

# **State of Rhode Island and Providence Plantations**

**Donald L. Carcieri, Governor**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Year Ended June 30, 2003*

**Prepared By:**

**Department of Administration**

**Beverly E. Najarian, Director of Administration**

**Office of Accounts and Control**

**Lawrence C. Franklin, Jr., CPA, State Controller**

**State of Rhode Island and Providence Plantations  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2003**

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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October 13, 2004

The Honorable Donald L. Carcieri, Governor  
State of Rhode Island  
State House  
Providence, Rhode Island 02903

Dear Governor Carcieri:

In accordance with Section 35-6-1 of the General Laws, we are pleased to submit to you the Comprehensive Annual Financial Report of the State of Rhode Island and Providence Plantations for the fiscal year ended June 30, 2003. This report was prepared by the State's Department of Administration - Office of Accounts and Control. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with management. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of the government-wide and fund perspective financial statements; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

This report has been prepared in accordance with generally accepted accounting principles for governments as promulgated by the Governmental Accounting Standards Board. It is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, the organization chart, and a list of officials of State government. The Financial Section includes the Independent Auditor's Report, the basic financial statements, required supplementary information and the combining and individual fund financial statements. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

### **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

Management of the State is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the State are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Managers in all branches and components of

government are required to maintain comprehensive internal control systems, to regularly evaluate the effectiveness and adequacy of these systems by internal reviews, and to submit an annual report on these internal controls to the Governor in accordance with the 1986 Financial Integrity and Accountability Act.

The Governor is required to submit to the General Assembly an executive budget for the General Fund which contains a complete plan of expenditures for the ensuing fiscal year and identifies the anticipated revenues sufficient to meet the proposed expenditures. Preparation and submission of the budget is governed by both the State Constitution and the General Laws of the State.

The budget as proposed by the Governor is considered by the General Assembly which, under State law, may increase, decrease, alter or strike out any items in the budget, provided the General Assembly may not take any action which would cause an excess of expenditures over expected revenues. No appropriation in excess of budget recommendations may be enacted by the General Assembly unless it shall provide the necessary additional revenue to cover such appropriation.

In addition, a State Budget Reserve Account is maintained within the General Fund. Annually, two percent of general revenues and opening surplus are set aside in this reserve account. Amounts in excess of three percent of the total general revenues and opening surplus are transferred to the bond capital fund to be used for capital projects, debt reduction and/or debt service. The reserve or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year, such appropriations to be approved by a majority of each chamber of the General Assembly. The balance in this reserve account at June 30, 2003 was \$83.6 million.

### **REPORTING ENTITY AND ITS SERVICES**

The funds and component units included in this report are those for which the State is accountable, based on criteria for defining the reporting entity prescribed in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the State. More information about the State reporting entity can be found in Note 1 to the basic financial statements.

The State provides a full range of services contemplated by statute or function. These include education, health and social services, transportation, law, public safety, recreation, public improvements, and comprehensive support.

### **GENERAL FUND CONDITION**

The General Fund accounts for the financing of the principal operations of State government and most jointly financed state-federal programs. Revenues and other sources of the General Fund totaled \$4,364 million in fiscal year 2003, an increase of \$270 million (6.59%) from the

previous year. The revenues from various sources and the change from the previous year are shown in the following tabulation (amounts in thousands):

	2003	2002	Increase (decrease) from 2002	
			Amount	Percent
<b>Taxes:</b>				
Personal income	\$ 813,341	\$ 808,077	\$ 5,264	0.65%
Sales and use	930,077	888,348	41,729	4.70%
General business	229,883	178,300	51,583	28.93%
Other	39,071	30,406	8,665	28.50%
Subtotal	<u>2,012,372</u>	<u>1,905,131</u>	<u>107,241</u>	<u>5.63%</u>
Federal grants	1,433,410	1,289,575	143,835	11.15%
Restricted revenues	75,726	77,038	(1,312)	-1.70%
Licenses, fines, sales, and services	223,894	186,927	36,967	19.78%
Other general revenues	66,336	56,438	9,898	17.54%
Subtotal	<u>1,799,366</u>	<u>1,609,978</u>	<u>189,388</u>	<u>11.76%</u>
Total revenues	<u>3,811,738</u>	<u>3,515,109</u>	<u>296,629</u>	<u>8.44%</u>
Other sources	552,178	579,006	(26,828)	-4.63%
Total revenue and other sources	<u>\$ 4,363,916</u>	<u>\$ 4,094,115</u>	<u>\$ 269,801</u>	<u>6.59%</u>

Expenditures and other uses totaled \$4,356 million in fiscal year 2003, an increase of \$157 million (3.75%) from the previous year. Changes in expenditures and other uses by function from fiscal 2002 are shown in the following tabulation (amounts in thousands):

	2003	2002	Increase (decrease) from 2002	
			Amount	Percent
General government	\$ 283,618	\$ 273,966	\$ 9,652	3.52%
Human services	2,232,252	2,103,198	129,054	6.14%
Education	101,270	92,035	9,235	10.03%
Public safety	297,070	288,363	8,707	3.02%
Natural resources	53,170	56,220	(3,050)	-5.43%
Capital outlay	42,999	37,153	5,846	15.73%
Intergovernmental	937,237	892,172	45,065	5.05%
Debt Service:				
Principal	58,161	91,576	(33,415)	-36.49%
Interest	52,998	65,557	(12,559)	-19.16%
Total expenditures	<u>4,058,775</u>	<u>3,900,240</u>	<u>158,535</u>	<u>4.06%</u>
Other uses	297,075	298,220	(1,145)	-0.38%
Total expenditures and other uses	<u>\$ 4,355,850</u>	<u>\$ 4,198,460</u>	<u>\$ 157,390</u>	<u>3.75%</u>

As a result of the operating performance discussed above, the State's general fund ended fiscal 2003 with an undesignated fund balance of \$42.634 million.

### CASH MANAGEMENT

The General Treasurer is responsible for the deposit of cash receipts and for the payment of sums, as may be required and upon due authorization from the State Controller. Major emphasis is placed by the General Treasurer on cash management in order to insure that there is adequate cash on hand to meet the obligations of the State as they arise.

The General Treasurer is also responsible for the investment of certain funds and accounts of the State on a day-to-day basis. In addition, the General Treasurer is the custodian of certain other funds and accounts and, in conjunction with the State Investment Commission, invests the amounts on deposit in such funds and accounts. The General Treasurer submits an annual report to the General Assembly on the performance of the State's investments.

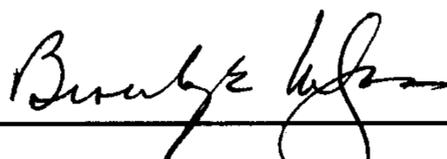
### AUDIT

The general-purpose financial statements of the State have been audited by the Auditor General as required by Section 35-7-10 of the General Laws. The Independent Auditor's Report is included in the Financial Section of this report.

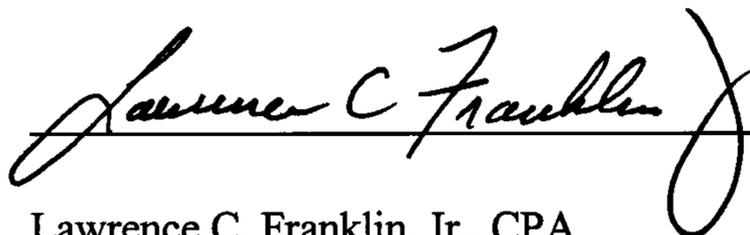
### ACKNOWLEDGEMENTS

We wish to express our sincere appreciation to the many individuals who assisted and contributed to the preparation of this report. It could not have been accomplished without the professionalism and dedication demonstrated by the entire staff of the Office of Accounts and Control, the Treasury Department, the Office of the Auditor General, and numerous other State agencies. We also want to thank the Governor and members of the General Assembly for their interest and support in planning and conducting the financial operations of the State in a responsible and progressive manner.

Respectfully submitted,



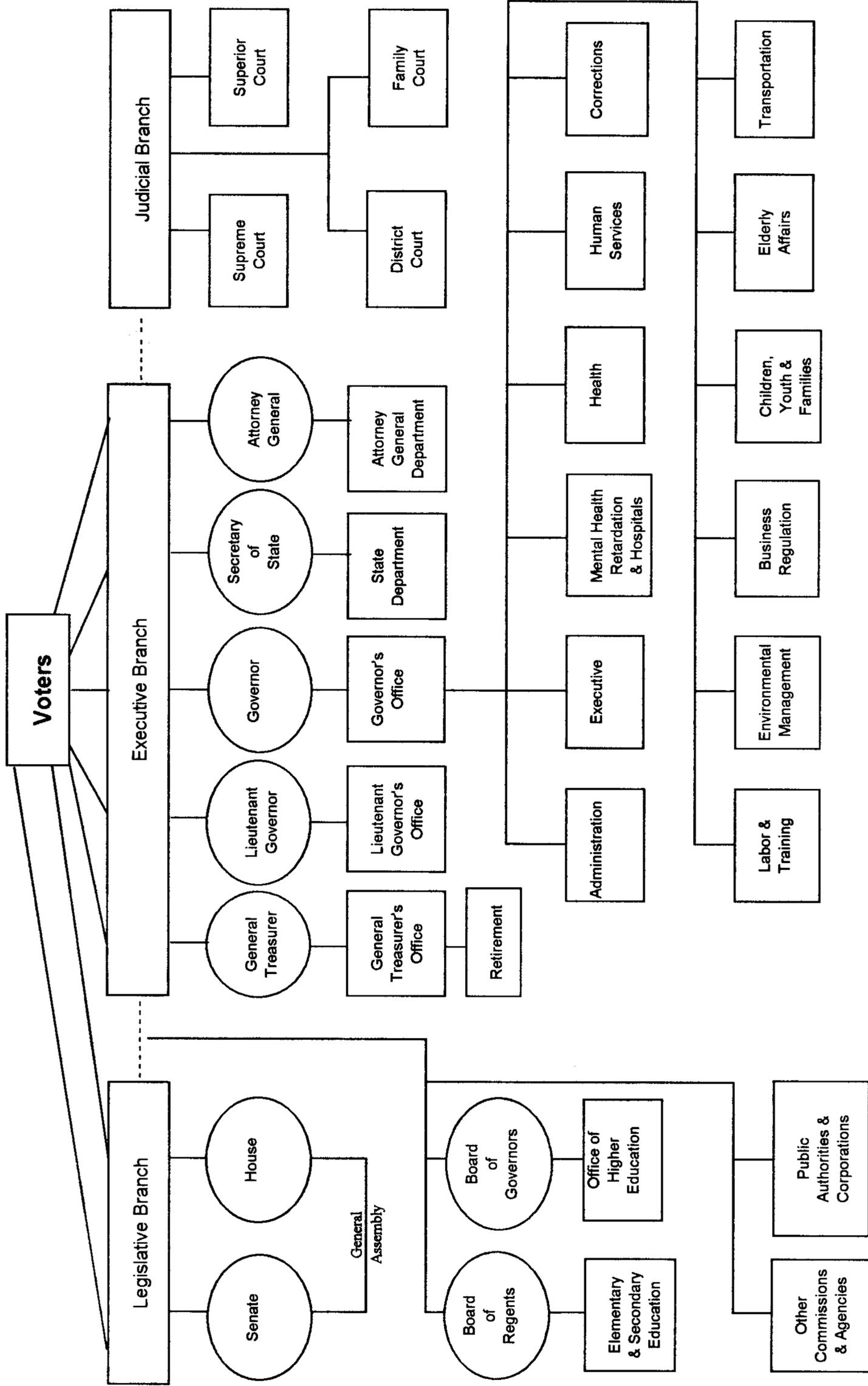
Beverly E. Najarian  
Director



Lawrence C. Franklin, Jr., CPA  
State Controller

# Rhode Island State Government

## Organization Chart



***STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS***

***OFFICIALS OF STATE GOVERNMENT***

**EXECUTIVE BRANCH**

**Governor**

Donald L. Carcieri

**Lieutenant Governor**

Charles J. Fogarty

**Secretary of State**

Matthew A. Brown

**General Treasurer**

Paul J. Tavares

**Attorney General**

Patrick C. Lynch

**LEGISLATIVE BRANCH**

**Senate**

**President of the Senate**

Joseph A. Montalbano

**House of Representatives**

**Speaker of the House**

William J. Murphy

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**

Frank W. Williams

# FINANCIAL SECTION



ERNEST A. ALMONTE, CPA, CFE  
AUDITOR GENERAL  
ernest.almonte@oag.ri.gov

STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS  
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

Finance Committee of the House of Representatives and  
Joint Committee on Legislative Services, General Assembly,  
State of Rhode Island and Providence Plantations:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2003 which collectively comprise the State's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- certain component units which represent 4% of the assets and 1% of the revenues of the governmental activities and 1% of the assets and 9% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 47% of the assets and 4% of the revenues of the business-type activities; and
- certain component units which represent 100% of the assets and 99% of the revenues of the aggregate discretely presented component units.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, 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 and the reports of other auditors provide a reasonable basis for our opinions.

We were unable to obtain sufficient evidence regarding the completeness of the furniture and equipment, and building improvement categories of capital assets included in governmental activities at June 30, 2003. Due to insufficient physical inventories of capital assets and weaknesses in accounting controls over the accumulation of capital asset acquisitions and disposals, we were unable to satisfy ourselves as to the carrying value of these categories of capital assets and the related depreciation expense by other auditing procedures. The furniture and equipment, and building improvement capital asset categories represent \$139 million or 13% of total recorded governmental activities capital assets of \$1,086 million at June 30, 2003.

Management has not presented encumbrances outstanding at June 30, 2003 as a reserved component of fund balance within the State's major governmental funds and other governmental funds or disclosed such amounts in the notes to the basic financial statements as required by generally accepted accounting principles. The amount by which this departure would affect the reserved and unreserved components of fund balance of the governmental funds is not reasonably determinable.

In our opinion, except for the effect of such adjustments, if any, on the governmental activities included in the government-wide statement of net assets and the related statement of activities as might have been determined to be necessary had we been provided sufficient evidence regarding the carrying value of the furniture and equipment, and building improvement components of capital assets, and except for the omission of encumbrances outstanding at June 30, 2003 as a component of reserved fund balance of the governmental funds, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State as of June 30, 2003, 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.

As discussed in notes 1(R) and 17 to the basic financial statements, the Tobacco Settlement Financing Corporation, a blended component unit, early implemented guidance provided in GASB Technical Bulletin *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. As a result, the Tobacco Settlement Financing Corporation changed its method of accounting for its purchased interest in future tobacco settlement revenues and the State changed its presentation of the Corporation from a discretely presented component unit to a blended component unit.

As provided by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, the State has included only capital outlays for infrastructure since July 1, 2001 as capital assets within governmental activities on the government-wide statement of net assets. Infrastructure outlays from prior years will be included in future financial statements.

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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. The report on internal control and compliance will be included in the State's *Single Audit Report*.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual non-major fund statements, combining statements for discretely presented component units, and statistical section as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund statements and combining statements for discretely presented component units have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



Ernest A. Almonte, CPA, CFE  
Auditor General

October 13, 2004

## Management's Discussion and Analysis

The following is a discussion and analysis of the financial activities of the State of Rhode Island and Providence Plantations (the State) for the fiscal year ended June 30, 2003. Readers are encouraged to consider the information presented here in conjunction with the letter of transmittal, which can be found at the front of this report, and with the State's financial statements, which follow this section.

### Financial Highlights – Primary Government

#### Government-wide Financial Statements

- **Net Assets** The total assets of the State exceeded total liabilities at fiscal year ended June 30, 2003 by \$82.3 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$872.8) million was reported as unrestricted net assets, \$557.5 million was restricted net assets, and \$397.6 million was invested in capital assets net of related debt. Net assets of the governmental activities decreased by \$549.4 million for the fiscal year ended June 30, 2003. The primary reason for the decrease is the additional \$651 million of debt reported in governmental activities due to the changes in presentation as listed below. This decrease is reflected in the Changes in Net Assets in the line "Net assets-beginning, as restated." The restatement is further detailed in Note 17.
- **Changes in Net Assets** In the Statement of Activities the State's total net assets changed by (\$64.5) million in fiscal year 2003. Net assets of governmental activities changed by \$5.1 million, while net assets of the business-type activities changed by (\$69.6) million. The primary reason for the difference in the change in governmental activities was the one-time influx of \$544.2 million, during fiscal year 2002, from the Tobacco Settlement Finance Corporation that was reported as a special item. The primary reason for the difference in the business-type activities was the increase in operating transfers out.

#### Fund Financial Statements

- State's governmental funds reported a combined ending fund balance of \$458.1 million, a decrease of \$55.9 million in comparison with the previous fiscal year.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance of \$42.6 million, an increase of \$11.6 million in comparison with the previous fiscal year.
- The Budget Reserve Account ended the fiscal year with a balance of \$83.6 million, an increase of \$1.6 million in comparison with the previous fiscal year.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of \$24.1 million, which was a decrease of \$7.9 million from the previous year.
- The R.I. Temporary Disability Insurance Fund ended the current fiscal year with a 21.4% increase of \$20.1 million over last year. The fund balance at year end was \$114.1 million.
- The Rhode Island State Lottery transferred \$249.1 million to the General Fund during the fiscal year, an increase of \$34.9 million in comparison with the previous fiscal year.

# Management's Discussion and Analysis

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements include three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

## Changes in Presentation

The R.I. General Laws were amended giving the R.I. Underground Storage Tank Financial Responsibility Fund separate legal status; therefore, the fund was reclassified from a special revenue fund to a discretely presented component unit.

The Tobacco Settlement Financing Corporation early implemented the GASB Technical Bulletin, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. This bulletin made it clear that the corporation should be a blended component unit; therefore the corporation was reclassified from a discretely presented component unit to a special revenue fund.

## Government-wide Financial Statements

The government-wide financial statements provide a broad view of the State's finances. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's financial condition at the end of the year. These financial statements are prepared using the accrual basis of accounting, which recognizes all revenues and grants when earned and expenses at the time the related liabilities are incurred.

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

## Management's Discussion and Analysis

Both of the government-wide financial statements have separate sections for three different types of government activities:

- **Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, human services, education, public safety, natural resources, and transportation. The net assets and change in net assets of the internal service funds are also included in this column.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Lottery Commission, R.I. Convention Center Authority and the Employment Security Trust Fund.
- **Discretely Presented Component Units:** Component units are entities that are legally separate from the State, but for which the State is financially accountable. The State has 21 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

### 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 State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide financial statements. The State's funds are divided into three categories: governmental, proprietary and fiduciary.

- **Governmental funds:** Most of the State's basic services are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end of the fiscal year. Such information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs.

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 State's near-term financial 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.

## Management's Discussion and Analysis

Governmental funds include the general fund and special revenue, capital projects, debt service and permanent funds. The State has several governmental funds, of which GASB Statement No. 34, *Basic Financial Statements – and Management's discussion and Analysis – for State and Local Governments* defines the general fund as a major fund and management defines the Intermodal Surface Transportation Fund as a major fund. The R.I. Temporary Disability Insurance Fund and the Bond Capital Fund are also major funds. Each of the major funds is presented in a separate column in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column on these financial statements. Individual fund data for each of these nonmajor governmental funds can be found in the supplementary information section of this report.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds, the Lottery Fund, Convention Center Authority Fund and the Employment Security Trust Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's 14 internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of this report.
- **Fiduciary funds:** These funds are used to account resources held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension trust, private-purpose trust and agency funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found in the supplementary information section of this report.

