

Report on Results of Applying
Agreed-upon Procedures to
Financial Activity of

**Town of North Kingstown,
High School Construction Project**

For the period ended
June 30, 2002

Submitted By

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CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

Providence, Rhode Island

INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Town Council,
Town of North Kingstown, Rhode Island

We have performed the procedures enumerated below, which were agreed to by the Town of North Kingstown (the Town), solely to assist you with respect to validation of costs incurred and funding sources attributable to the High School Construction Project for the period July 1, 1998 through June 30, 2002. The Town's management is responsible for maintaining the accounting records and other source documents which constitute the subject matter of our procedures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- a. We reviewed minutes of Town Council meetings evidencing the awarding of bids, contracts, and change orders associated with the project. No exceptions to prescribed policies and procedures were noted as a result of applying this procedure.
- b. We reviewed documentation to support the authorization and issuance of the \$33,000,000 of general obligation bonds dated December 1, 1999, including the Town's Official Statement, legal opinion of the Town's Bond Counsel Taft & McSally, and results of the vote of the electors. No exceptions or findings were noted as a result of applying this procedure.

- c. We reviewed budget documents and ordinances to support the funding sources associated with the project, including the appropriation of School Capital Reserve Fund resources, School Operating Fund resources, Debt Service Fund resources, rebates, and Self-insurance fund resources, as outlined in the attached exhibits. No exceptions or findings were noted as a result of applying this procedure.
- d. We made inquiries of Town and School personnel concerning the completeness of the accounting records and other source documents related to the project, and confirmed, to the best of their knowledge and belief, that the records provided to us were complete and correct and that they were not aware of any project costs other than those included in the attached exhibits. Consistent with these inquiries, the results of our procedures did not disclose any costs outside of the source documents and records provided to us by the Town.
- e. We inspected and reviewed the source documents and other supporting information for 100% of the costs incurred for the project. Our procedures included a re-computation of invoices, vouching of invoice amounts to bids, contracts, and purchase orders, physically inspecting checks issued to vendors for alteration of payee and agreement of endorsement information, validated sign-offs and approvals of invoices, and reconciled progress billings to contract and change order terms as appropriate. Several of the invoices submitted by the construction contractor contained mathematical footing errors which were discovered and corrected by Town personnel during the payment processing cycle. No exceptions to prescribed policies and procedures were noted as a result of applying this procedure.
- f. We compiled a tabulation of all Change Orders associated with the project and reviewed for amount and scope of work adjustments. This tabulation is attached at Exhibit B. We agreed these change orders to Town approvals without exception.
- g. We performed a comparison of projected total funding sources and project costs (including unpaid commitments and encumbrances) as of June 30, 2002 with the Project Budget as of December 13, 1999 (Exhibit A). We inquired of Town and School personnel as to explanations for resulting budget variances, and evaluated their responses. Based on the results of other procedures performed, we believe that the explanations for the variances are reasonable.

The procedures and findings outlined above were applied to project activity occurring up to and including June 30, 2002. Certain information included in the attached exhibits are projections of anticipated, and in some cases authorized, transactions that may occur subsequent to June 30, 2002. Accordingly, there may be differences between the projected and actual results, because events and circumstances do not always occur as expected. In summary, funding sources and project costs (including encumbrances and estimated potential additional costs) amounted to \$38,565,582 and \$38,549,910 respectively through June 30, 2002, resulting in a projected project surplus of \$15,672 based on conditions then existing.

We were not engaged to, and did not, conduct a financial statement audit covering the term of the project, the objective of which would be the expression of an opinion on the fair presentation of such financial statements. Accordingly, we do not express such an opinion as the attached exhibits do not constitute a financial statement presentation. We have audited and issued our opinions on the Town's General Purpose Financial Statements for the years ending June 30, 1999 through 2001. Those financial statements are available from Town. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of North Kingstown and is not intended to be and should not be used by anyone other than the Town.

