assets

Proprietary Funds

October 31, 2012

	Enterprise Funds		
	Water Fund	WPC Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,779,348	\$ 2,310,050	\$ 4,089,398
Investments	21,031	973	22,004
Restricted cash and cash equivalents	588,567	3,877,192	4,465,759
Accounts receivable usage sales and fees	5,208,815	232,058	5,440,873
Due from federal and state government	45,479	5,710,568	5,756,047
Internal balances	1,011,000	3,786,663	4,797,663
Inventory	181,633	-	181,633
Total current assets	8,835,873	15,917,504	24,753,377
Non-current assets			
Property, plant and equipment			
Land	1,909,975	1,418,359	3,328,334
Construction in progress	6,205,330	47,320,859	53,526,189
Land improvements	83,806	124,409	208,215
Buildings, pump stations and tanks	2,097,453	17,099,343	19,196,796
Infrastructure	24,950,377	21,837,056	46,787,433
Machinery and equipment	1,809,503	4,074,567	5,884,070
Vehicles	1,161,547	525,000	1,686,547
Total property, plant and equipment	38,217,991	92,399,593	130,617,584
Less accumulated depreciation	15,892,213	29,682,688	45,574,901
Net property, plant and equipment	22,325,778	62,716,905	85,042,683
Other assets			
Other assets	113,865	604,327	718,192
Total non-current assets	113,865	604,327	718,192
TOTAL ASSETS	31,275,516	79,238,736	110,514,252
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	1,489,598	1,270,208	2,759,806
Deferred revenues	451,852	25,947	477,799
Internal balances	4,099,154	2,602,717	6,701,871
Revenue anticipation notes payable	-	3,000,000	3,000,000
Current portion of long-term debt	316,918	1,704,102	2,021,020
Total current liabilities	6,357,522	8,602,974	14,960,496
Non-current liabilities			
Accrued compensated absences	128,111	17,915	146,026
Bonds and loans payable	6,156,010	55,783,739	61,939,749
Total non-current liabilities	6,284,121	55,801,654	62,085,775
Total liabilities	12,641,643	64,404,628	77,046,271
Net Assets			
Invested in Capital assets, net of related debt	15,898,329	10,939,632	26,837,961
Restricted for improvements	-	908,120	908,120
Unrestricted	2,735,544	2,986,356	5,721,900
Total Net Assets	\$ 18,633,873	\$ 14,834,108	\$ 33,467,981

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended October 31, 2012

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>WPC Fund</u>	<u>Totals</u>
Operating revenues			
Usage sales and fees	\$ 5,679,714	\$ 9,087,644	\$ 14,767,358
Other income	198,194	2,331,504	2,529,698
Total operating revenues	<u>5,877,908</u>	<u>11,419,148</u>	<u>17,297,056</u>
Operating expenses			
Salaries and benefits	1,756,063	100,734	1,856,797
Repairs and maintenance	282,191	-	282,191
Water purchases	2,532,166	-	2,532,166
Operations	535,275	8,120,807	8,656,082
Depreciation and amortization	498,727	886,031	1,384,758
Other	373,167	1,500	374,667
Total operating expenses	<u>5,977,589</u>	<u>9,109,072</u>	<u>15,086,661</u>
Operating income (loss)	<u>(99,681)</u>	<u>2,310,076</u>	<u>2,210,395</u>
Non-operating revenues (expenses)			
Investment income	584	171	755
Nonoperating grant	-	130,192	130,192
Interest expense	(255,929)	(1,750,730)	(2,006,659)
Total non-operating (expenses)	<u>(255,345)</u>	<u>(1,620,367)</u>	<u>(1,875,712)</u>
Income (loss) before capital contributions	(355,026)	689,709	334,683
Capital contributions and grants	703,901	159,600	863,501
Change in Net Assets	<u>348,875</u>	<u>849,309</u>	<u>1,198,184</u>
Total Net Assets - Beginning	<u>18,284,998</u>	<u>13,984,799</u>	<u>32,269,797</u>
Total Net Assets - Ending	<u>\$ 18,633,873</u>	<u>\$ 14,834,108</u>	<u>\$ 33,467,981</u>

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Cash Flows-Proprietary Funds
For the Fiscal Year Ended October 31, 2012

	Enterprise Funds		
	Water Fund	WPC Fund	Totals
Cash flows from operating activities			
Cash received from customers	\$ 5,317,266	\$ 8,991,707	\$ 14,308,973
Other operating revenue receipts	198,194	2,331,504	2,529,698
Cash payments to suppliers for goods and services	(3,727,004)	(9,013,970)	(12,740,974)
Cash payments to employees for services	(1,789,606)	(98,844)	(1,888,450)
Net cash provided by (used for) operating activities	<u>(1,150)</u>	<u>2,210,397</u>	<u>2,209,247</u>
Cash flows from non-capital financing activities			
Interfund loans	644,962	(298,153)	346,809
Proceeds from revenue anticipation note	-	3,000,000	3,000,000
Interest paid on revenue anticipation note	-	-	-
Nonoperating grant	-	130,192	130,192
Net cash provided by (used for) non-capital financing activities	<u>644,962</u>	<u>2,832,039</u>	<u>3,477,001</u>
Cash flows from capital and related financing activities			
Capital grants and contributions	703,901	159,600	863,501
Loan proceeds	137,198	1,472,336	1,609,534
Principal paid on bonds, notes and loans	(245,470)	(1,584,566)	(1,830,036)
Interest paid on bonds, notes and loans	(255,929)	(1,750,730)	(2,006,659)
Acquisition and construction of capital assets	(482,719)	-	(482,719)
Net cash provided (used for) capital and related financing activities	<u>(143,019)</u>	<u>(1,703,360)</u>	<u>(1,846,379)</u>
Cash flows from investing activities			
Interest and dividends on investments	584	171	755
Net cash provided by (used for) investing activities	<u>584</u>	<u>171</u>	<u>755</u>
Net increase (decrease) in cash and cash equivalents	501,377	3,339,247	3,840,624
Cash and cash equivalents at beginning of year	1,887,569	2,848,968	4,736,537
Cash and cash equivalents at end of year	<u>\$ 2,388,946</u>	<u>\$ 6,188,215</u>	<u>\$ 8,577,161</u>
Additional non-cash flow balance sheet activity:			
Noncash capital and related financing activities			
Increase (decrease) in due from state government	(28,230)	(11,101,542)	(11,129,772)
Increase in construction in progress	1,794,668	27,652,492	29,447,160
Increase in other assets	20,000	175,000	195,000
Increase (decrease) in accounts payable	734,562	(6,900,975)	(6,166,413)
Increase in loans payable	1,687,082	23,063,165	24,750,247

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Cash Flows-Proprietary Funds
For the Fiscal Year Ended October 31, 2012

	Enterprise Funds		
	Water Fund	WPC Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (99,681)	\$ 2,310,076	\$ 2,210,395
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	498,727	886,031	1,384,758
Changes in assets and liabilities:			
(Increase) decrease in use accounts receivable	(344,719)	(116,789)	(461,508)
(Increase) decrease in inventory	94,344	-	94,344
(Increase) decrease in other assets	(11,328)	(20,426)	(31,754)
Increase (decrease) in accounts payable and accrued expenses	(98,549)	(871,237)	(969,786)
Increase (decrease) in accrued compensated absences	(22,215)	1,890	(20,325)
Increase (decrease) in deferred revenue	(17,729)	20,852	3,123
Total adjustments	98,531	(99,679)	(1,148)
Net cash provided by operating activities	\$ (1,150)	\$ 2,210,397	\$ 2,209,247

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
October 31, 2012

	<u>Employee Retirement Plan</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 241,651
Investments, at fair value:		
Mutual funds - equity	33,110,294	-
Mutual funds - fixed income	6,132,084	-
International equity group trust	8,767,190	-
Alternative investments	2,449,750	159,171
Total investments	<u>50,459,318</u>	<u>159,171</u>
Other assets		
City contribution receivable	154,093	-
Member contribution receivable	94,827	-
Internal balances	-	6,529
Total other assets	<u>248,920</u>	<u>6,529</u>
TOTAL ASSETS	<u>50,708,238</u>	<u>407,351</u>
LIABILITIES		
Cash overdraft	270,840	-
Accounts payable and accrued expenses	73,782	-
Deposits payable to others	-	404,869
Internal balances	-	2,482
TOTAL LIABILITIES	<u>344,622</u>	<u>407,351</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 50,363,616</u>	

See auditor's report and accompanying notes to these financial statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended October 31, 2012

	<u>Employee Retirement Plan</u>
Additions	
Contributions	
Employer contributions	\$ 1,590,445
Plan members contributions	990,483
Total contributions	<u>2,580,928</u>
Investment earnings	
Net (decrease) in fair value of investments	2,583,802
Interest and dividends	912,397
Total investment earnings	<u>3,496,199</u>
Total additions	<u>6,077,127</u>
Deductions	
Benefits paid	8,964,308
Operating expenses	188,055
Total deductions	<u>9,152,363</u>
Change in net assets	<u>(3,075,236)</u>
Net assets - beginning	53,438,852
Net assets - ending	<u><u>\$ 50,363,616</u></u>

See auditor's report and accompanying notes to these financial statements

Notes to Financial Statements

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

The City of East Providence, Rhode Island, (the "City") was incorporated in 1862. The City covers 16.61 square miles located in southeastern New England. The City the fifth largest city in the State of Rhode Island and Providence Plantation and is approximately 60 miles from Boston and three and half hours from New York by automobile or rail.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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 applying the criteria set forth in GASB Statement No.14, as amended by GASB Statement No. 39. Under GASB Statement No.39 the financial reporting entity includes both the primary government, which is the City and all of its component units. Component units are legally separate entities that meet anyone 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 following entity was considered for classification as a component unit for fiscal year 2012:

- * East Providence School Department

Although the East Providence School Department meets certain criteria of the tests listed above, this entity is not deemed to have separate legal status apart from the City and the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As a result, the financial data of the East Providence School Department has been included in the Special Revenue Funds.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of East Providence does not have any component units.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

B. BASIS OF PRESENTATION AND ACCOUNTING

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds to demonstrate legal compliance and to aid management by segregating transactions related to specific City functions or activities.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets, infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied for. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions.

The City's policy is to first apply restricted resources and then unrestricted resources when expenses are incurred for purposes for which both restricted and unrestricted net assets are available.

Certain eliminations have been made as prescribed by GASB Statement No. 34 for interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Governmental Activities and the Business-Type Activities, which are presented as internal balances and eliminated in the total column.

The City applies to the Business-Type Activities and Enterprise Funds all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Major Governmental Funds:

General Fund - The General Fund is used to account for resources devoted to financing the general services that the City performs for its citizens.

School Unrestricted Fund - The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the School Department.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

Major Enterprise Funds:

WPC Fund - The Water Pollution Control Fund is used to account for the sewer use fees and the expenses associated with providing wastewater services to City residents.

Water Fund - The Water Fund is used to account for water use fees and the expenses associated with providing water services to City residents.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The City's Fiduciary Funds are a Pension Trust Fund and Agency Funds. Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Agency Funds are purely custodial and do not involve measurement of results of operations.

Pension Trust Fund - This fund accounts for pension benefits provided to City Police Officers and Firefighters. The principal revenue source for this fund is employer and employee contributions.

Agency Funds - These funds account for assets held by the City as agent for various student groups and funds held in escrow for other parties.

C. CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. INVESTMENTS

Investments are recorded at fair value. Unrealized gains and losses from changes in fair value are recognized as investment income.

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Accounts receivable and taxes receivable, are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

Property taxes that were levied on May 12, 2012 of the current year and other delinquent balances are recorded as receivables.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

F. UNBILLED SERVICE RECEIVABLE

WPC and water revenue is recorded when earned. Residential customers are billed quarterly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

G. INVENTORY

Inventory is maintained on a perpetual system and is stated at cost (first in, first out method of inventory valuation). Inventory is generally recorded as expenditures/expenses when consumed.

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Assets, but are not reported in the Governmental Fund Financial Statements.

All capital assets are capitalized at historical or estimated historical cost. Donated capital assets are recorded at the fair market values as of the date received. The City follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than 1 year.

Depreciation is calculated on the straight-line basis over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 Years
Infrastructure	10-65 Years
Buildings & construction	25-50 Years
Pump stations & tanks	40 Years
Machinery & equipment	5-30 Years
Vehicles	8 Years

I. BOND PREMIUMS AND DEBT ISSUANCE COSTS

In the Governmental Fund Financial Statements, bond premiums and debt issuance costs are treated as period costs in the year of issuance. Debt issuance costs are shown as an “expenditure” and bond premiums are reflected as an “other financing source”.

In the Government-Wide Statements, bond premiums and debt issuance costs are deferred and amortized over the term of the related debt. Bond premiums are presented as an addition to the face amount of the bonds payable whereas debt issuance costs are recorded as other assets.

J. DEFERRED REVENUE

In the Governmental Fund Financial Statements, deferred revenue represents funds received in advance of being owed or receivables that will be collected and included in revenues of future fiscal years.

In the General Fund, deferred revenues relate to uncollected property tax receivables which were assessed as of

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

December 31, 2011 billed on May 12, 2012, and payable on July 1, 2012 (with provisions for quarterly payments), plus delinquent balances less property tax amounts due as of the balance sheet date and received sixty days thereafter.

K. PROPERTY TAXES

The City is permitted by State Law to levy property taxes. The City's fiscal 2010-2011 property taxes were levied on May 12, 2012 on assessed valuation as of December 31, 2011. Taxes were due July 1, 2012 or may be paid quarterly, without penalty, at the taxpayer's option. Failure to mail payments by due dates will result in lien on taxpayer's property.

A 12% penalty is imposed for all taxes in an overdue status.

The City offers a 3% discount to taxpayers who pay their assessment in full on or before the due date of the first quarterly installment. This policy was halted by the Budget Commission for fiscal years 2014 and future.

Property tax revenue is recognized in accordance with Section P70 "***Property Taxes***" of the Codification of Governmental Accounting and Reporting Standards which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

L. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, City employees are granted vacation and sick leave in varying amounts based on length of service. They are allowed to accumulate the vacation and sick leave in accordance with the limits of the contracts. This time will be paid upon separation from City service.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources (i.e. upon an employee's resignation or retirement). The balance of the liability not paid with expendable available financial resources is not recorded in the Governmental Fund Financial Statements.

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims, judgments and compensated absences paid from governmental

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

funds are reported as a liability in the Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Fund Financial Statements until due.

N. 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 and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

NOTE 2 - INFORMATION ABOUT CAPITAL ASSETS (continued)

Capital asset activity for Governmental Activities for the fiscal year ended October 31, 2012 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,076,963	\$ -	\$ -	\$ 4,076,963
Construction in Progress	15,616,430	7,118,704	-	22,735,134
Total capital assets not being depreciated	<u>19,693,393</u>	<u>7,118,704</u>	<u>-</u>	<u>26,812,097</u>
Other capital assets:				
Land improvements	3,376,011	-	-	3,376,011
Buildings & construction	60,104,137	462,020	-	60,566,157
Infrastructure	44,177,703	-	-	44,177,703
Machinery & equipment	11,401,011	488,493	-	11,889,504
Vehicles	13,746,841	127,798	-	13,874,639
Total other capital assets at historical cost	<u>132,805,703</u>	<u>1,078,311</u>	<u>-</u>	<u>133,884,014</u>
Total assets	<u>152,499,096</u>	<u>8,197,015</u>	<u>-</u>	<u>160,696,111</u>
Less accumulated depreciation for:				
Land improvements	2,849,339	55,284	-	2,904,623
Buildings & construction	26,958,671	1,182,136	-	28,140,807
Infrastructure	31,273,451	645,354	-	31,918,805
Machinery & equipment	6,172,464	683,728	-	6,856,192
Vehicles	12,082,371	469,324	-	12,551,695
Total accumulated depreciation	<u>79,336,296</u>	<u>3,035,826</u>	<u>-</u>	<u>82,372,122</u>
Governmental activities capital assets, net	<u>\$ 73,162,800</u>	<u>\$ 5,161,189</u>	<u>\$ -</u>	<u>\$ 78,323,989</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Legislative, judicial and general administrative	\$ 112,817
Public safety	736,760
Public works	885,080
Public libraries	109,987
Parks and recreation	261,596
Library	4,878
Education	924,708
Total governmental activities depreciation expense	<u>\$ 3,035,826</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

October 31, 2012

Capital asset activity for Business-Type Activities for the fiscal year ended October 31, 2012 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,328,334	\$ -	\$ -	\$ 3,328,334
Construction in progress	30,003,241	23,522,948	-	53,526,189
Total capital assets not being depreciated	<u>33,331,575</u>	<u>23,522,948</u>	<u>-</u>	<u>56,854,523</u>
Other capital assets:				
Land improvements	208,215	-	-	208,215
Infrastructure	46,787,433	-	-	46,787,433
Buildings, pump stations & tanks	19,721,796	-	(525,000)	20,246,796
Machinery & Equipment	5,884,070	-	-	5,884,070
Vehicles	1,161,547	-	525,000	636,547
Total other capital assets at historical cost	<u>73,763,061</u>	<u>-</u>	<u>-</u>	<u>73,763,061</u>
Total assets	<u>107,094,636</u>	<u>23,522,948</u>	<u>-</u>	<u>130,617,584</u>
Less accumulated depreciation for:				
Land improvements	175,827	4,191	-	180,018
Infrastructure	25,364,163	460,708	-	25,824,871
Buildings, pump stations & tanks	14,483,460	692,618	(466,089)	15,642,167
Machinery & Equipment	3,213,846	157,933	-	3,371,779
Vehicles	978,683	43,472	466,089	556,066
Total accumulated depreciation	<u>44,215,979</u>	<u>1,358,922</u>	<u>-</u>	<u>45,574,901</u>
Business-type activities capital assets, net	<u>\$ 62,878,657</u>	<u>\$ 22,164,026</u>	<u>\$ -</u>	<u>\$ 85,042,683</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. LEGAL DEBT MARGIN** - The City's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$123,849,613 . As of October 31, 2012, the City's debt subject to legal debt margin is \$49,629,936 and the City is under the debt limit by \$ 74,219,677.
- B.** The following Departments had expenditures that were materially over budget for the fiscal year.
- 1) General Government - due to Information technology upgrades.
 - 2) Public works – due to overtime
 - 3) Sanitation- due to increased state tipping fees

The following Non-Major Governmental Funds also had a cumulative deficit as of October 31, 2012:

Special Revenue Funds:

Byrne/JAG 2009 Formula	\$6,494
Waterfront Stormwater Study	\$6,529
Forbes St. Solar Project	\$34,205
Fire Decon Grant	\$1,885
RI State Council on the Arts	\$120

Capital Project Funds:

Capital Improvements	\$10,982
Hull Street Renovations	\$19,820

NOTE 4 - CASH AND INVESTMENTS

DEPOSITS - are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and Statement of Net Assets as "Cash and Cash Equivalents" and "Cash Overdraft".