## Management's Discussion and Analysis

Major Features of the Basic Financial Statements				
	Government-wide	Fund Financial Statements		
	Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	Activities of the State that are not proprietary or fiduciary	Activities of the State that are operated similar to private businesses	Instances in which the State 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 net assets Statement of changes in fund 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 asset/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
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year end  Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

### 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 can be found immediately following the component units' financial statements.

### Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information, including information concerning the State's progress in funding its obligation to provide pension benefits to its employees. This section also includes a budgetary comparison schedule for each of the State's major governmental funds that have a legally-mandated budget.

### Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, internal service and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic 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 State's combined net assets (governmental and business-type activities) totaled \$82.3 million at the end of fiscal year 2003, compared to \$701.3 million (before restatement) at the end of the prior fiscal year. The primary reason for the change is the additional \$651 million of debt reported in governmental activities due to the changes in presentation as listed above.

## Management's Discussion and Analysis

This change is reflected in the Changes in Net Assets in the line "Net assets-beginning, as restated." The restatement is further detailed in Note 17.

A portion of the State's net assets reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State'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.

State of Rhode Island's Net Assets as of June 30, 2003 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 967,379	\$ 1,082,235	\$ 312,155	\$ 365,997	\$ 1,279,534	\$ 1,448,232
Capital assets	1,086,556	936,397	208,273	209,022	1,294,829	1,145,419
<b>Total assets</b>	<b>2,053,935</b>	<b>2,018,632</b>	<b>520,428</b>	<b>575,019</b>	<b>2,574,363</b>	<b>2,593,651</b>
Long-term liabilities outstanding	1,599,965	1,589,439	294,364	286,930	1,894,329	1,876,369
Other liabilities	559,261	539,639	38,471	30,836	597,732	570,475
<b>Total liabilities</b>	<b>2,159,226</b>	<b>2,129,078</b>	<b>332,835</b>	<b>317,766</b>	<b>2,492,061</b>	<b>2,446,844</b>
Net assets:						
Invested in capital assets, net of related debt	481,460	371,614	(83,896)	(84,909)	397,564	286,705
Restricted	273,559	196,913	283,944	340,512	557,503	537,425
Unrestricted	(860,310)	(678,973)	(12,455)	1,650	(872,765)	(677,323)
<b>Total net assets</b>	<b>\$ (105,291)</b>	<b>\$ (110,446)</b>	<b>\$ 187,593</b>	<b>\$ 257,253</b>	<b>\$ 82,302</b>	<b>\$ 146,807</b>

An additional portion of the State's net assets represents resources that are subject to external restrictions on how they may be used.

### Changes in Net Assets

The State's net assets decreased by (\$64.5) million during the current fiscal year. Total revenues of \$6.0 billion (including special items) were less than expenses of \$6.1 billion. Approximately 38.9% of the State's total revenue came from taxes, while 28.1% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 29.8% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services (37.0%) and intergovernmental (15.6%). In fiscal year 2003, governmental activity expenses exceeded program revenues, which resulted in the use of \$2.73 billion in general revenues (mostly taxes). On the other hand, net program revenues from business-type activities in 2003 exceeded expenses by \$142.7 million.

## Management's Discussion and Analysis

<b>State of Rhode Island's Changes in Net Assets</b>						
For the Fiscal Year Ended June 30, 2003						
(Expressed in Thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	2003	2002	2003	2002	2003	2002
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 313,733	\$ 306,007	\$ 1,473,723	\$ 1,345,922	\$ 1,787,456	\$ 1,651,929
Operating grants and contributions	1,452,834	1,315,974	45,712	50,656	1,498,546	1,366,630
Capital grants and contributions	191,993	176,071			191,993	176,071
General revenues:						
Taxes	2,335,329	2,187,342			2,335,329	2,187,342
Interest	7,668	10,005	17,336	21,134	25,004	31,139
Other	160,547	153,947	5,354	7,615	165,901	161,562
Total revenues	<u>4,462,104</u>	<u>4,149,346</u>	<u>1,542,125</u>	<u>1,425,327</u>	<u>6,004,229</u>	<u>5,574,673</u>
<b>Program expenses:</b>						
General government	459,989	455,489			459,989	455,489
Human services	2,244,980	2,115,220			2,244,980	2,115,220
Education	103,476	339,455			103,476	339,455
Public safety	309,569	288,291			309,569	288,291
Natural resources	67,597	138,287			67,597	138,287
Transportation	170,082	192,824			170,082	192,824
Intergovernmental	947,792	896,512			947,792	896,512
Grants	291,208	287			291,208	287
Interest	98,831	79,381			98,831	79,381
Lottery			1,054,764	958,626	1,054,764	958,626
Convention Center			59,372	57,900	59,372	57,900
Employment insurance			262,585	231,665	262,585	231,665
	<u>4,693,524</u>	<u>4,505,746</u>	<u>1,376,721</u>	<u>1,248,191</u>	<u>6,070,245</u>	<u>5,753,937</u>
Increase in net assets before transfers and special items	(231,420)	(356,400)	165,404	177,136	(66,016)	(179,264)
Transfers	235,064	198,969	(235,064)	(198,969)		
Special items	1,511	525,276			1,511	525,276
Change in net assets	<u>5,155</u>	<u>367,845</u>	<u>(69,660)</u>	<u>(21,833)</u>	<u>(64,505)</u>	<u>346,012</u>
Net assets - Beginning	(110,446)	76,251	257,253	279,086	146,807	355,337
Cumulative effect of prior period adjustments		(554,542)				(554,542)
Net assets - Beginning, as restated	<u>(110,446)</u>	<u>(478,291)</u>	<u>257,253</u>	<u>279,086</u>	<u>146,807</u>	<u>(199,205)</u>
Net assets - Ending	<u>\$ (105,291)</u>	<u>\$ (110,446)</u>	<u>\$ 187,593</u>	<u>\$ 257,253</u>	<u>\$ 82,302</u>	<u>\$ 146,807</u>

### Financial Analysis of the State's Funds

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

#### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the State's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$458.1 million, a decrease of \$55.9 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) \$83.6 million for a "rainy day" account, (2) \$45.5 million for continuing appropriations, (3) \$74.4 million principally for liquidating debt, (4) \$114.0 million for employment insurance programs and (5)

## Management's Discussion and Analysis

\$1.4 million for other restricted purposes. Approximately 30.3% (\$139.0 million) of the ending fund balance is designated by the State's management consistent with the limitations of each fund.

The major governmental funds of the primary government are:

**General Fund.** The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$42.6 million, while total fund balance was \$171.8 million. As a measurement of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represent 1.0% of total General Fund expenditures, while total fund balance represent 3.9% of the same amount.

The General Fund's unreserved fund balance increased from \$31.0 million to \$42.6 million, an increase of \$11.6 million during the current fiscal year. This is primarily attributed to the revenue increases for taxes, licenses, fines and services.

**Intermodal Surface Transportation Fund.** The Intermodal Surface Transportation Fund (ISTEA) accounts for the collection of gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system. At the end of the current fiscal year, unreserved fund balance of the ISTEA fund was \$24.1 million, while the total fund balance was \$25.5 million. Total fund balance of the ISTEA fund decreased by \$7.9 million during the current fiscal year.

**R.I. Temporary Disability Insurance Fund.** This fund is responsible to account for the employee tax on wages which are levied to pay benefits to covered workers who are absent due to non job-related illnesses. The ending fund balance for the current fiscal year was \$114.1 million. It represents an increase of \$20.1 million or 21.4% over last year. This was mainly attributed to the increase in the wage limit used for the employee contribution.

**Bond Capital Fund.** The Bond Capital Fund tracks the proceeds from the bonds issued and the related capital expenditures not required to be disclosed in another capital projects fund. At fiscal year end, the balance at June 30, 2003 was \$57.6 million for a decrease of \$.8 million.

### General Fund Budgetary Highlights

According to the State's Constitution, general revenue appropriations in the general fund cannot exceed 98% of available general revenue sources, which consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. The budgets for the components of the current fiscal year's general revenue estimates are established by the State's revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenues must be imposed. Certain agencies have federal programs that are entitlements which must continue to receive the federal funds. Agencies may get additional appropriations providing a need is established. Adjustments to general revenue receipt estimates resulted in an increase of \$42.7 million (1.58%) between the original budget and the final budget. In addition, general revenue appropriations increased from the original budget by \$26.6 million (1.00%). Some significant

## Management's Discussion and Analysis

changes between the estimated general revenue receipts and general revenue appropriations are listed below.

- Personal income tax decreased by \$ 17.5 million (2%)
- Business corporation tax increased by \$17.9 million (39%)
- Public gross earnings tax decreased by \$20.8 million (22%)
- Insurance companies tax increased by \$14.0 million (39%)
- Inheritance and gift tax increased by \$8.0 million (36%)
- Departmental general revenue increased by \$17.7 million (7%)
- Gas tax transfer increased by \$14.2 million (134%)
- General revenue appropriations increased in the Departments of Administration, Corrections and Elementary and Secondary Education increased by \$13.2 million, \$6.9 million and \$4.1 million, respectively

### Capital Assets and Debt Administration

#### Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$1,295 million, net of accumulated depreciation of \$432 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was about 14.0% in terms of net book value.

Actual expenditures to purchase or construct capital assets were \$198.8 million for the year. Of this amount, \$106.2 million was used to construct or reconstruct roads. Depreciation charges for the year totaled \$47.4 million.

State of Rhode Island's Capital Assets as of June 30, 2003 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
<b>Capital assets not being depreciated</b>						
Land	\$ 382,579	\$ 373,186	\$ 38,032	\$ 38,032	\$ 420,611	\$ 411,218
Construction in progress	102,881	52,193		1,336	102,881	53,529
<b>Total capital assets not being depreciated</b>	<b>485,460</b>	<b>425,379</b>	<b>38,032</b>	<b>39,368</b>	<b>523,492</b>	<b>464,747</b>
<b>Capital assets being depreciated</b>						
Land improvements	3,601	3,209			3,601	3,209
Buildings	374,127	369,453	229,748	227,336	603,875	596,789
Buildings improvements	198,449	195,860			198,449	195,860
Equipment	148,924	137,163	23,571	18,466	172,495	155,629
Infrastructure	224,490	118,311			224,490	118,311
	949,591	823,996	253,319	245,802	1,202,910	1,069,798
Less: Accumulated depreciation	(348,495)	(312,978)	(83,078)	(76,148)	(431,573)	(389,126)
<b>Total capital assets being depreciated</b>	<b>601,096</b>	<b>511,018</b>	<b>170,241</b>	<b>169,654</b>	<b>771,337</b>	<b>680,672</b>
<b>Total capital assets (net)</b>	<b>\$ 1,086,556</b>	<b>\$ 936,397</b>	<b>\$ 208,273</b>	<b>\$ 209,022</b>	<b>\$ 1,294,829</b>	<b>\$ 1,145,419</b>

## Management's Discussion and Analysis

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

### Debt Administration

Under the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50,000 without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. At the end of the current fiscal year, the State's governmental activities had total bonded debt outstanding of \$1,498 million of which \$739 million is general obligation debt and \$759 million is debt of the blended component units. The State's total bonded debt increased by \$23.7 million during the current fiscal year. This increase is the net of a \$48.5 million increase in general obligation debt and a decrease of \$24.8 million in the blended component units. Additionally, the State has extended its credit through contractual agreements of a long-term nature, which are subject to annual appropriations.

During the current fiscal year, the State issued \$77.1 million of general obligation bonds and \$62.7 of general obligation refunding bonds. These bonds have been assigned ratings by Fitch, Inc. (Fitch), Moody's Investors Service (Moody's) and Standard and Poor's Rating Services (Standard and Poor's).

The State does not have any debt limitation. Bonds authorized by the voters, that remain unissued as of the end of the current fiscal year, amounted to \$238.5 million. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

### Economic Factors

The State's economy weathered the national recession of 2001 better than it did the recession of the early 1990s. According to the U.S. Bureau of Labor Statistics, Rhode Island experienced a decline in non-farm employment of 17,300 jobs in FY 1992 vs. a decline in non-farm employment of 1,300 jobs in FY 2002. On a calendar year basis, Rhode Island did even better experiencing an increase in employment of 1,700 jobs in CY 2001 vs. a loss of 29,700 jobs in CY 1991. In FY 2003, Rhode Island added 3,100 total jobs. On a calendar year basis, the State increased its non-farm employment by 4,200 in 2003.

According to Economy.com's August 2004 *Forecast Report: U.S., New England, and Rhode Island*, Rhode Island's recent job gains have begun to decelerate causing the State to fall "behind the nation in terms of year-over-year job growth in the last couple of months for the first time in three years." The slowdown in Rhode Island's employment growth can be attributed to a decrease in employment in the construction industry. Again according to Economy.com (8/2004), "From July 2002 to February 2004, the Rhode Island construction industry added 3,600 jobs, an increase of nearly 19%." The State's strong housing market and an increase in government spending on several large public works and road improvement projects fueled this hiring. Since February, construction employment has fallen.

Rhode Island personal income growth has performed similarly to Rhode Island employment growth in the current recession. In CY 1992, Rhode Island personal income growth was more

## Management's Discussion and Analysis

than two percentage points less than that of the U.S. (4.3% vs. 6.6% respectively) reflecting the deeper decline in Rhode Island's economy vis-à-vis the U.S. economy during this period. In CY 2002, however, Rhode Island personal income growth was more than a full percentage point better than that of the U.S. as a whole (3.4% vs. 2.3% respectively) reflecting the reversal in the State's fortunes during the 2001 national recession.

Interestingly, Rhode Island has been able to maintain the positive differential between its personal income growth rate and the U.S. personal income growth rate in spite of the fact that Rhode Island's employment growth performance has begun to lag that of the nation as a whole. In FY 2003, Rhode Island personal income growth was 3.7% vs. 2.6% for the U.S. On a calendar year basis, Rhode Island personal income growth was 4.4% in 2003 vs. 2003 personal income growth of 3.4% for the United States.

According to Economy.com (8/2004), the near term outlook for Rhode Island's economy is "generally favorable" with payroll growth expected "to strengthen in the second half of 2004 and employment to rise a solid 1.9% in 2005." One of the catalysts for this growth is rising national defense spending. Economy.com (8/2004) notes that "Electric Boat continues to win federal contracts to retrofit submarines for use in special operations and surveillance." In addition, "Raytheon is also enjoying more business from a larger defense budget given its emphasis on surveillance and control systems." Finally, the national defense build-up is moving the State's manufacturing sector into a much better position to support growth in the Rhode Island economy. With the assistance of the Rhode Island Manufacturing Extension Services, "area businesses with little history of defense work" anticipate capturing a significant part of the U.S. Department of Defense's increased spending.

The biotechnology industry cluster that has begun to emerge in Rhode Island should positively impact the State's long term economic performance. In 2002, the Brown University Medical School won \$90 million in research grants from the National Institutes of Health. A referendum is being put before the voters in November 2004 seeking approval of \$50 million in general obligation bonds for the construction of a Center for Biotechnology and Life Sciences at the University of Rhode Island. Finally, Amgen has invested \$1.5 billion in the State since 2001 building the largest biopharmaceutical manufacturing facility in the U.S. for the production of its blockbuster rheumatoid arthritis drug Enbrel®. The final phase of the plant is expected to open in 2005 adding anywhere from 300 to 500 jobs.

### Requests for Information

This financial report is designed to provide a general overview of Rhode Island's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional information should be sent to [finreport@mail.state.ri.us](mailto:finreport@mail.state.ri.us). As of fiscal year 1999, the State's Comprehensive Annual Financial Report may be found on the State Controller's home page, <http://controller.doa.state.ri.us>. Requests for additional information related to component units should be addressed as listed in Note 1 of the financial statements.

# BASIC FINANCIAL STATEMENTS

**State of Rhode Island and Providence Plantations**  
**Statement of Net Assets**  
**June 30, 2003**  
**(Expressed in Thousands)**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental activities</b>	<b>Business - Type Activities</b>	<b>Totals</b>	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 350,738	\$ 23,179	\$ 373,917	\$ 751,479
Funds on deposit with fiscal agent	11,529	222,960	234,489	
Investments	101,020	294	101,314	886,257
Receivables (net)	281,817	44,890	326,707	1,135,626
Due from primary government				4,240
Due from component units	17,498		17,498	
Internal balances	4,885	(4,885)		
Due from other governments and agencies	144,615	1,338	145,953	7,870
Inventories	2,058	1,155	3,213	7,512
Other assets	18,416	1,204	19,620	17,625
Total current assets	<u>932,576</u>	<u>290,135</u>	<u>1,222,711</u>	<u>2,810,609</u>
Noncurrent assets:				
Investments		17,219	17,219	88,487
Receivables (net)	668		668	1,107,524
Due from component units	25,753		25,753	
Capital assets - nondepreciable	485,460	38,032	523,492	275,217
Capital assets - depreciable (net)	601,096	170,241	771,337	966,648
Lease receivable				5,555
Other assets	8,382	4,801	13,183	141,517
Total noncurrent assets	<u>1,121,359</u>	<u>230,293</u>	<u>1,351,652</u>	<u>2,584,948</u>
Total assets	<u>2,053,935</u>	<u>520,428</u>	<u>2,574,363</u>	<u>5,395,557</u>
<b>Liabilities</b>				
Current Liabilities:				
Cash overdraft	26,634		26,634	215
Accounts payable	317,764	16,440	334,204	76,972
Due to primary government				5,035
Due to component units	8,536		8,536	
Due to other governments and agencies		1,671	1,671	659
Accrued expenses	58,911	4,413	63,324	63,746
Deferred revenue		1,769	1,769	16,889
Other current liabilities	34,312	334	34,646	8,694
Current portion of long-term debt	113,104	7,838	120,942	302,906
Obligation for unpaid prize awards		6,006	6,006	
Total current liabilities	<u>559,261</u>	<u>38,471</u>	<u>597,732</u>	<u>475,116</u>
Noncurrent Liabilities:				
Due to other governments and agencies	5,442		5,442	4,217
Accrued liabilities				33,516
Deferred revenue		11,875	11,875	3,960
Notes payable				4,151
Loans payable				131,007
Obligations under capital lease	102,885		102,885	43,747
Compensated absences	15,604		15,604	23,901
Bonds payable	1,445,547	282,444	1,727,991	2,905,829
Other liabilities	30,487	45	30,532	290,489
Total noncurrent liabilities	<u>1,599,965</u>	<u>294,364</u>	<u>1,894,329</u>	<u>3,440,817</u>
Total liabilities	<u>2,159,226</u>	<u>332,835</u>	<u>2,492,061</u>	<u>3,915,933</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	481,460	(83,896)	397,564	718,560
Restricted for:				
Budget Reserve	83,648		83,648	
State infrastructure bank	1,354		1,354	
Debt	74,363	24,522	98,885	573,571
Self-insurance	100		100	
Employment Insurance Programs	114,094	259,422	373,516	
Unrestricted	(860,310)	(12,455)	(872,765)	187,493
Total net assets	<u>\$ (105,291)</u>	<u>\$ 187,593</u>	<u>\$ 82,302</u>	<u>\$ 1,479,624</u>

**State of Rhode Island and Providence Plantations**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**  
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government		Totals	
					Governmental Activities	Business-type activities		
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 459,989	\$ 108,369	\$ 68,994	\$ 164	\$ (282,462)	\$	\$ (282,462)	\$
Human services	2,244,980	113,247	1,203,908	100	(927,725)		(927,725)	
Education	103,476	2,877	132,003		31,404		31,404	
Public safety	309,569	60,341	24,516	945	(223,767)		(223,767)	
Natural resources	67,597	25,807	14,680	20,175	(6,935)		(6,935)	
Transportation	170,082	3,092	8,733	170,609	12,352		12,352	
Intergovernmental	947,792				(947,792)		(947,792)	
Grants	291,208				(291,208)		(291,208)	
Interest and other charges	98,831				(98,831)		(98,831)	
Capital outlays								
Total governmental activities	<u>4,693,524</u>	<u>313,733</u>	<u>1,452,834</u>	<u>191,993</u>	<u>(2,734,964)</u>		<u>(2,734,964)</u>	
Business-type activities:								
State lottery	1,054,764	1,290,406				235,642	235,642	
Convention Center	59,372	39,610				(19,762)	(19,762)	
Employment security	262,585	143,707	45,712			(73,166)	(73,166)	
Total business-type activities	<u>1,376,721</u>	<u>1,473,723</u>	<u>45,712</u>			<u>142,714</u>	<u>142,714</u>	
Total primary government	<u>\$ 6,070,245</u>	<u>\$ 1,787,456</u>	<u>\$ 1,498,546</u>	<u>\$ 191,993</u>	<u>(2,734,964)</u>	<u>142,714</u>	<u>(2,592,250)</u>	
<b>Component units</b>	<u>\$ 991,267</u>	<u>\$ 931,981</u>	<u>\$ 37,929</u>	<u>\$ 53,731</u>				32,374
<b>General Revenues:</b>								
Taxes					2,335,329		2,335,329	
Interest and investment earnings					7,668	17,336	25,004	49,119
Miscellaneous					160,547	5,354	165,901	(815)
Special items					1,511		1,511	
Transfers					235,064	(235,064)		
Total general revenues, special items, and transfers					<u>2,740,119</u>	<u>(212,374)</u>	<u>2,527,745</u>	<u>48,304</u>
Change in net assets					5,155	(69,660)	(64,505)	80,678
Net assets - beginning, as restated					(110,446)	257,253	146,807	1,398,946
Net assets - ending					<u>\$ (105,291)</u>	<u>\$ 187,593</u>	<u>\$ 82,302</u>	<u>\$ 1,479,624</u>

# Major Funds

## Governmental

**General Fund** – is the operating fund of the State and is used to account for all financial transactions except those required to be accounted for in another fund,

**Special Revenue Funds** - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is mandated

**Intermodal Surface Transportation Fund** – accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the state’s highway system.