Caryn Purson Chen & Chastellier, LLP

September 19, 2002

Exhibits

- A. Project Analysis of Actual and Budgeted Results, through June 30, 2002
- B. Tabulation of Change Orders – Tratoros Contract
- C. Schedule of Expenditures by Vendor, by Funding Source
- D. Summary of Custodial Labor and Maintenance Equipment transaction

Exhibit - A

A. Project Analysis of Actual and Budgeted Results, Through June 30, 2002

	Budget as of December 13, 1999	1999	2000	2001	2002	Encumbrances @ 6/30/2002	Budget Variance Over/(Under)
Project Income							
High School Bond/BAN	33,000,000	1,200,000	31,800,000				
Investment Earnings & Premiums	1,545,372	16,383	1,119,955	1,265,209	149,543		
Athletic Bond	260,000		290,000				1,005,718
School Capital Reserve	1,000,000						30,000
School Fund					1,190,761		190,761
Debt Service Fund (planned for FY 02)	913,275				216,230		216,230
Rebates (planned to net for project lighting)					913,275		
Self Insurance Fund (uninsured loss - pollution)					63,015		63,015
Total	36,718,647	1,216,383	33,209,955	1,285,209	2,874,037	38,565,584	1,846,937
Project Expenses							
Design & Inspect Fees							
Autilio Construction	(2,136,412)		74,773	134,891	70,835		
Saccoccio & Associates		950,340	596,133	346,762	81,478	1,704	
						1,876	
Furnishings, Equipment, Telecommunications	(1,000,000)			130,344	107,555	3,580	122,380
American Networks					144,432		
Altrion Networking					683,985		
School Specialty							
Financing Costs & Procurement Expenses	(2,725,769)						
Arbitrage Rebate			656		57,671		
Boston Globe					4,000		
First Southwest		1,566	34,370				
Fleet Securities			266				
Hartford Courant		1,255	8,000		858		
Moody's Investor Service		272	849				
Providence Journal		577	7,440				
RS Rowe Co		124	198		112		
So RI Newspaper		43,725	609,600	1,826,850	913,275		
Slate Street Bank & Trust	(913,275)	971	16,094	375			
Taft & McSally							75,919
Project Construction Total	(27,735,000)						
Contingency Allowance	(1,948,000)						(109,940)
CD Bldg Contracts							
Architectural Products & Interiors					8,100		
Color Concepts Inc					3,700		
Liebert Corporation					26,200		
M&J Construction					54,896		
New England Systems					62,000	5,000	
Pilgrim Electric					53,600		
State Sales				6,140	6,140		
Construction Contract Work							
C&J Forms					20,000		
DARE Inc			58,704	11,296			
Providence Gas Co			10,097				
RI Dept of Health				4,800			
Tralaros Construction			3,015,983	18,555,030	7,361,555		
						1,052,008	
						1,057,008	626,108
Site Cleanup							
Tralaros Construction		37,159			304,053		
Fleet Construction					37,159		
					341,212		389,477
Athletic Stadium Buildings	(260,000)						
Tralaros Construction						290,000	
						290,000	30,000
Total	(36,718,456)	998,830	4,433,163	21,016,488	9,654,251	36,443,944	1,133,944

Project Income

Explanation of Budget Variances

Budget
Variance
Over/(Under)

Investment Earnings & Premiums

\$ 1,005,718

Investment earnings had not been projected to this level because the budget was based upon a financing plan to issue short term financing throughout the project leaving lesser amounts available for investment. In fact, there was an issuance of the permanent financing at the beginning of the project for the total \$33 million allowing greater amounts available for investment. This, plus the delays in the project completion and very favorable interest rates, the cash flow was such that there were investment earnings above budget that were available for project expenses.

Athletic Bond

\$ 30,000

Part of Athletic bond proceeds. Required to cover change orders for Athletic Stadium buildings that had been included as a part of General contract for High School construction.

School Capital Reserve

\$ 190,761

Funds required in excess of original budget to include two years of appropriations. This is being spent on costs above budget for construction.

School Fund

\$ 216,230

School Department had funds available to supplement the furniture and equipment purchases from their operating budget line for furniture and equipment. Much of this excess requirement was due to cost overruns for equipment installation and set up so that school could open in Fall 2001.

Rebates

\$ 63,015

Not originally included as a revenue source. Had been considered as a net reduction to expenses for the energy compliant lighting program with Narragansett Electric.

Self Insurance Fund

\$ 341,212

Unforeseen and uninsured losses resulting from the removal of leaking underground fuel storage tanks on School property during the demolition phase of the project.

Project Expenses

Design & Inspect Fees

\$ 122,380

Expenses beyond estimate for project management services.