CUSTODIAL CREDIT RISK - Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk, but is governed by State Laws as described below. As of October 31, 2012, \$3,686 of the City's bank balance of \$35,250,156 was exposed to custodial credit risk as follows:

Under Rhode Island general laws, 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 one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At October 31, 2012 the City's uninsured or uncollateralized deposits with an institution was \$0.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

The City invests in various types of investments, which are stated at fair value. The Retirement Board of Trustees is responsible for all aspects of the Pension Trust Fund's investments and has adopted an investment policy. The Pension Trust Fund is prohibited from directly engaging in the following transactions unless they are executed by a professional third party manager retained by the Board of Trustees of the Pension Trust Fund:

1. Purchases of securities by partial payment of their cost (purchases on margin).
2. Sale of securities not owned by the Pension Trust Fund at the time of sale (short sales).
3. Future contracts.
4. Call options written against securities in the portfolio other than as follows:
5. Purchases of options other than as required to close out options positions.
6. Lettered or restricted stock (with the exception of those investments that are venture capital investments).
7. Direct investment in mortgages.
8. Collateral loans (with the exception of those investments that are leveraged buyout investments), provided, however that boards may participate in so-called "securities lending" programs through a custodian and provided, further, that the lending of securities is limited to brokers, dealers, and financial institutions and that the loan is collateralized by cash or United States Government securities according to applicable regulatory requirements.
9. Direct purchase or lease of real estate.

The Pension Trust Fund's portfolio target weights at the broad asset class level are as follows:

<u>Asset Class</u>	<u>Portfolio Target Weight</u>	<u>Policy Range</u>
Equity	30.0%	25.0% - 35.0%
Foreign Equity	19.0%	14.0% - 24.0%
Total Fixed Income	29.0%	24.0 % -34.0%
Real Estate/Real Assets	8.0%	5.0% - 11.0%
Equity	4.0%	2.0% - 7.0%
Hedge Fund of Funds	9.0%	4.0%-14.0%
Cash	1.0%	0.0%-5.0%

The portfolio will be allowed to fluctuate at the broad asset class level within the policy ranges noted above.

For all other investments, the City Council has control over the type of investments made, but gives the Finance Director and Treasurer the authority to make investments with their approval. The Finance Director and Treasurer are not limited by the City Charter or by legal or contractual provision for the type of investments made.

The investment maturities for the Bond Fund and the Fixed Income Mutual Funds have been presented based on the average effective maturity of the fund.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

Type of Investment	Fair Value	Investment Maturities (in Years)	
		6-10 Years	Over 10 Years
Bond Fund	\$ 8,767,190	\$ 8,767,190	\$ -
Fixed Income Mutual Funds	6,132,084	1,565,008	4,567,076
Total	<u>\$ 14,899,274</u>	<u>\$ 10,332,198</u>	<u>\$ 4,567,076</u>

Cash and investments of the Town consist of the following at October 31, 2012

Cash and Cash Equivalents

Deposits with financial institutions \$ 35,250,156

Investments

Pension Trust Fund:

Cash and Money Funds 33,110,294
U.S. Government Bonds 6,132,084
Corporate Debt 8,767,190
Equities 2,449,750
Total Pension Investments 50,459,318

Governmental Funds:

Federated Government Obligations 159,171
Total Agency Investments 159,171

Governmental Funds:

Federated Government Obligations 6,825,683
Fidelity Treasury Money Market Fund 3,686
Total Governmental Investments 6,829,369

Total Cash and Investments \$ 92,698,014

Cash and investments are classified in the accompanying financial statements as follow

Statement of Net Assets

Cash and cash equivalents \$ 35,279,345
Investments 6,829,369

Fiduciary Funds

Cash and cash equivalents (29,189)
Investments 50,618,489

Total Cash and Investments \$ 92,698,014

Credit Risk

Except as described above, the City has no investment policy that would further limit its investment choices. No credit risk disclosures are required under GASB Statement No. 40 relating to the investments in U.S. Treasury and U.S. Agency obligations.

The City's investments in debt securities, whose ratings are required to be disclosed in accordance with GASB No. 40, were rated as follows at October 31, 2012.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

Average Rating	Bond Fund	Fixed Income Mutual Funds
AAA	\$ 5,365,520	\$ 1,565,008
Aa1-Aa3	1,753,438	-
BBB	1,613,163	-
Baa1-Baa3	-	4,567,076
Not rated	35,069	-
	\$ 8,767,190	\$ 6,132,084

The credit rating of the Bond Fund and the Fixed Income Mutual Funds are based on the average credit rating of the funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City does not have a formal policy which addresses custodial credit risk.

Except for investments in mutual funds, money market funds, the MBIA RI investment pool, hedge fund of funds and the private equity limited partnership, all of the City's investments were subject to custodial credit risk at October 31, 2012, as the investments are uninsured and held by the counterparty or the counterparty's trust department, but not in the City's name. Investments in mutual funds, money market funds, the MBIA RI investment pool, hedge fund of funds and the private equity limited partnership are not subject to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

Concentrations of Credit Risk

The City places no limit on the amount of investment with any one issuer.

Investments in bond and equity mutual funds are not exposed to concentrations of credit risk, as they are considered to be diversified by nature. In addition, investments in U.S. Treasury obligations are not considered to be exposed to concentrations of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City does not have a formal policy to limit foreign currency risk.

As of October 31, 2012, the International Equity Group Trust had 98% of its assets in international investments.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

NOTE 5 - INFORMATION ABOUT LONG-TERM LIABILITIES

Governmental long-term liabilities do not appear in the fund financial statements but rather are a reconciling item in the presentation of the government-wide financial statements and are included in the statement of net assets. Long-Term liabilities directly related to and intended to be paid from the Proprietary Fund Types are included in the accounts of such fund.

The City reports a long-term liability of the primary government in either governmental type activities or business type activities.

Long-term liability activity for the fiscal year ended October 31, 2012 was as follows:

	<u>Balance</u> <u>November 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>October 31, 2012</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Governmental Activities					
Bonds payable	\$ 20,700,300	\$ -	\$ 1,721,500	\$ 18,978,800	\$ 1,716,500
Loans payable	2,857,163	-	229,918	2,627,245	145,524
Capital leases payable	14,048,094	15,694,624	1,718,827	28,023,891	1,454,407
Total bonds notes & leases payable	<u>37,605,557</u>	<u>15,694,624</u>	<u>3,670,245</u>	<u>49,629,936</u>	<u>3,316,430</u>
Other liabilities:					
Amortized premium on bonds	80,790	-	4,252	76,538	4,252
Accrued compensated absences	4,428,617	-	647,245	3,781,372	-
Net pension obligation	46,433,599	5,599,640	-	52,033,239	-
Net OPEB Obligation	6,674,099	1,879,129	-	8,553,228	-
Settlements payable	467,295	-	270,076	197,219	49,300
Total other liabilities	<u>58,084,400</u>	<u>7,478,769</u>	<u>921,573</u>	<u>64,641,596</u>	<u>53,552</u>
Governmental Activities long-term liabilities	<u>\$ 95,689,957</u>	<u>\$23,173,393</u>	<u>\$ 4,591,818</u>	<u>\$ 114,271,532</u>	<u>\$ 3,369,982</u>
Business-Type Activities					
WPC Department bonds payable	\$ 2,044,700	\$ -	\$ 198,500	\$ 1,846,200	\$ 198,500
Water Department loans payable	4,785,846	2,000,000	312,918	6,472,928	316,918
WPC Department loans payable	38,852,904	17,500,000	711,263	55,641,641	1,505,602
Total bonds & loans payable	<u>45,683,450</u>	<u>19,500,000</u>	<u>1,222,681</u>	<u>63,960,769</u>	<u>2,021,020</u>
Other liabilities:					
Accrued compensated absences	166,351	1,890	22,215	146,026	-
Total other liabilities	<u>166,351</u>	<u>1,890</u>	<u>22,215</u>	<u>146,026</u>	<u>-</u>
Business-Type Activities long-term liabilities	<u>\$ 45,849,801</u>	<u>\$19,501,890</u>	<u>\$ 1,244,896</u>	<u>\$ 64,106,795</u>	<u>\$ 2,021,020</u>

The following schedule summarizes the City's bonds and notes

	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
Governmental bonds	2.25-6.5%	\$ 18,978,800	2013-2024
Governmental loans payable	0-5.69%	2,627,245	2013-2041
Governmental leases payable	3.1-17.74%	28,023,891	2013-2032
Enterprise Funds bonds payable	3.75-5.0%	1,846,200	2013-2024
Enterprise Funds notes payable	0% - 1.645%	62,114,569	2013-2032
Total All Funds		<u>\$113,590,705</u>	

CITY OF EAST PROVIDENCE, RHODE ISLAND
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The debt service through maturity for the above Governmental bonds are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2013	\$ 3,316,430	\$ 1,955,890	\$ 5,272,321
2014	3,756,715	1,981,069	5,737,784
2015	3,456,708	1,825,796	5,282,504
2016	3,428,774	1,572,904	5,001,678
2017	3,464,500	1,520,899	4,985,399
2018	3,442,500	1,364,131	4,806,631
2019	3,502,500	1,206,333	4,708,833
2020	3,217,300	1,048,778	4,266,078
2021	3,218,000	904,467	4,122,467
2022-2032	18,672,000	7,865,665	26,537,665
2041	110,500	-	110,500
RIHMFC due upon sale of property	44,009	-	44,009
TOTALS	<u>\$ 49,629,936</u>	<u>\$ 21,245,932</u>	<u>\$ 70,875,868</u>

The debt service through maturity for the above Enterprise bonds are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2013	\$ 2,021,021	\$ 2,077,933	\$ 4,098,954
2014	2,872,210	2,007,401	4,879,611
2015	2,921,247	1,936,443	4,857,690
2016	2,812,134	1,859,473	4,671,607
2017	2,873,870	1,781,873	4,655,743
2018	2,939,455	1,698,498	4,637,953
2019	3,011,889	1,609,466	4,621,355
2020	3,023,221	1,514,895	4,538,115
2021	3,053,653	1,418,231	4,471,883
Thereafter	38,432,070	7,989,903	46,421,973
TOTALS	<u>\$ 63,960,769</u>	<u>\$ 23,894,114</u>	<u>\$ 87,854,883</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
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The General Fund, School Unrestricted Fund and CDBG Activities Fund make payments on the bonds, loans, and capital leases payable that pertain to the City's Governmental Activities. The compensated absences and settlements payable liabilities attributable to the Governmental Activities will be liquidated by the City's General Fund and School Unrestricted Fund. The net pension and net other post-employment benefit obligations attributable to the Governmental Activities will be liquidated by the General Fund.

The following RI Clean Water Loan agreements include ARRA principal forgiveness:

<u>Date Issued</u>	<u>Original Loan Amount</u>	<u>ARRA Principal Forgiveness</u>	<u>Net Loan Amount</u>
10/6/2009	\$10,000,000	\$(1,509,475)	\$8,490,525
11/19/2009	\$6,000,000	\$(1,391,731)	\$4,608,269
2/12/2010	\$561,206	\$(130,175)	\$431,031

The net loans payable have been recorded by the City as of October 31, 2012.

All RI Clean Water Loans are used for approved water or water pollution control projects. The RI Clean Water Finance Agency pays project invoices certified by the City directly to the contractors or reimburses the City for costs incurred on the projects. Loan proceeds not drawdown as of October 31, 2012 are reflected as due from the State in the preceding financial statements. The City is responsible to drawdown the full loan amount and to repay the loan amount less any applicable principal forgiveness.

The RI Clean Water Loans in the Business-Type Activities are revenue loans. The revenue loans are secured by the revenues derived from the operation of the City's water and water pollution control systems.

NOTE 6 - SHORT-TERM DEBT

The City issued the following short-term notes during fiscal year 2012:

The following schedule summarizes the City's short-term debt activity for the year:

	<u>Outstanding 10/31/11</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding 10/31/12</u>
Governmental Activities				
Bond anticipation note	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -
Revenue anticipation note	-	10,000,000	10,000,000	-
Revenue anticipation note	-	2,000,000	2,000,000	-
Revenue anticipation note	-	10,000,000	10,000,000	-
Total Short Term Debt	<u>\$ 6,000,000</u>	<u>\$ 22,000,000</u>	<u>\$ 28,000,000</u>	<u>\$ -</u>
Business-Type Activities				
Revenue anticipation note	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Total Short Term Debt	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

NOTE 7 - DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

"Total fund balances" of the City's governmental funds \$22,745,145 differs from "net assets" of governmental activities \$14,386,827 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below.

Balance Sheet/Statement of Net Assets				
	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Reclassifications and Eliminations (2)	Statement Net Assets Totals
Assets				
Cash and cash equivalents	\$ 26,782,437	\$ -	\$ -	\$ 26,782,437
Investments	6,807,365	-	-	6,807,365
Accounts receivable:				
Real estate and personal property taxes (net)	23,969,042	704,476	-	24,673,518
Due from other governments	1,012,904	-	-	1,012,904
Other receivables	1,591,369	2,604,273	-	4,195,642
Internal balances	15,223,129	-	(15,223,129)	-
Inventory	60,048	-	-	60,048
Tax title property	376,028	-	-	376,028
Prepaid expenditures	952,827	-	-	952,827
Net OPEB asset	-	1,297,838	-	1,297,838
Property, plant and equipment - net	-	51,511,892	-	51,511,892
Assets not being depreciated-CIP	-	22,735,134	-	22,735,134
Assets not being depreciated-Land	-	4,076,963	-	4,076,963
Total assets	\$ 76,775,149	\$ 82,930,576	\$ (15,223,129)	\$ 144,482,596
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ 58,249	\$ -	\$ -	\$ 58,249
Accounts payable and accrued expenditures	10,256,214	546,597	252,967	11,055,778
Internal balances	13,571,888	-	(15,476,096)	(1,904,208)
Deferred revenue:				
Real estate and personal property taxes (net)	23,835,509	(23,835,509)	-	-
Other	5,716,341	-	-	5,716,341
Other liabilities	591,803	306,274	-	898,077
Long-term liabilities				
Due within one year	-	3,369,982	-	3,369,982
Due in more than one year	-	110,901,550	-	110,901,550
Total liabilities	54,030,004	91,288,894	(15,223,129)	130,095,769
Fund Balances/Net Assets				
Total fund balances/net assets	22,745,145	(8,358,318)	-	14,386,827
Total liabilities and fund balances/net assets	\$ 76,775,149	\$ 82,930,576	\$ (15,223,129)	\$ 144,482,596

(1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 160,696,111
Accumulated depreciation	(82,372,122)
	<u>\$ 78,323,989</u>

Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. Also some expenditures in the governmental activities do not reflect current period charges.

Adjustment of deferred revenue	\$ 23,835,509
Accrued interest receivable	704,476
Other receivables	2,604,273
Net OPEB asset	1,297,838
Deferred bond cost	(306,274)
Accrued interest	(546,597)
	<u>\$ 27,589,225</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets.

Bonds payable	\$ (18,978,800)
Loans payable	(2,627,245)
Capital leases payable	(28,023,891)
Bond premium	(76,538)
Accrued compensated absences	(3,781,372)
Net OPEB obligation	(8,553,228)
Net pension obligation	(52,033,239)
Settlements payable	(197,219)
	<u>\$ (114,271,532)</u>

(continued)

CITY OF EAST PROVIDENCE, RHODE ISLAND

Notes to Financial Statements

October 31, 2012

NOTE 8 - DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

The "net change in the fund balances" for governmental funds \$17,358,280 differs from the "change in net assets" for governmental activities \$3,617,042 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences are illustrated below with explanations on page 43.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Long-term Revenues/ Expenses (1)	Capital- related Items (2)	Long-term Debt Transactions (3)	Statement of Activities Totals
Revenues					
General property tax	\$ 96,796,906	\$ (2,463,196)	\$ -	\$ -	\$ 94,333,710
Federal and state aid and grants	40,582,104	1,703,249	-	-	42,285,353
Charges for services	8,097,939	-	-	-	8,097,939
Fines and penalties	645,331	-	-	-	645,331
Investment and interest income	772,250	-	-	-	772,250
Contributions and private grants	37,372	-	-	-	37,372
Other revenue	551,584	400,609	-	4,252	956,445
Total revenues	147,483,486	(359,338)	-	4,252	147,128,400
Expenditures					
Current:					
General government	5,940,011	-	(65,389)	7,551,480	13,426,102
Public safety	29,085,942	-	(827,665)	-	28,258,277
Public works	7,513,998	-	(498,111)	(64,364)	6,951,523
Sanitation	2,689,869	-	-	-	2,689,869
Parks and recreation	2,756,175	-	261,596	-	3,017,771
Public libraries	2,169,046	-	114,865	(120,455)	2,163,456
Education	85,027,464	-	(4,146,485)	-	80,880,979
Miscellaneous	4,332,240	-	-	(270,076)	4,062,164
Long-term obligations:					
Debt service	5,610,461	(126,989)	-	(3,422,255)	2,061,217
Long-term obligations:					
Total expenditures	145,125,206	(126,989)	(5,161,189)	3,674,330	143,511,358
Other financing sources (uses)					
Proceeds of debt issuance	15,000,000	-	694,624	(15,694,624)	-
Transfers from other funds	51,853,450	-	-	-	51,853,450
Transfers to other funds	(51,853,450)	-	-	-	(51,853,450)
Total other financing sources (uses)	15,000,000	-	694,624	(15,694,624)	-
Net change for the year	\$ 17,358,280	\$ (232,349)	\$ 5,855,813	\$ (19,364,702)	\$ 3,617,042

(continued)

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
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- (1) Increases in deferred revenues do not provide current financial resources to governmental funds but are reported as revenues in the statement of activities.

Other receivables	\$ (1,703,249)
Accrued interest receivable	(187,887)
Community development loan activity reclass	(212,722)
Deferred revenue property tax	2,463,196
	<u>\$ 359,338</u>

Interest expense in the statement of activities differs from the amount reported in the governmental funds for two reasons. Accrued interest was reduced on the calculation for bonds payable. Cost associated with debt financing are expensed in the fund financial statements while in the government-wide financial statements they are capitalized and amortized over the life of the bond, also premiums received from bond issuance which are recorded in the governmental funds as revenue are amortized in the statement of activities.

Accrued interest	\$ (8,614)
Bond issue cost capitalization	(130,102)
Amortization bond issuance cost	11,727
Total expenditure adjustment	<u>\$ (126,989)</u>

- (2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 8,197,015
Depreciation expense	(3,035,826)
Capital lease outlay	694,624
Difference	<u>\$ 5,855,813</u>

- (3) Repayment of bond principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the town as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Net proceeds from the issuance of debt in the governmental funds is reported as a source of financing, in the government-wide financial it is an increase in long-term liabilities.

Principal payments made on bonds	\$ (1,721,500)
Principal payments made on loans	(229,918)
Principal payments made on leases	(1,718,827)
Amortization of bond premium	(4,252)
Issuance of debt	15,694,624
	<u>\$ 12,020,127</u>

Certain accrued expenditures that do not use current financial resources are not reported in the fund financial statements. However, in the statement of activities these accrued expenses are recognized and charged to current activities.

Net decrease in compensated absences	\$ (647,245)
Net decrease in OPEB asset	783,127
Net increase in the OPEB obligation	1,879,129
Net increase in the net pension obligation	5,599,640
Net decrease in settlements payable	(270,076)
Change	<u>\$ 7,344,575</u>

(continued)

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

NOTE 9 - INTERFUND BALANCES

The City reports interfund balances between many of its funds. The totals of all balances agree with the sum of interfund balances presented in the fund statements.