**R.I. Temporary Disability Insurance Fund** – accounts for the employee tax on wages that are levied to pay benefits to covered employees who are out of work for an extended period of time due to a non-job-related illness

**Capital Project Funds** - account for resources obtained and used for the acquisition, construction or improvement of capital facilities not reported in other governmental or proprietary funds

**Bond Capital** – accounts for the proceeds of the bonds issued and the related capital expenditures not required to be accounted for in another capital projects fund.

## Proprietary

**Enterprise Funds** - account for operations where management has decided that periodic determination of revenues earned, expenses incurred (including depreciation), and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**State Lottery Fund** - operates lottery games for the purpose of generating resources for the State’s General Fund.

**Rhode Island Convention Center Authority** - created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence on behalf of the State.

**Employment Security** – accounts for the State’s unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

**State of Rhode Island and Providence Plantations**

**Balance Sheet**

**Governmental Funds**

**June 30, 2003**

**(Expressed in Thousands)**

	<b>General</b>	<b>Intermodal Surface Transportation</b>	<b>R.I. Temporary Disability</b>	<b>Bond Capital</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 164,446	\$ 9,951	\$ 66,402	\$ 90,214	\$ 14,175	\$ 345,188
Funds on deposit with fiscal agent					11,529	11,529
Investments					101,020	101,020
Receivables (net)	213,185	12,372	49,086		9	274,652
Due from other funds	65,000	10,586	2	7,955	3	83,546
Due from component units	14,517	647				15,164
Due from other governments and agencies	104,360	37,959		2,299		144,618
Loans to other funds	120					120
Other assets	16,240				1,485	17,725
<b>Total assets</b>	<b>577,868</b>	<b>71,515</b>	<b>115,490</b>	<b>100,468</b>	<b>128,221</b>	<b>993,562</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Cash overdraft				21,011	4,337	25,348
Accounts payable	277,598	20,896	76	1,351	947	300,868
Due to other funds	20,519	7,146	1,320	20,437	30,815	80,237
Due to component units	6,146	2,389				8,535
Loans from other funds					20	20
Accrued expenses	44,473					44,473
Deferred revenue	27,188	15,140		66		42,394
Other liabilities	30,105	490		57	2,892	33,544
<b>Total liabilities</b>	<b>406,029</b>	<b>46,061</b>	<b>1,396</b>	<b>42,922</b>	<b>39,011</b>	<b>535,419</b>
<b>Fund Balances</b>						
<b>Reserved for:</b>						
Budget reserve	83,648					83,648
Appropriations carried forward	45,557					45,557
Debt					74,363	74,363
Self-insurance					100	100
State infrastructure bank		1,354				1,354
Employment Insurance Programs			114,094			114,094
<b>Unreserved, reported in:</b>						
General fund	42,634					42,634
Special revenue funds		24,100			1,303	25,403
Capital projects funds				57,546	12,607	70,153
Permanent fund					837	837
<b>Total fund balances</b>	<b>171,839</b>	<b>25,454</b>	<b>114,094</b>	<b>57,546</b>	<b>89,210</b>	<b>458,143</b>
<b>Total liabilities and fund balances</b>	<b>\$ 577,868</b>	<b>\$ 71,515</b>	<b>\$ 115,490</b>	<b>\$ 100,468</b>	<b>\$ 128,221</b>	<b>\$ 993,562</b>

State of Rhode Island and Providence Plantations  
 Reconciliation of the Balance Sheet of the Governmental Funds  
 to Statement of Net Assets for Governmental Activities  
 June 30, 2003  
 (Expressed in Thousands)

Fund Balance of Governmental Funds	\$	458,143
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		1,082,623
Bond, notes, certificates of participation accrued interest and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds.		(1,706,890)
Long-term receivables from component units are not available to pay for current-period expenditures and therefore are not recorded in the fund financial statements.		28,594
Revenues (expenses) in the Statement of Activities that do not provide (use) current financial resources are not reported as revenues (expenditures) in the governmental funds.		20,577
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net assets of the internal service funds is reported with governmental activities.		11,662
Net Assets - Governmental Activities	\$	<u><u>(105,291)</u></u>

**State of Rhode Island and Providence Plantations**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	General	Intermodal Surface Transportation	R.I. Temporary Disability	Bond Capital	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 2,012,372	\$ 139,458	\$ 178,246	\$	\$	\$ 2,330,076
Licenses, fines, sales, and services	223,894	692			6,331	230,917
Departmental restricted revenue	75,726	2,400				78,126
Federal grants	1,433,410	153,197		10,938		1,597,545
Income from investments		201	936	1,452	5,219	7,808
Other revenues	66,336	4,306	47		52,948	123,637
Total operating revenues	3,811,738	300,254	179,229	12,390	64,498	4,368,109
<b>Expenditures:</b>						
Current:						
General government	283,618		157,749	655	3,475	445,497
Human services	2,232,252					2,232,252
Education	101,270					101,270
Public safety	297,070					297,070
Natural resources	53,170			37		53,207
Transportation		143,635				143,635
Capital outlays	42,999	114,062	164	19,999	18,387	195,611
Intergovernmental	937,237	1,549		8,881	124	947,791
Debt service:						
Principal	58,161					58,161
Interest and other charges	52,998				47,630	100,628
Total operating expenditures	4,058,775	259,246	157,913	29,572	69,616	4,575,122
Excess (deficiency) of revenues over (under) expenditures	(247,037)	41,008	21,316	(17,182)	(5,118)	(207,013)
<b>Nonoperating revenues (expenditures)</b>						
Bonds and notes issued				138,685	1,220	139,905
Proceeds from the sale of Certificates of Participation					3,890	3,890
Premium and accrued interest				10,810	71	10,881
Operating transfers in	524,139	44,130		54,141	2,675	625,085
Operating transfers in from component units	18,578				192	18,770
Other	9,461				(471)	8,990
Payment to refunded bonds escrow agent				(68,657)	(16,701)	(85,358)
Operating transfers out	(77,386)	(58,308)	(1,225)	(84,649)	(166,783)	(388,351)
Operating transfers out to component units	(219,716)	(34,741)		(33,958)	(2,793)	(291,208)
Total nonoperating revenues (expenditures) and other financing (uses)	255,076	(48,919)	(1,225)	16,372	(178,700)	42,604
Special item					1,510	1,510
Change in fund balances	8,039	(7,911)	20,091	(810)	(182,308)	(162,899)
Fund balances - beginning, as restated	163,800	33,365	94,003	58,356	271,518	621,042
Fund balances - ending	\$ 171,839	\$ 25,454	\$ 114,094	\$ 57,546	\$ 89,210	\$ 458,143

State of Rhode Island and Providence Plantations  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2003  
 (Expressed in Thousands)

Change in Fund Balance - Governmental Funds	\$ (162,899)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Current year acquisitions are therefore deducted from expenses on the Statement of Activities, less current year depreciation expense and revenue resulting from current year disposals.	
	150,157
Bond, notes, and certificates of participation proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
	(31,246)
Revenues (expenses) in the Statement of Activities that do not provide (use) current financial resources are not reported as revenues (expenditures) in the governmental funds.	
	48,150
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.	
	993
Change in Net Assets - Governmental Activities	<u>\$ 5,155</u>

**State of Rhode Island and Providence Plantations**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2003**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds				Governmental Activities
	R.I. State Lottery	R.I. Convention Cener	Employment Security	Totals	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 10,417	\$ 11,239	\$ 1,523	\$ 23,179	\$ 5,549
Funds on deposit with fiscal agent			222,960	222,960	
Investments	294			294	
Receivables (net)	6,268	2,333	36,289	44,890	7,165
Due from other funds			19	19	3,242
Due from other governments and agencies			1,338	1,338	
Inventories	1,155			1,155	2,058
Other assets	327	877		1,204	849
Total current assets	<u>18,461</u>	<u>14,449</u>	<u>262,129</u>	<u>295,039</u>	<u>18,863</u>
Noncurrent assets:					
Investments	45	17,174		17,219	
Capital assets - nondepreciable		38,032		38,032	
Capital assets - depreciable (net)	1,838	168,403		170,241	3,764
Other assets		4,801		4,801	668
Total noncurrent assets	<u>1,883</u>	<u>228,410</u>		<u>230,293</u>	<u>4,432</u>
Total assets	<u>20,344</u>	<u>242,859</u>	<u>262,129</u>	<u>525,332</u>	<u>23,295</u>
<b>Liabilities</b>					
Current Liabilities					
Cash overdraft					1,285
Accounts payable	12,643	3,797		16,440	5,474
Due to other funds	940	2,928	1,036	4,904	1,666
Due to other governments and agencies			1,671	1,671	
Loans from other funds					100
Accrued expenses		4,413		4,413	
Deferred revenue	1,001	768		1,769	
Other current liabilities	334			334	1,940
Notes payable		153		153	
Bonds payable		7,685		7,685	
Obligations under capital lease					400
Obligation for unpaid prize awards	6,006			6,006	
Total current liabilities	<u>20,924</u>	<u>19,744</u>	<u>2,707</u>	<u>43,375</u>	<u>10,865</u>
Noncurrent Liabilities					
Deferred contract revenue	11,875			11,875	
Obligations under capital lease					767
Bonds payable		282,444		282,444	
Obligation for unpaid prize awards	45			45	
Total noncurrent liabilities	<u>11,920</u>	<u>282,444</u>		<u>294,364</u>	<u>767</u>
Total liabilities	<u>32,844</u>	<u>302,188</u>	<u>2,707</u>	<u>337,739</u>	<u>11,632</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt		(83,896)		(83,896)	2,597
Restricted for:					
Capital Projects					
Debt		24,522		24,522	
Employment Insurance Programs			259,422	259,422	
Unrestricted	(12,500)	45		(12,455)	9,066
Total net assets	<u>\$ (12,500)</u>	<u>\$ (59,329)</u>	<u>\$ 259,422</u>	<u>\$ 187,593</u>	<u>\$ 11,663</u>

**State of Rhode Island and Providence Plantations**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Totals	Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,290,406	\$ 39,000	\$ 142,439	\$ 1,471,845	\$ 98,279
Grants			45,712	45,712	
Miscellaneous		610	1,268	1,878	
Total operating revenues	1,290,406	39,610	189,419	1,519,435	98,279
Operating expenses:					
Personal services	3,476	15,150		18,626	13,945
Supplies, materials, and services	174,535	16,021		190,556	80,839
Prize awards	876,438			876,438	
Depreciation	315	10,618		10,933	799
Benefits Paid			255,672	255,672	
Total operating expenses	1,054,764	41,789	255,672	1,352,225	95,583
Operating income (loss)	235,642	(2,179)	(66,253)	167,210	2,696
Nonoperating revenues (expenses):					
Interest revenue	947	1,110	15,279	17,336	25
Other nonoperating revenue			5,354	5,354	
Interest expense		(17,583)		(17,583)	(61)
Other nonoperating expenses			(6,913)	(6,913)	
Total nonoperating revenue (expenses)	947	(16,473)	13,720	(1,806)	(36)
Net income (loss) before transfers	236,589	(18,652)	(52,533)	165,404	2,660
Transfers in		17,351	1,622	18,973	
Transfers out	(249,124)	(2,928)	(1,985)	(254,037)	(1,668)
Change in net assets	(12,535)	(4,229)	(52,896)	(69,660)	992
Total net assets - beginning	35	(55,100)	312,318	257,253	10,671
Total net assets - ending	\$ (12,500)	\$ (59,329)	\$ 259,422	\$ 187,593	\$ 11,663

**State of Rhode Island and Providence Plantations**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I.			Internal Service Funds	
	R.I. State Lottery	Convention Center	Employment Security	Totals	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 1,297,212	\$ 39,529	\$ 140,973	\$ 1,477,714	\$ 100,110
Cash received from grants			45,712	45,712	
Cash payments to suppliers for goods and services	(3,977)	(14,017)		(17,994)	(81,446)
Cash payments to employees for services	(3,444)	(14,758)		(18,202)	(14,050)
Cash payments to prize winners	(880,724)			(880,724)	
Cash payments for commissions	(167,312)			(167,312)	
Cash payments for benefits			(255,279)	(255,279)	
Other operating revenue (expense)			1,268	1,268	
Net cash provided by (used for) operating activities	<u>241,755</u>	<u>10,754</u>	<u>(67,326)</u>	<u>185,183</u>	<u>4,614</u>
<b>Cash flows from noncapital financing activities:</b>					
Loans from other funds					2,050
Loans to other funds					(714)
Repayment of loans to other funds					(3,738)
Operating transfers in		18,619	1,686	20,305	
Operating transfers out	(250,326)	(2,928)	(917)	(254,171)	
Net transfers from (to) fiscal agent			66,664	66,664	
Negative cash balance implicitly financed	(212)			(212)	(337)
Other	12,500			12,500	
Net cash provided by (used for) noncapital financing activities	<u>(238,038)</u>	<u>15,691</u>	<u>67,433</u>	<u>(154,914)</u>	<u>(2,739)</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital obligations			(7,621)	(7,621)	(416)
Interest paid on capital obligations			(15,165)	(15,165)	(61)
Acquisition of capital assets	(877)	(8,923)		(9,800)	(326)
Proceeds from bonds		1,134		1,134	
Net cash provided by (used for) capital and related financing activities	<u>(877)</u>	<u>(30,575)</u>		<u>(31,452)</u>	<u>(803)</u>
<b>Cash flows from investing activities:</b>					
Proceeds from sale and maturity of investments	691			691	
Interest on investments	286	1,123		1,409	25
Net cash provided by (used for) investing activities	<u>977</u>	<u>1,123</u>		<u>2,100</u>	<u>25</u>
Net increase (decrease) in cash and cash equivalents	3,817	(3,007)	107	917	1,097
Cash and cash equivalents, July 1	6,600	14,246	1,416	22,262	4,452
Cash and cash equivalents, June 30	<u>\$ 10,417</u>	<u>\$ 11,239</u>	<u>\$ 1,523</u>	<u>\$ 23,179</u>	<u>\$ 5,549</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	235,642	(2,179)	(66,253)	167,210	2,695
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation	315	10,618		10,933	799
Other revenue (expense) and operating transfer in (out)			1,246	1,246	
Net changes in assets and liabilities:					
Receivables, net	1,326	(123)	(2,766)	(1,563)	(19,808)
Inventory	(269)			(269)	245
Prepaid items	(10)			(10)	(373)
Other assets	117			117	
Due to / due from transactions			447	447	
Accounts and other payables	3,766	1,506		5,272	21,160
Accrued expenses	(91)	861		770	(105)
Deferred revenue	219	71		290	
Prize awards payable	740			740	
Total adjustments	<u>6,113</u>	<u>12,933</u>	<u>(1,073)</u>	<u>17,973</u>	<u>1,918</u>
Net cash provided by (used for) operating activities	<u>\$ 241,755</u>	<u>\$ 10,754</u>	<u>\$ (67,326)</u>	<u>\$ 185,183</u>	<u>\$ 4,613</u>

## **Fiduciary Funds**

**Fiduciary Funds** – used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State’s own programs.

**Pension Trusts** – used to report resources that are required to be held in trust for the members and beneficiaries of the State sponsored defined benefit pension plans.

**Private-Purpose Trust** – used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

**Touro Jewish Synagogue** – accounts for the earnings on monies bequeathed to the State for the purpose of maintaining the Touro Jewish Synagogue.