Furnishings, Equipment, Telecommunications

\$ 75,919

Additional equipment to service entire school wide district was added due to moving of data center.

Financing Costs & Procurement Expenses

\$ (109,940)

Borrowing and interest expenses were less than projected due to only one bond issue rather than multiple issues as had originally anticipated.

Project Construction Total

\$ 626,108

Expenses beyond estimate for project construction.

Site Cleanup

\$ 389,477

Unforeseen and uninsured expenses resulting from the removal of leaking underground fuel storage tanks on School property during the demolition phase of the project.

Athletic Stadium Buildings

\$ 30,000

Stadium building expenses to cover change orders for additional costs over budget.

Exhibit - B

B. Tabulation of Change Orders

Trataros Contract		
Original Contract Amount		\$ 28,380,000.00
Change order	1	5,055.00
Change order	2	36,729.00
Change order	3	93,763.00
Change order	4	213,728.00
Change order	5	570,421.00
Change order	6	29,348.00
Change order	7	50,908.00
Change order	8	313,538.35
Change order	9	60,474.00
Change order	10	414,869.00
Change order	11	73,377.00
Change order	12	45,519.00
Change order	13	68,719.00
Change order	14	37,560.00
Change order	15	97,927.00
Change order	16	9,295.00
Change order	17	95,351.00
Change order	18	30,312.00
Contract total to date		<u>30,626,893.35</u>
Change Orders under review		<u>422,514.00</u>
Estimated Final Contract Total		<u>31,049,407.35</u>
<u>Town Council Authorization History</u>		
Original	13-Dec-99	28,380,000.00
Supplemental #1	8-May-00	50,000.00
Supplemental #2	26-Jun-00	425,000.00
Supplemental #3	20-Nov-00	300,000.00
Supplemental #4	5-Feb-01	425,000.00
Supplemental #5	9-Apr-01	200,000.00
Supplemental #6	21-May-01	200,000.00
Supplemental #7	6-Aug-01	300,000.00
Supplemental #8	1-Oct-01	427,218.00
Supplemental #9a	10-Dec-01	30,000.00
Supplemental #9b	10-Dec-01	355,000.00
		<u>31,092,218.00</u>
	Balance available	<u>\$ 42,810.65</u>

Exhibit - C

C. Schedule of Expenditures by Vendor, by Funding Source

As of: 6/30/2002

Vendor	Description	Amounts paid	Encumbered and/or Estimated Req'd	Total	Funded From HS Bond
Financing Expenses:					
Taft & McSally	Bond Counsel	17,439		17,439	17,439
Fleet Bank	Borrowing Expenses	35,935		35,935	35,935
First Southwest	Arbitrage Calculation	4,000		4,000	4,000
IRS	Arbitrage Calculation	57,671		57,671	57,671
Moody's Investor Service	Bond Rating Fee	9,255		9,255	9,255
Rowe	Printing related to issue	8,017		8,017	8,017
State Street Bank	Paying Agent	1,200		1,200	1,200
State Street Bank	Interest Expenses	3,392,250		3,392,250	3,392,250
Project Services:					
A. Aiello Construction	Project Management	253,664		253,664	253,664
Autillo (CD Building)	CM & CM Reimbursement	26,835	1,704	28,539	28,539
Saccoccio & Associates	A & E Services	1,974,713	1,876	1,976,589	1,976,589
Boston Globe	Bid Advertising	656		656	656
Hartford Courant	Bid Advertising	266		266	266
Providence Journal	Bid Advertising	1,286		1,286	1,286
SRI (Standard Times)	Bid Advertising	321		321	321
RI Dept of Health	Bid Advertising	4,800		4,800	4,800
Construction Expenses					
Traiaros Construction	General Contractor	29,236,620	1,390,273	30,626,893	28,756,423
C&J Forms/Traiaros	Advance for laborers	20,000		20,000	20,000
Fleet Construction/Traiaros	Contamination Cleanup	37,159		37,159	37,159
Providence Gas	Utility Connection	10,097		10,097	10,097
DARE Inc.	Electrical/Tennis	70,000		70,000	70,000
C-D Building					
Leibert Corp.	AC System CD Bldg	26,200		26,200	26,200
M&J Construction	Carpentry CD Bldg	54,896		54,896	54,896
Color Concepts	Painting CD Bldg	3,700		3,700	3,700
Arch. Products & Interiors	Flooring CD Bldg	8,100		8,100	8,100
State Sales Inc	Carpeting CD Bldg	6,140		6,140	6,140
New England Systems	Mechanical CD Bldg	62,000	5,000	67,000	67,000
Pilgrim Electric	Electrical CD Bldg	53,600		53,600	53,600
Providence Journal/SRI	Ad for bids CD Bldg	805		805	805
Furnishings & Equipment					
Networking Equipment (encumbered by School Dept from SCR)		144,432		144,432	144,432
American Networks Int. LLC	Data cabling Network	237,899	7,358	245,257	245,257
School Specialty Inc.	School furnishings/Equip.	683,985	2,245	686,230	686,230
Total to 6/30/02					
		36,443,940	1,408,455	37,852,396	35,614,104
Other potential additional costs					
Potential Change Orders under review			275,000	275,000	275,000
			422,514	422,514	422,514
Total projected expenses					
		36,443,940	2,105,969	38,549,910	35,614,104
High School Funding Sources by type					
Bond Issue High School				33,000,000	33,000,000
Bond Issue Athletic Bond				290,000	290,000
Rebate on lighting from Narragansett Electric				63,015	63,015
School Fund FY01 - School Furnishings above \$500,000				186,230	186,230
School Fund FY02 - Cost of Laborers to install School Furnishings (Total add'l \$258,366 net)				180,000	180,000
Self Insurance Funding for UST removal of soil and dewatering authority				292,947	292,947
Self Insurance Funding for contaminated soil cp319 not approved but authorized by Town Council				48,265	48,265
Investment Earnings				2,551,089	2,551,089
FY2002 Transfer from Debt Service to School Capital Reserve Fund				913,275	913,275
FY 2001 and Prior Balance available School Capital Reserve Fund				1,040,761	1,040,761
Total Estimated Funds available					
				38,565,582	38,565,582
Balance Available					
				15,673	15,673