INTERFUND RECEIVABLES AND PAYABLES

	<u>Due from other funds</u>		<u>Due to other funds</u>	
General Fund	\$ 3,368,161		\$ 9,668,949	
Special Revenue Funds:				
School Unrestricted	11,317,189		3,222,197	
School Restricted	6,460		418,529	
School Lunch	179,874		-	
City Restricted	<u>253,967</u>	11,757,490	<u>142,143</u>	3,782,869
Capital Projects:		97,478		120,070
Trust and Agency Funds:				
Pension Trust Fund		248,920		-
Agency Funds		6,529		2,482
Proprietary Funds				
Water	1,011,000		4,099,154	
Sewer	<u>3,786,663</u>	4,797,663	<u>2,602,717</u>	6,701,871
	<u>\$ 20,276,241</u>		<u>\$ 20,276,241</u>	

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

NOTE 10 - INTERFUND TRANSFERS

INTERFUND TRANSFERS

<u>Fund / Department</u>	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>
General Fund	\$ 270,884	\$ 51,582,566
Special Revenue (School Department)	51,346,809	-
Special Revenue Funds (City)	1,941	132,989
School Lunch Fund	179,874	-
Capital Project Funds	<u>53,942</u>	<u>137,895</u>
Totals	<u>\$ 51,853,450</u>	<u>\$ 51,853,450</u>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$51,582,566 is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted fund and expended.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

NOTE 11 - NET ASSETS/FUND BALANCES

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets 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 the balance in this category.

Restricted Net Assets - This category presents external restrictions imposed by grantors, laws and regulations and enabling legislation.

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

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories and prepaid expenditures).

Restricted Fund Balance — This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance — This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision- making authority.

Assigned Fund Balance — This classification includes amounts constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance — This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Assigned fund balances are authorized by the Finance Director. The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
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NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of East Providence administers a single-employer, defined benefit post-employment benefit plan. This plan does not include the pension benefits discussed in Note 19. The plan provides medical, dental, and life insurance for eligible retirees and their dependents through the City's group health and life insurance plans, which cover both active and retired members. Benefit provisions are established and may be amended by the union contracts through negotiations between the City and the respective unions. The plan does not issue a publicly available financial report. However the City does prepare a complete valuation report on a Bi-annual basis. The most recent valuation was completed in 2012. The City implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

The following groups of retirees receiving a pension from the City's Police and Fire Pension Plan, the Employees' Retirement System, or the Municipal Employees' Retirement System are eligible for post-employment benefits:

- Police and Fire - retirees with at least 10 years of service are eligible at age 60; retirees with at least 20 years of service are eligible at any age.
- Teachers and Principals with 10 or more years of service as of June 30, 2005 (Schedule A) - retirees with at least 10 years of creditable service are eligible at age 60; retirees with at least 28 years of creditable service are eligible at any age.
- Teachers and Principals with less than 10 years of service as of June 30, 2005 (Schedule B) - retirees with at least 10 years creditable service are eligible at age 65; retirees with at least 29 years of creditable service are eligible at age 62; retirees with at least 20 years of creditable service are eligible at age 55 (early retirement with reduced benefit).
- General Employees - City and School retirees with at least 10 years of service are eligible at age 58; City retirees with at least 20 years of service are eligible at age 50 (reduced pension); City and School retirees with at least 30 years of service are eligible at any age
- Disability - employees on service-related disability are eligible at any age; employees on nonservice related disability are eligible with 10 years of service for police and fire, 5 years of service for teachers and from date of hire for general employees

Police, Fire and City General Employees - Medical and prescription drug benefits and group life insurance of \$7,500 are provided to eligible retirees until age 65 or 3 years after retirement, whichever is later. Disabled police and firefighters receive benefits for life and disabled general employees are treated as retirees. The spouse's disability benefit terminates when the retiree turns 65 or upon death of retiree, whichever is earlier. A surviving spouse receives COBRA coverage upon death of the retiree and must pay the required COBRA rate. Upon death of an active employee, the surviving spouse receives three years of free coverage paid by the City and then must elect COBRA coverage and pay the required COBRA rate. Retirees do not contribute to medical and prescription drug benefits or group life insurance, except for those enrolled in COBRA coverage or Medicare Plan 65 pay the full cost of coverage. Retirees may elect dental coverage at their own cost.

Teachers and School General Employees - Medical and prescription drug benefits, dental benefits, and group life insurance of \$25,000 are provided to eligible retirees. Medical, prescription drug, and dental benefits cease once the retiree is eligible for Medicare. Life insurance benefits cease upon attainment of age 70 (teachers,

CITY OF EAST PROVIDENCE, RHODE ISLAND
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teachers assistants, principals and administrators), age 75 (custodians), or age 80 (secretaries).

Upon death of the retiree, surviving spouse coverage is as follows:

- Custodians/Secretaries - coverage continues until the retiree would have been eligible for Medicare. Coverage is free for surviving spouse.
- Teachers - coverage continues until the retiree's 2-year period is up. After that, surviving spouse is eligible for COBRA. Surviving spouse is required to contribute the full cost of coverage.
- Administrators/Principals - coverage continues until the retiree's period of coverage is up. After that, surviving spouse is eligible for COBRA. Prior to COBRA period, surviving spouse is required to contribute 20% of premium.
- Teacher's Assistants - coverage continues until the retiree's 1-year period is up. After that, surviving spouse is eligible for COBRA. Prior to COBRA period, surviving spouse receives free coverage.

Upon death of active employees, surviving spouse coverage is as follows:

- Custodians/Secretaries/Teachers - coverage continues to surviving spouse for 2 years. Surviving spouse's contributions are 3% of member's pay prior to death for Custodians, 2.5% of member's pay prior to death for Secretaries, and 20% of premium for Teachers.
- Administrators/Principals - coverage continues to surviving spouse for 3 years. Surviving spouse's contribution is 20% of premium.
- Teacher's Assistants - coverage continues to surviving spouse for 3 years. Surviving spouse's contribution is 2.5% of premium.

Retiree/spouse contributions applicable to medical and dental benefits vary by group as shown below:

<i>Employee Group</i>	<i>Retiree Contribution</i>	<i>Spouse Contribution</i>
Teachers who retire prior to 1999	Free coverage until Medicare eligibility	Difference between single and family working rates
Teachers who retired on/after 1999 but prior to 4/2009	Free coverage until Medicare eligibility	1.3 x single working rate
Teachers who retired after 4/2009	20% of premium for 2 years	Difference between single and family working rates
Secretaries and Custodians	Free coverage until Medicare eligibility	Free coverage until retiree is eligible for Medicare
Teacher's Assistants	Free coverage until Medicare eligibility	Free coverage for 1 year then pay the difference between single and family working rates
Administrators and Principals	20% of premium for specified number of years of coverage	20% of premium for specified number of years of coverage

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Funding Policy

Contribution requirements are negotiated between the City and the respective unions. The City is required to contribute the cost of the applicable medical, prescription drug, dental and life insurance benefits less any applicable plan member contributions. For the year ended October 31, 2012, the plan operated on a pay-as-you-go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended October 31, 2012, the City contributed \$3,728,228 to the plan and the School Department contributed \$3,157,313.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. (report prepared bi-annually and available at the office of the finance director) 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 accrued liabilities (or funding excess) 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 the changes in the City's net OPEB obligation:

	City	School
Annual required contribution	\$ 5,547,669	\$ 3,810,380
Interset on OPEB obligation	300,334	(93,643)
Adjustment to annual required contribution	(240,646)	223,703
Annual OPEB cost	5,607,357	3,940,440
Contributions made	3,728,228	3,157,313
Increase (decrease) in OPEB obligation	1,879,129	783,127
Net OPEB obligation beginning of year	6,674,099	(2,080,965)
Net OPEB obligation end of year	\$ 8,553,228	\$ (1,297,838)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for the past three fiscal years are as follows:

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	Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
City	10/31/2012	\$ 5,607,357	66.5%	\$ 8,553,228
City	10/31/2011	5,590,701	66.7%	6,674,099
City	10/31/2010	5,171,038	53.3%	4,811,626
School	10/31/2012	\$ 3,940,440	80.1%	\$ (1,297,838)
School	10/31/2011	4,010,027	72.2%	(2,080,965)
School	10/31/2010	1,992,896	189.9%	(3,194,375)

Funded Status and Funding Progress

The funded status of the City's plan as of October 31, 2011, the most recent actuarial valuation, is as follows:

	City	School
Actuarial Accrued Liability (AAL)	<u>76,217,757</u>	<u>28,331,194</u>
Actuarial Value of Plan Assets	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability (AAL)	<u><u>76,217,757</u></u>	<u><u>28,331,194</u></u>
Funded Ratio	0%	0%
Annual Covered Payroll (Active Plan Members)	22,886,101	38,107,684
UAAL as a Percentage of Covered Payroll	333.0%	74.3%

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 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's annual required contribution for fiscal 2012 was determined as part of the October 31, 2012 actuarial valuation using the projected unit credit actuarial cost method (linear proration to full eligibility). The actuarial

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assumptions included: a) discount rate - 4.5%; b) payroll growth rate - 4.25% (used for amortization purposes only); c) health care trend rates - medical - fiscal year 2012 - 0%; fiscal year 2013 - 8.5% decreasing .5% each year to an ultimate rate of 5%. The unfunded actuarial accrued liability as of October 31, 2012 is being amortized as a level percentage of pay over 30-years based on an open group.

The School's annual required contribution for fiscal year 2012 was determined as part of the October 31, 2012 actuarial valuation using the entry age normal level dollar actuarial cost method. The actuarial assumptions included: a) discount rate - 4.5%; b) health care trend rates - medical - fiscal year 2012 - 9% decreasing .5% per year to an ultimate rate of 5% and dental - 5%. The unfunded actuarial accrued liability as of October 31, 2012 is being amortized using the aggregate cost level dollar amortization method.

The following changes were made since the prior valuation for the City: a) discount rate reduced to 4.5% from 5%; b) payroll growth rate reduced to 4.25% from 4.5%; c) health care trend rate changed to 0% in year 1 and 8.5% in year 2 decreasing .5% per year to an ultimate rate of 5% from 9% in year 1 decreasing .75% per year to an ultimate rate of 5%; d) per capita costs for post-65 coverage reduced for Medicare and prior valuation assumed no reduction. The following changes were made since the prior valuation for the School: a) actuarial cost method changed to entry age normal level dollar from projected unit credit; b) discount rate reduced to 4.5% from 8%; c) amortization method changed to aggregate cost level dollar from level percentage of pay over 30-year open period; d) health care trend rate changed to 9% decreasing .5% per year to an ultimate rate of 5% from 9% decreasing .75% per year to an ultimate rate of 5%. Both valuations reflect changes in mortality, retirement and termination assumptions to be consistent with the Employees' Retirement System and Municipal Employees' Retirement System Valuations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

NOTE 13 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

On January 5, 2009 the East Providence School Committee implemented rollbacks in compensation for its certified teachers, members of the East Providence Education Association ("Union"), pursuant to RI General Laws 16-2-9(d), to avoid a deficit in fiscal year 2009. This action resulted in the Union filing unfair labor practice charges, and a complaint by the Rhode Island Labor Relations Board against the School Committee. The Union also filed for arbitration challenging several aspects of the Committee's actions and issued a complaint with the Rhode Island Department of Labor and Training.

The RI Labor Relations Board ruled in August 2009 that no further action would take place pending the outcome of the litigation in Superior Court described below. The parties to the arbitration proceedings also agreed to hold any further action until the Superior Court issued a decision in the litigation described below.

The School Committee filed a complaint on March 12, 2009, seeking declaratory relief pursuant to RI General Law 9-30-1 asking the RI Superior Court to construe relevant provisions of the applicable RI General Laws with respect to the School Committee's action to avoid a deficit by implementation of the rollbacks. The Superior Court ruled in favor of the School Committee on March 15, 2010. The Union has appealed the ruling and the

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School Committee has filed a cross-appeal. In February, 2013, the parties reached a settlement regarding this lawsuit. In the settlement, the School Department agreed to make certain payments totaling \$440,000 to resolve this matter.

During the ordinary course of its operations, the City is also a party to various claims, legal actions and complaints. In the opinion of the City's management and legal counsel, the potential outcome and liability, if any, associated with these claims cannot be determined at this time.

B. FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City and School Department participate in a number of federally assisted programs. The audits of these programs through the year ended October 31, 2012 were performed in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in the Single Audit Section. The amount, if any, of expenditures, which may be disallowed, will not be material to the financial position of the City.

NOTE 14 - RISK MANAGEMENT

The City of East Providence is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement, which outlines the rights and responsibilities of both the Trust and the City. The agreement states that for premiums paid by the City, the Trust will assume financial responsibility for the City's losses up to the maximum amount of insurance purchased, minus the City's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism, which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the City is insured for various amounts depending on the type of coverage provided. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. The City self-insures for workers' compensation claims and used Beacon Mutual as its third-party administrator.

NOTE 15 – FISCAL OVERSEER

Pursuant to R.I. Gen. Laws § 45-9-3, in consultation with the auditor general, the Director of Revenue appointed a fiscal overseer for the City of East Providence on November 14, 2011. The appointment was made to assess the ability of the City to manage its fiscal affairs. The City was projecting a deficit in its municipal budget in the current fiscal year and again in the upcoming fiscal year and had been downgraded by one of the nationally recognized statistical rating organizations.

On December 19, 2011 the fiscal overseer concluded that the City was (1) unable to present a balanced municipal budget; (2) faced a fiscal crisis that posed an imminent danger to the safety of the citizens of the City and/or their property; and (3) was not able to achieve fiscal stability without the assistance of a budget commission. Further, the fiscal overseer indicated that it was his belief that a budget commission should be appointed.

Effective December 20, 2011, the Director of Revenue established a budget commission for the City consisting

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of five (5) members, three (3) of whom are designated by the Director of Revenue and two (2) are members from the City i.e. the President of the City Council and the City Manager. The budget commission's obligation is to initiate and assure the implementation of appropriate measures to secure the financial stability of the City. Further, pursuant to R.I. Gen. Laws § 45-9-6(d)(20), the budget commission exercises "...all powers under the general laws and this chapter or any special act, any charter provision or ordinance that any elected official of the city or town may exercise, acting separately or jointly; provided, however, that with respect to any such exercise of powers by the budget commission, the elected officials shall not rescind or take any action contrary to such action by the budget commission so long as the budget commission continues to exist."

The budget commission, On February 28, 2013 returned financial control to the City (through February 28, 2014) after adopting a five year budget which includes continued expenditure reductions, collective bargaining agreements. However, the budget commission will, if it concludes that the City's implementation of its recommendations are insufficient to restore fiscal stability to the city, re-convene at that time.

NOTE 16 - COMMITMENTS

A. On February 10, 2010 the City entered into a design, build and operate services contract with United Water Environmental Services Inc. for its wastewater system. The initial term of the agreement is 10 years with an option to extend for an additional 10 years. The fixed design/build prices are as follows: plant \$24,224,154 (original contract - \$20,884,861) and collection system \$27,286,923 (original contract - \$24,730,993). The agreement also provides for the payment of monthly fees to United Water for the operation of the system which have fixed and variable components.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 30, 2013, the date the financial statements were available to be issued. As a result of this review the following material subsequent event was noted:

- The City has contracted for a new accounting software packing. The City plans on implementing this new system in August 2013. It includes new tax collection software and a completely revamped reporting package.
- The city will be the recipient of approximately \$60,000,000 award from Google USA via the Department of Justice's asset forfeiture funds. The funds will be used to provide funding for the City's police pension fund. Payment of the award is expected to occur in the 2013 fiscal year.

NOTE 18 - PENSION PLANS

A. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

All City of East Providence certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended October 31, 2012 was \$32,745,648, which consisted of \$30,738,377 for employees charged to federal programs and \$2,007,271 for all other employees.

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The State of Rhode Island Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16. All East Providence School Department certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits upon completion of 10 years of service.

Retirement Eligibility:

- Grandfathered Schedule A members - members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement at September 30, 2009 - are eligible to retire on or after age 60 if they have credit for 10 years of service, or at any age if they have credit for 28 years of service.
- Schedule B members - members with less than 10 years of contributory service as of June 30, 2005 and members hired on or after that date - are eligible for retirement on or after age 65 if they have credit for 10 years of service, or on or after age 62 if they have credit for 29 years of service. In addition, a member who attains age 62 with at least 20 years of service credit may retire with an actuarially reduced retirement benefit. The reduction is based on the difference between 65 and the member's age of retirement.
- Schedule A members who are not grandfathered - members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009 - will be eligible for retirement at an individually determined age. This age is the result of interpolating between the retirement age under the rules applicable to grandfathered employees in (i) above and the retirement age applicable to members hired after September 30, 2009 in (ii) above. The interpolation is based on service as of September 30, 2009 divided by projected service at the retirement age under (i) above.

Monthly Benefit:

The retirement benefit is a percentage of the member's monthly final average compensation (FAC). For members eligible to retire as of September 30, 2009, their FAC will be based on the highest three consecutive annual salaries. For members not eligible to retire as of September 30, 2009, their FAC will be based on the highest five consecutive years of salary. Monthly benefits are based on one-twelfth of this amount. The percentage is a function of the member's service as described below.

- For grandfathered Schedule A members (members with at least 10 years of contributory service at June 2005 and eligible for retirement as September 30, 2009), benefits are based on the following schedule (Schedule A):

<i>For Service In:</i>	<i>Years</i>	<i>Benefit Percentage Earned</i>
The first 10 years of service	1-10	1.7% per year
The next 10 years of service	11-20	1.9% per year
The next 14 years of service	21-34	3.0% per year
The next 1 year of service	35	2.0% per year

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The maximum benefit is 80% of FAC.

- For Schedule B members (members with less than 10 years of contributory service as of June 30, 2005) and for all future hires, benefits are based on the following schedule (Schedule B):

<i>For Service In:</i>	<i>Years</i>	<i>Benefit Percentage Earned</i>
The first 10 years of service	1-10	1.6% per year
The next 10 years of service	11-20	1.8% per year
The next 5 years of service	21-25	2.0% per year
The next 5 years of service	26-30	2.25% per year
The next 7 years of service	31-37	2.50% per year
The next 1 year of service	38	2.25% per year

The maximum benefit is 75% of FAC.

- For Schedule A members who are not grandfathered (members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009) benefits are based on Schedule A (under (i) above) for service through September 30, 2009 and on Schedule B (under (ii) above) for service after September 30, 2009. The maximum benefit is 80% of FAC.

Post-Retirement Benefit Increase:

- For members with at least 10 years of contributory service as of June 30, 2005 who are retired or eligible to retire as of September 30, 2009, and for all members receiving a disability retirement benefit on that date (Schedule A members): a 3.00% compound increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement. This increase is not a function of actual increases in the cost of living.
- For other members (Schedule B members) who retired or were eligible to retire as of June 30, 2010: a compound increase in their retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the third anniversary of retirement. This increase is limited to 3.00%.
- For other members (Schedule B members) who were not retired or were not eligible to retire as of June 30, 2010: a compound increase in their first \$35,000 of annual retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the later of the member's third anniversary of retirement and the month following their 65th birthday. This increase is limited to 3.00%. Additionally, the \$35,000 annual COLA limit is applicable for benefits paid in 2010 and would be indexed annually to increase in the same manner as COLAs for Schedule B members (CPI for the year, not greater than 3.0%).

Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for November 1, 2011 through June 30, 2012 was 22.32% for July 1, 2012 through October 31, 2012 was 35.25%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .26% for November 1, 2011 through June 30, 2012 and .27% for July 1, 2012 through October 31, 2012. This results in a contribution requirement for the School of 13.23% and 20.98% and a contribution requirement for the State of 9.09% and 14.27% for November 1, 2011 through June 30, 2012 and July 1, 2012 through October 31, 2012.