**Agency Funds** – used to report resources held by the State in a purely custodial capacity (assets equal liabilities).

**State of Rhode Island and Providence Plantations**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2003**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Private Purpose</b>	
		<b>Touro Jewish Synagogue</b>	<b>Agency</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,427	\$ 154	\$ 18,541
Receivables			
Contributions	21,224		
Due from state for teachers	14,873		
Miscellaneous	3,185		
Total receivables	39,282		
Investments, at fair value			
Equity in Short-Term Investment Fund	2,091		
Equity in Pooled Trust	5,361,720		
Plan specific investments	22,850		
Other investments		1,734	65,500
Total investments before lending activities	5,386,661	1,734	65,500
Invested securities lending collateral	582,424		
Property and equipment, at cost, net of accumulated depreciation			
Line of Business System in Development	15,115		
Computer Equipment	302		
Total Property and Equipment	15,417		
Total assets	6,027,211	1,888	84,041
<b>Liabilities</b>			
Securities lending liability	582,424		
Accounts payable	4,511		
Deposits held for others			84,041
Total liabilities	586,935		84,041
Net assets held in trust for pension and other benefits	\$ 5,440,276	\$ 1,888	\$

**State of Rhode Island and Providence Plantations**  
**Statement of Changes in Fund Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<u>Pension Trust</u>	<u>Private Purpose Touro Jewish Synagogue</u>
<b>Additions</b>		
Contributions		
Member contributions	\$ 148,198	\$
Employer contributions	112,683	
State contributions for teachers	38,243	
Interest on service credits purchased	1,389	
Total contributions	<u>300,513</u>	
Investment income		
Net appreciation (depreciation) in fair value of investments	15,599	36
Interest	91,858	56
Dividends	44,783	
Other investment income	16,653	
	<u>168,893</u>	<u>92</u>
Less investment expense	23,458	
Net income from investing activities	<u>145,435</u>	<u>92</u>
Securities Lending		
Securities lending income	7,495	
Less securities lending expense	5,713	
Net securities lending income	<u>1,782</u>	
Total net investment income	<u>147,217</u>	<u>92</u>
Total additions	<u>447,730</u>	<u>92</u>
<b>Deductions</b>		
Benefits		
Retirement benefits	358,447	
Cost of living adjustment	83,698	
SRA Plus (option)	24,241	
Supplemental benefits	1,007	
Death benefits	2,743	
Total benefits	<u>470,136</u>	
Refund of contributions	6,570	
Administrative expense	5,006	
Distribution		166
Total deductions	<u>481,712</u>	<u>166</u>
Net increase (decrease)	(33,982)	(74)
Net assets held in trust for pension benefits		
Net assets - beginning	5,474,258	1,962
Net assets - ending	<u>\$ 5,440,276</u>	<u>\$ 1,888</u>

**State of Rhode Island and Providence Plantations**  
**Notes to the Basic Financial Statements**  
**June 30, 2003**

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**State of Rhode Island and Providence Plantations**  
**Notes to the Basic Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying basic financial statements of the State of Rhode Island and Providence Plantations (the State) and its component units have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The accompanying financial statements include all funds of the State and its component units. GASB Statement No. 14, *The Financial Reporting Entity* defines component units as legally separate entities for which a primary government (the State) is financially accountable or, if not financially accountable, their exclusion would cause the State's financial statements to be misleading. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an entity's governing body and (1) the ability of the State to impose its will on that entity **or** (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the State. The State has considered all agencies, boards, commissions, public benefit authorities and corporations, the State university and colleges and the Central Falls School District as potential component units. Audited financial statements of the individual component units can be obtained from their respective administrative offices.

**Blended Component Units**

These component units are entities, which are legally separate from the State, but are so intertwined with the State that they are in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

**State Lottery Fund (Lottery)** - This fund is used to account for the revenues generated by the State Lottery Commission in conducting various lottery games. According to statute, earnings after allocation for prize awards and payment of expenses shall be transferred to the State's general fund. For more detailed information, a copy of the financial statements can be obtained by writing to the Office of The Financial Administrator, State Lottery Commission, 1425 Pontiac Avenue, Cranston, RI 02920.

**Rhode Island Convention Center Authority (RICCA)** - This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One West Exchange Street, Providence, RI 02903.

**Rhode Island Refunding Bond Authority (RIRBA)** - This authority was created by law for the purpose of loaning money to the State to provide funds to pay, redeem, or retire certain

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general obligation bonds. In fiscal 1998, the State abolished the R.I. Public Buildings Authority (RIPBA) and assigned the responsibility for managing RIPBA's outstanding debt to the RIRBA. RIPBA was previously reported as a blended component unit. The RIRBA is authorized to issue bonds. Even though it is legally separate, the RIRBA is reported as if it were part of the primary government because it provides services entirely to the primary government. For more detailed information, a copy of the financial statements can be obtained by writing to the Deputy General Treasurer, Office of General Treasurer, 40 Fountain Street, Providence, RI 02903.

**Rhode Island Economic Policy Council (RIEPC)** - This council is a non-profit organization created by executive order in March 1995 and incorporated in January 1996. The purpose of the council is to work closely with State officials to identify issues facing the State's economy, to develop and recommend creative strategies and policies to address them, to advise the State legislature in policy matters relating to economic development, and to administer a program designed to foster private technology commercialization and plant and process modernization through research centers, higher education partnerships and cluster collaboratives. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Economic Policy Council, 3 Davol Square, Box 185, Providence, RI 02903.

**Tobacco Settlement Financing Corporation (TSFC)** - This corporation was organized in June 2002 as a public corporation by the State. TSFC is legally separate but provides services exclusively to the State and therefore is reported as part of the primary government as a blended component unit. The purpose of the corporation is to purchase tobacco settlement revenues from the State. TSFC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the Tobacco Settlement Financing Corporation, One Capitol Hill, Providence, RI 02908.

**Discretely Presented Component Units**

Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. Discretely presented component units are:

**University and Colleges** - The Board of Governors for Higher Education has oversight responsibility for the University of Rhode Island, Rhode Island College and Community College of Rhode Island. The Board is appointed by the Governor with approval of the Senate. The university and colleges are funded through State appropriations, tuition, federal grants, private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Mr. Robert Weygand, Vice President For Administration, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of The Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI

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02908; and Office of The Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805.

**Central Falls School District** - The Rhode Island General Assembly passed an act which provided for the State to assume an administrative takeover of the Central Falls School District. The Governor appointed a special State administrator who replaced the school committee. The State administrator reports to the Commissioner of Elementary and Secondary Education. The District's purpose is to provide elementary and secondary education to residents of the City of Central Falls. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 21 Hadley Avenue, Central Falls, RI 02863.

**Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)** - This Corporation, established in 1973, was created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State. It has the power to issue notes and bonds to achieve its corporate purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721.

**Rhode Island Student Loan Authority (RISLA)** - This Authority, established in 1981, was created in order to provide a statewide student loan program through the acquisition of student loans. It has the power to issue bonds and notes, payable solely from its revenues. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Student Loan Authority, 560 Jefferson Boulevard, Warwick, RI 02886.

**Rhode Island Turnpike and Bridge Authority (RITBA)** - This Authority was created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437.

**Rhode Island Economic Development Corporation (RIEDC)** - This Corporation was created in 1995 and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State, which will promote economic development. It has the power to issue tax-exempt industrial development bonds to accomplish its corporate purpose. The RIEDC has a subsidiary corporation, the R. I. Airport Corporation, that manages the State's six airports. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Economic Development Corporation, One West Exchange Street, Providence, RI 02903.

**Narragansett Bay Commission (NBC)** - This Commission was created for the purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities. NBC receives contributed capital from the State to upgrade its facilities. For more detailed information, a copy of the financial statements can

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be obtained by writing to the Narragansett Bay Commission, One Service Road, Providence, RI 02905.

**Rhode Island Health and Educational Building Corporation (RIHEBC)** - This Corporation has the following purposes: (1) to assist in providing financing for education facilities for colleges and universities operating in the State; (2) to assist hospitals in the State in the financing of health care facilities; (3) to assist stand-alone, non-profit assisted-living and adult daycare facilities; (4) to assist in financing a broad range of non-profit health care providers; and (5) to assist in financing non-profit secondary schools and child care centers. RIHEBC issues bonds, notes and leases which are special obligations of RIHEBC payable from revenues derived from the projects financed or other moneys of the participating education institution or health care institution. The bonds, notes and leases do not constitute a debt or pledge of the faith and credit of RIHEBC or the State and accordingly have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Health and Educational Building Corporation, 170 Westminster Street, Suite 1200, Providence, RI 02903.

**Rhode Island Resource Recovery Corporation (RIRRC)** - This Corporation was established in 1974 in order to provide and/or coordinate solid waste management services to municipalities and persons within the State. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919.

**Rhode Island Depositors Economic Protection Corporation (DEPCO)** - This Corporation was created in 1991 to assist in protecting the interests of depositors of certain financial institutions in the State which had been closed when their private deposit insurer failed, thereby leaving those institutions without deposit insurance as required by statute. DEPCO is empowered to acquire all or a portion of the assets of the closed institutions thereby aiding the prompt repayment of the deposit liabilities of the closed institutions. DEPCO has the power to issue negotiable bonds and notes to achieve its corporate purpose. DEPCO ceased operations in January 2003. For more detailed information, a copy of the financial statements can be obtained by writing to the State of Rhode Island, Department of Administration, DEPCO, One Capitol Hill, Providence, R.I. 02903.

**Rhode Island Higher Education Assistance Authority (RIHEAA)** - This Authority was created by law in 1977 for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post secondary student assistance. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Higher Education Assistance Authority, 560 Jefferson Boulevard, Warwick, RI 02886.

**Rhode Island Public Transit Authority (RIPTA)** - This Authority was established in 1964 to acquire any mass motor bus transportation system if that system has previously filed a petition to discontinue its service and further, if RIPTA determines it is in the public interest to continue such service. Revenues of RIPTA include operating assistance grants from the

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federal and State governments. For more detailed information, a copy of their financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 265 Melrose Street, Providence, RI 02907.

**Rhode Island Industrial Facilities Corporation (RIIFC)** - The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale by RIIFC of its projects. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and accordingly have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, One West Exchange Street, Providence, RI 02903.

**Rhode Island Clean Water Finance Agency (RICWFA)** - This Agency was established in 1991 for the purpose of providing financial assistance in the form of loans to municipalities, sewer commissions and waste water management districts in the State for the construction or upgrading of water pollution abatement projects. RICWFA receives capital grants from the State and federal governments and is authorized to issue revenue bonds and notes. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Clean Water Finance Agency, 235 Promenade Street, Suite 119, Providence, RI 02908.

**Rhode Island Industrial-Recreational Building Authority (RIIRBA)** - This Authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State. Any losses realized in excess of the fund balance would be funded by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, One West Exchange Street, Providence, RI 02903.

**Rhode Island Water Resources Board Corporate (RIWRBC)** - This Board was created by law to foster and guide the development of water resources including the establishment of water supply facilities and lease these facilities to cities, towns, districts, and other municipal, quasi-municipal or private corporations engaged in the water supply business in the State. RIWRBC is authorized to issue revenue bonds which are payable solely from revenues generated by the lease of its facilities or the sale of water. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Water Resources Board Corporate, 100 North Main Street, Providence, RI 02903.

**Rhode Island Public Telecommunications Authority (RIPTCA)** - This Authority owns and operates a non-commercial educational television station in the State. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Public Telecommunications Authority, 50 Park Lane, Providence, RI 02907-3124.

**Rhode Island Children's Crusade for Higher Education (RICCHE)** - This is a Rhode Island nonprofit corporation formed for the purpose of fostering the education of

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economically disadvantaged youth through scholarship awards, summer jobs programs, and mentoring programs for parents and students. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Children's Crusade for Higher Education, The 134 Center, Suite 111, 134 Thurbers Avenue, Providence, RI 02905.

**Rhode Island Underground Storage Tank Review Board (RIUSTRB)** – The Board provides a mechanism for Rhode Island underground storage tank owners, including city, town and State facilities, to comply with the financial responsibility requirements established by the US Environmental Protection Agency. For more detailed information, a copy of the financial statements can be obtained by writing to the Rhode Island Underground Storage Tank Review Board, 235 Promenade Street, Suite 455, Providence, RI 02908.

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Invested in capital assets, net of related debt.** This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributable to the acquisition, construction or improvement of those assets.

**Restricted net assets.** This category results when constraints are externally imposed on net assets use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets.** This category represents net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the

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operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and all enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available, i.e., earned and collected within the next 12 months. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, the focus in the fund financial statements is on major and nonmajor funds rather than on fund type. Statement No. 34 defines the general fund as a major fund and management determined that the intermodal surface transportation fund should be reported as a major fund. Other governmental funds and enterprise funds are evaluated on these criteria:

- Total assets, liabilities, revenues, **or** expenditures/expenses of that fund are at least 10% of the respective total for all funds of that type, **and**
- Total assets, liabilities, revenues, **or** expenditures/expenses of that fund are at least 5% of the **same** respective total for all funds being evaluated.

The State reports the following major funds:

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

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**Intermodal Surface Transportation Fund.** This fund accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system.

**R.I. Temporary Disability Insurance Fund.** This fund accounts for the employee tax on wages that are levied to pay benefits to covered employees who are out of work for an extended period of time due to a non-job-related illness.

**Bond Capital.** This fund accounts for the proceeds of the bonds issued and the related capital expenditures not required to be accounted for in another capital projects fund.

The State reports the following major proprietary funds:

**State Lottery Fund.** The State Lottery Fund operates games of chance for the purpose of generating resources for the State's General Fund.

**Rhode Island Convention Center Authority (RICCA)** - This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence on behalf of the State.

**Employment Security Fund.** This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons. Funds are also provided by the federal government and interest income.

Additionally, the State reports the following fund types:

**Governmental Fund Types:**

**Special Revenue Funds.** These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is legally mandated.

**Capital Projects Funds.** These funds reflect transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities of the State and its component units.

**Debt Service Fund.** This fund accounts for resources obtained and used for the payment of interest and principal on bonds that are funded primarily through taxes.

**Permanent Fund.** The Permanent School Fund accounts for certain appropriations and the earnings thereon, which are used for the promotion and support of public education.

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**Proprietary Fund Types:**

**Internal Service Funds.** These funds account for fleet management, workers' compensation, unemployment compensation, industrial prison operations, computer and related data processing services, surplus property, telecommunications and other utilities, purchasing, and records maintenance.

**Fiduciary Fund Types:**

**Pension Trust Funds.** These funds account for the activities of the Employees' Retirement System, Municipal Employees' Retirement System, State Police Retirement Benefit Trust, and Judicial Retirement Benefit Trust, which accumulate resources for pension benefit payments to qualified employees.

**Private Purpose Trust Fund.** The Touro Jewish Synagogue Fund accounts for the earnings on monies bequeathed to the State for the purpose of maintaining the Touro Jewish Synagogue.

**Agency Funds.** These funds account for assets held by the State pending distribution to others or pledged to the State as required by statute.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, in the absence of specific guidance from GASB pronouncements, pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 have been followed.

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

**E. Cash and Cash Equivalents**

Cash represents amounts in demand deposit accounts with financial institutions. Cash equivalents are highly liquid investments with maturity of three months or less at the time of purchase.

Except for certain internal service funds, the State does not pool its cash deposits. For those internal service funds that pool cash, each fund reports its share of the cash on the Statement of Net Assets. Cash overdrafts, if any, are reported as to due to other funds along with the applicable due from other funds.

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**F. Funds on Deposit with Fiscal Agent**

Funds on deposit with fiscal agent in the capital projects funds and enterprise fund are the unexpended portion of certificates of participation and funds held by the United States Treasury Department for the payment of unemployment benefits, respectively.

**G. Investments**

Investments are generally stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Short-term investments are stated at amortized cost, which approximates fair value.

The pension trust funds may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. The gains or losses on these contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed. By policy, no more than 50% of actively managed foreign equity securities (at fair value) may be hedged into the base currency (U.S. dollars).

**H. Receivables**

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based upon past collection experience.

**I. Due From Other Governments and Agencies**

Due from other governments and agencies is primarily comprised of amounts due from the federal government for reimbursement-type grant programs.

**J. Interfund Activity**

In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity on the government-wide financial statements. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary

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government without equivalent flows of assets in return and without a requirement for payment.

**K. Inventories**

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase. Inventories of the proprietary funds are stated at cost. Inventories of university and colleges are stated at the lower of cost (first-in, first-out and retail inventory method) or market, and consist primarily of bookstore and dining, health and residential life services items. Inventories of all other component units are stated at cost.

**L. Capital Assets**

Capital assets, which include all land, buildings (over \$100,000), equipment and infrastructure assets (e.g., roads, bridges, and similar assets) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The State defines equipment acquisitions as capital assets when the initial, individual cost (value, if donated, forfeited or seized) is more than \$5,000 (amount not rounded) and the estimated useful life is more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The estimates of historical costs of land, buildings, and improvements were derived by factoring price levels from the current period to the time of acquisition. In cases where the acquisition date was not determinable, the date of acquisition was estimated. Infrastructure constructed prior to July 1, 2001 has not been reported. This information will be included in future reports. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as capital outlay expenditures in the governmental fund financial statements. Depreciation is recorded in the government-wide financial statements, as well as the proprietary funds and component units financial statements. Capital assets of the primary government and its component units are depreciated using the straight-line method over the assets' estimated useful life.

Capital assets of the primary government are depreciated over the following estimated useful lives:

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Assets	Years
Buildings	20-50
Land improvements	20
Infrastructure	30
Leasehold improvements	Term of Lease
Leasehold land improvements	Term of Lease
Building renovations	10-20
Trailers	10
Furniture and equipment	3-10
Computer systems	5
Motor vehicles	3-10

**M. Bonds Payable**

In governmental fund types, bond discounts/premiums and issuance costs are recognized in the current period; bond proceeds are recorded net of these amounts. Bond discounts, premiums and issuance costs in the governmental activities are deferred and amortized over the term of the bonds using the straight-line method. For proprietary fund types and component units bond discounts, premiums and issuance costs are generally deferred and amortized over the term of the bonds using the straight-line method for issuance costs and the interest method for discounts and premiums. Bond discounts and premiums are presented as an adjustment to the face amount of bonds payable.

The R.I. Convention Center Authority has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

**N. Obligations under Capital Leases**

The construction and acquisition of certain State office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds and notes issued by the R.I. Refunding Bond Authority, the R.I. Economic Development Corporation, or by a trustee pursuant to a lease/purchase agreement with the State (See Note 7(D)).

**O. Accrued Liabilities**

Accrued liabilities generally represent accrued salary and fringe benefits in the governmental fund types and accrued interest payable, accrued salaries and accrued vacation and sick leave in the proprietary fund types.

**P. Compensated Absences**

Vacation pay may be discharged, subject to limitations as to carry-over from year to year, by future paid leave or by cash payment upon termination of service. Sick pay may be discharged by payment for an employee's future absence caused by illness or, to the extent of vested rights, by cash payment upon death or retirement. For governmental fund types, such

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obligations are recognized when paid and for proprietary fund types, they are recorded as fund liabilities.

**Q. Fund Balances**

Reserved fund balances represent amounts which are (1) not appropriable for expenditure or (2) legally segregated for a specific future use.

Designated fund balances represent amounts segregated to indicate management's tentative plans or intent for future use of financial resources.

**R. Changes in Presentation**

The R.I. General Laws were amended giving the R.I. Underground Storage Tank Financial Responsibility Fund separate legal status; therefore, the fund was reclassified from a special revenue fund to a discretely presented component unit.

The Tobacco Settlement Financing Corporation early implemented the GASB Technical Bulletin, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. This bulletin made it clear that the corporation should be a blended component unit; therefore the corporation was reclassified from a discretely presented component unit to a special revenue fund.

**Note 2. Budgeting and Budgetary Control**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Preparation and submission of the budget is governed by both the State Constitution and the Rhode Island General Laws. The budget, as enacted by the General Assembly and signed by the Governor, contains a complete plan of estimated revenues (general, federal and restricted), transfers in (general and restricted) and proposed expenditures.

The legal level of budgetary control, i.e. the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch. Federal grant appropriations may also be limited by the availability of matching funds and may also require special approval from a federal agency before reallocating resources among programs.

Internal administrative and accounting budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations and the supervisory powers and functions exercised by management. Management cannot reduce the budget without special approval.