Funded From Athl. Bond	Funded From School Fund	Funded From Self Ins.	Funded From Sch Cap Rsrv	Funded From Debt Svc	Total
			(913,275)	913,275	3,392,250
	290,000	180,000	1,144,662		30,626,893
		255,788			20,000
		37,159			37,159
					10,097
					70,000
					26,200
					54,896
					3,700
					8,100
					6,140
					67,000
					53,600
					805
			144,432		144,432
	36,230		150,000		245,257
					686,230
	290,000	216,230	525,839	913,275	37,852,396
			275,000		275,000
			374,249		422,514
			1,175,088	913,275	38,549,910
	290,000				290,000
					63,015
					186,230
					180,000
					292,947
					48,265
					2,551,089
					913,275
					1,040,761
					38,565,582
					15,673

Exhibit - D

D. Summary of Custodial Labor and Maintenance Equipment transaction

While preparing for the opening of school in the late summer of 2001 the prime contractor, Tratoros, was unable to provide sufficient workers to clean the building and ready it for use. These cleaning and preparation activities were included in the original contract with Tratoros. An agreement was then made where the Town would provide personnel to complete the cleaning and other preparation work in exchange for Tratoros providing the School with an equivalent amount of maintenance equipment. The acquisition of the maintenance equipment was planned for in the School's 2001-02 operating budget.

During the period from July 30, 2001 to September 21, 2001 School personnel devoted 1,643.50 hours to the cleaning project. The services were valued at \$30,092.49 based on the posted custodian hourly rate utilized to calculate third-party reimbursement for the use of School facilities and personnel. In exchange for these services the School was provided with the following equipment:

Amt.	Description	Price	Total
3	20" Floor Buffer, 175 rpm	\$608.00	\$ 1,824.00
1	Rider Scrubber	\$10,496.00	10,496.00
2	Wet Dry Vac	\$459.00	918.00
2	Air Scoop Kit for Vac	\$119.00	238.00
2	Kaivac Cleaning Systems	\$3,240.00	6,480.00
1	Propane Burnisher	\$3,995.00	3,995.00
3	Back Pac Vacuum	\$387.50	1,162.50
2	20" Floor Burnisher	\$1,180.00	2,360.00
3	Floor Fan	\$185.00	555.00
3	Henry Canister Vacuum	\$274.00	822.00
	Cleaners, waxes and supplies		1,285.00
			\$ 30,135.50