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The State contribution for the cut off year ended October 31, 2012 was \$3,309,071, which represented 9.09% and 14.27% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on behalf of payments and are reported as revenue and as an expenditure in the financial statements. The contribution requirement for the cut off year ended October 31, 2012 was \$7,065,178, which consisted of \$4,323,397 from the School Department and \$2,741,781 from employees. These contributions represented 9.5% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2010 and June 30, 2011 actuarial valuations respectively.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contribution represented 2.98% of total contributions required of all participating entities.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
10/31/2012	\$ 4,323,397	100.0%
10/31/2011	3,806,299	100.0%
10/31/2010	3,799,424	100.0%

B. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

The City of East Providence participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple-employer defined benefit plan administered by the State of Rhode Island. All City employees except police officers, firefighters and certified school personnel participate in the System.

The payroll for employees covered by the MERS for the year ended October 31, 2012 was \$16,420,015.

The State of Rhode Island's Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information (RSI). That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's monthly final average compensation for each year of service, up to 37.5 years (maximum benefit of 75% of final average compensation). Final average compensation is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original

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retirement benefit each year beginning January 1 following the member's retirement. The City has elected COLA provision B.

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. The City is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The City's rate for fiscal year 2011-2012 was 18.08% for the period November 1, 2011 through June 30, 2012 and 18.92% for the period July 1, 2012 through October 31, 2012.

Annual Pension Cost

For 2011-2012, the City's annual pension cost of \$2,374,116 for the MERS was equal to the City's required and actual contributions.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
10/31/2012	\$ 2,374,116	100.0%
10/31/2011	2,853,971	100.0%
10/31/2010	2,822,394	100.0%

The required contribution was determined as part of the June 30, 2009 and June 30, 2010 actuarial valuations. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2009 and June 30, 2010 valuations include the following:

- 1) Investment return - 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- 2) Projected salary increases - a service related component, plus a 4.5% wage inflation assumption (composed of a 3% price inflation assumption and a 1.5% additional general increase)
- 3) Cost of living adjustment - 3%, not compounded

The actuarial value of assets is based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2009 and June 30, 2010 was 20 years and 19 years, respectively.

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Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the general employees plan was 60.8% funded. The actuarial accrued liability for benefits was \$99,418,570, and the actuarial value of assets was \$60,407,753, resulting in an unfunded actuarial accrued liability (UAAL) of \$39,010,817. The covered payroll (annual payroll of active employees covered by the plan) was \$16,469,751, and the ratio of the UAAL to the covered payroll was 236.9%. The June 30, 2012 actuarial valuation used the same methods and assumptions described above under "annual pension cost," except the investment return was decreased to 7.5% and projected salary increases was decreased to 4%.

The schedule of funding progress, presented as RSI 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 liability for benefits.

C. POLICE AND FIREFIGHTERS PENSION PLAN

Plan Description

The Police and Firefighters Pension Plan of the City of East Providence (the Plan) is a contributory, single employer, defined benefit plan that was established on November 1, 1961 under Chapter 357 of the City Ordinances of the City of East Providence, Rhode Island. It is directed and operated by a Board of Trustees consisting of the City Manager, the Director of Finance of the City and one representative each from the Fire Department, Police Department, City Council, Retiree from the Police or Fire Departments, and General Public. For financial reporting purposes, the Police and Firefighters Pension Plan is included as a Pension Trust Fund in the City of East Providence, Rhode Island's financial statements. The City does not issue a separate, publicly available financial report that includes financial statements and required supplementary information (RSI) for the Police and Firefighters Pension Plan.

All members of the Police and Fire Departments of the City of East Providence are covered by this plan. The City's payroll for employees covered by the Plan for the year ended October 31, 2012 was \$12,542,173.

As of October 31, 2012, employee membership data related to the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	245
Active plan members	<u>188</u>
	<u>433</u>

Benefit Provisions

The benefit provisions of the Plan were established and may be amended by City Ordinance and are as follows:

Service Retirement

Participants may take normal retirement at the earlier of attaining age 60 and completing 10 years of credited service or upon completing 20 years of credited service. Annual benefits under the first alternative are based on 2% of salary for each year of credited service to a maximum of 70% of salary. Annual benefits under the second alternative are based on 2 1/2% of salary for each of the first 24 years of credited service, plus 2% of salary for each additional year of credited service for years 25 to 28, plus 1% of salary for years 29 and 30, to a maximum of 70% salary.

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Disability Retirement

Active participants who are disabled by a service related act are eligible for disability retirement. Annual benefits are based on 66 2/3% of salary at time of disability plus 10% of salary for each child under age 18 to a maximum of 80% of salary. If a participant is disabled by a non-service related act and has 10 years of credited service, he or she is also eligible for disability retirement. Under these circumstances, annual benefits are based on 1 3/4% of salary at time of disability for each year of service to date of disability, with a minimum benefit of 25% of salary, and maximum benefit of 50% of salary. If credited service at date of disability is twenty years or more, at age 55 the participant is entitled to a service retirement annuity.

Termination of Service Prior to Retirement

Any member withdrawing from service prior to being eligible for normal service retirement, but having completed at least 10 years of credited service, is entitled to a deferred annual benefit beginning at age 55. Those who terminate service prior to satisfying the vesting requirements will be entitled to a return of their contributions without interest.

Death Benefits

If an active participant dies from an act of duty, the beneficiary will receive the death benefits based on the marital and dependent status at time of death. With a surviving spouse, death benefits will be paid equal to 50% of salary at time of death, plus 10% of salary for each child under age 18 to a maximum of 70% of salary. Without a surviving spouse, death benefits will be paid equal to 15% of salary at time of death for each child under the age of 18 to a maximum of 60% of salary.

If an active participant dies from a non-service related act and has 3 years of credited service, death benefits will be paid to the surviving spouse equal to 30% of salary increased by 1% for each year of service in excess of 3 years, to a maximum of 50% of salary beginning at the surviving spouse's age 55. If there are children under age 18, the spouse's benefit plus 10% of salary for each child under age 18 to a maximum of 60% will be paid beginning immediately.

With respect to a spouse's death benefit, the benefits described above will be paid, or 67.5% of the final pension payment will be paid if this provides a higher benefit payment.

Cost of Living Adjustments

For police officers, participants who retired between November 1, 1982 and November 1, 1984 receive 3% compounded cost of living increases annually. Participants who retired after November 1, 1994 receive 3% compounded cost of living increases annually at or after age 51. After October 1, 1995, an annual 3% compounded cost of living increase is extended to disabled police officers prior to age 51.

For firefighters, participants who retired after November 1, 1985 receive 3% compounded cost of living increases annually at or after age 51. Participants who retired after November 1, 1989 receive 3% compounded cost of living increases annually regardless of age.

Funding Policy

The contribution requirements were established and may be amended by City Ordinance. City Ordinance requires that the City contribute the normal cost plus a payment towards the unfunded actuarial accrued liability, which is referred to as the City's customary contribution. Effective October 31, 2007, an amortization period of 30 years was implemented. Police officers and firefighters contribute to the Plan in accordance with their union contracts. Police officers and firefighters currently contribute 8% of compensation to the Plan.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

Based on the above, the City's customary contribution requirement for the plan year beginning November 1, 2010 is developed as follows:

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Normal Cost	\$ 970,789	\$ 980,189	\$1,950,978
Amortization of unfunded actuarial accrued liability	<u>2,800,413</u>	<u>3,200,069</u>	<u>6,000,482</u>
Total City customary contribution	<u>\$3,771,202</u>	<u>\$4,180,258</u>	<u>\$7,951,460</u>

The City made contributions in fiscal year 2012 of \$1,590,445 which is substantially less than the City's customary contribution shown above.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the accounting period in which they are due. Contributions from the City are recognized when due and when the City has made a formal commitment to provide the contributions. Expenses are recognized in the period in which they are incurred. Benefit payments to participants are recorded upon distribution.

Method Used to Value Investments

Investments are recorded at fair value. Cash and cash equivalents having a maturity of three months or less when purchased are reported at cost. Fair market is determined using quoted market prices, when available, independent third-party appraisals, and independent brokers and industry experts. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued based on a good faith determination of the General Partner. Given the inherent nature of investments it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Assets.

Annual Pension Cost & Net Pension Obligation (NPO)

The City's annual pension cost and net pension obligation calculated in accordance with GASB Statement No. 27 for the Plan for fiscal year 2012 are as follows:

	<u>10/31/2012</u>
Annual required contribution	\$ 7,525,388
Interest on NPO obligation	3,946,856
Adjustment to annual required contribution	(3,817,823)
Annual NPO cost	7,654,421
Contributions made	<u>2,054,781</u>
Increase (decrease) in NPO obligation	<u>5,599,640</u>
Net NPO obligation beginning of year	<u>46,433,599</u>
Net NPO obligation end of year	<u>\$ 52,033,239</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Financial Statements
October 31, 2012

Three Year Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual NPO Cost</u>	<u>% of Annual NPO Cost Contributed</u>	<u>NPO Obligation (Asset)</u>
City	10/31/2012	\$ 7,654,421	26.8%	\$ 52,033,239
City	10/31/2011	7,149,798	20.0%	46,433,599
City	10/31/2010	6,700,723	20.0%	40,721,381

The City's annual required contribution to the Plan was determined as part of the October 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. Under this method, the actuarial accrued liability which is re-determined for each active participant as of each valuation date, represents the present value of benefits earned prior to the valuation date based on service as of the valuation date and projected benefits at expected date of retirement. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the valuation assets. The normal cost represents the actuarial present value of the unit of benefit (based on benefits at expected date of retirement) to be earned in the valuation year by each active participant included in the valuation. When calculating the annual required contribution in accordance with GASB Statement No. 27, the unfunded actuarial accrued liability (UAAL) is amortized on a level percentage of pay basis over a 30-year closed period.

- Significant actuarial assumptions used in the October 31, 2012 actuarial valuation included:
- Interest - 8.5% per annum.
- Salary increases - 5% per year.
- Cost of living adjustments - 3% per year, compounded, for the appropriate categories of retired members.
- Asset value - adjusted value of assets determined by a 5 year average of investment gains (losses) subject to a corridor limitation of 120% of market value.

Funded Status and Funding Progress

As of October 31, 2012, the most recent actuarial valuation date, the plan was 44.5% funded. The actuarial accrued liability for benefits was \$164,803,000, and the actuarial value of assets was \$52,075,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$112,727,000. The covered payroll (annual payroll of active employees covered by the plan) was \$12,744,000, and the ratio of the UAAL to the covered payroll was 884.5%. The October 31, 2012 actuarial valuation included changes from the prior valuation including the use of the entry age normal actuarial cost method; decrease in the interest rate assumption to 7.5%; decrease in the salary increases assumption to 4.25% and various other assumption changes as a result of an experience study.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Budgetary Comparison Schedule - General Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance
For the Fiscal Year Ended October 31, 2012**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual Amounts</u>	<u>Budget Variance</u>
Revenues:				
<i>General property tax</i>	\$ 90,253,174	\$ 92,857,306	\$ 96,796,906	\$ 3,939,600
<i>Interest</i>				
Interest on taxes	562,728	562,728	768,594	205,866
Interest on investments	5,571	5,571	2,809	(2,762)
<i>Total interest</i>	<u>568,299</u>	<u>568,299</u>	<u>771,403</u>	<u>203,104</u>
<i>Departmental</i>				
License and permits	1,216,096	1,176,096	652,206	(523,890)
Fines and penalties	30,000	30,000	377,764	347,764
Charges for services	948,017	1,942,526	3,808,593	1,866,067
Revenue from City agencies	90,000	90,000	92,500	2,500
<i>Total departmental</i>	<u>2,284,113</u>	<u>3,238,622</u>	<u>4,931,063</u>	<u>1,692,441</u>
<i>Intergovernmental</i>	1,636,881	4,237,760	3,979,517	(258,243)
<i>Appropriated Surplus</i>	3,500,000	6,000,000	-	(6,000,000)
Total Revenues	<u>98,242,467</u>	<u>106,901,987</u>	<u>106,478,889</u>	<u>(423,098)</u>
Expenditures:				
<i>General Government</i>				
City Council	79,375	54,659	72,527	17,868
City manager	303,452	253,350	288,149	34,799
Information technology	317,422	418,405	195,442	(222,963)
City clerk	597,112	550,675	570,368	19,693
Municipal court	(166,391)	107,842	186,168	78,326
Finance Director	111,600	126,258	186,927	60,669
Control and accounts	329,806	370,175	327,375	(42,800)
Treasury	640,957	636,042	606,193	(29,849)
Treasury - MIS	211,625	397,689	264,403	(133,286)
Purchasing	190,077	187,841	174,909	(12,932)
Assessment	519,813	675,524	736,819	61,295
Planning	621,712	575,163	521,919	(53,244)
Law	364,053	319,962	460,619	140,657
Personnel and emergency management	466,238	455,841	376,162	(79,679)
Affirmative action	117,865	114,375	112,743	(1,632)
Canvassing	274,388	216,522	200,424	(16,098)
<i>Total general government</i>	<u>4,979,104</u>	<u>5,460,323</u>	<u>5,281,147</u>	<u>(179,176)</u>
<i>Public Safety</i>				
Police	11,900,215	11,545,345	12,610,118	1,064,773
Animal control	301,629	300,556	274,433	(26,123)
Harbormaster	-	-	32,063	32,063
Fire	13,181,294	12,521,760	13,187,644	665,884
Building inspection	588,630	579,967	742,810	162,843
<i>Total public safety</i>	<u>25,971,768</u>	<u>24,947,628</u>	<u>26,847,068</u>	<u>1,899,440</u>

(continued)

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Budgetary Comparison Schedule - General Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual Amounts</u>	<u>Budget Variance</u>
Public Works				
Director	373,675	216,393	225,262	8,869
Engineering	700,486	674,877	686,757	11,880
Highway	2,936,816	2,936,816	2,742,793	(194,023)
Central garage	755,259	706,433	750,998	44,565
Streetlights	775,000	484,000	679,709	195,709
Public buildings	1,786,442	1,294,008	1,124,162	(169,846)
Total public works	<u>7,327,678</u>	<u>6,312,527</u>	<u>6,209,681</u>	<u>(102,846)</u>
Sanitation				
Refuse disposal	2,753,281	2,742,355	2,756,175	13,820
Total sanitation	<u>2,753,281</u>	<u>2,742,355</u>	<u>2,756,175</u>	<u>13,820</u>
Public Libraries				
	<u>1,992,778</u>	<u>2,187,275</u>	<u>1,943,773</u>	<u>(243,502)</u>
Parks and Recreation:				
Parks	1,224,327	1,070,393	1,195,017	124,624
Recreation	866,471	866,471	945,375	78,904
Senior center	385,214	359,409	364,917	5,508
Total parks and recreation	<u>2,476,012</u>	<u>2,296,273</u>	<u>2,505,309</u>	<u>209,036</u>
Miscellaneous				
	<u>4,156,503</u>	<u>4,451,875</u>	<u>4,361,586</u>	<u>(90,289)</u>
Debt Service				
	<u>2,850,962</u>	<u>4,424,918</u>	<u>4,606,927</u>	<u>182,009</u>
Total Expenditures	<u>52,508,086</u>	<u>52,823,174</u>	<u>54,511,666</u>	<u>1,688,492</u>
Excess of revenues over expenditures before operating transfers	<u>45,734,381</u>	<u>54,078,813</u>	<u>51,967,223</u>	<u>(2,111,590)</u>
Other financing sources and (uses)				
Operating transfers from other funds				
Special revenue funds	1,274,130	1,274,130	330,813	(943,317)
Capital project funds	-	-	118,190	118,190
Operating transfers to other funds				
Special revenue funds	-	-	(1,941)	(1,941)
Capital project funds	-	-	(6,589)	(6,589)
School unrestricted fund - City appropriation	(47,008,511)	(48,640,310)	(48,640,310)	-
School unrestricted fund - deficit reduction	-	-	(2,706,499)	(2,706,499)
School capital project fund - deficit reduction	-	-	(179,873)	(179,873)
School lunch fund - deficit reduction	-	-	(47,353)	(47,353)
Fund surplus	-	(6,712,633)	-	6,712,633
Total other financing sources and (uses)	<u>(45,734,381)</u>	<u>(54,078,813)</u>	<u>(51,133,562)</u>	<u>2,945,251</u>
Net change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 833,661</u>	<u>\$ 833,661</u>

(concluded)

**REQUIRED SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Budgetary Comparison Schedule - School Unrestricted Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended October 31, 2012**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
State aid	\$ 25,076,976	\$ 25,076,976	\$ 25,161,078	\$ 84,102
Charges for services	1,900,000	1,900,000	2,466,841	566,841
Other revenue	-	-	88,566	88,566
Total revenue	<u>26,976,976</u>	<u>26,976,976</u>	<u>27,716,485</u>	<u>739,509</u>
Expenditures				
Education	75,617,286	75,617,286	71,467,422	4,149,864
Total expenditures	<u>75,617,286</u>	<u>75,617,286</u>	<u>71,467,422</u>	<u>4,149,864</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(48,640,310)</u>	<u>(48,640,310)</u>	<u>(43,750,937)</u>	<u>4,889,373</u>
Other financing sources				
Transfers from General Fund - City appropriation	48,640,310	48,640,310	48,640,310	-
Transfers from General Fund - deficit reduction	-	-	2,706,499	2,706,499
Total other financing sources	<u>48,640,310</u>	<u>48,640,310</u>	<u>51,346,809</u>	<u>2,706,499</u>
Excess revenues and other sources over (under) expenditures and other sources - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,595,872</u>	<u>\$ 7,595,872</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Pension Plans and Other Post Employment Benefit Plans
Schedule of Funding Progress (1)
Unaudited"**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (UAAL)	Unfunded Actuarial Accrued Liability (UAAL)/ (Funding Excess)	Funded Ratio	Covered Payroll	Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll	Police and Firefighters Pension Plan (6)		
								Year Ended October 31,	Annual Required Contribution	Percentage Contributed
Municipal Employees Retirement System (2)	6/30/2009	63,607,593	94,579,444	30,971,851	67.3%	17,851,998	173.5%			
	6/30/2010	61,127,151	111,012,914	49,885,763	55.1%	17,920,933	278.4%			
	6/30/2011	60,407,753	99,418,570	39,010,817	60.8%	16,469,751	236.9%			
Police and Firefighters Pension Plan (5)	10/31/2007	79,300,000	111,250,000	31,950,000	71.3%	13,190,000	242.2%	2007	4,595,332	33%
	10/31/2008	65,470,000	114,670,000	49,200,000	57.1%	12,970,000	379.3%	2008	4,830,497	32%
	10/31/2009	62,970,000	120,060,000	57,090,000	52.4%	12,580,000	453.8%	2009	6,256,502	25%
	10/31/2010	59,600,000	124,590,000	64,990,000	47.8%	11,770,000	552.2%	2010	6,878,284	20%
	10/31/2011	53,520,000	159,320,000	105,800,000	33.6%	12,330,000	858.1%	2011	7,362,115	20%
	10/31/2012	52,075,000	164,803,000	112,728,000	31.6%	12,744,000	884.6%	2012	7,525,388	21%
Other Post Employment Benefit Plan - City (3)	10/31/2009	-	78,291,702	78,291,702	0.0%	N/A	N/A			
	10/31/2011	-	76,217,757	76,217,757	0.0%	22,886,101	333.0%			
Other Post Employment Benefit Plan - School (4)	10/31/2009	-	27,709,764	27,709,764	0.0%	N/A	N/A			
	10/31/2011	-	28,331,194	28,331,194	0.0%	38,107,684	74.3%			

(1) The information included in the schedule of funding progress was obtained from the actuarial valuation at the date indicated.

(2) Entry age actuarial cost method.

(3) Projected unit credit actuarial cost method

(4) Projected unit credit actuarial cost method for 10/31/09 and entry age normal level dollar actuarial cost method for 10/31/11.