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Unexpended general revenue appropriations lapse at the end of the fiscal year, unless the department/agency directors identify unspent appropriations related to specific projects/purchases and request a reappropriation. If the requests are approved by the Governor, such amounts are reappropriated for the ensuing fiscal year and made immediately available for the same purposes as the former appropriations. Unexpended appropriations of the General Assembly and its legislative commissions and agencies may be reappropriated by the Joint Committee on Legislative Services. If the sum total of all departments and agencies general revenue expenditures exceeds the total general revenue appropriations, it is the policy of management to lapse all unexpended appropriations, except those of the legislative branch and the Justice Link program.

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

**Cash**

Primary Government

At June 30, 2003, the carrying amount of the State's cash deposits was \$50,222,000 and the bank balance was \$36,926,000. Of the bank balance, \$437,500 was covered by federal depository insurance. The remaining amount, \$36,488,500 was uninsured and uncollateralized. The carrying amount and bank balance include \$8,184,000 of certificates of deposit.

Fiduciary Trust Funds

At June 30, 2003, the carrying amount of the fiduciary trust funds' cash deposits was \$2,518,000 and the bank balance was \$2,278,000. The bank balance was covered by federal depository insurance. The carrying amount and the bank balance include \$1,500,000 of certificates of deposit.

Component Units

At June 30, 2003, the carrying amount of the component units' cash deposits was \$383,533,000 and the bank balance was \$387,302,000. Of the bank balance, \$14,956,000 was covered by federal depository insurance and \$70,850,000 was collateralized with investments held by a bank in a component unit's name. The remaining amount, \$301,496,000 was uninsured and uncollateralized.

In accordance with Chapter 35-10.1 of the 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 of time deposits with maturities greater than 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 of deposits, regardless of maturity. None of the cash deposits of the primary government was required to be collateralized at June 30, 2003.

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**Investments**

The State Investment Commission (Commission) is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the General Laws, the Commission may, in general, "invest in securities as would be acquired by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and the preservation of their capital."

Short-term cash equivalent type investments are made by the General Treasurer in accordance with guidelines established by the Commission. Investments of the pension trust funds are made by investment managers in accordance with the Commission's stated investment objectives and policies.

Investments of certain component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing body.

The State's investments (expressed in thousands) are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 2003.

Category 1: Insured or registered, or securities held by the State or its agent in the State's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

Primary Government	Category			Fair Value
	1	2	3	
U.S. Government and and U.S. government agency securities	\$ 53,753	\$ 0	\$ 0	\$ 53,753
Money Market	0	0	0	0
Commercial Paper	81,501	0	0	81,501
Repurchase Agreements	76,228	0	1,716	77,944
Corporate Notes	602	0	0	602
Municipal Bonds	0	0	17,174	17,174
	<u>\$ 212,084</u>	<u>\$ 0</u>	<u>\$ 18,890</u>	<u>230,974</u>
Money Market Mutual Funds				203,071
Investment Agreements				0
Other				8,184
				<u>442,229</u>
Less amounts classified as cash equivalents				<u>323,695</u>
Investments				<u>\$ 118,534</u>

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Fiduciary Funds	Category			Fair Value
	1	2	3	
U.S. Government and agency securities				
Not on security loan	\$ 318,535	\$	\$	\$ 318,535
On loan for securities collateral	2,433			2,433
Repurchase Agreements	938			938
Corporate Bonds	715,529	106		715,635
Equity Securities		1,252		1,252
Not on security loan	958,187			958,187
On loan for securities collateral	35			35
Foreign Securities				
Not on security loan	875,889			875,889
On loan for securities collateral	1,007			1,007
	<u>\$ 2,872,553</u>	<u>\$ 1,358</u>	<u>\$</u>	<u>2,873,911</u>
Money Market Mutual Funds				172,474
Real Estate and Venture Capital Limited Partnerships				310,924
Investments held by broker-dealers under securities loans with cash collateral				562,091
Securities lending short-term collateral investment pool				582,424
Investments of Statutory Deposits Held in Trust				84,041
Other				1,470,059
				<u>6,055,924</u>
Less amounts classified as cash equivalents				<u>19,605</u>
Investments				<u>\$ 6,036,319</u>

Component Units	Category			Fair Value
	1	2	3	
U.S. Government and agency securities	\$ 229,590	\$ 170,600	\$ 71,881	\$ 472,071
Money Market	11,159	0	52,404	63,563
Commercial Paper	0	0	0	0
Repurchase Agreements	40,064	3,041	20,178	63,283
Corporate Bonds	1,663	0	2,602	4,265
Corporate Notes	0	0	0	0
Equity Securities	0	1,405	6,255	7,660
Investment Agreements	5,220	0	0	5,220
Other	200	0	0	200
	<u>\$ 287,896</u>	<u>\$ 175,046</u>	<u>\$ 153,320</u>	<u>616,262</u>
Money Market Mutual Funds				32,907
Investment Agreements				688,862
Other				4,659
				<u>1,342,690</u>
Less amounts classified as cash equivalents				<u>367,946</u>
Investments				<u>\$ 974,744</u>

**Derivatives and Other Similar Investments**

Primary Government

Some of the State of Rhode Island Employees' Retirement System's (System) investment managers are allowed to invest in certain derivative type transactions, including forward foreign currency transactions, futures contracts and mortgage-backed securities. Through the commingled funds, the System also indirectly holds derivative type instruments. Information

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on the extent of the use, and holdings of derivative securities by the commingled funds is not readily available.

**Forward Foreign Currency Contracts** – The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. These contracts involve risk in excess of the amount reflected in the System’s Statements of Plan Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the System has in that particular currency contract. By policy, no more than 50% of actively managed Foreign Equity securities (at fair value) may be hedged into the base currency (US Dollars). The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

**Futures contracts** – The System may use futures to manage its exposure to the stock, money market, and bond markets and the fluctuations in interest rates and currency values. Buying futures tends to increase the System’s exposure to the underlying instrument. Selling futures tends to decrease the System’s exposure to the underlying instrument, or hedge other System investments. Losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparties do not perform under the contract terms.

**Mortgage-Backed Securities** – The System invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only (PO) strips. They are reported in aggregate as U.S. Government and Agency Securities in the disclosure of custodial credit risk. CMO’s are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO’s established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. The System may invest in interest-only (IO) and principal-only strips (PO) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

**Short Sales** – The commingled funds may sell a security they do not own in anticipation of a decline in the fair value of that security. Short sales may increase the risk of loss to the commingled funds when the price of a security underlying the short sale increases and the commingled funds is subject to a higher cost to purchase the security in order to cover the position.

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**Securities Lending**

Policies of the State Investment Commission permit use of investments to enter into securities lending transactions. The System has contracted with State Street Bank & Trust Company (SSB) as third party securities lending agent to lend the System's debt and equity securities for cash, securities and sovereign debt of foreign countries as collateral at 102% of the market value of the domestic securities on loan and 105% of the market value of the international securities on loan. There are no restrictions on the amount of loans that can be made. Securities on loan at year-end for cash collateral are presented as not categorized in the preceding table. Securities on loan for noncash collateral are classified according to the category for the collateral. The contract with the lending agent requires them to indemnify the System if the borrowers fail to return the securities. Either the System or the borrower can terminate all securities loans on demand. The cash collateral received on security loans was invested in the lending agent's short-term investment pool for an average duration of 64 days and a weighted average maturity of 252 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The System is not permitted to pledge or sell collateral securities received unless the borrower defaults. There were no losses during the fiscal year resulting from default of the borrower or lending agent.

At June 30, 2003, System's management believes the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers do not exceed the amounts the borrowers owe the System. The securities on loan at year-end were \$565,565,715 (fair value), and the collateral received for those securities on loan was \$586,117,017 (fair value).

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**Note 4. Receivables**

Receivables at June 30, 2003 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Allowance for Uncollectibles	Total Receivables
<b>Governmental Activities:</b>						
General	\$ 228,255	\$ 86,604	\$	\$ 2,700	\$ (104,374)	\$ 213,185
Intermodal Surface Transportation	12,695				(323)	12,372
R.I. Temporary Disability	50,465	904			(2,283)	49,086
Other Governmental		9				9
Internal Service		7,165		668		7,833
<b>Total - governmental activities</b>	<b>\$ 291,415</b>	<b>\$ 94,682</b>	<b>\$</b>	<b>\$ 3,368</b>	<b>\$ (106,980)</b>	<b>\$ 282,485</b>
<b>Amounts not expected to be collected in the subsequent year and recorded as deferred revenue</b>						
General	\$ 5,250	\$ 8,327				
Intermodal Surface Transportation		15,140				
<b>Business-type activities:</b>						
State Lottery	\$	\$ 6,601	\$	\$	\$ (333)	\$ 6,268
Convention Center		2,337	130		(134)	2,333
Employment Security	33,757	12,390			(9,858)	36,289
<b>Total - business-type activities</b>	<b>\$ 33,757</b>	<b>\$ 21,328</b>	<b>\$ 130</b>	<b>\$</b>	<b>\$ (10,325)</b>	<b>\$ 44,890</b>
<b>Component Units</b>	<b>\$</b>	<b>\$ 126,895</b>	<b>\$ 29,695</b>	<b>\$ 2,136,037</b>	<b>\$ (49,477)</b>	<b>\$ 2,243,150</b>

**Component Units**

Loans receivable of the R.I. Housing and Mortgage Finance Corporation are secured by a first lien on real and personal property and, in some instances, are federally insured. Loans receivable of the R.I. Student Loan Authority are insured by the R.I. Higher Education Assistance Authority, which in turn has a reinsurance agreement with the federal government. The R.I. Clean Water Finance Agency provides loans to municipalities, sewer commissions, or wastewater management districts in the State for constructing or upgrading water pollution abatement projects.

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**Note 5. Intra-Entity Receivables and Payables**

Intra-entity receivables and payables, as of June 30, 2003, are the result of operations and expected to be reimbursed within the fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable
<b>Governmental Funds</b>		
<b>Major Funds</b>		
General Fund	\$ 65,000	\$ 20,519
Intermodal Surface Transportation Fund	10,586	7,146
RI Temporary Disability Insurance	2	1,320
Bond Capital	7,955	20,437
<b>Other</b>		
Tobacco Settlement Finance Corporation		601
Tobacco Settle Trust Fund		28,500
Debt Service Fund		282
Cops	3	1,432
Total Governmental	83,546	80,237
<b>Proprietary Funds</b>		
<b>Enterprise</b>		
RI Lottery		940
RI Convention Center Authority		2,928
Employment Security Trust Fund	19	1,036
Total Enterprise	19	4,904
<b>Internal Service</b>		
Assessed Fringe Benefits		519
Central Utilities	295	37
Energy Revolving	158	189
Information Processing	769	652
Central Mail	2	7
Centrex	4	9
Howard Communications		2
Central Pharmacy	766	19
Central Laundry	81	29
Automotive Maintenance		96
Central Distribution Center	385	33
Correctional Industries	782	57
Records Center		17
Total Internal Service	3,242	1,666
<b>Totals</b>	<b>\$ 86,807</b>	<b>\$ 86,807</b>

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**Note 6. Capital Assets**

The capital asset activity of the reporting entity consists of the following (expressed in thousands):

**Primary Government**

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 373,186	\$ 11,343	\$ (1,950)	\$ 382,579
Construction in progress	52,193	57,345	(6,657)	102,881
Total capital assets not being depreciated	<u>425,379</u>	<u>68,688</u>	<u>(8,607)</u>	<u>485,460</u>
Capital assets being depreciated:				
Land improvements	3,209	392		3,601
Buildings	369,453	4,674		374,127
Building Improvements	195,860	2,589		198,449
Furniture and equipment	137,163	13,089	(1,328)	148,924
Infrastructure	118,311	106,179		224,490
Total capital assets being depreciated	<u>823,996</u>	<u>126,923</u>	<u>(1,328)</u>	<u>949,591</u>
Less accumulated depreciation for:				
Land improvements	1,808	170		1,978
Buildings	123,085	7,177		130,262
Building Improvements	89,803	9,846		99,649
Furniture and equipment	96,310	13,875	(1,264)	108,921
Infrastructure	1,972	5,713		7,685
Total accumulated depreciation	<u>312,978</u>	<u>36,781</u>	<u>(1,264)</u>	<u>348,495</u>
Total capital assets being depreciated, net	<u>511,018</u>	<u>90,142</u>	<u>(64)</u>	<u>601,096</u>
Governmental activities capital assets, net	<u>\$ 936,397</u>	<u>\$ 158,830</u>	<u>\$ (8,671)</u>	<u>\$ 1,086,556</u>

Certain beginning balances were restated due to errors and/or omissions. The amounts reported above for infrastructure are only the additions for the fiscal year ended June 30, 2002 and subsequent fiscal years. As provided for in GASB Statement No. 34, the State opted to take advantage of the transition period and retroactively report its major general infrastructure assets in the fiscal year ended June 30, 2006.

The current period depreciation was charged to the governmental functions on the Statement of Activities as follows:

General government	\$ 4,943
Human services	11,328
Education	2,325
Public safety	8,692
Natural resources	1,795
Transportation	7,700
Total depreciation expense - governmental activities	<u>\$ 36,783</u>

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**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 38,032	\$	\$	\$ 38,032
Construction in progress	1,336		(1,336)	
Total capital assets not being depreciated	39,368		(1,336)	38,032
Capital assets being depreciated:				
Buildings	227,336	2,412		229,748
Machinery and equipment	18,466	8,774	(3,669)	23,571
Total capital assets being depreciated	245,802	11,186	(3,669)	253,319
Less accumulated depreciation	76,148	10,594	(3,664)	83,078
Total capital assets being depreciated, net	169,654	592	(5)	170,241
Business-type activities capital assets, net	<u>\$ 209,022</u>	<u>\$ 592</u>	<u>\$ (1,341)</u>	<u>\$ 208,273</u>

**Discretely Presented Component Units**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 74,024	\$ 21,517	\$ (10,576)	\$ 84,965
Construction in progress	208,373	91,795	(109,916)	190,252
Total capital assets not being depreciated	282,397	113,312	(120,492)	275,217
Capital assets being depreciated:				
Land improvements	828,581	112,527	(1,435)	939,673
Buildings	75,653	25,674	(1,554)	99,773
Machinery and equipment	211,477	16,969	(9,780)	218,666
Infrastructure	255,966	22,728		278,694
Total capital assets being depreciated	1,371,677	177,898	(12,769)	1,536,806
Less accumulated depreciation for:				
Buildings	281,143	29,399	(53)	310,489
Land improvements	42,150	10,987		53,137
Machinery and equipment	112,340	21,005	(9,415)	123,930
Infrastructure	77,202	5,400		82,602
Total accumulated depreciation	512,835	66,791	(9,468)	570,158
Total capital assets being depreciated, net	858,842	111,107	(3,301)	966,648
Total capital assets, net	<u>\$ 1,141,239</u>	<u>\$ 224,419</u>	<u>\$ (123,793)</u>	<u>\$ 1,241,865</u>

**Note 7. Long-Term Obligations**

Long-term obligations include bonds, notes and loans payable, obligations under capital leases, compensated absences, and other long-term liabilities.

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**A. Bonds Payable**

At June 30, 2003, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units	
	Governmental Activities		Proprietary Type		Principal	Interest
	Principal	Interest	Principal	Interest		
2004	\$ 52,822	\$ 82,070	\$ 7,685	\$ 14,393	\$ 210,466	\$ 118,583
2005	55,221	79,503	9,380	14,159	151,568	109,399
2006	54,848	76,649	9,825	13,719	240,799	102,020
2007	54,532	73,924	10,290	13,259	77,965	95,603
2008	50,102	71,122	10,775	12,776	77,815	90,848
2009-2013	286,928	315,959	62,175	55,716	366,209	404,292
2014-2018	203,535	244,657	77,080	39,216	424,205	312,707
2019-2023	182,470	207,111	98,255	19,259	406,696	214,471
2024-2028		167,686	24,540	2,456	334,844	119,354
2029-2033	168,260	157,380			396,165	49,387
2034-2038		116,156			427,700	15,531
2039-2043	371,700	92,925				
	<u>\$ 1,480,418</u>	<u>\$ 1,685,142</u>	<u>\$ 310,005</u>	<u>\$ 184,953</u>	<u>\$ 3,114,432</u>	<u>\$ 1,632,195</u>

**Primary Government**

Current interest bonds of the State are serial bonds with interest payable semi-annually and multi-modal variable rate demand bonds. Capital appreciation bonds are designated as College and University Savings Bonds. The accreted interest is recognized as a current year expense in the governmental activities on the statement of activities. These bonds mature from 2006 to 2009 with all interest payable at maturity.

Included in the current interest bonds is \$27,965,000 of general obligation multi-modal variable rate demand bonds maturing in fiscal year 2020. These bonds were initially issued in the weekly rate mode but can be changed by the issuer (the State) to a daily, commercial paper or term rate mode. The interest rate is determined either weekly or daily based on the mode; interest is paid monthly. The owners of the bonds in a weekly mode can require the State (acting through its remarketing and tender agents) to repurchase the bonds. The remarketing agent is authorized to use its best efforts to resell any purchased bonds by adjusting the interest rate offered. The State has entered into a standby bond purchase agreement (liquidity facility) with the tender agent and a commercial bank (the bank). The remarketing agent is required to offer for sale all bonds properly tendered for purchase. In the event the remarketing agent is unable to remarket tendered bonds, the standby bond purchase agreement provides that the bank agrees to purchase any bonds from time to time in an amount not to exceed the principal amount plus accrued interest up to 37 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility.

This agreement has been extended through July 2004. The State is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus 1/2 of 1 percent, whichever is higher. The standby bond purchase agreement remains in effect until the payment in full of the principal and interest on all bonds purchased by the bank.

Revenue bonds of the R.I. Refunding Bond Authority (RIRBA) are secured by lease rentals payable by the State pursuant to lease agreements relating to projects financed by the

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authority and leased to the State. Proceeds from the RIRBA bonds have been used (1) to loan funds to the State to effect the advance refunding of general obligation bonds issued by the State in 1984; (2) to finance construction and renovation of certain buildings, and (3) to finance acquisition of equipment used by various State agencies.

In June 2002, the Tobacco Settlement Financing Corporation (TSFC), a blended component unit, issued \$685,390,000 of Tobacco Asset-Backed Bonds (Bonds) that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent Decree and Final Judgment. As stated in the bond indenture, the Bonds are payable as to principal and interest solely out of the assets of the TSFC pledged for such purpose; neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal or of the interest on the Bonds; the Bonds do not constitute an indebtedness of the State or any political subdivision of the State; the Bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC; the Bonds do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof and the State has no obligation or intention to satisfy any deficiency or default of any payment of the Bonds. The TSFC has no taxing power.

In fiscal year 2002, several governmental entities had created component units similar to the TSFC. These entities were not consistent as to the inclusion of the component unit in their Comprehensive Annual Reports (CAFRs) with GASB Statement No. 14, *The Financial Reporting Entity* as the only guidance to a rather unique situation. Therefore, there was a lack of comparability amongst the CAFRs. GASB issued Technical Bulletin, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, which, amongst other things, made it clear that the TSFC should be blended rather than discretely presented.