(5) Projected unit credit actuarial cost method for all valuations prior to 10/31/11. Entry age normal actuarial cost method for 10/31/11.

(6) The annual required contribution was obtained from a separate valuation prepared by the actuaries.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Required Supplementary Information
October 31, 2012

BUDGETARY DATA AND BUDGETARY COMPLIANCE

The City has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund, which is a Special Revenue Fund. The City Manager, at least 45 days prior to the beginning of each budget year, shall submit to the City Council a proposed General Fund budget, including the School Unrestricted Fund. At the City Council meeting at which the budget is submitted, the City Council shall determine a place and time for a public hearing on the budget. After the public hearing, the City Council may insert new items or may increase or decrease the items of the budget, except expenditures fixed by law or prescribed by Charter. Before any additions are made to the budget by the City Council, another public hearing must be scheduled. The budget must be adopted by a favorable vote of at least a majority of all the members of the City Council. The budget must be finally adopted not later than seven (7) days before the end of the current fiscal year. Should the City Council take no final action on or prior to such day, the budget, as submitted, shall be deemed to have been formally adopted by the City Council. The General Fund and School Unrestricted Fund annual operating budget amounts are supported by the revenue estimates and take into account the elimination of the accumulated deficits and the reappropriation of accumulated surpluses to the extent necessary. The General Fund and School Unrestricted Fund budgets are in conformance with the legally enacted budgetary basis, which is not in conformance with generally accepted accounting principles (GAAP). The budget to actual presentation in the required supplementary information for these funds is reflected on the budgetary basis.

The City Manager may, at any time, transfer and unencumbered appropriation balance or portion thereof between general classifications of expenditures within an office, department, or agency. At the request of the City Manager and within the last three (3) months of the budget year, the Council may by resolution transfer and unencumbered appropriation balance or portion thereof from one office, department, or agency to another. Appropriations that are not expended or encumbered lapse at year-end.

The difference between the budgetary basis and the GAAP basis is explained on the following page.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to required Supplementary Information
October 31, 2012

Explanation of Difference between Budgetary Revenues, Budgetary Expenses, and Budgetary Transfers:

	General Fund GAAP Basis	Special Revenue GAAP Basis
Budgetary Basis Revenues	\$ 106,478,889	\$ 27,716,485
<i>Adjustments:</i>		
To adjust for captial lease proceeds	-	295,045
To adjust for unbudgeted revenues	790,953	-
To adjust for State on behalf payments	-	3,309,071
GAAP basis revenues	<u>107,269,842</u>	<u>31,320,601</u>
Budgetary Basis Expenditures	54,511,666	71,467,422
<i>Adjustments:</i>		
To adjust for captial lease expenditures	-	295,045
To adjust for State on behalf payments	-	3,309,071
To adjust for change in encumbrances	(207,705)	-
To adjust for unbudgeted expenditures	456,824	-
GAAP basis expenditures	<u>54,760,785</u>	<u>75,071,538</u>
Budgetary Basis Transfers	(51,133,562)	51,346,809
<i>Adjustments:</i>		
To adjust for unbudgeted transfers	(178,118)	-
GAAP basis transfers	<u>(51,311,680)</u>	<u>51,346,809</u>
<i>Excess (deficiency) of revenues and other sources over (under) expenditures/expenses and other uses (Budgetary Non-GAAP basis)</i>	<u>\$ 1,197,377</u>	<u>\$ 7,595,872</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Required Supplementary Information
October 31, 2012
"Unaudited"

	<u>Municipal Employees Retirement System</u>	<u>Police and Firefighters Pension Plan</u>	<u>Other Post Employment Benefit Plan - City</u>	<u>Other Post Employment Benefit Plan - City</u>
Valuation date	June 30, 2012	October 31, 2012	October 31, 2011	October 31, 2011
Actuarial cost method	Entry age	Entry Age Normal	Projected Unit Credit	Entry Age Normal Level Dollar
Amortization method	Level percent of payroll - closed	Level percentage of pay over a closed period	Level percentage of pay over a closed period	Aggregate cost level dollar
Amortization period	30 years form June 30, 1999, or 19 years as of the valuation date	30 years	30 years	Not applicable
Asset valuation method	Market value of assets with a five year phase in of actual investment return in excess of (less than) expected investmetn income	Adjusted value of assets determined by a five year average of investment gains (losses) subject to a corridor limitation of 120% of market value	Not applicable	Not applicable
Actuarial Assumptions:				
Investment rate of return	7.5% per annum, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return	7.5% per annum	Not applicable	Not applicable
Discount rate	Not applicable	Not applicable	4.5% unfunded	4.5% unfunded
Projected salary increases	A 4% wage inflation assumption (composed of a 2.75% price inflation assumption and a 1.25% additional general increase) plus a service- related component	4.25% per year	Not applicable	Not applicable
Cost of living adjustments	3%, not compounded	3%, compounded, as applicable	Not applicable	Not applicable
Medical/prescription drug trend rate	Not applicable	Not applicable	0% for fiscal year 2012 and 8.5% for fiscal year 2013 decreasing by 0.5% per year to an ultimate level of 5% per year	9% for fiscal year 2012 decreasing by 0.5% per year to an ultimate level of 5% per year
Dental trend rate	Not applicable	Not applicable	Not applicable	5% per year
Participant information	Active Employees 430 Retirees and beneficiaries <u>368</u> <u>798</u>	Active Employees 188 Retirees and beneficiaries <u>245</u> <u>433</u>	Active Employees 389 Retirees and beneficiaries <u>184</u> <u>573</u>	Active Employees 706 Retirees and beneficiaries <u>235</u> <u>941</u>

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
October 31, 2012

	City Special Revenue Funds	School Special Revenue Funds	School Lunch Fund	Capital Project Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,289,360	\$ 101,890	\$ 108,581	\$ 8,127,689	\$ 65,349	\$ 9,692,869
Investments	961,047	-	-	3,594,734	40,810	4,596,591
Accounts receivable	704,476	564,604	-	-	-	1,269,080
Due from other governments	-	368	130,655	201,549	-	332,572
Internal balances	253,967	6,460	179,874	97,478	-	537,779
Total assets	<u>\$ 3,208,850</u>	<u>\$ 673,322</u>	<u>\$ 419,110</u>	<u>\$ 12,021,450</u>	<u>\$ 106,159</u>	<u>\$ 16,428,891</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ 58,249	\$ -	\$ -	\$ -	\$ 58,249
Accounts payable and accrued expenses	120,575	123,464	419,110	115,195	-	778,344
Internal balances	142,143	418,529	-	120,070	-	680,742
Deferred revenue	704,476	-	-	-	-	704,476
Other liabilities	178,433	-	-	27,342	-	205,775
Total liabilities	<u>1,145,627</u>	<u>600,242</u>	<u>419,110</u>	<u>262,607</u>	<u>-</u>	<u>2,427,586</u>
Fund balances (deficits)						
Nonspendable:						
Cemetery perpetual care	-	-	-	-	106,159	106,159
Restricted, reported in:						
Special revenue funds	2,112,336	73,200	-	-	-	2,185,536
Capital projects funds	-	-	-	11,789,645	-	11,789,645
Unassigned	(49,113)	(120)	-	(30,802)	-	(80,035)
Total fund balances	<u>2,063,223</u>	<u>73,080</u>	<u>-</u>	<u>11,758,843</u>	<u>106,159</u>	<u>14,001,305</u>
Total liabilities and fund balances	<u>\$ 3,208,850</u>	<u>\$ 673,322</u>	<u>\$ 419,110</u>	<u>\$ 12,021,450</u>	<u>\$ 106,159</u>	<u>\$ 16,428,891</u>

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
For the Fiscal Year Ended October 31, 2012

	City Special Revenue Funds	School Special Revenue Funds	School Lunch Fund	Capital Project Funds	Permanent Funds	Total Non-Major Governmental Funds
Revenues						
Federal and state aid and grants	\$2,690,112	\$3,665,983	\$1,141,441	\$ 235,980	\$ -	\$ 7,733,516
Charges for services	153,137	8,550	614,415	-	-	776,102
Fines and penalties	177,247	-	-	-	-	177,247
Investment and interest income	70	-	-	667	96	833
Contributions and private grants	28,130	9,242	-	-	-	37,372
Other revenue	463,018	-	-	-	-	463,018
Total revenues	<u>3,511,714</u>	<u>3,683,775</u>	<u>1,755,856</u>	<u>236,647</u>	<u>96</u>	<u>9,188,088</u>
Expenditures						
General government	822,444	-	-	-	-	822,444
Public safety	2,048,251	-	-	-	-	2,048,251
Public works	180,329	-	-	1,193,067	-	1,373,396
Parks and recreation	173,930	-	-	-	-	173,930
Public libraries	21,150	-	-	-	-	21,150
Education	-	3,680,078	1,820,718	5,034,030	-	10,534,826
Debt service	357,577	-	-	256,356	-	613,933
Total expenditures	<u>3,603,681</u>	<u>3,680,078</u>	<u>1,820,718</u>	<u>6,483,453</u>	<u>-</u>	<u>15,587,930</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(91,967)	3,697	(64,862)	(6,246,806)	96	(6,399,842)
Other financing sources (uses)						
Proceeds of debt issuance	-	-	-	15,000,000	-	15,000,000
Transfers from other funds	1,941	-	179,874	53,942	-	235,757
Transfers (to) other funds	(132,989)	-	-	(137,895)	-	(270,884)
Total other financing sources (uses)	<u>(131,048)</u>	<u>-</u>	<u>179,874</u>	<u>14,916,047</u>	<u>-</u>	<u>14,964,873</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(223,015)</u>	<u>3,697</u>	<u>115,012</u>	<u>8,669,241</u>	<u>96</u>	<u>8,565,031</u>
Fund balances (deficit) - restricted November 1, 2011	<u>2,286,238</u>	<u>69,383</u>	<u>(115,012)</u>	<u>3,089,602</u>	<u>106,063</u>	<u>5,436,274</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$2,063,223</u>	<u>\$ 73,080</u>	<u>\$ -</u>	<u>\$11,758,843</u>	<u>\$ 106,159</u>	<u>\$ 14,001,305</u>

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012

	<u>Energy Consulting Services Grant</u>	<u>ARRA State Energy Efficiency</u>	<u>Byrne/JAG 2009 Formula</u>	<u>Energy Study & Improvement</u>	<u>Station Construction 2009</u>	<u>Fire Prevention & Safety</u>	<u>Fire Port Security</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ 112,754	\$ -	\$ 38,946	\$ 79,819	\$ 253	\$ 6,275
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 112,754</u>	<u>\$ -</u>	<u>\$ 38,946</u>	<u>\$ 79,819</u>	<u>\$ 253</u>	<u>\$ 6,275</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 7,699	\$ -	\$ 1,265
Internal balances	-	-	6,494	28,179	5,000	-	1,882
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>6,494</u>	<u>28,179</u>	<u>12,699</u>	<u>-</u>	<u>3,147</u>
Fund balances (deficits)							
Fund balances - restricted	-	112,754	-	10,767	67,120	253	3,128
Fund balances - unassigned	-	-	(6,494)	-	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>112,754</u>	<u>(6,494)</u>	<u>10,767</u>	<u>67,120</u>	<u>253</u>	<u>3,128</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 112,754</u>	<u>\$ -</u>	<u>\$ 38,946</u>	<u>\$ 79,819</u>	<u>\$ 253</u>	<u>\$ 6,275</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	Fire UASI	SBA Green Business Initiative	Substance Abuse Grants	Waterfront Stormwater Study	Assistance to Firefighters	Aqua Fund WPC	Byrne/JAG 2009 Local
ASSETS							
Cash and cash equivalents	\$ 4,718	\$ 483	\$ 10,779	\$ -	\$ 52,039	\$ -	\$ 21,318
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Internal balances	-	-	-	-	3,208	-	-
Total assets	<u>\$ 4,718</u>	<u>\$ 483</u>	<u>\$ 10,779</u>	<u>\$ -</u>	<u>\$ 55,247</u>	<u>\$ -</u>	<u>\$ 21,318</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ 144	\$ -	\$ 25,205	\$ -	\$ -
Internal balances	4,718	-	4,162	6,529	12,054	-	-
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	<u>4,718</u>	<u>-</u>	<u>4,306</u>	<u>6,529</u>	<u>37,259</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)							
Fund balances - restricted	-	483	6,473	-	17,988	-	21,318
Fund balances - unassigned	-	-	-	(6,529)	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>483</u>	<u>6,473</u>	<u>(6,529)</u>	<u>17,988</u>	<u>-</u>	<u>21,318</u>
Total liabilities and fund balances	<u>\$ 4,718</u>	<u>\$ 483</u>	<u>\$ 10,779</u>	<u>\$ -</u>	<u>\$ 55,247</u>	<u>\$ -</u>	<u>\$ 21,318</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	<u>Cops/ Burglar Program</u>	<u>Local Law Enforcement Block Grant</u>	<u>Fire Homeland Security</u>	<u>Fuller Library</u>	<u>Police Homeland Security</u>	<u>Hunts Mill/ Tranquility Place</u>	<u>RI Health Coalition Program</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,236	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,236</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal balances	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)							
Fund balances - restricted	-	-	-	-	-	47,236	-
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,236</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,236</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	<u>School Technology Improvement</u>	<u>Project Dare</u>	<u>CERT</u>	<u>Forfeited Drug State</u>	<u>Metropolitan Burglary Network</u>	<u>Forfeited Drug Federal</u>	<u>RI Comp Plan for Land Use</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 16,163	\$ -	\$ 153,455	\$ -
Investments	-	-	-	-	-	21,882	-
Accounts receivable	-	-	-	-	-	-	-
Internal balances	-	6,521	-	-	-	6,494	-
Total assets	<u>\$ -</u>	<u>\$ 6,521</u>	<u>\$ -</u>	<u>\$ 16,163</u>	<u>\$ -</u>	<u>\$ 181,831</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,850	\$ -
Internal balances	-	-	-	-	-	3,050	-
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,900</u>	<u>-</u>
Fund balances (deficits)							
Fund balances - restricted	-	6,521	-	16,163	-	173,931	-
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>6,521</u>	<u>-</u>	<u>16,163</u>	<u>-</u>	<u>173,931</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,521</u>	<u>\$ -</u>	<u>\$ 16,163</u>	<u>\$ -</u>	<u>\$ 181,831</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	<u>Bold Point Park</u>	<u>Substance Abuse Donations</u>	<u>Personnel Higher Ed Grant</u>	<u>Emergency Management Program</u>	<u>Central Park Coalition</u>	<u>Historical Records Preservation</u>	<u>Debt Service Reserve East Pointe</u>
ASSETS							
Cash and cash equivalents	\$ 584	\$ -	\$ -	\$ 95,792	\$ -	\$ 2,113	\$ 178,433
Investments	550	-	-	-	-	300,587	-
Accounts receivable	-	-	-	-	-	-	-
Internal balances	27,095	33,207	-	-	-	32,188	-
Total assets	<u>\$ 28,229</u>	<u>\$ 33,207</u>	<u>\$ -</u>	<u>\$ 95,792</u>	<u>\$ -</u>	<u>\$ 334,888</u>	<u>\$ 178,433</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -
Internal balances	-	-	-	373	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	178,433
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>473</u>	<u>-</u>	<u>-</u>	<u>178,433</u>
Fund balances (deficits)							
Fund balances - restricted	28,229	33,207	-	95,319	-	334,888	-
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>28,229</u>	<u>33,207</u>	<u>-</u>	<u>95,319</u>	<u>-</u>	<u>334,888</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 28,229</u>	<u>\$ 33,207</u>	<u>\$ -</u>	<u>\$ 95,792</u>	<u>\$ -</u>	<u>\$ 334,888</u>	<u>\$ 178,433</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	Champlin Fund Weaver	Riverside Square Renovations	Crescent Park Carousel	Forbes St Solar Project	Library Donation Fund	Fire Department Boat	Historic Property Beautification
ASSETS							
Cash and cash equivalents	\$ 888	\$ -	\$ 6,494	\$ 29,928	\$ -	\$ -	\$ -
Investments	32,403	-	206,703	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Internal balances	-	-	-	28,179	117,075	-	-
Total assets	\$ 33,291	\$ -	\$ 213,197	\$ 58,107	\$ 117,075	\$ -	\$ -
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ 400	\$ 80,912	\$ -	\$ -	\$ -
Internal balances	-	-	5,620	11,400	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	-	6,020	92,312	-	-	-
Fund balances (deficits)							
Fund balances - restricted	33,291	-	207,177	-	117,075	-	-
Fund balances - unassigned	-	-	-	(34,205)	-	-	-
Total fund balances (deficits)	33,291	-	207,177	(34,205)	117,075	-	-
Total liabilities and fund balances	\$ 33,291	\$ -	\$ 213,197	\$ 58,107	\$ 117,075	\$ -	\$ -

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	Girl Scout House Refurbish	Senior Center	Recreation League	Friends of Ancient Little Neck Cemetery	Rose Larisa Memorial Park	Fire Decon Grant
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 865	\$ -	\$ 494
Accounts receivable	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ -</u>	<u>\$ 494</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal balances	-	-	-	-	-	2,379
Deferred revenue	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,379</u>
Fund balances (deficits)						
Fund balances - restricted	-	-	-	865	-	-
Fund balances - unassigned	-	-	-	-	-	(1,885)
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>865</u>	<u>-</u>	<u>(1,885)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ -</u>	<u>\$ 494</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - City
October 31, 2012
(continued)

	<u>Meadowcrest School Playground</u>	<u>State of RI Energy Grant</u>	<u>Early Retiree Reinsurance Program</u>	<u>Community Development Activities</u>	<u>Total Special Revenue Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 201,438	\$ 228,093	\$ 1,289,360
Investments	-	-	-	398,922	961,047
Accounts receivable	-	-	-	704,476	704,476
Internal balances	-	-	-	-	253,967
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,438</u>	<u>\$ 1,331,491</u>	<u>\$ 3,208,850</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 120,575
Internal balances	-	-	-	50,303	142,143
Deferred revenue	-	-	-	704,476	704,476
Other liabilities	-	-	-	-	178,433
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>754,779</u>	<u>1,145,627</u>
Fund balances (deficits)					
Fund balances - restricted	-	-	201,438	576,712	2,112,336
Fund balances - unassigned	-	-	-	-	(49,113)
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>201,438</u>	<u>576,712</u>	<u>2,063,223</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,438</u>	<u>\$ 1,331,491</u>	<u>\$ 3,208,850</u>

(concluded)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012

	Energy Consulting Services Grant	ARRA State Energy Efficiency	Byrne/JAG 2009 Formula	Energy Study & Improvement	Station Construction 2009	Fire Prevention & Safety	Fire Port Security
Revenues							
Federal and state aid and grants	\$ 4,350	\$ 387,217	\$ -	\$ -	\$ 457,923	\$ -	\$ 198,380
Charges for services	-	-	-	-	-	885	-
Fines and penalties	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>4,350</u>	<u>387,217</u>	<u>-</u>	<u>-</u>	<u>457,923</u>	<u>885</u>	<u>198,380</u>
Expenditures							
General government	-	-	-	-	-	-	-
Public safety	-	274,463	6,330	-	390,804	1,142	195,252
Public works	4,350	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Public libraries	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>4,350</u>	<u>274,463</u>	<u>6,330</u>	<u>-</u>	<u>390,804</u>	<u>1,142</u>	<u>195,252</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	112,754	(6,330)	-	67,119	(257)	3,128
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	112,754	(6,330)	-	67,119	(257)	3,128
Fund balances (deficit) - restricted November 1, 2011	-	-	(164)	10,767	1	510	-
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ 112,754</u>	<u>\$ (6,494)</u>	<u>\$ 10,767</u>	<u>\$ 67,120</u>	<u>\$ 253</u>	<u>\$ 3,128</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
(continued)

	Fire UASI	SBA Green Business Initiative	Substance Abuse Grants	Waterfront Stormwater Study	Assistance to Firefighters	Aqua Fund WPC	Byrne/JAG 2009 Local
Revenues							
Federal and state aid and grants	\$ 190,750	\$ 73,793	\$ 71,623	\$ 62,041	\$ 299,188	\$ -	\$ 21,142
Charges for services	-	-	-	-	-	-	-
Fines and penalties	-	-	4,000	-	-	-	-
Investment and interest income	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>190,750</u>	<u>73,793</u>	<u>75,623</u>	<u>62,041</u>	<u>299,188</u>	<u>-</u>	<u>21,142</u>
Expenditures							
General government	-	74,153	-	-	-	-	-
Public safety	188,645	-	76,925	-	347,918	-	16,513
Public works	-	-	-	68,570	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Public libraries	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>188,645</u>	<u>74,153</u>	<u>76,925</u>	<u>68,570</u>	<u>347,918</u>	<u>-</u>	<u>16,513</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	2,105	(360)	(1,302)	(6,529)	(48,730)	-	4,629
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	(2,118)	-	-	-	-	(4,745)	-
Total other financing sources (uses)	<u>(2,118)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,745)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(13)	(360)	(1,302)	(6,529)	(48,730)	(4,745)	4,629
Fund balances (deficit) - restricted November 1, 2011	13	843	7,775	-	66,718	4,745	16,689
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ 6,473</u>	<u>\$ (6,529)</u>	<u>\$ 17,988</u>	<u>\$ -</u>	<u>\$ 21,318</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Cops/ Burglar Program</u>	<u>Local Law Enforcement Block Grant</u>	<u>Fire Homeland Security</u>	<u>Fuller Library</u>	<u>Police Homeland Security</u>	<u>Hunts Mill/ Tranquility Place</u>	<u>RI Health Coalition Program</u>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,600	\$ -
Charges for services	-	-	-	-	-	-	-
Fines and penalties	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,600</u>	<u>-</u>
Expenditures							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	14,501	-
Parks and recreation	-	-	-	-	-	-	-
Public libraries	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,501</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	-	-	-	-	(2,901)	-
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	(4,528)	(230)	(59)	(1,506)	(3,693)	-	(5,646)
Total other financing sources (uses)	<u>(4,528)</u>	<u>(230)</u>	<u>(59)</u>	<u>(1,506)</u>	<u>(3,693)</u>	<u>-</u>	<u>(5,646)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(4,528)</u>	<u>(230)</u>	<u>(59)</u>	<u>(1,506)</u>	<u>(3,693)</u>	<u>(2,901)</u>	<u>(5,646)</u>
Fund balances (deficit) - restricted November 1, 2011	<u>4,528</u>	<u>230</u>	<u>59</u>	<u>1,506</u>	<u>3,693</u>	<u>50,137</u>	<u>5,646</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,236</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>School Technology Improvement</u>	<u>Project Dare</u>	<u>CERT</u>	<u>Ferfeited Drug State</u>	<u>Metropolitan Burglary Network</u>	<u>Ferfeited Drug Federal</u>	<u>RI Comp Plan for Land Use</u>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Fines and penalties	-	-	-	6,252	-	166,995	-
Investment and interest income	1	-	-	-	-	4	-
Contributions and private grants	-	2,024	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>1</u>	<u>2,024</u>	<u>-</u>	<u>6,252</u>	<u>-</u>	<u>166,999</u>	<u>-</u>
Expenditures							
General government	-	-	-	-	-	-	-
Public safety	-	3,397	-	3,201	-	438,337	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Public libraries	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	97,467	-
Total expenditures	<u>-</u>	<u>3,397</u>	<u>-</u>	<u>3,201</u>	<u>-</u>	<u>535,804</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	1	(1,373)	-	3,051	-	(368,805)	-
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	(42,028)	-	(1,052)	-	(3,609)	-	(9,947)
Total other financing sources (uses)	<u>(42,028)</u>	<u>-</u>	<u>(1,052)</u>	<u>-</u>	<u>(3,609)</u>	<u>-</u>	<u>(9,947)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(42,027)</u>	<u>(1,373)</u>	<u>(1,052)</u>	<u>3,051</u>	<u>(3,609)</u>	<u>(368,805)</u>	<u>(9,947)</u>
Fund balances (deficit) - restricted November 1, 2011	42,027	7,894	1,052	13,112	3,609	542,736	9,947
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ 6,521</u>	<u>\$ -</u>	<u>\$ 16,163</u>	<u>\$ -</u>	<u>\$ 173,931</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Bold Point Park</u>	<u>Substance Abuse Donations</u>	<u>Personnel Higher Education</u>	<u>Emergency Management Program</u>	<u>Central Park Coalition</u>	<u>Historical Records Preservation</u>	<u>Debt Service Reserve East Pointe</u>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ 5,321	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	37,689	-
Fines and penalties	-	-	-	-	-	-	-
Investment and interest income	-	-	-	1	-	35	-
Contributions and private grants	-	125	314	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>125</u>	<u>314</u>	<u>5,322</u>	<u>-</u>	<u>37,724</u>	<u>-</u>
Expenditures							
General government	-	-	-	-	-	54,088	-
Public safety	-	520	-	4,459	-	-	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Public libraries	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>520</u>	<u>-</u>	<u>4,459</u>	<u>-</u>	<u>54,088</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	(395)	314	863	-	(16,364)	-
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	-	-	(1,607)	-	(70)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,607)</u>	<u>-</u>	<u>(70)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(395)</u>	<u>(1,293)</u>	<u>863</u>	<u>(70)</u>	<u>(16,364)</u>	<u>-</u>
Fund balances (deficit) - restricted November 1, 2011	<u>28,229</u>	<u>33,602</u>	<u>1,293</u>	<u>94,456</u>	<u>70</u>	<u>351,252</u>	<u>-</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ 28,229</u>	<u>\$ 33,207</u>	<u>\$ -</u>	<u>\$ 95,319</u>	<u>\$ -</u>	<u>\$ 334,888</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Champlin Fund Weaver</u>	<u>Riverside Square Renovations</u>	<u>Crescent Park Carousel</u>	<u>Forbes St Solar Project</u>	<u>Library Donation Fund</u>	<u>Fire Department Boat</u>	<u>Historic Property Beautification</u>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ 45,031	\$ -	\$ -	\$ -
Charges for services	-	-	114,563	-	-	-	-
Fines and penalties	-	-	-	-	-	-	-
Investment and interest income	4	-	19	-	2	2	-
Contributions and private grants	8,970	-	14,101	-	1,096	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>8,974</u>	<u>-</u>	<u>128,683</u>	<u>45,031</u>	<u>1,098</u>	<u>2</u>	<u>-</u>
Expenditures							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	43,416	-
Public works	-	-	-	76,686	-	-	-
Parks and recreation	-	-	124,831	-	-	-	-
Public libraries	21,150	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>21,150</u>	<u>-</u>	<u>124,831</u>	<u>76,686</u>	<u>-</u>	<u>43,416</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(12,176)	-	3,852	(31,655)	1,098	(43,414)	-
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	-	(376)	-	-	-	-	(181)
Total other financing sources (uses)	<u>-</u>	<u>(376)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(12,176)</u>	<u>(376)</u>	<u>3,852</u>	<u>(31,655)</u>	<u>1,098</u>	<u>(43,414)</u>	<u>(181)</u>
Fund balances (deficit) - restricted November 1, 2011	45,467	376	203,325	(2,550)	115,977	43,414	181
Fund balances (deficit) - restricted October 31, 2012	<u>\$ 33,291</u>	<u>\$ -</u>	<u>\$ 207,177</u>	<u>\$ (34,205)</u>	<u>\$ 117,075</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Girl Scout House Refurbish</u>	<u>Senior Center</u>	<u>Recreation League</u>	<u>Friends of Ancient Little Neck Cemetery</u>	<u>Rose Larisa Memorial Park</u>	<u>Fire Decon Grant</u>
Revenues						
Federal and state aid and grants	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 55,874
Charges for services	-	-	-	-	-	-
Fines and penalties	-	-	-	-	-	-
Investment and interest income	-	-	2	-	-	-
Contributions and private grants	-	-	-	1,500	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>5,000</u>	<u>2</u>	<u>1,500</u>	<u>-</u>	<u>55,874</u>
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	56,929
Public works	-	-	-	1,922	-	-
Parks and recreation	-	-	49,099	-	-	-
Public libraries	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>49,099</u>	<u>1,922</u>	<u>-</u>	<u>56,929</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	5,000	(49,097)	(422)	-	(1,055)
Other financing sources (uses)						
Transfers from other funds	-	-	-	-	1,941	-
Transfers (to) other funds	(8,184)	(18,242)	(13,426)	-	-	-
Total other financing sources (uses)	<u>(8,184)</u>	<u>(18,242)</u>	<u>(13,426)</u>	<u>-</u>	<u>1,941</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(8,184)</u>	<u>(13,242)</u>	<u>(62,523)</u>	<u>(422)</u>	<u>1,941</u>	<u>(1,055)</u>
Fund balances (deficit) - restricted November 1, 2011	<u>8,184</u>	<u>13,242</u>	<u>62,523</u>	<u>1,287</u>	<u>(1,941)</u>	<u>(830)</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ -</u>	<u>\$ (1,885)</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Special Revenue Funds - City
For the Fiscal Year Ended October 31, 2012
 (continued)

	Meadowcrest School Playground	State of RI Energy Grant	Early Retiree Reinsurance Program	Community Development Activities	Total Special Revenue Funds
Revenues					
Federal and state aid and grants	\$ -	\$ 14,300	\$ -	\$ 786,579	\$ 2,690,112
Charges for services	-	-	-	-	153,137
Fines and penalties	-	-	-	-	177,247
Investment and interest income	-	-	-	-	70
Contributions and private grants	-	-	-	-	28,130
Other revenue	-	-	201,438	261,580	463,018
Total revenues	<u>-</u>	<u>14,300</u>	<u>201,438</u>	<u>1,048,159</u>	<u>3,511,714</u>
Expenditures					
General government	-	-	-	694,203	822,444
Public safety	-	-	-	-	2,048,251
Public works	-	14,300	-	-	180,329
Parks and recreation	-	-	-	-	173,930
Public libraries	-	-	-	-	21,150
Debt service	-	-	-	260,110	357,577
Total expenditures	<u>-</u>	<u>14,300</u>	<u>-</u>	<u>954,313</u>	<u>3,603,681</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	-	201,438	93,846	(91,967)
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	1,941
Transfers (to) other funds	(11,742)	-	-	-	(132,989)
Total other financing sources (uses)	<u>(11,742)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,048)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(11,742)</u>	<u>-</u>	<u>201,438</u>	<u>93,846</u>	<u>(223,015)</u>
Fund balances (deficit) - restricted November 1, 2011	<u>11,742</u>	<u>-</u>	<u>-</u>	<u>482,866</u>	<u>2,286,238</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,438</u>	<u>\$ 576,712</u>	<u>\$ 2,063,223</u>

(concluded)

**SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
October 31, 2012**

	IDEA Part B	Preschool Section 619	Title I	Title II	EPHS E2T2	Title III	Title V
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,535	\$ -	\$ 754
Due from federal and state governments	195,873	7,219	205,225	66,044	-	29,842	-
Internal balances	-	-	1,195	-	-	197	-
Other receivables	296	72	-	-	-	-	-
TOTAL ASSETS	<u>\$ 196,169</u>	<u>\$ 7,291</u>	<u>\$ 206,420</u>	<u>\$ 66,044</u>	<u>\$ 2,535</u>	<u>\$ 30,039</u>	<u>\$ 754</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ 19,264	\$ 73	\$ 17,329	\$ 7,134	\$ -	\$ 6,501	\$ -
Accounts payable and accrued expenses	46,827	-	24,038	8,246	-	5,016	-
Internal balances	130,078	7,218	165,053	50,664	-	18,522	-
Total liabilities	<u>196,169</u>	<u>7,291</u>	<u>206,420</u>	<u>66,044</u>	<u>-</u>	<u>30,039</u>	<u>-</u>
 Fund balances							
Fund balances - restricted	-	-	-	-	2,535	-	754
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,535</u>	<u>-</u>	<u>754</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 196,169</u>	<u>\$ 7,291</u>	<u>\$ 206,420</u>	<u>\$ 66,044</u>	<u>\$ 2,535</u>	<u>\$ 30,039</u>	<u>\$ 754</u>

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
October 31, 2012
(continued)

	<u>Perkins</u>	<u>Vocational Training for Adults</u>	<u>Fresh Fruits & Vegetables</u>	<u>Safe Routes to School</u>	<u>RTTT Standards & Curriculum</u>	<u>RTTT Educator Effectiveness</u>	<u>RTTT IIS Set Aside</u>
ASSETS							
Cash and cash equivalents	\$ 3,757	\$ 13,176	\$ -	\$ -	\$ 6,900	\$ 14,884	\$ -
Due from federal and state governments	33,511	6,863	9,384	-	-	9,910	-
Internal balances	-	739	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 37,268</u>	<u>\$ 20,778</u>	<u>\$ 9,384</u>	<u>\$ -</u>	<u>\$ 6,900</u>	<u>\$ 24,794</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ 4,885	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	34,634	-	4,246	-	-	-	-
Internal balances	2,634	9,438	253	-	6,900	24,794	-
Total liabilities	<u>37,268</u>	<u>9,438</u>	<u>9,384</u>	<u>-</u>	<u>6,900</u>	<u>24,794</u>	<u>-</u>
 Fund balances							
Fund balances - restricted	-	11,340	-	-	-	-	-
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>11,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,268</u>	<u>\$ 20,778</u>	<u>\$ 9,384</u>	<u>\$ -</u>	<u>\$ 6,900</u>	<u>\$ 24,794</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
October 31, 2012
(continued)

	RTTT Educator Effectiveness Set Aside	RTTT HCD Set Aside	Teaching American History	Literacy for All	Legislative Technology Martin	Legislative Technology Francis	Legislative Technology Hennessey
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 50	\$ 1,113	\$ 1,801	\$ -	\$ 1
Due from federal and state governments	-	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 50	\$ 1,113	\$ 1,801	\$ -	\$ 1
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	-	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund balances							
Fund balances - restricted	-	-	50	1,113	1,801	-	1
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances	-	-	50	1,113	1,801	-	1
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 50	\$ 1,113	\$ 1,801	\$ -	\$ 1

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
October 31, 2012
(continued)

	<u>Legislative Technology Orlo</u>	<u>Common Core Standards</u>	<u>Champlin Grant</u>	<u>Feinstein</u>	<u>United Way</u>	<u>Exxon Mobile Educational Alliance</u>	<u>Donations & Gifts</u>
ASSETS							
Cash and cash equivalents	\$ 625	\$ 2,250	\$ 165	\$ 6,396	\$ 255	\$ -	\$ 5,540
Due from federal and state governments	-	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-	1,266
Other receivables	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 625</u>	<u>\$ 2,250</u>	<u>\$ 165</u>	<u>\$ 6,396</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 6,806</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	332	-	-	-	-	-	-
Internal balances	-	2,250	-	-	-	-	725
Total liabilities	<u>332</u>	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>725</u>
 Fund balances							
Fund balances - restricted	293	-	165	6,396	255	-	6,081
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances	<u>293</u>	<u>-</u>	<u>165</u>	<u>6,396</u>	<u>255</u>	<u>-</u>	<u>6,081</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 625</u>	<u>\$ 2,250</u>	<u>\$ 165</u>	<u>\$ 6,396</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 6,806</u>

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
October 31, 2012
(continued)

	RI State Council on the Arts	RI Historical	EPHS Arts	RI Parent Information Network	RI State Improvement Waddington	National Geographic
ASSETS						
Cash and cash equivalents	\$ 5	\$ 294	\$ 2,300	\$ 1,181	\$ -	\$ 68
Due from federal and state governments	-	-	-	-	-	-
Internal balances	-	-	-	-	3,063	-
Other receivables	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5</u>	<u>\$ 294</u>	<u>\$ 2,300</u>	<u>\$ 1,181</u>	<u>\$ 3,063</u>	<u>\$ 68</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 3,063	\$ -
Accounts payable and accrued expenses	125	-	-	-	-	-
Internal balances	-	-	-	-	-	-
Total liabilities	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,063</u>	<u>-</u>
 Fund balances						
Fund balances - restricted	-	294	2,300	1,181	-	68
Fund balances - unassigned	(120)	-	-	-	-	-
Total fund balances	<u>(120)</u>	<u>294</u>	<u>2,300</u>	<u>1,181</u>	<u>-</u>	<u>68</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5</u>	<u>\$ 294</u>	<u>\$ 2,300</u>	<u>\$ 1,181</u>	<u>\$ 3,063</u>	<u>\$ 68</u>

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Balance Sheet - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
October 31, 2012
(continued)

	<u>RITIE</u>	<u>RI Mathematics Teachers Association</u>	<u>Career & Technical Program Income</u>	<u>Total Special Revenue Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 37,840	\$ 101,890
Due from federal and state governments	733	-	-	564,604
Internal balances	-	-	-	6,460
Other receivables	-	-	-	368
TOTAL ASSETS	<u>\$ 733</u>	<u>\$ -</u>	<u>\$ 37,840</u>	<u>\$ 673,322</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ 58,249
Accounts payable and accrued expenses	-	-	-	123,464
Internal balances	-	-	-	418,529
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,242</u>
 Fund balances				
Fund balances - restricted	733	-	37,840	73,200
Fund balances - unassigned	-	-	-	(120)
Total fund balances	<u>733</u>	<u>-</u>	<u>37,840</u>	<u>73,080</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 733</u>	<u>\$ -</u>	<u>\$ 37,840</u>	<u>\$ 673,322</u>

(concluded)

**SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
For the Fiscal Year Ended October 31, 2012**

	IDEA Part B	Preschool Section 619	Title I	Title II	EPHS E2T2	Title III	Title V
Revenues							
Intergovernmental revenues	\$ 1,349,729	\$ 47,275	\$ 1,158,240	\$ 363,158	\$ -	\$ 70,445	\$ -
Charges for services	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Total revenues	<u>1,349,729</u>	<u>47,275</u>	<u>1,158,240</u>	<u>363,158</u>	<u>-</u>	<u>70,445</u>	<u>-</u>
Expenditures							
Education	1,349,729	47,275	1,158,240	363,158	-	70,595	-
Total expenditures	<u>1,349,729</u>	<u>47,275</u>	<u>1,158,240</u>	<u>363,158</u>	<u>-</u>	<u>70,595</u>	<u>-</u>
Excess revenues over (under) expenditures	-	-	-	-	-	(150)	-
Fund balances (deficit) - restricted November 1, 2011	-	-	-	-	2,535	150	754
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,535</u>	<u>\$ -</u>	<u>\$ 754</u>