Revenue bonds of the R.I. Convention Center Authority (RICCA) were issued to (a) refund bonds and notes, (b) pay construction costs, (c) pay operating expenses, (d) pay interest on revenue bonds prior to completion of construction, (e) fund a debt service reserve and (f) pay costs of issuance. The revenue bonds are secured by all rents receivable, if any, under a lease and agreement between the RICCA and the State covering all property purchased by the RICCA. It also covers a mortgage on facilities and land financed by the proceeds of the revenue bonds and amounts held in various accounts into which bond proceeds were deposited. Minimum annual lease payments by the State are equal to the gross debt service of RICCA. In the event of an operating deficit (excluding depreciation), annual lease payments may be increased by the amount of the deficit. The obligation of the State to pay such rentals is subject to and dependent upon annual appropriations of such payments being made by the Rhode Island General Assembly for such purpose. Those appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources.

A summary of general obligation bonds authorized by the voters and unissued (expressed in thousands) at June 30, 2003 is shown below.

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	Authorized and Unissued July 1	Authorized	Issued	Extinguished	Authorized and Unissued June 30
General Obligation Bonds Supported by Taxes:					
Capital Development Plan - 1986	\$ 5	\$	\$	\$ 5	\$
Capital Development Plan - 1988	465		465		
Capital Development Plan - 1989	3,506		570		2,936
Capital Development Plan - 1990	13,320		4,820		8,500
Capital Development Plan - 1994	8,115		6,765		1,350
Capital Development Plan - 1996	24,063		6,565		17,498
Capital Development Plan - 1998	18,475		3,500		14,975
Capital Development Plan - 2000	92,985		52,235		40,750
Capital Development Plan - 2002		132,500			132,500
R.I. Economic Development Fund	5			5	
Narragansett Bay Water Quality Management District Commission Fund	790				790
Clean Water Act Environmental Trust Fund	3,840		465		3,375
Open Space and Recreational Area Fund	203				203
Drinking Water Protection Fund	3,415				3,415
Clean Water Finance Agency - Water Pollution Revolving Loan Fund	13,960		1,755		12,205
General Obligation Bonds Supported by Taxes	<u>183,147</u>	<u>132,500</u>	<u>77,140</u>	<u>10</u>	<u>238,497</u>
R. I. Industrial-Recreational Building Authority	80,000				80,000
Total	<u>\$ 263,147</u>	<u>\$ 132,500</u>	<u>\$ 77,140</u>	<u>\$ 10</u>	<u>\$ 318,497</u>

In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved unless extended by the General Assembly.

The amount of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority is limited by mortgage balances that it has insured, \$17,233,551 at June 30, 2003 (See Note 21). The insured mortgages are guaranteed by the State.

See Note 13 for information concerning contingent liabilities relating to "Moral Obligation" bonds.

### **Component Units**

Revenue bonds of the University of Rhode Island (URI), Rhode Island College (RIC), and Community College of Rhode Island (CCRI) were issued under trust indentures and are collateralized by a pledge of revenues from the facilities financed. The facilities include housing, student union (including bookstores) and dining operations. Under terms of the trust indentures, certain net revenues from these operations must be transferred to the trustees for payment of interest, retirement of bonds, and maintenance of facilities. The bonds are payable in annual or semi-annual installments to various maturity dates. Revenue bonds also include amounts borrowed under a loan and trust agreement between the R.I. Health and Educational Building Corporation (RIHEBC) (a proprietary component unit) and the Board of Governors for Higher Education acting for URI, RIC, and CCRI. The agreement provides for RIHEBC's issuance of the bonds with a loan of the proceeds to the university and colleges and the payment by the university and colleges to RIHEBC of loan payments that are at least equal to debt service on the bonds. The bonds are secured by a pledge of revenues of the respective institutions.

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Bonds of the R.I. Housing and Mortgage Finance Corporation (RIHMFC) are special obligations of RIHMFC, payable from the revenue, prepayments and all the funds and accounts pledged under the various bond resolutions to the holders of the bonds. The proceeds of the bonds were generally used to acquire mortgage loans which are secured principally by a first lien upon real property and improvements.

The R.I. Student Loan Authority issued tax exempt Student Loan Revenue Bonds that are secured by eligible student loans, the monies in restricted funds established by the trust indenture and all related income. The proceeds of the issuance and operating cash were used to refund bonds and to originate and purchase eligible student loans.

The R.I. Economic Development Corporation (RIEDC) has bonds outstanding referred to as Airport Revenue Bonds. They were issued to finance the construction and related costs of certain capital improvements at T.F. Green State Airport. The proceeds of the bonds were loaned to the R.I. Airport Corporation, a subsidiary and component unit of RIEDC. The remainder of bonds outstanding comprise the financing to purchase land and make land improvements at Island Woods Industrial Park in Smithfield, R.I. and to acquire land, make improvements and renovations of a building and parking lot (The Fleet National Bank Project).

The proceeds of the revenue bonds of the R.I. Clean Water Finance Agency provide funds to make low interest loans to municipalities in the State and quasi-state agencies to finance or refinance the costs of construction or rehabilitation of water pollution abatement projects.

Bonds of the Narragansett Bay Commission (NBC) represent the NBC's portion of the State's general obligation bonds. Debt service on NBC's portion is recovered through charges levied for services provided to users of its facilities. These bonds are guaranteed by the State.

Bonds of the R.I. Water Resources Board Corporate were issued to provide financing to various cities, towns, private corporations and companies engaged in the sale of potable water and the water supply business.

**B. Notes Payable**

Notes payable (expressed in thousands) at June 30, 2003 are as follows:

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Component Units

Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024.	\$ 2,167
R.I. Housing and Mortgage Finance Corporation bank notes, 1.39% to 5.46% interest, payable through 2006.	74,000
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 6.75% interest, payable through 2005	171
R.I. Resource Recovery Corporation notes payable through 2004 with interest at 4.5%	1,865
	78,203
Less: current payable	(74,052)
	\$ 4,151

**C. Loans Payable**

**Component Units**

Loans payable represent liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) (\$137,313,922). The loans payable to the RICWFA are for projects financed by that agency. The University of Rhode Island (URI) has an outstanding loan from the Rhode Island State Energy Office for \$251,341 to finance the installation of energy conservation measurers in various buildings. It also includes Community College of Rhode Island's (CCRI) loan in the amount of \$237,054 from the Energy Revolving Loan Fund (an internal service fund). In addition, CCRI entered into an agreement with the Quonset Point Facility and is liable for a loan in the amount of \$306,543 to pay for leasehold improvements.

**D. Obligations Under Capital Leases**

**Primary Government**

The State has entered into capital lease agreements with financial institutions. These financing arrangements have been used by the State to acquire, construct or renovate facilities and acquire other capital assets.

The State's obligation under capital leases at June 30, 2003 consists of the present value of future minimum lease payments less any funds available in debt service reserve funds.

Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2003.

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Fiscal Year Ending June 30	COPS	Other	Total
2004	\$ 14,027	\$ 1,922	\$ 15,949
2005	12,874	1,922	14,796
2006	10,858	1,922	12,780
2007	11,772		11,772
2008	11,820		11,820
2009 - 2013	48,400		48,400
2014 - 2018	32,499		32,499
2019 - 2023	6,766		6,766
2024 - 2028			0
Total future minimum lease payments	<u>149,016</u>	<u>5,766</u>	<u>154,782</u>
Amount representing interest	(40,511)	(825)	(41,336)
Present value of future minimum lease payments	<u>\$ 108,505</u>	<u>\$ 4,941</u>	<u>\$ 113,446</u>

### Component Units

The University of Rhode Island (URI), Rhode Island College (RIC), Community College of Rhode Island (CCRI), and R.I. Public Telecommunications Authority (RIPTCA) obligations under capital leases consist, primarily, of construction of facilities and equipment acquisitions financed by the R.I. Refunding Bond Authority, a blended component unit.

Capital lease obligations of the R.I. Airport Corporation (RIAC), a subsidiary and component unit of the R.I. Economic Development Corporation (RIEDC), are for annual payments to the State equal to the principal and interest for airport related general obligation bonds issued by the State.

The following is a summary of the material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2003.

Fiscal Year Ending June 30	URI	RIC	CCRI	RIEDC	RIPTCA	NBC
2004	\$ 1,827	\$ 64	\$ 156	\$ 4,592	\$ 998	\$ 178
2005	1,737	64	156	4,170	683	148
2006	1,569	64	156	3,848	505	78
2007	1,457	64	156	3,635	863	52
2008	1,446	63	156	2,633	976	35
2009 - 2013	6,356	42	782	11,624	756	
2014 - 2018	6,319		782	3,552		
2019 - 2023	2,517		782	78		
2024 - 2028			156			
Total future minimum lease payments	<u>23,228</u>	<u>361</u>	<u>3,282</u>	<u>34,132</u>	<u>4,781</u>	<u>491</u>
Amount representing interest	(6,981)	(86)	(1,419)	(8,036)	(615)	(56)
Present value of future minimum lease payments	<u>\$ 16,247</u>	<u>\$ 275</u>	<u>\$ 1,863</u>	<u>\$ 26,096</u>	<u>\$ 4,166</u>	<u>\$ 435</u>

### E. Compensated Absences

State employees are granted vacation and sick leave in varying amounts based upon years of service. At the termination of service, the employee is paid for accumulated unused vacation leave. Also, the employee is entitled to payment of a percentage of accumulated sick leave at

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retirement. The State calculates the liability for accrued sick leave for only those employees that are eligible for retirement. Payment is calculated at their then-current rate of pay.

**F. Other Long-Term Liabilities**

Income on invested general obligation bond proceeds, determined to be arbitrage earnings in accordance with federal regulations, has been included in long-term debt. These amounts are generally payable to the federal government five years after the bond issuance date.

The long-term debt portion of violent crimes' claims is included in long-term debt. Also included is an advance from the Federal Highway Authority Right of Way Revolving Fund that will be used to acquire land and rights-of-way for the Quonset access road project. The amount included for negotiated settlements represents the amount due to correctional officers and is payable over three years. Retainage payable is also included in other long-term debt since the related construction projects are not expected to be completed in the subsequent fiscal period. Finally, an amount due to the federal government is being reported as long-term debt because the payment schedule coincides with the repayment of a long-term loan issued to a private employer.

**G. Changes in Long-Term Debt**

During the fiscal year ended June 30, 2003, the following changes (expressed in thousands) occurred in long-term debt:

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**Primary Government**

	Balance July 1	Additions	Reductions	Balance June 30	Amounts Due Within One Year	Amounts Due Thereafter
<b>Governmental activities</b>						
General obligation bonds payable:						
Current interest bonds	\$ 682,434	\$ 139,905	\$ (100,050)	\$ 722,289	\$ 36,847	\$ 685,442
Capital appreciation bonds	610			610		610
Accreted interest on capital appreciation bonds	4,411	1,334		5,745		5,745
Deferred costs	3,121	7,502	(167)	10,456		10,456
	<u>690,576</u>	<u>148,741</u>	<u>(100,217)</u>	<u>739,100</u>	<u>36,847</u>	<u>702,253</u>
Revenue bonds - RIRBA	133,105	67,625	(100,025)	100,705	15,975	84,730
Deferred costs		7,346	(343)	7,003		7,003
Tobacco Settlement Asset-Backed Bonds	685,390			685,390		685,390
Deferred costs	(34,393)	(275)	839	(33,829)		(33,829)
Bonds payable	<u>1,474,678</u>	<u>223,437</u>	<u>(199,746)</u>	<u>1,498,369</u>	<u>52,822</u>	<u>1,445,547</u>
Certificates of Participation (COP)	112,665	3,890	(8,050)	108,505	8,970	99,535
Other capital leases	6,480		(1,539)	4,941	1,591	3,350
Obligations under capital leases	<u>119,145</u>	<u>3,890</u>	<u>(9,589)</u>	<u>113,446</u>	<u>10,561</u>	<u>102,885</u>
Compensated absences	54,647	48,952	(45,097)	58,502	42,898	15,604
Other long-term liabilities	40,008	5,966	(9,064)	36,910	6,423	30,487
	<u>\$ 1,688,478</u>	<u>\$ 282,245</u>	<u>\$ (263,496)</u>	<u>\$ 1,707,227</u>	<u>\$ 112,704</u>	<u>\$ 1,594,523</u>
<b>Business type activities</b>						
Revenue bonds	\$ 319,435	\$ 58,285	\$ (67,715)	\$ 310,005	\$ 7,685	\$ 302,320
Add: bond premium		4,566		4,566		4,566
Less: deferred amounts						
Issuance discounts	6,191		(509)	5,682		5,682
On refunding	20,559	280	(2,079)	18,760		18,760
Bonds payable	<u>292,685</u>	<u>62,571</u>	<u>(65,127)</u>	<u>290,129</u>	<u>7,685</u>	<u>282,444</u>
Other long-term liabilities	1,153		(1,000)	153	153	
	<u>\$ 293,838</u>	<u>\$ 62,571</u>	<u>\$ (66,127)</u>	<u>\$ 290,282</u>	<u>\$ 7,838</u>	<u>\$ 282,444</u>

Certain beginning balances were restated because of errors, omissions and/or changes in the presentation of the basic financial statements.

**H. Defeased Debt**

In prior years, the State and its component units defeased certain general obligation bonds, revenue bonds and certificates of participation (COP) by placing the proceeds of the new bonds or COP, or other sources, in irrevocable trusts to provide for all future debt service payments on the old bonds or COP. Accordingly, the trust account assets and the liabilities for the defeased bonds or COP are not included in the basic financial statements. On June 30, 2003, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
<b>Primary government:</b>	
General Obligation Bonds (includes \$155,000 of NBC)	\$ 327,879
Certificates of Participation	3,565
<b>Component Units:</b>	
R.I. Clean Water Finance Agency	5,725
R.I. Depositors Economic Protection Corporation	350,435
R.I. Economic Development Corporation	28,820
R.I. Turnpike And Bridge Authority	37,550

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In December 2002, the state issued \$62,765,000 Consolidated Capital Development Loan of 2002, Refunding Series C, with interest rates ranging from 1.60% to 3.92%, maturing from 2003 through 2014. The proceeds were used to advance refund \$66,370,000 of 1993 and 1994 Series A Bonds. The net proceeds from the sale of the refunding bonds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service of the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Statement of Net Assets. The refunding decreased total debt service payments over the next 11 years by \$4,200,300 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,107,978.

On May 1, 2003, Rhode Island Refunding Bond Authority (RIRBA), a blended component unit, issued \$67,625,000 in revenue bonds dated April 1, 2003 with the interest rates ranging from 3.0% to 5.0% as part of the advance refunding of \$84,910,000 of outstanding 1993 Series A bonds with interest rates ranging from 5.0% to 5.25%. The net proceeds of \$71.7 million (including issuance premiums and after payment of \$700 thousand for underwriting fees, insurance and other costs of issuance) plus an additional \$16.4 million available from the Debt Service Reserve Fund established for the 1993 Series A bonds were used to purchase U.S. Government Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the 1993 Series A bonds including a call premium of 102%. As a result, the Series A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,610,613. RIRBA completed the advance refunding to reduce its total debt service payments by \$2,811,239 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,862,523.

On June 5, 2003 the 1993 Series A bonds were called and redeemed with the proceeds of the securities placed in the irrevocable trust.

### **I. Conduit Debt**

The R.I. Industrial Facilities Corporation, the R.I. Health and Educational Building Corporation and the R.I. Economic Development Corporation issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the

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related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2003 was \$85,000,000, \$1,304,676,331 and \$352,605,000 respectively. Certain issues of conduit debt are moral obligations of the State and the cumulative amounts outstanding are disclosed in Note 13.

**Note 8. Net Assets**

**Government-Wide Unrestricted Net Assets**

	Governmental Funds	
Deficit	\$ (1,053,961)	
General Revenue	42,634	Unrestricted balance
Appropriations carried forward:		
General Revenues	7,347	General revenues carried forward for original purpose
Restricted Revenues	27,727	Restricted revenues carried forward for original purpose
Other	10,484	Principally capital accounts carried forward for original purpose
Special Revenue	25,403	ISTEA, Tobacco Settlement Trust, R.I. DTI Fund
		RI Economic Policy Council
Capital Projects Fund	70,153	Committed for capital projects
Permanent Fund	837	Permanent School
Internal Service Funds	9,066	Unrestricted balance of all Internal Service Funds
Unrestricted Net Assets	<u>\$ (860,310)</u>	

**Changes in General Fund Reserved Fund Balances**

The State maintains certain reserves within the General Fund in accordance with the General Laws. These reserves accumulate in the General Fund until withdrawn by statute or used for the intended purposes pursuant to the enabling legislation.

	Reserved Fund Balance July 1,	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	\$ 82,024	\$ 55,905	\$ (54,281)	\$ 83,648
Appropriations carried forward				
General revenue	7,812	7,347	(7,812)	7,347
Departmental restricted revenue	36,280	27,727	(36,186)	27,821
Operating transfers in	6,645	10,484	(6,411)	10,718
Total	<u>\$ 132,761</u>	<u>\$ 101,463</u>	<u>\$ (104,690)</u>	<u>\$ 129,534</u>

The State maintains a budget reserve in the general fund. Annually, 2% of general revenues and opening surplus are set aside in this reserve account. Amounts in excess of 3% of the total general revenues and opening surplus are transferred to the bond capital fund to be used for capital projects, debt reduction or debt service. The reserve account, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year. Such appropriations must be approved by a majority of each chamber of the General Assembly.

Appropriations carried forward can only be used for the same purpose as intended in the original budget as enacted by the General Assembly.

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**Note 9. Taxes**

Tax revenue reported on the Statement of Activities is reported net of the allowance for uncollectible amounts. Tax revenue on the Statement of Revenues, Expenditures and Fund Balances – Governmental Funds is reported net of the uncollectible amount and the amount that will not be collected within one year (unavailable). The unavailable amount is reported as deferred revenue. The detail of the general revenue taxes as stated on the Statement of Activities is presented below (expressed in thousands):

	Taxes
General Fund	
Personal Income Tax	\$ 816,175
General Business Taxes:	
Business Corporation Tax	56,506
Non-resident Contractor Tax	81
Franchise Tax	6,402
Gross Earnings Tax-Public Utilities	76,178
Income Tax-Financial Institutions	9,804
Tax on Insurance Companies	51,358
Tax on Deposits-Banking Institutions	1,698
Health Care Provider Assessment	8,462
Nursing Facilities Provider Assessments	20,014
Sub-total - General Business Taxes	230,503
Sales and Use Taxes:	
Sales and Use Tax	767,663
Providence Place Sales Tax	11,391
Motor Vehicle Tax	44,563
Rental Vehicle Surcharge	2,696
Fuel Use Tax on Motor Carriers	1,042
Cigarette Tax	92,635
Smokeless Tobacco Tax	1,775
Alcoholic Beverage Import Fees	10,030
Tax on Mfg. of Beers, Liquors, etc.	29
Sub-total - Sales and Use Taxes	931,824
Other Taxes:	
Inheritance Tax	24,401
Simulcast Wagering	3,086
Jai Alai - Pari-mutuel Betting	38
Jai Alai - Tax on Breakage	2
Dog Racing - Pari-mutuel Betting	1,786
Dog Racing - Tax on Breakage	27
Realty Transfer Tax	9,770
Mobile Home Conveyance Tax	12
Sub-total - Other Taxes	39,122
Total - General Fund	2,017,624
R.I. Temporary Disability Fund	178,247
Intermodal Surface Transportation Fund	
Gasoline	139,458
Total Taxes	\$ 2,335,329

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**Note 10. Operating Transfers**

Operating transfers for the fiscal year ended June 30, 2003 are presented below (expressed in thousands):

**Fund Financial Statements**

	Transfers	Description
Governmental activities		
Major Funds		
General Fund		
Major Funds		
Intermodal Surface Transportation	\$ 58,308	Debt service
Bond Capital	44,079	Debt service
Temporary Disability	1,225	Operating assistance
Nonmajor Funds		
Tobacco Settlement Financing Corp	52,749	Operating assistance
Tobacco Settlement Trust Fund	113,500	Operating assistance
Debt Service	241	Debt service
Business-Type Activities		
Lottery	249,124	Net income
Convention Center	2,928	Excess debt service
Employment Security	1,985	Net income
ISTEA Fund		
Bond Capital	44,130	Infrastructure
Bond Capital		
General Fund	54,141	Debt service or capital projects
Nonmajor Fund		
Economic Policy Council		
General Fund	2,675	Operating assistance
Total Governmental Activities	625,085	
Business-Type Activities		
Employment Security		
Assessed Fringe Benefits	1,622	Operating assistance
Convention Center		
General Fund	17,351	Debt service
Total operating transfers	\$ 644,058	

**Note 11. Operating Lease Commitments**

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$13,660,000 for the fiscal year ended June 30, 2003

Most of the operating leases contain an option allowing the State, at the end of the initial lease term, to renew its lease at the then fair rental value. In most cases, it is expected that these leases will be renewed or replaced by other leases.