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Perkins</u>	<u>Vocational Training for Adults</u>	<u>Fresh Fruits & Vegetables</u>	<u>Safe Routes to School</u>	<u>RTTT Standards & Curriculum</u>	<u>RTTT Educator Effectiveness</u>	<u>RTTT IIS Set Aside</u>
Revenues							
Intergovernmental revenues	\$ 156,285	\$ 60,423	\$ 51,257	\$ 440	\$ 56,657	\$ 109,440	\$ 82,327
Charges for services	-	8,550	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Total revenues	<u>156,285</u>	<u>68,973</u>	<u>51,257</u>	<u>440</u>	<u>56,657</u>	<u>109,440</u>	<u>82,327</u>
Expenditures							
Education	156,285	68,478	51,079	440	56,657	109,440	82,327
Total expenditures	<u>156,285</u>	<u>68,478</u>	<u>51,079</u>	<u>440</u>	<u>56,657</u>	<u>109,440</u>	<u>82,327</u>
Fund balances (deficit) - restricted November 1, 2011	-	10,845	(178)	-	-	-	-
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ 11,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**SUPPLEMENTARY INFORMATION
 EAST PROVIDENCE PUBLIC SCHOOLS
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances - Non-Major Governmental Funds
 Special Revenue Funds - School Restricted
 For the Fiscal Year Ended October 31, 2012
 (continued)**

	RTTT Educator Effectiveness Set Aside	RTTT HCD Set Aside	Teaching American History	Literacy for All	Legislative Technology Martin	Legislative Technology Francis	Legislative Technology Hennessey
Revenues							
Intergovernmental revenues	\$ 989	\$ 126,402	\$ -	\$ 867	\$ 7,676	\$ 4,000	\$ -
Charges for services	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Total revenues	<u>989</u>	<u>126,402</u>	<u>-</u>	<u>867</u>	<u>7,676</u>	<u>4,000</u>	<u>-</u>
Expenditures							
Education	989	126,402	-	867	7,676	4,000	999
Total expenditures	<u>989</u>	<u>126,402</u>	<u>-</u>	<u>867</u>	<u>7,676</u>	<u>4,000</u>	<u>999</u>
Excess revenues over (under) expenditures	-	-	-	-	-	-	(999)
Fund balances (deficit) - restricted November 1, 2011	-	-	50	1,113	1,801	-	1,000
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,113</u>	<u>\$ 1,801</u>	<u>\$ -</u>	<u>\$ 1</u>

(continued)

SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>Legislative Technology Orlo</u>	<u>Common Core Standards</u>	<u>Champlin Grant</u>	<u>Feinstein</u>	<u>United Way</u>	<u>Exxon Mobile Educational Alliance</u>	<u>Donations & Gifts</u>
Revenues							
Intergovernmental revenues	\$ -	\$ 19,873	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	6,549	-	500	-
Total revenues	<u>-</u>	<u>19,873</u>	<u>-</u>	<u>6,549</u>	<u>-</u>	<u>500</u>	<u>-</u>
Expenditures							
Education	707	19,873	-	1,549	-	500	-
Total expenditures	<u>707</u>	<u>19,873</u>	<u>-</u>	<u>1,549</u>	<u>-</u>	<u>500</u>	<u>-</u>
Excess revenues over (under) expenditures	(707)	-	-	5,000	-	-	-
Fund balances (deficit) - restricted November 1, 2011	1,000	-	165	1,396	255	-	6,081
Fund balances (deficit) - restricted October 31, 2012	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 165</u>	<u>\$ 6,396</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 6,081</u>

(continued)

**SUPPLEMENTARY INFORMATION
EAST PROVIDENCE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Special Revenue Funds - School Restricted
For the Fiscal Year Ended October 31, 2012
(continued)**

	RI State Council on the Arts	RI Historical	EPHS Arts	RI Parent Information Network	RI State Improvement Waddington	National Geographic
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Contributions and private grants	2,193	-	-	-	-	-
Total revenues	<u>2,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures						
Education	2,313	-	-	-	-	-
Total expenditures	<u>2,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues over (under) expenditures	(120)	-	-	-	-	-
Fund balances (deficit) - restricted November 1, 2011	-	294	2,300	1,181	-	68
Fund balances (deficit) - restricted October 31, 2012	<u>\$ (120)</u>	<u>\$ 294</u>	<u>\$ 2,300</u>	<u>\$ 1,181</u>	<u>\$ -</u>	<u>\$ 68</u>

(continued)

**SUPPLEMENTARY INFORMATION
 EAST PROVIDENCE PUBLIC SCHOOLS
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances - Non-Major Governmental Funds
 Special Revenue Funds - School Restricted
 For the Fiscal Year Ended October 31, 2012
 (continued)**

	<u>RITIE</u>	<u>RI Mathematics Teachers Association</u>	<u>Career & Technical Program Income</u>	<u>Total Special Revenue Funds</u>
Revenues				
Intergovernmental revenues	\$ -	\$ 500	\$ -	\$ 3,665,983
Charges for services	-	-	-	8,550
Contributions and private grants	-	-	-	9,242
Total revenues	<u>-</u>	<u>500</u>	<u>-</u>	<u>3,683,775</u>
Expenditures				
Education	-	500	-	3,680,078
Total expenditures	<u>-</u>	<u>500</u>	<u>-</u>	<u>3,680,078</u>
Excess revenues over (under) expenditures	-	-	-	3,697
Fund balances (deficit) - restricted November 1, 2011	733	-	37,840	69,383
Fund balances (deficit) - restricted October 31, 2012	<u>\$ 733</u>	<u>\$ -</u>	<u>\$ 37,840</u>	<u>\$ 73,080</u>

(concluded)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Capital Projects Funds
October 31, 2012

	<u>Hull Street Renovations</u>	<u>2002 Misc Projects Bond</u>	<u>Capital Lease</u>	<u>Capital Improvement</u>	<u>2001 Bond Economic Development</u>	<u>Superior Court MP9538</u>	<u>Vintner Avenue Playground</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ 32,382	\$ -	\$ 39,143	\$ 167,022	\$ 27,342	\$ -
Investments	-	487,881	-	-	746,626	-	3,007
Due from other governments	-	-	-	-	-	-	-
Internal balances	-	-	50,125	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 520,263</u>	<u>\$ 50,125</u>	<u>\$ 39,143</u>	<u>\$ 913,648</u>	<u>\$ 27,342</u>	<u>\$ 3,007</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ -
Internal balances	19,820	-	50,125	50,125	-	-	-
Other liabilities	-	-	-	-	-	27,342	-
Total liabilities	<u>19,820</u>	<u>65</u>	<u>50,125</u>	<u>50,125</u>	<u>-</u>	<u>27,342</u>	<u>-</u>
Fund balances - restricted	-	520,198	-	-	913,648	-	3,007
Fund balances - unassigned	(19,820)	-	-	(10,982)	-	-	-
Total fund balances (deficit)	<u>(19,820)</u>	<u>520,198</u>	<u>-</u>	<u>(10,982)</u>	<u>913,648</u>	<u>-</u>	<u>3,007</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 520,263</u>	<u>\$ 50,125</u>	<u>\$ 39,143</u>	<u>\$ 913,648</u>	<u>\$ 27,342</u>	<u>\$ 3,007</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Capital Projects Funds
October 31, 2012
(continued)

	<u>Open Space Sabin Point</u>	<u>Union Primary Reserve</u>	<u>Stormwater Basin - Routine</u>	<u>Stormwater Basin - Nonroutine</u>	<u>1999 School Bond Fund</u>	<u>2000 Public Works Bond</u>	<u>2000 Public Safety Bond</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Internal balances	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal balances	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - restricted	-	-	-	-	-	-	-
Fund balances - unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Capital Projects Funds
October 31, 2012
(continued)

	<u>1999 Streets & Sidewalks</u>	<u>1999 Recreation & Highway</u>	<u>2007 Public Works BAN</u>	<u>\$6,000,000 School BAN</u>	<u>School RIHEBC Leases</u>	<u>Total Capital Project Funds</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 430	\$ -	\$ 7,861,370	\$ 8,127,689
Investments	-	-	2,357,220	-	-	3,594,734
Due from other governments	-	-	201,549	-	-	201,549
Internal balances	-	-	-	-	47,353	97,478
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,559,199</u>	<u>\$ -</u>	<u>\$ 7,908,723</u>	<u>\$ 12,021,450</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ -	\$ -	\$ 115,130	\$ -	\$ -	115,195
Internal balances	-	-	-	-	-	120,070
Other liabilities	-	-	-	-	-	27,342
Total liabilities	<u>-</u>	<u>-</u>	<u>115,130</u>	<u>-</u>	<u>-</u>	<u>262,607</u>
Fund balances - restricted	-	-	2,444,069	-	7,908,723	11,789,645
Fund balances - unassigned	-	-	-	-	-	(30,802)
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>2,444,069</u>	<u>-</u>	<u>7,908,723</u>	<u>11,758,843</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,559,199</u>	<u>\$ -</u>	<u>\$ 7,908,723</u>	<u>\$ 12,021,450</u>

(concluded)

**SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Capital Project Funds
For the Fiscal Year Ended October 31, 2012**

	<u>Hull Street Renovations</u>	<u>2002 Bond Miscellaneous Projects</u>	<u>Capital Lease</u>	<u>Capital Improvement</u>	<u>2001 Bond Economic Development</u>	<u>Superior Court MP9538</u>	<u>Vintner Avenue Playground</u>
Revenues							
Federal and state aid and grants	\$ -	\$ 110,287	\$ -	\$ -	\$ -	\$ -	\$ -
Investment and interest income	-	42	-	1	77	-	1
Total revenues	<u>-</u>	<u>110,329</u>	<u>-</u>	<u>1</u>	<u>77</u>	<u>-</u>	<u>1</u>
Expenditures							
Public works	-	138,008	-	10,602	-	-	-
Education	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>138,008</u>	<u>-</u>	<u>10,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	-	(27,679)	-	(10,601)	77	-	1
Other financing sources (uses)							
Proceeds of debt issuance	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Transfers (to) other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	-	(27,679)	-	(10,601)	77	-	1
Fund balances (deficit) - restricted November 1, 2011	(19,820)	547,877	-	(381)	913,571	-	3,006
Fund balances (deficit) - restricted October 31, 2012	<u>\$ (19,820)</u>	<u>\$ 520,198</u>	<u>\$ -</u>	<u>\$ (10,982)</u>	<u>\$ 913,648</u>	<u>\$ -</u>	<u>\$ 3,007</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Capital Project Funds
For the Fiscal Year Ended October 31, 2012
(continued)

	Open Space Sabin Point	Union Primary Reserve	Stormwater Basin - Routine	Stormwater Basin - Nonroutine	1999 Bond School Fund	2000 Bond Public Works	2000 Bond Public Safety
Revenues							
Fines and penalties	-	-	-	-	-	-	-
Investment and interest income	1	2	-	1	-	3	-
Total revenues	<u>1</u>	<u>2</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>-</u>
Expenditures							
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	1	2	-	1	-	3	-
Other financing sources (uses)							
Proceeds of debt issuance	-	-	-	-	-	-	-
Transfers from other funds	6,589	-	-	-	-	-	-
Transfers (to) other funds	-	(19,652)	(4,147)	(19,366)	(10)	(65,498)	(20,000)
Total other financing sources (uses)	<u>6,589</u>	<u>(19,652)</u>	<u>(4,147)</u>	<u>(19,366)</u>	<u>(10)</u>	<u>(65,498)</u>	<u>(20,000)</u>
Excess of revenues and other sources over (under) expenditures	<u>6,590</u>	<u>(19,650)</u>	<u>(4,147)</u>	<u>(19,365)</u>	<u>(10)</u>	<u>(65,495)</u>	<u>(20,000)</u>
Fund balances (deficit) - restricted November 1, 2011	<u>(6,590)</u>	<u>19,650</u>	<u>4,147</u>	<u>19,365</u>	<u>10</u>	<u>65,495</u>	<u>20,000</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Capital Project Funds
For the Fiscal Year Ended October 31, 2012
(continued)

	<u>1999 Bond Streets & Sidewalks</u>	<u>1999 Bond Recreation & Highway</u>	<u>2007 Public Works BAN</u>	<u>\$6,000,000 School BAN</u>	<u>School RIHEBC Leases</u>	<u>Total Capital Project Funds</u>
Revenues						
Federal and state aid and grants	\$ -	\$ -	\$ 125,693	\$ -	\$ -	\$ 235,980
Investment and interest income	-	-	291	-	248	667
Total revenues	<u>-</u>	<u>-</u>	<u>125,984</u>	<u>-</u>	<u>248</u>	<u>236,647</u>
Expenditures						
Public works	-	935	1,043,522	-	-	1,193,067
Education	-	-	-	1,990,399	3,043,631	5,034,030
Debt service	-	-	-	-	256,356	256,356
Total expenditures	<u>-</u>	<u>935</u>	<u>1,043,522</u>	<u>1,990,399</u>	<u>3,299,987</u>	<u>6,483,453</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	-	(935)	(917,538)	(1,990,399)	(3,299,739)	(6,246,806)
Other financing sources (uses)						
Proceeds of debt issuance	-	-	-	7,000,000	8,000,000	15,000,000
Transfers from other funds	-	-	-	-	47,353	53,942
Transfers (to) other funds	(3,032)	(6,190)	-	-	-	(137,895)
Total other financing sources (uses)	<u>(3,032)</u>	<u>(6,190)</u>	<u>-</u>	<u>7,000,000</u>	<u>8,047,353</u>	<u>14,916,047</u>
Excess of revenues and other sources over (under) expenditures	<u>(3,032)</u>	<u>(7,125)</u>	<u>(917,538)</u>	<u>5,009,601</u>	<u>4,747,614</u>	<u>8,669,241</u>
Fund balances (deficit) - restricted November 1, 2011	<u>3,032</u>	<u>7,125</u>	<u>3,361,607</u>	<u>(5,009,601)</u>	<u>3,161,109</u>	<u>3,089,602</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,444,069</u>	<u>\$ -</u>	<u>\$ 7,908,723</u>	<u>\$ 11,758,843</u>

(concluded)

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Balance Sheet - Non-Major Governmental Funds
Permanent Funds
October 31, 2012

	<u>Nancy W Miller Fund</u>	<u>George Bucklin Fund</u>	<u>Lakeside Springvale</u>	<u>Little Neck Cemetery</u>	<u>FBO Newman</u>	<u>Total Permanent Funds</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 65,349	\$ -	\$ 65,349
Investments	1,620	15,111	9,994	-	14,085	40,810
Total assets	<u>\$ 1,620</u>	<u>\$ 15,111</u>	<u>\$ 9,994</u>	<u>\$ 65,349</u>	<u>\$ 14,085</u>	<u>\$ 106,159</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - nonspendable	1,620	15,111	9,994	65,349	14,085	106,159
Total fund balances (deficit)	<u>1,620</u>	<u>15,111</u>	<u>9,994</u>	<u>65,349</u>	<u>14,085</u>	<u>106,159</u>
Total liabilities and fund balances	<u><u>\$ 1,620</u></u>	<u><u>\$ 15,111</u></u>	<u><u>\$ 9,994</u></u>	<u><u>\$ 65,349</u></u>	<u><u>\$ 14,085</u></u>	<u><u>\$ 106,159</u></u>

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Governmental Funds
Permanent Funds
For the Fiscal Year Ended October 31, 2012

	<u>Nancy W Miller Fund</u>	<u>George Bucklin Fund</u>	<u>Lakeside Springvale</u>	<u>Little Neck Cemetery</u>	<u>FBO Newman</u>	<u>Total Permanent Funds</u>
Revenues						
Investment and interest income	\$ 1	\$ 3	\$ 2	\$ 87	\$ 3	\$ 96
Total revenues	<u>1</u>	<u>3</u>	<u>2</u>	<u>87</u>	<u>3</u>	<u>96</u>
Expenditures						
General government	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	1	3	2	87	3	96
Fund balances (deficit) - restricted November 1, 2011	<u>1,619</u>	<u>15,108</u>	<u>9,992</u>	<u>65,262</u>	<u>14,082</u>	<u>106,063</u>
Fund balances (deficit) - restricted October 31, 2012	<u>\$ 1,620</u>	<u>\$ 15,111</u>	<u>\$ 9,994</u>	<u>\$ 65,349</u>	<u>\$ 14,085</u>	<u>\$ 106,159</u>

SUPPLEMENTARY INFORMATION
CITY OF EAST PROVIDENCE, RHODE ISLAND
Combining Statement of Net Assets
Agency Funds
For the Fiscal Year Ending October 31, 2012

	<u>Escrow Pending Forfeiture</u>	<u>Waterfront Commission</u>	<u>Contractor's Escrow Account</u>	<u>Dolly Searle Scholarship Account</u>	<u>Student Activities Fund</u>	<u>Total Agency Funds</u>
ASSETS						
Cash and cash equivalents	\$ 33,396	\$ 3,622	\$ -	\$ 27,898	\$ 176,735	\$ 241,651
Investments	16,380	-	142,791	-	-	159,171
Internal balances	-	6,529	-	-	-	6,529
Total assets	<u>\$ 49,776</u>	<u>\$ 10,151</u>	<u>\$ 142,791</u>	<u>\$ 27,898</u>	<u>\$ 176,735</u>	<u>\$ 407,351</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Internal balances	\$ -	\$ 2,482	\$ -	\$ -	\$ -	\$ 2,482
Deposits held in custody for others	49,776	7,669	142,791	27,898	176,735	404,869
Total liabilities	<u>\$ 49,776</u>	<u>\$ 10,151</u>	<u>\$ 142,791</u>	<u>\$ 27,898</u>	<u>\$ 176,735</u>	<u>\$ 407,351</u>

**CITY OF EAST PROVIDENCE, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2012**

REAL ESTATE AND PERSONAL PROPERTY TAXES

Tax Roll Year	Balance November 1, 2011	Current Year Assessment	Additions and Adjustments	Discounts, Abatements and Adjustments	Amount to be Collected	Collections	Balance October 31, 2012
2012	\$ (8,043)	\$ 99,314,040	\$ 160,116	\$ 1,984,997	\$ 97,481,116	\$ 76,068,741	\$ 21,412,375
2011	20,848,215	-	274,436	548,873	20,573,778	19,282,969	1,290,809
2010	1,062,785	-	-	-	1,062,785	791,965	270,820
2009	271,359	-	-	-	271,359	61,736	209,623
2008	181,297	-	-	-	181,297	21,405	159,892
2007 & Prior Prepayments	950,940	-	-	152,243	798,697	100,293	698,404
	-	-	-	-	-	72,881	(72,881)
	<u>\$ 23,306,553</u>	<u>\$ 99,314,040</u>	<u>\$ 434,552</u>	<u>\$ 2,686,113</u>	<u>\$ 120,369,032</u>	<u>\$ 96,399,990</u>	<u>\$ 23,969,042</u>

**SCHEDULE OF MOST RECENT NET ASSESSED PROPERTY
VALUE BY CATEGORY**

Description of Property	Valuations	Levy
Real property residential	\$ 4,089,283,853	\$ 87,348,011
Motor vehicles	271,279,770	10,064,479
Tangible personal	<u>232,421,290</u>	<u>11,897,646</u>
<i>Total</i>	4,592,984,913	109,310,137
Exemptions	464,664,476	9,996,096
<i>Net assessed value</i>	<u>\$ 4,128,320,437</u>	<u>\$ 99,314,040</u>
<i>Current year assessment</i>		<u>\$ 99,314,040</u>

CITY OF EAST PROVIDENCE

SINGLE AUDIT SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Providence (City), as of and for the year fiscal ended October 31, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **12-1** through **12-5**.

We noted certain other matters that we reported to management of the City in a separate letter dated July 30, 2013.

This report is intended solely for the information and use of management, the City Council, the School Committee and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Parmelee, Poirier & Associates, LLP
July 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

The Honorable President and
Members of the City Council
East Providence, Rhode Island

Compliance

We have audited the compliance of the City of East Providence (City), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended October 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2012.

Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, the School Committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Parmelee, Poirier & Associates, LLP
July 30, 2013

CITY OF EAST PROVIDENCE, RHODE ISLAND
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended October 31, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
<i>Direct:</i>			
Wildlife Habitat Incentives Program	10.914	68-1535-07-006	\$ 14,501
<i>Passed through State of Rhode Island Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	N/A	975,508
School Breakfast Program	10.553	N/A	134,117
Food Donation - See Note 4	10.550	N/A	96,610
Equipment Assistance Grant	10.000	21272109	4,000
Fresh Fruit and Vegetable Program	10.582	2725-17602-030	51,079
Total U.S. Department of Agriculture			<u>\$ 1,275,815</u>
U.S. Department of Housing and Urban Development:			
<i>Pass-Through State of Rhode Island Division of Planning,</i>			
<i>Office of Housing and Community Development</i>			
Community Development Block Grant/State Program	14.218	B11-MC-44-0006	\$ 954,313
Total U.S. Department of Housing and Urban Development			<u>\$ 954,313</u>
U.S. Department of Justice:			
<i>Direct Program:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 22,843
Federal Seized Assets	16.000	N/A	535,804
Total U.S. Department of Justice			<u>\$ 558,647</u>
U.S. Department of Transportation:			
<i>Pass-Through State of Rhode Island Department of Transportation,</i>			
<i>Governor's Office on Highway Safety</i>			
<i>Highway planning Construction Cluster:</i>			
Safe routes to School	20.205	N/A	\$ 440
I-195 Taunton/Warren Ave. Interchange	20.000	N/A	355,699
Total U.S. Department of Transportation			<u>\$ 356,139</u>
Environmental Protection Agency:			
<i>Pass-Through State of Rhode Island Environmental Protection Agency</i>			
Waterfront Stormwater Management Analysis	66.202	EM-97164801	\$ 68,570
Technical Services for Completion of Wastewater DBO	66.000	EM-96141101	53,737
<i>Pass-Through RI Clean Water Finance Agency</i>			
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	N/A	69,587
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	N/A	6,495
Total Environmental Protection Agency			<u>\$ 198,389</u>
U.S. Department of Energy:			
<i>Direct Program:</i>			
ARRA - State Energy Program Special Projects	81.119	N/A	\$ 274,463
<i>Pass-through RI Office of Energy Resources:</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	N/A	14,300
ARRA EECBG - Forbes St Solar Project	81.128	N/A	76,686
Total U.S. Department of Energy			<u>\$ 365,449</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended October 31, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
<i>Passed through State of Rhode Island Department of Education:</i>			
<i>Special Education Cluster:</i>			
Title I Grants to Local Education Agencies	84.010	2725-11702-201	\$ 1,158,240
<i>Special Education Cluster:</i>			
Special Education Grants to States	84.027	2725-13202-201	1,349,729
Special Education Preschool Grants	84.173	2725-13502-201	47,275
English Language Acquisition Grants	84.365	2725-16502-201	70,595
Improving Teacher Quality State Grants	84.367	2725-16402-201	363,158
ARRA - Race to the Top	84.395	4572-13502-110	375,815
<i>Passed through the City of Warwick Public School System</i>			
<i>State of Rhode Island</i>			
Career and Technical Education - Basic Grants to States	84.048	2725-16502-101	156,285
Vocational Training for Adults	84.048	2725-15602-201	68,478
Total U.S. Department of Education			<u>\$ 3,589,575</u>
U.S. Department of Homeland Security:			
<i>Direct Program:</i>			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-04481	\$ 364,118
Fire Prevention and Safety	97.044	N/A	1,142
Fire Decon Grant	97.044	N/A	56,929
Port Security Grant Program	97.056	N/A	195,252
Station Construction	97.000	N/A	390,804
<i>Pass-through State of Rhode Island Emergency Management Agency:</i>			
Homeland Security Grant Program	97.067	10-23-UASI	188,645
Total U.S. Department of Homeland Security			<u>\$ 1,196,890</u>
Total Expenditures of Federal Awards			<u>\$ 8,495,217</u>

CITY OF EAST PROVIDENCE, RHODE ISLAND
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended October 31, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? X yes no

Significant deficiency (ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? yes X no

Significant deficiency (ies) identified that are not considered to be material weakness (es)? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB circular A-133? yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	<i>Child Nutrition Cluster</i>
10.555	National School Lunch Program
14.218	Community Development Block Grant
20.000	I-195 Taunton/Warren Ave. Interchange
84.010	Title I
	<i>Special Education Cluster</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants
84.367	Improving Teacher Quality State Grants
84.395	ARRA – Race to the Top
97.044	Assistance to Firefighters
97.000	Station Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee? X yes no

CITY OF EAST PROVIDENCE, RHODE ISLAND
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended October 31, 2012

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

2012-1 Finding: The City does not have any policies or procedures in place to identify Federal Grant expenditures. During our review of federal grant expenditures, it was noted that there were various reconciliations and journal entries to transfer and record expenditures in the proper special revenue fund. Not all police overtime expenditures were recorded in the proper special revenue funds, and as such, the General Fund was overstated for unidentifiable federal expenditures. We also noted that prior expenditures funded by federal monies were not properly identified, and were subsequently recorded as general fund expense.

Recommendation: We suggest that all grants are approved prior to application, and that the Finance Department is made aware of all grant information, such as the CFDA number, award letters, contract services and agreements in order to properly account for the grant expenditure in their respective special revenue fund.

Response: This has been inadequately handled for many years and is the result of untrained financial staff and inappropriate procedures.

2012-2 Finding: The City does not have any policies or procedures in place to identify Federal grant revenues. During our review of federal grant revenues, it was noted that various revenues were recorded in in wrong account, until the revenue was identified and transferred to the proper special revenue account/fund. We noted that revenues for police payroll grants were being posted against police overtime expense, where neither the revenue nor expense is properly stated.

Recommendation: We suggest that all grants are approved prior to application, and that the Finance Department is made aware of all grant information, such as the CFDA number, award letters, contract services and agreements in order to properly account for the grant monies, as well as correspondence for reimbursement requests in order to properly classify revenue when received.

Response: This has been inadequately handled for many years and is the result of untrained financial staff and inappropriate procedures.

2012-3 Finding: The City does not have any policies or procedures in place to account for Pension Fund Transactions on the General Ledger. During our review of the Pension Trust Fund, it was noted that most of the activity from the Pension Investment Account is recorded on the City's General Ledger improperly. These accounts should be recorded on the City's ledger and reconciled at least quarterly to the Pension Investment Statements.

Recommendation: We suggest that these Pension Fund activities be recorded and reconciled at least quarterly.

Response: The recording of the Pension fund information will be entered and reconciled timely. The antiquated system in place has made it quite difficult for the City to maintain proper records for various activities. With a new accounting system in place, the City will be able to focus on accounting issues and correct them timely.

2012-4 Finding: The City does not have policies and procedures in place to properly maintain and account for capital assets. The City has not performed a physical inventory of capital assets in many years. The City only performs physical reviews for assets purchased with Federal Funds. During our review of Fixed Assets for both Governmental and Enterprise Funds, it was noted that there are variances in the depreciation and asset values for both beginning and ending balances. When fixed assets were provided to us, many reconciling items were needed to tie out the beginning assets and depreciation and ending assets and depreciation. The City did not identify any asset retirements throughout the year.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended October 31, 2012

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

Recommendation: We suggest that the City perform a complete review of all City assets, including Enterprise Funds, to determine the status and value of all assets owned by the City. We additionally suggest that the City utilize the information provided by the audit team as a starting point for developing and utilizing an automated capital program and utilize this program for all capital assets.

Response: This is a failing of the City for many years. The antiquated system in place has made it quite difficult for the City to maintain proper records for various activities. With a new accounting system in place, the City will be able to focus on accounting issues and correct them timely. A new fixed

2012-5 Finding: The City did not properly account for General Ledger transactions related to its \$15,000,000 RIHEBC Lease issuance. The lease transactions were not recorded to the General Ledger, including the payoff of a prior year BAN in the amount of \$6,000,000. This resulted in material misstatements to capital project fund financial statements. Additionally, a \$7.7M Bank of New York trustee cash account was not recorded on the financial statements.

Recommendation: We suggest that all transactions related to debt and capital projects be recorded to the general ledger in a timely manner and reconciled as part of the monthly financial closing process.

Response: The antiquated system in place has made it quite difficult for the City to maintain proper records for various activities. With a new accounting system in place, the City will be able to focus on accounting issues and correct them timely. The City will record all transactions related to debt and capital projects in the general ledger in a timely manner and reconcile as part of the monthly financial closing process.

CITY OF EAST PROVIDENCE, RHODE ISLAND

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

11-01 Finding: Rhode Island General Law 16-2-18 prohibits Rhode Island School Departments from having a deficit. The East Providence School Department's School Unrestricted Fund had a cumulative fund deficit of \$(7,595,872) as of October 31, 2011. The City and School Department are in violation of Rhode Island General Laws.

Recommendation: We recommend that the City and School Department implement a plan to fund the cumulative deficit.

City Response: The City has provided cash to EPSD to reduce the payables significantly. The City believes EPSD has reduced payables to 60 days as opposed to 90 days or more previously. The City and EPSD have been working hard with the EP Budget Commission to reduce expenses and maximize revenues in order to balance the FY2012 budget and the subsequent five years.

School Department Response: At this date, the City of East Providence, including the School Department, is being overseen by a State appointed Budget Commission. The accumulated deficit is nearly wiped out with the remaining \$3.5M due to a major vendor scheduled to be paid in July 2012. The Commission is working with the City to ensure that there is a 5 year balanced budget with appropriate City funding to the School Department.

11-02 Finding: The City and School Department do not have policies and procedures in place to properly maintain and account for capital assets. The City and the School Department have not established procedures to maintain the list of capital assets on a perpetual basis. The City and School Department prepared a list of capital assets and depreciation schedule as of October 31, 2011, but the lists did not include deletions that occurred during the year and certain asset additions were omitted. We also determined that prior year audit adjustments to the City's list of capital assets had not been recorded properly to the capital asset records. The City and School Department have also not performed a physical inventory of capital assets in many years. In addition, the City and School Department do not maintain adequate construction in progress records for Governmental Activities and Business-Type Activities. This is critical as there are many large construction projects active as of October 31, 2011 and into the future.

CITY OF EAST PROVIDENCE, RHODE ISLAND

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Construction in progress for Business-Type Activities was not reconciled to the general ledger throughout fiscal year 2011. As a result of the lack of policies and procedures, several material audit adjustments were proposed to both Governmental Activities and Business-Type Activities capital assets.

Recommendation: We recommend that the City and School Department establish policies and procedures to account for additions, deletions and adjustments to the list of capital assets throughout the year on at least a quarterly basis. These procedures should include monitoring of construction in progress, maintenance of subsidiary construction in progress records, and reconciliation of capital asset balances, including construction in progress, to the general ledger for Business-Type Activities. These procedures should also include a physical inventory of capital assets at least bi-annually. This will ensure proper recording and safeguarding of capital assets.

City Response: The City has engaged a consultant to develop a request for proposal to upgrade the current financial system to include asset management and inventory systems. Simultaneously, it is expected that policies and procedures will be developed to support the business processes, including asset management and maintenance of inventory.

School Department Response: The School Department, working with IT, will endeavor to complete a physical inventory of property owned by the School Department. However, this is a very time consuming task. With staffing issues and other pressing demands, it has been difficult to complete this task in past years. The School Department will record construction in progress for FY12.

11-03 Finding: The City did not properly record to the general ledger transactions related to its \$6,000,000 Bond Anticipation Note, issued August 18, 2011. The note transactions were recorded to a liability account in the School Unrestricted Fund, instead of to a separate Capital Project Fund. As a result, the \$6,000,000 note payable and over \$5,000,000 of expenditures were not recorded in the City's accounting records. This resulted in material misstatements to capital project fund financial statements. As a result, numerous audit adjustments were proposed to record the transactions as of October 31, 2011.

Recommendation: We recommend that transactions related to debt and capital projects be recorded to the general ledger in a timely manner and reconciled as part of the monthly financial closing process.

City Response: The City will record transactions related to debt and capital projects in the general ledger in a timely manner and reconcile as part of the monthly financial closing process.

CITY OF EAST PROVIDENCE, RHODE ISLAND

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

11-04 Finding: The City does not have policies and procedures in place to properly identify, document and monitor grant activity within the City. In fiscal year 2011, the City (excluding the School Department) expended over \$5 million in Federal funds. Information related to grants is decentralized and maintained within individual departments. It was difficult to obtain grant awards and Catalog of Federal Domestic Assistance (CFDA) numbers and to determine the source of funds for the Single Audit. Grant revenue for several grants was improperly recorded as an expenditure reimbursement resulting in the revenue and expenditures not being recorded in the general ledger. Adequate and centralized grant administration records are necessary to ensure compliance with the Federal Single Audit Act and other grantor requirements.

Recommendation: We recommend that a centralized grant administration system be established in the Finance Department. This system should include maintaining a list of all City grants; identification of the source of grant funds (Federal, State or private) and pass-through information; CFDA number, if applicable; department and City personnel responsible for program administration; copies of grant awards, financial reports and reimbursement requests; and City fund used to account for the grant. The Finance Department should also ensure the grants are recorded properly in the accounting records and, if appropriate a new fund established, prior to processing cash receipts or disbursements. This will ensure proper administration of grants and compliance with grantor requirements.

City Response: The City has engaged a consultant to develop a request for proposal to upgrade the current financial system to include grant management. Simultaneously, it is expected that policies and procedures will be developed to support the business processes, including grant management. In the interim, the procedure has been established whereby the Deputy Treasurer requires all grant documentation prior to releasing grant reimbursements. This procedure was created in January 2012 to alleviate cash receipts being deposited to incorrect accounts.

CITY OF EAST PROVIDENCE, RHODE ISLAND

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Program: Perkins/Vocational Training for Adults

Agency: U.S. Department of Education

Pass-through: R.I. Department of Education

CFDA Number: 84.048A

11-05 Criteria: Program income directly generated by a federally funded project during the grant period must be used in one of three ways: deducted from outlays, added to the project budget, or used to meet matching requirements. Program income includes, but is not limited to, fees for services performed or the sale of commodities or items fabricated under a grant agreement.

Condition: The School Department does not properly account for program income related to its Perkins and Vocational Training for Adults grants. Although course fees are recorded in the Perkins and Vocational Training for Adults restricted grant funds, other fees for services performed and sales of goods are recorded to the Career and Technical Center special revenue fund.

Questioned Costs: None

Recommendation: We recommend that the School Department record all program income related to the Perkins and Vocational Training for Adults grants in the restricted grant funds to ensure the program income properly offsets outlays or is added to the grant budget.

School Department Response: The School Department will ensure that for FY12 and forward, all program income related to Perkins and Vocational Training for Adults grants in the restricted grant funds is recorded.

Program: Federal Seized Assets; Community Development Block Grant

Agency: U.S. Department of Justice; U.S. Department of Housing and Urban Development

Pass-through: Not applicable - Direct

CFDA Number: 16.000; 14.218

11-06 Criteria: Equipment records must be maintained and a physical inventory of equipment must be performed at least once every 2 years and compared to the equipment records for equipment purchased with Federal grant funds that has a per unit cost of \$5,000 or more and a useful life of more than 1 year.

CITY OF EAST PROVIDENCE, RHODE ISLAND

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Condition: Equipment records were not maintained and a physical inventory of equipment has not been performed in the last 2 years for equipment purchased with Federal grant funds.

Questioned Costs: None

Recommendation: We recommend that the City prepare an equipment list, perform a physical inventory of equipment purchased with Federal grant funds at least every 2 years and compare the inventory to the equipment records as required by Federal requirements.

City Response: The City has engaged a consultant to develop a request for proposal to upgrade the current financial system to include asset management and inventory systems. Simultaneously, it is expected that policies and procedures will be developed to support the business processes, including asset management and maintenance of inventory. The City will prepare a physical inventory of equipment purchased, including equipment purchased with federal grant funds to be managed and maintained in the new financial system.

Program: Community Development Block Grant

Agency: U.S. Department of Housing and Urban Development

Pass-through: Not applicable - Direct

CFDA Number: 14.218

11-07 Criteria: Effective October 1, 2010, the Federal Funding Accountability and Transparency Act requires direct recipients of new federal grant awards or cooperative agreements equal to or exceeding \$25,000 to report information related to first-tier subawards made by the direct recipient. Direct recipients are required to register in the Federal Funding and Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS. Direct recipients must report information related to a subaward by the end of the month following the month in which a subaward of \$25,000 or greater is made or the month in which a modification was issued that changed previously reported information.

Condition: The City's Community Development Block Grant issues subawards to various entities to conduct public service activities. The City has no policies and procedures in place to ensure compliance with the Federal Funding Accountability and Transparency Act.

Questioned Costs: None

CITY OF EAST PROVIDENCE, RHODE ISLAND

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation: We recommend that the City establish policies and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act reporting requirements.

City Response: The City has engaged a consultant to develop a request for proposal to upgrade the current financial system. Simultaneously, it is expected that policies and procedures will be developed to support the business processes, including compliance with federal financial reporting: the Federal Funding Accountability and Transparency Act.

Program: Child Nutrition Cluster – National school Lunch and School Breakfast Program

Agency: U.S. Department of Agriculture

Pass-through: R.I. Department of Education

CFDA Number: 10.555; 10.553

11-08 Criteria: The School Department is required to perform eligibility verifications on a sample basis each year by November 15. Sampling documentation and verification results must be maintained on file. In addition, a student's eligibility status must be changed if through the verification process the student's status changes.

Condition: Based on our testing of the School Department's eligibility verification procedures, we determined that several students' eligibility status changed through the verification process and the free and reduced lunch roster was not changed.

Questioned Costs: None

Recommendation: We recommend that students determined to be ineligible or students who do not respond to income verification requests be properly changed on the free/reduced lunch roster.

School Department Response: The School Department will ensure that changes in verification are implemented immediately by school based personnel.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended October 31, 2012

SECTION III – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Program: Assistance to Firefighters

Agency: U.S. Department of Homeland Security

Pass-through: Not applicable – Direct

CFDA Number: 97.044

11-09 Criteria: Recipients of advances of Federal funds must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. These procedures should include the proportional drawdown of matching funds.

Condition: The City's policies and procedures related to cash management are not operating effectively to minimize the time elapsing between transfer of funds from the U.S. Treasury and disbursement and do not include procedures for the proportional drawdown of matching funds.

Questioned Costs: None

Recommendation: We recommend that the City establish procedures to evaluate cash balances prior to the drawdown of funds and that each drawdown be reduced for the City's share of grant expenditures.

City Response: The City has engaged a consultant to develop a request for proposal to upgrade the current financial system. Simultaneously, it is expected that policies and procedures will be developed to support the business processes, including the evaluation of cash balances and associated drawdown of matching funds.

CITY OF EAST PROVIDENCE, RHODE ISLAND
Notes to Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended October 31, 2012

1. **General** - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of the City of East Providence, Rhode Island.
2. **Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.
3. **Determination of Type A, Type B and Major Programs** - The determination of Type A and Type B federal programs was based upon the expenditures for all federal programs for the City of East Providence. As such, the threshold for determining Type A vs. Type B programs is determined at the entity level. For the fiscal year-ended October 31, 2012, grants with expenditures exceeding \$300,000 were determined to be Type A programs and all other grants were considered Type B programs.
4. **Non-Cash Assistance** - U.S.D.A. Contributions: The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$96,610 represents the market value of such commodities used during the period.