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The following is a summary of material future minimum rental payments (expressed in thousands) required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2003:

Fiscal Year Ending June 30		
2004	\$	13,770
2005		12,827
2006		9,868
2007		6,327
2008		4,780
2009 - 2013		15,913
2014 - 2018		9,038
2019 - 2023		2,006
Total	\$	74,529

The minimum payments shown above have not been reduced by any sublease receipts.

**Note 12. Commitments**

Encumbrances outstanding for the governmental funds were not available at fiscal year end.

The R.I. Economic Development Corporation (RIEDC) entered into several agreements with Providence Place Group Limited Partnership (PPG). The agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements developed by PPG. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer, during the first 20 years only, of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) \$3,680,000 in the first five years and \$3,560,000 in years 6 through 20.

The Employees' Retirement System of Rhode Island has contracted with a systems integration firm to design and build a new pension administration system. The total cost to the System is estimated at \$17.8 million, of which \$17.2 million has been recorded in Property and Equipment. The remaining cost is estimated at \$.6 million. Full implementation is expected by the fourth quarter of fiscal 2004. This will be financed in the same manner as other administrative expenses of the System.

The R.I. Convention Center Authority (RICCA) has entered into management contracts with vendors under which these vendors will provide various services relating to the operation of the convention center, parking garages, and hotel. In addition, RICCA has entered into a licensing agreement with a major hotel chain that permits the hotel to use its name, trademark, reservation system and other services.

During May 2003, the Lottery entered into a 20-year master contract with its gaming systems provider granting them the right to be the exclusive provider of information technology

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hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30, 2023, and amends all previous agreements between the parties.

**Component Units**

The R.I. Airport Corporation (RIAC), a subsidiary and component unit of RIEDC, was obligated for completion of certain airport improvements under commitments of approximately \$5,138,000 which is expected to be funded from current available resources and future operations.

The Narragansett Bay Commission has entered into various engineering and construction contracts for the design and improvement of its facilities as part of a capital improvement program. Commitments under these contracts aggregated approximately \$200,775,000 at June 30, 2003.

The R.I. Resource Recovery Corporation's (RIRRC) currently licensed landfill consists of areas known as Phases I, II, III, and IV. The capacity of Phase I was reached in May 1993. The capacity of Phases II and III was reached in December 2002.

Phase IV consists of four eleven-acre cells of which two cells began accepting refuse in September 2000. To date, \$30,933,781 has been expended on permitting and engineering costs related to Phase IV, and other costs associated with readying the area for use, including relocation of a brook. Costs incurred in connection with the acquisition and development of Phase V total \$1,401,589 at June 30, 2003.

The Environmental Protection Agency (EPA) established closure and postclosure care requirements for municipal solid waste landfills as a condition for the right to operate a landfill in the current period. Based on RIRRC's engineers and independent engineering studies, it is estimated that these costs of closure and postclosure activities for Phase I, II, III and IV will be approximately \$43,035,000. The liability at June 30, 2003 is approximately \$38,270,000, with \$4,765,000 remaining to be recognized. RIRRC recognizes an expense and a liability for these costs based on landfill capacity used to date. Based on the estimates of RIRRC's engineers, approximately 66% of capacity of Phase IV has been used to date, and it is expected that full capacity will be reached in September 2004. Amounts provided for closure and postclosure are based on current costs. These costs may be adjusted each year due to changes in the closure and postclosure care plan, inflation or deflation, technology, or applicable laws and regulations. RIRRC has designated investments in the amount of \$16,822,257 to meet the financial requirements of closure and postclosure costs, and plans to increase these designated investments each year to enable it to pay the costs as they are incurred.

In prior years, the EPA issued administrative orders requiring the RIRRC to conduct environmental studies of the landfill and undertake various plans of action. Additionally, in 1986, the landfill was named to the EPA's Superfund National Priorities List. The majority of the studies were completed and were submitted to the EPA for review. During 1996, the RIRRC entered into a consent decree with the EPA concerning remedial actions taken by the

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RIRRC for groundwater contamination. The consent decree, which was approved by the U.S. District Court on October 2, 1996, requires the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The trust is included in restricted assets held in trust on RIRRC's balance sheet. As of June 30, 2003, the market value of the trust was \$26,969,876. The present value of the estimated remaining total expenditures relating to groundwater contamination that will be required as a result of the consent decree is estimated to be approximately \$21,866,000 and is recorded in the financial statements, net of the amount included in the trust fund.

RIRRC is required by the R.I. Department of Environmental Management to restore certain wetlands which are located at the Central Landfill. Total costs incurred for this project are approximately \$6,200,000. As of June 30, 2003, the project was substantially complete and awaiting DEM approval.

RIRRC is committed, under various contracts and agreements, for a materials recovery facility and a methane gas collection-flare system.

In addition, RIRRC is required to grant funds to municipalities to assist them in organizing source separation and recycling programs in their communities.

RIRRC has entered into an agreement with the City of Cranston to furnish sewer and water services to RIRRC's Johnston facilities in exchange for payments by RIRRC.

The R.I. Housing and Mortgage Finance Corporation had loan commitments of \$46,446,000 under various loan programs at June 30, 2003.

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2003 remaining commitments on these contracts approximated \$1,100,000.

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$7,012,877 at June 30, 2003.

The R.I. Higher Education Assistance Authority is required to return to the federal government \$1,116,117 as its share of Reserve Funds pursuant to the 1998 reauthorization of the Higher Education Act recall from guaranty agencies. The Authority's share is payable in three installments due on September 1, 2002, 2006 and 2007, respectively. The first installment was paid on August 30, 2002. As of June 30, 2003, the amount outstanding is \$736,637 and recorded in the Federal Fund.

The University of Rhode Island, Rhode Island College and Community College of Rhode Island have begun a technology modernization of core administration systems. This is being accomplished system wide through the Office of Higher Education and will be financed over a seven-year period beginning in fiscal year 2000 at a cost of \$3,700,000, \$2,200,000, and \$2,500,000, respectively.

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The R.I. Children's Crusade has estimated its cost of scholarships for currently enrolled students to be \$25,600,000 of which \$13,200,000 will be funded by investments and \$12,400,000 to be funded by pledged scholarships.

**Note 13. Contingencies**

**Primary Government**

The State is involved in various civil lawsuits which could result in monetary loss to the State. The lawsuits are in various developmental stages, some to the point that a favorable decision, with no or minimal loss is anticipated, others, where the outcome and amount of loss, if any, cannot be determined and others which are still in the discovery stage.

In June 2002, the Tobacco Settlement Financing Corporation (Corporation), a blended component unit, issued revenue bonds that are the sole obligation of the Corporation. The bonds are asset-backed instruments that are secured solely by the Tobacco Settlement Revenues (TSR's) receivable by the Corporation. The State sold to the Corporation its future rights in the (TSR's) under the Master Settlement Agreement and the Consent Decree and Final Judgement (the MSA). When the Corporation's obligations with the bonds have been fulfilled, the TSR's will revert back to the State.

The Corporation's rights to receive TSR's are expected to produce funding for its obligations. The TSR payments are dependent on a variety of factors, which include:

- the financial capability of the participating cigarette manufacturers to pay TSR's;
- future cigarette consumption which impacts the TSR payment; and
- future legal and legislative challenges against the tobacco manufacturers and the master settlement agreement that provides for the TSR payments.

Litigation has been filed against tobacco manufacturers as well as certain states and public entities. The lawsuits allege, among other claims, that the Master Settlement Agreement (MSA) violates provisions of the U.S. Constitution, state constitutions, federal antitrust and civil rights laws, state consumer protection laws; these actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. The lawsuits seek to prevent the states from collecting any monies under the MSA, and/or a determination that prevents the tobacco manufacturers from collecting MSA payments through price increases to cigarette consumers. In addition, class action lawsuits have been filed in jurisdictions alleging violations of state Medicaid agreements. To date, no such lawsuits have been successful. The enforcement of the terms of the MSA may continue to be challenged in the future. In the event of an adverse court ruling, the corporation may not have adequate financial resources to service its debt obligations.

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**Federal Grants**

The State receives significant amounts of federal financial assistance under grant agreements which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. Any disallowances as a result of these audits become a liability of the State. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**Moral Obligation Bonds**

Some component units issue bonds with bond indentures requiring capital reserve funds. Moneys in the capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bond holder(s). These bonds are considered "moral obligations" of the State when the General Laws require the executive director to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget. At June 30, 2003 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$209,862,722 and \$68,421,242 respectively, in "moral obligation" bonds outstanding. Certain of the RIEDC bonds are economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the State anticipates paying approximately \$1,000,000 of the debt on the related economic development revenue bonds in fiscal year 2004.

**Component Units**

**R.I. Student Loan Authority**

The R.I. Student Loan Authority (RISLA) maintains letters of credit in the original stated amount of \$31,940,000 on its January 1995 weekly adjustable interest rate bonds and the originally stated amount of \$69,203,000 on its April 1996 Series I, II and III variable rate bonds. The letters of credit obligate the letter of credit provider to pay to the trustee an amount equal to principal and interest on the bonds when the same becomes due and payable (whether by reason of redemption, acceleration, maturity or otherwise) and to pay the purchase price of the bonds tendered or deemed tendered for purchase but not remarketed. The RISLA also maintained a standby letter of credit in the original stated amount of \$30,000,000 on its March 2000 issue. The 2000 series bonds were refunded in 2003. The letters of credit will expire on the earliest to occur: a) July 28, 2004, for the January 1995 and April 1996 issue, and March 15, 2003 for the March 2000 issue; b) the date the letter of credit is surrendered to the letter of credit provider; c) when an alternative facility is substituted for the letter of credit; d) when the bonds commence bearing interest at a fixed rate; e) when an event of default has occurred or f) when no amount becomes available to the trustee under the letter of credit.

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**R.I. Public Transit Authority**

The R.I. Public Transit Authority has a \$2,000,000 line of credit with a financial institution. The line of credit is due on demand with interest payable at a floating rate at the financial institution's base rate or fixed rate options at the financial institution's cost of funds plus 2.00%. No amount was due under this line of credit at June 30, 2003

**R.I. Children's Crusade for Higher Education**

The R.I. Children's Crusade for Higher Education has a \$500,000 line of credit agreement that expires on December 31, 2003. Interest is payable monthly at the prime rate. The outstanding balance as of June 30, 2003 was \$400,000. Subsequent to June 30, 2003, the line of credit agreement was modified to increase the credit available to \$850,000.

**Note 14. Employer Pension Plans**

**Plan Descriptions**

The State, through the Employees' Retirement System (System), administers four defined benefit pension plans. Three of these plans; the Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan and the Judicial Retirement Benefits Trust (JRBT) and the State Police Retirement Benefits Trust (SPRBT), single-employer defined benefit pension plans; cover most State employees. The State does not contribute to the Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The level of benefits provided to State employees, which is subject to amendment by the general assembly, is established by the General Laws as listed below. In addition to the State, there are 40 local public school entities that are members of the ERS. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903.

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the System are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Dividend income is recorded on the ex-dividend date. The gains or losses on foreign

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currency exchange contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed. Investment transactions are recorded on a trade date basis.

**Method Used to Value Investments**

Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued on appraisals by independent appraisers or as adjusted by the general partner. Other securities and investments, which are not traded on a national security exchange, are valued by the respective fund manager. Commingled funds consist primarily of institutional equity index funds. The fair value of the commingled funds is based on the reported share value of the respective fund. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

**Funding Policy and Annual Pension Cost**

The State's annual pension cost (expressed in thousands) for the current year and related information for each plan is listed below. The most recent actuarial information may be found in the separately issued audit report referred to above.

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	7.68%	27.48%	33.42%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	4.63% and 5.04%		
Annual pension cost	\$83,566	\$2,257	\$1,657
Contributions made - state employees	\$45,323	\$2,257	\$1,657
Contributions made - teachers	\$38,243		
Actuarial valuation date	June 30, 2000	June 30, 2000	June 30, 2000
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	29 years	29 years	29 years
Asset valuation method	5 Year Smoothed Market	5Year Smoothed Market	5Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.25% to 14.25%	5% to 15.00%	5.50%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	3% compounded annually	\$1,500 per annum	3% of original retirement, compounding varies
Level of benefits established by:			
General Law(s)	36-8 to 10	42-28-22.1	8-3-16, 8-8-10.1, 8-8.2-7 and 28-30-18.1

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Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/01	\$ 79,906	100%	\$ 0
	6/30/02	62,565	100%	0
	6/30/03	83,566	100%	0
State Police Retirement Benefits Trust	6/30/01	1,820	100%	0
	6/30/02	2,405	100%	0
	6/30/03	2,257	100%	0
Judicial Retirement Benefits Trust	6/30/01	1,164	100%	0
	6/30/02	1,458	100%	0
	6/30/03	1,657	100%	0

**Other**

Certain employees of the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts with the Teachers' Insurance and Annuity Association. Total expenditures by the institutions for such annuity contracts amounted to \$11,987,537 during the year ended June 30, 2003.

The R.I. Public Transit Authority has two pension plans that cover employees meeting certain eligibility requirements. Employer contribution paid in fiscal year 2003 was \$3,966,633. At January 1, 2003, the most recent valuation date, the total pension benefit obligation was \$42,044,519 and net assets available for benefits were \$20,179,970.

Certain other component units have defined contribution pension and savings plans. For information regarding these pension and savings plans, please refer to the component units' separately issued financial reports.

**Note 15. Postemployment Benefits**

In accordance with the General Laws, postretirement health care benefits are provided to State employees who retire on or after July 1, 1989. The benefits in general cover medical and hospitalization costs for pre-Medicare retirees and a Medicare supplement for Medicare-eligible retirees. The State provides a subsidy for all recipients equal to the difference between the retiree premium and the active premium. This subsidy cost approximately \$4.3 million in FY 2003. Additionally the State provides an additional benefit based upon years of service. The State's share varies with years of service and ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years of service. During fiscal year 2003, the State contributed 1.07% of covered payroll for postretirement healthcare benefits. The contribution rates are not actuarially determined. Postretirement health care expenses for the fiscal year ended June 30, 2003 were \$6,003,011 net of retirees' contributions for the 4,031 retirees receiving benefits.

In addition to the pension benefits described above, expenditures of \$957,504 were recognized for postretirement benefits provided under early retirement incentive programs (an average of \$1,046 for each of the 915 retirees covered by the plans).

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The above plans are financed on a pay-as-you-go basis.

**Note 16. Deferred Compensation**

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Department of Administration pursuant to Chapter 36-13 of the General Laws administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Benefit payments are not available to employees earlier than the calendar year in which the participant attains age 70½, termination, retirement, death or “unforeseeable emergency”.

Current Internal Revenue Service regulations require that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors. The plan assets also may be held in annuity contracts or custodial accounts, which are treated as trusts.

The State does not serve in a trustee capacity. Accordingly, the plan assets are not included in the financial statements.

**Note 17. Restatement of Net Assets and Fund Balance**

Certain beginning balances were restated as listed below (expressed in thousands).

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	Beginning Net Assets	Changes	Beginning Net Assets as Restated
<b>Entity-wide</b>			
<b>Governmental Activities</b>			
RIUSTFR	\$ 1,096	\$ (1,096)	\$
TSFC		108,074	108,074
Restated debt		(663,547)	(663,547)
Errors and omissions		2,027	2,027
Other	443,000		443,000
	<u>\$ 444,096</u>	<u>\$ (554,542)</u>	<u>\$ (110,446)</u>
<b>Component Units</b>			
RIEDC	\$ 228,054	\$ 2,556	\$ 230,610
RIUSTFR		846	846
RIWRBC	(1,526)	356	(1,170)
TSFC	1,312	(1,312)	
Other	1,168,660		1,168,660
	<u>\$ 1,396,500</u>	<u>\$ 2,446</u>	<u>\$ 1,398,946</u>
	Beginning Fund Balance	Changes	Beginning Fund Balance as Restated
<b>Governmental Funds</b>			
RIUSTFR	\$ 1,096	\$ (1,096)	\$
TSFC		108,074	108,074
Other	512,968		512,968
	<u>\$ 514,064</u>	<u>\$ 106,978</u>	<u>\$ 621,042</u>

The R.I. General Laws were amended giving the RI Underground Storage Tank Financial Responsibility Fund (RIUSTFR) separate legal status; therefore, the fund was reclassified from a special revenue fund to a discretely presented component unit.

The Tobacco Settlement Financing Cooperation (TSFC) early implemented the GASB Technical Bulletin, *Tobacco Settlement Recognition and Financial Entity Issues*. This bulletin made it clear that the corporation should be a blended component unit; therefore the corporation was reclassified from a discretely presented component unit to a special revenue fund. The difference in net assets and fund balance for the TSFC occurs because the component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The RIEDC and RIWRBC corrected prior year transactions.

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**Note 18. Condensed Financial Statement Information**

The condensed financial statement information for the discretely presented component units is presented (expressed in thousands) in the following schedules:

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTFR	NBC
Other assets	\$ 2,049,891	\$ 966,819	\$ 38,221	\$ 191,619	\$ 1,301	\$ 46,676
Capital assets - nondepreciable			5,391	76,908		138,399
Capital assets - depreciable (net)		490	56,024	259,858	66	191,196
Due from primary government				678	48	217
Long term debt	1,563,634	883,563	37,314	272,740		150,830
Other liabilities	236,697	24,070	3,202	20,475	483	18,883
Due to primary government				24		
Net assets:						
Invested in capital assets, net of related debt	17,850	490	24,101	142,492	66	178,411
Restricted	166,732	56,791	5,653	74,039	835	71
Unrestricted	64,978	2,395	29,366	19,293	31	28,293
Operating expenses	97,588	32,465	4,186	43,455	4,458	24,122
Depreciation, depletion, and amortization	5,584	913	979	15,196	3	5,981
Program revenue	82,749	36,460	11,800	58,730	4,527	44,952
Net program (expense) revenue	(20,423)	3,082	6,635	79	66	14,849
Interest revenue	29,326	1,937	2,374	5,708	15	260
Gain (loss) on sale of assets				(493)	4	
Net increase in fair value of investments		(4)	42			
Miscellaneous			(1,856)	(14,506)		(4,296)
Capital contributions				4,756		1,665
Transfers from primary government				11,563		
Transfers (to) primary government				(1,893)		
Change in net assets	8,903	5,015	7,195	5,214	85	12,478
Beginning net assets	240,657	54,661	51,925	230,610	847	194,297
Ending net assets	249,560	59,676	59,120	235,824	932	206,775

	RIHEBC	RIRRC	DEPCO	RIHEAA	RIPTA	RIIFC
Other assets	\$ 10,830	\$ 92,410	\$	\$ 19,250	\$ 10,434	\$ 1,273
Capital assets - nondepreciable		15,626		194	12,840	
Capital assets - depreciable (net)	123	53,673		1,436	80,570	
Due from primary government					2,389	
Long term debt		20,835				
Other liabilities	102	67,785		1,508	15,856	676
Due to primary government		3,000			647	
Net assets:						
Invested in capital assets, net of related debt	123	50,329		1,630	93,411	
Restricted		(14,667)		14,808		
Unrestricted	10,728	34,427		2,934	(3,681)	597
Operating expenses	1,011	44,458	249	13,046	67,285	27
Depreciation, depletion, and amortization	15	16,361		212	7,677	
Program revenue	1,369	54,603	914	11,657	37,254	
Net program (expense) revenue	343	(6,216)	665	(1,601)	(37,708)	(27)
Interest revenue	125	2,854	14	485	68	7
Gain (loss) on sale of assets		(316)			(10)	
Net increase in fair value of investments						
Miscellaneous		(965)			(12)	
Capital contributions					6,013	
Transfers from primary government				6,018	29,055	
Transfers (to) primary government		(6,000)	(9,319)		(409)	
Change in net assets	468	(10,643)	(8,640)	4,902	(3,003)	(20)
Beginning net assets	10,383	80,732	8,640	14,470	92,733	617
Ending net assets	10,851	70,089		19,372	89,730	597

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	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>
Other assets	\$ 543,785	\$ 4,672	\$ 25,704	\$ 2,094	\$ 24,366
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	53	425		3,492	66
Due from primary government			8		
Long term debt	289,665		24,831	4,386	
Other liabilities	7,319	2,858	1,425	1,295	27,669
Due to primary government				295	
Net assets:					
Invested in capital assets, net of related debt	53	606		(941)	66
Restricted	240,609		(1,062)		
Unrestricted	6,192	1,814	518	1,372	(3,303)
Operating expenses	14,445	85	53	3,304	7,489
Depreciation, depletion, and amortization	145	14	125	650	46
Program revenue	43,716	207	1,562	2,271	9,297
Net program (expense) revenue	29,126	108	1,384	(1,683)	1,762
Interest revenue		46	289	7	307
Gain (loss) on sale of assets					
Net increase in fair value of investments			(6)		
Miscellaneous			(1,041)	(239)	
Capital contributions					
Transfers from primary government	2,675			1,939	
Transfers (to) primary government					
Change in net assets	31,801	154	626	24	2,069
Beginning net assets	215,053	2,266	(1,170)	407	(5,306)
Ending net assets	246,854	2,420	(544)	431	(3,237)

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Other assets	\$ 81,284	\$ 24,547	\$ 9,136	\$ 5,142	\$ 4,149,454
Capital assets - nondepreciable	12,381	6,947	5,479	50	275,217
Capital assets - depreciable (net)	237,776	46,369	32,415	2,616	966,648
Due from primary government				900	4,240
Long term debt	129,484	20,768	11,605	1,886	3,411,541
Other liabilities	45,296	16,000	4,778	2,980	499,357
Due to primary government			1,069		5,035
Net assets:					
Invested in capital assets, net of related debt	137,310	38,059	31,839	2,665	718,560
Restricted	18,326	7,723	3,220	493	573,571
Unrestricted	1,023	(4,687)	(5,481)	684	187,493
Operating expenses	298,432	92,950	77,929	43,025	870,062
Depreciation, depletion, and amortization	12,123	5,255	2,458	104	73,841
Program revenue	224,787	49,879	37,921	8,216	722,871
Net program (expense) revenue	(85,768)	(48,326)	(42,466)	(34,913)	(221,032)
Interest revenue				73	43,895
Gain (loss) on sale of assets					(815)
Net increase in fair value of investments	797	548	128		1,505
Miscellaneous	(5,703)	(827)	(298)		(29,743)
Capital contributions	29,834	7,355	4,108		53,731
Transfers from primary government	81,990	43,469	39,601	34,448	250,758
Transfers (to) primary government					(17,621)
Change in net assets	21,150	2,219	1,073	(392)	80,678
Beginning net assets	135,509	38,876	28,505	4,234	1,398,946
Ending net assets	156,659	41,095	29,578	3,842	1,479,624

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Significant transactions between primary government and component units

	Revenue (Expenses)	Description
Governmental activities		
General Fund		
R.I. Higher Education Assistance Authority	\$ (6,017)	Operating assistance
R.I. Economic Development Corporation	(11,564)	Operating assistance
University of Rhode Island	(82,916)	Educational assistance
Rhode Island College	(42,362)	Educational assistance
Community College of Rhode Island	(39,601)	Educational assistance
Central Falls School District	(34,430)	Educational assistance
ISTEA Fund		
R.I. Public Transit Corporation	(34,107)	Operating assistance
Capital Projects		
University of Rhode Island	(21,391)	Construction, improvement or purchase of assets
Rhode Island College	(6,850)	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ (279,238)</u>	

**Note 19. Risk Management**

The State is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee injury; and natural disasters.

The State has entered into agreements with commercial insurance companies for comprehensive insurance coverage on State property to protect the State against loss from fire and other risks. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees in the sum of \$100,000 per person and \$300,000 per accident for personal injury and \$20,000 for property damage. The State also contracts with various insurance carriers and health maintenance organizations to provide health care benefits to employees.

The State is self-insured for risks of loss related to torts. Tort claims are defended by the State's Attorney General and, when necessary, appropriations are provided to pay claims.

The State is self-insured for various risks of loss related to work related injuries of State employees. The State maintains the Assessed Fringe Benefits Fund, an internal service fund that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

There are no funds reserved for pending claims or incurred but not reported liabilities.

**Note 20. Special Item**

Funds available in the Rhode Island Refunding Bond Authority's (RIRBA), a blended component unit, Debt Service Reserve Fund were used to defease RIRBA 1993 Series A Bonds. RIRBA had previously entered into an agreement with the financial institution to restructure its Debt Service Fund assets. The agreement provided for (1) an "upfront" payment to the RIRBA, (2) a liquidity facility, and (3) the purchase of specific investments at the maturity of original Debt Service Reserve Fund investments. This agreement was

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terminated by mutual consent in connection with the refunding transaction. As a result of the early termination of the agreement, RIRBA received \$1,250,497 in satisfaction and release of the agreement. RIRBA, also recognized investment income of \$259,009 which represents the balance of the “upfront” payment which had been previously deferred. Early termination of the investment agreement also created an arbitrage rebate liability on the 1993 Series A Bonds in the amount of \$1,199,404.

**Note 21. Related Party Transactions**

Funds held by the University of Rhode Island Foundation for the future use of the university and its faculty and students are not reflected in the accompanying financial statements. Funds held at June 30, 2003 amounted to \$71,075,898. Distributions of \$10,837,820 during the fiscal year ended June 30, 2003 are included in private and capital gift revenue of the university.

Funds held by the Rhode Island College Foundation for the future use of the college and its faculty and students are not reflected in the accompanying financial statements. Funds held at June 30, 2003 amounted to approximately \$8,400,000. Distributions of \$428,000 during the fiscal year ended June 30, 2003 are included in private and capital gift revenue of the university.

The R.I. Industrial-Recreational Building Authority is authorized to insure mortgages and first security agreements for companies conducting business in the State, granted by financial institutions and the R.I. Industrial Facilities Corporation.

The State entered into a lease and operating agreement (the agreement) with the R.I. Airport Corporation (RIAC) a subsidiary of the R.I. Economic Development Corporation providing for the lease and/or transfer from the State to the RIAC all real, personal, and tangible property; intangible property, including accounts receivable, contract rights, choices in action, licenses, permits, grants, and entitlements; and all other assets of the State used or used primarily in connection with the administration, maintenance, management, regulation, operation, improvement, development or use of the State's six airports and other air facilities. RIAC agrees to reimburse the State for principal and interest payments for certain airport related General Obligation Bonds. The term of the agreement is 35 years beginning July 1, 1993, with annual rent of \$1.00.

**Note 22. Subsequent Events**

**Primary Government – Governmental Activities**

In April 2004, Moody's downgraded the ratings assigned to the debt obligations of the Tobacco Settlement Financing Corporation, a blended component unit, along with all other tobacco securitization debts of other jurisdictions. This action by the Moody's reflects the potential result of heightened litigation risks facing cigarette manufacturers, increasing

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competition from discounted brands, and the expectation of continuing declines in domestic cigarette consumption, as well as other factors.

In December 2003, the State issued \$200,000,000 of tax anticipation notes. The interest rates ranging from 1.75% to 2.00% with maturity in June 2004. Repayment was made in June 2004.

In February 2004, the State issued \$65,830,000 of refunding bonds with interest rates ranging from 1.50% to 5.00%. Maturity dates are from August 2004 to August 2015. The proceeds of the refunding bonds were used to advance refund \$65,935,000 of the State's general obligation bonds.

In February 2004, the State issued \$79,770,000 of general obligation bonds with interest rates ranging from 2.00% to 5.00% with maturity dates of February 2005 through February 2023.

In August 2004, the State issued \$58,910,000 of lease participation certificates with interest rates ranging from 2.00% to 5.00%. Maturity dates are from October 2005 to October 2023.

**Primary Government - Business-Type Activities**

**Component Units**

In July 2003, the R.I. Turnpike and Bridge Authority issued taxable refunding revenue bonds in the amount of \$35,765,000 to refund Series 1997 revenue bonds.

In July 2003, the R.I. Health and Education Building Corporation issued \$33,950,000 in Higher Education Revenue Refunding Bonds on behalf the Board of Governors for Higher Education.

In August 2003, the R.I. Housing and Mortgage Finance Corporation issued \$33,460,000 in Housing Bonds.

In September 2003, the R.I. Housing and Mortgage Finance Corporation issued \$53,890,000 in Housing Bonds.

In October 2003, Narragansett Bay Commission issued \$40,000,000 in Revenue Bond Anticipation Notes which were repaid in May 2004.

In November 2003, the R.I. Housing and Mortgage Finance Corporation issued \$75,000,000 in Housing Bonds.

In November 2003, the R.I. Economic Development Corporation issued \$216,805,000 in Grant Anticipation Bonds and \$53,030,000 in Motor Fuel Revenue Bonds.

**State of Rhode Island and Providence Plantations**  
**Notes to the Basic Financial Statements**  
**June 30, 2003**

In November 2003, the R.I. Clean Water Finance Agency issued \$67,965,000 in Revenue Bonds.

In December 2003, the R.I. Clean Water Finance Agency issued \$26,995,000 in Revenue Bonds.

In December 2003, the R.I. Economic Development Corporation issued \$3,400,000 in Revenue Bonds.

In December 2003, the R.I. Housing and Mortgage Finance Corporation issued \$20,970,000 in Housing Bonds.

In January 2004, the R.I. Student Loan Authority issued \$100,000,000 in Revenue Bonds.

In March 2004, the R.I. Housing and Mortgage Finance Corporation issued \$78,145,000 in Housing Bonds.

In March 2004, the R.I. Clean Water Finance Agency issued \$40,170,000 in Revenue Bonds.

In March 2004, the R.I. Water Resource Board Corporation refunded \$7,847,700 in Revenue Bonds.

In March 2004, the R.I. Clean Water Finance Agency issued bond anticipation notes on behalf of a local community for \$7,719,000.

In April 2004, the Narragansett Bay Commission issued \$70,000,000 in multi-modal Revenue Bonds.

In June 2004, the R.I. Housing Mortgage Finance Corporation issued \$25,460,000 in housing bonds.

In August 2004, the R.I. Housing Mortgage Finance Corporation issued \$66,130,000 in housing bonds.

In March 2004, the R.I. Student Loan Authority sold approximately \$175,000,000 of federal student loans, all rights associated with the Authority's student loan originator business, and the Authority's fixed assets along with the assumption of certain operating liabilities. The proceeds of the sale were used to pay off \$175,000,000 in bond indebtedness.

Since June 30, 2003, the R.I. Health and Educational Building Corporation, The R.I. Economic Development Corporation and the R.I. Industrial Facilities Corporation have issued various conduit debt obligations, which are not obligations of the respective corporations or the State.

REQUIRED SUPPLEMENTARY  
INFORMATION

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Expenditures:</b>				
<b>Department of Administration</b>				
Central Management				
General Revenue Total	\$ 1,827	\$ 2,074	\$ 2,081	\$ (7)
Federal Funds Total	222	284	84	200
Total - Central Management	2,048	2,358	2,165	193
Accounts & Control				
General Revenue	8,607	8,420	8,294	126
RI e-Government Fund-RI-SAIL	556	566	518	48
Total-Accounts & Control	9,163	8,986	8,812	174
Budgeting				
General Revenue Total	2,128	2,128	2,052	76
Total-Budgeting	2,128	2,128	2,052	76
Municipal Affairs				
General Revenue Total	1,197	1,237	1,229	8
Federal Funds Total	4,788	6,748	6,628	120
Total-Municipal Affairs	5,985	7,984	7,857	127
Purchasing				
General Revenue Total	1,964	1,964	1,907	57
Total-Purchasing	1,964	1,964	1,907	57
Auditing				
General Revenue Total	1,586	1,656	1,649	7
Total-Auditing	1,586	1,656	1,649	7
Human Resources				
Bridge Project-State Share			1	(1)
General Revenue Total	6,862	7,177	7,054	123
Federal Funds Total		62	9	53
Total-Human Resources	6,862	7,239	7,063	176
Personnel Appeal Board				
General Revenue Total	116	116	100	16
Total-Personnel Appeal Board	116	116	100	16
Taxation				
Motor Fuel Tax Evasion Program	9	56	14	42
Temporary Disability Insurance	613	532	681	(149)
General Revenue Total	16,250	17,074	16,643	431
Federal Funds Total	1,249	740	1,017	(277)
Restricted Receipts Total	509	1,294	1,228	66
Total-Taxation	18,630	19,696	19,583	113

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Registry of Motor Vehicles				
Auto Emission CMAQ	1	55	45	10
General Revenue Total	13,830	14,454	14,207	247
RI e-Government Fund-OLIS Support-RMV System	195	195	195	
RI e-Government Fund-Digital License System	592	592	467	125
Federal Funds Total		908	278	630
Restricted Receipts Total	15	15	14	1
Total-Registry of Motor Vehicles	14,633	16,220	15,206	1,014
Child Support				
General Revenue Total	3,341	3,405	3,408	(3)
Federal Funds Total	7,281	6,937	6,646	291
Total-Child Support	10,622	10,343	10,055	288
Central Services				
Lighting Conservation	661	661	46	615
General Revenue Totals	11,570	11,534	12,024	(490)
Energy Office Grants	890	933	1,270	(337)
Renewable Energy Grant		2,500	606	1,894
Federal Funds Totals	19,729	19,762	15,692	4,070
Restricted Receipts Total	1,132	1,088	562	526
Total-Central Services	33,982	36,479	30,199	6,280
Office of Library & Information Service				
Federal Highway-PL Systems Planning	1,061	1,022	1,161	(139)
Federal Highway-T2 Systems Planning	128	128	147	(19)
Air Quality Modeling	20	20	19	1
General Revenue Total	2,387	2,586	2,547	39
Federal Funds Total	1,300	1,276	907	369
Restricted Receipts Total	5	5	3	2
Total-Office of Library & Information Service	4,900	5,037	4,785	252

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General				
RICAP-State House Renovations (Phase 1)	155	41	41	
RICAP-State House Skylights and Roof Repairs	584	347	273	74
RICAP-State House Terrace/South Stairs	1,019	1,019	624	395
RICAP-Chapin Health Laboratory	144	144		144
RICAP-Cranston Street Armory	103	103	63	40
RICAP-Cannon Building	149	54		54
RICAP-Second State House Elevator	12	12	7	5
RICAP - Ladd Center-Infrastructure	874		36	(36)
RICAP-Old State House	100	100		100
RICAP-State Office Building	247	247	15	232
RICAP-Veterans Office Building	250	250	14	236
RICAP-Old Colony House	215	215	67	148
RICAP-Court Building-HVAC	250			
RICAP-Asset Inventor	167	167	136	31
RICAP-Washington County Government Center	124	124	42	82
RICAP-State House Security		541	471	70
RICAP-State House Renovations - Phase II	171	9	6	3
RICAP-Board of Elections Building	48	48		48
RICAP-Environmental Compliance	1,185	1,185	233	952
RICAP-Fox Point Hurricane Barrier	50	50	50	
RICAP - Facility Renovation ADA	250			
General Revenue Total	9,546	11,270	10,805	465
Contingency Fund	2,922	1,312	793	519
Economic Development	6,477	6,477	6,463	14
Centers of Excellence	2,500	2,500	2,500	
Housing Resources Commission	3,605	3,605	3,607	(2)
Race and Police Community Relations Commission	276	277	215	62
Motor Vehicle Excise Tax Payment	101,248	100,207	101,269	(1,062)
Property Valuation	1,223	1,754	1,322	432
General Revenue Sharing Program	48,288	48,288	48,288	
Payment in Lieu of Tax Exempt Properties	18,152	18,152	18,152	
Distressed Communities Relief Program	7,600	7,467	8,142	(675)
Resource Sharing and State Library Aid	6,633	6,633	6,608	25
Library Construction Aid	2,333	2,162	2,163	(1)
Restricted Receipts Total	1,266	1,215	387	828
Total-General	218,163	215,970	212,793	3,177

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Debt Service Payments				
DEM - Narragansett Bay Commission	5,067	3,236	3,236	
DEM - Wastewater Treatment	4,369	4,394	4,394	
DEM -Hazardous Waste		1,961	1,961	
DEM - Debt Service Economic Development		1,277	1,277	
DEM - Debt Service-Recreation	4,500	7,426	7,426	
RIPTA Debt Service	921	409	409	
MHRH Com Services	6,466	4,759	4,759	
MHRH Comm. Mental Health	2,769	1,351	1,351	
Transportation Debt Service	41,266	26,959	26,805	154
RIRBA-Third Rail Project - Quonset Point	764	455	455	
RIRBA - DLT Temporary Disability Insurance	60	46	46	
COPS - DLT Building - Other	383	421	437	(16)
COPS - Center General - Furniture - TDI	2	75	35	40
COPS - Pastore Center Telecomm - TDI	19	22	23	(1)
Debt - URI Education and General	963	1,089	1,116	(27)
Debt - URI housing Loan Funds	1,846	1,752	1,881	(129)
Debt - URI Dining Services	265	267	266	1
Debt - URI Health Services	125	126	126	
Debt - W. Alton Jones Service	111	113	112	1
Debt - URI Memorial Union	98	98	98	
Debt - URI Sponsored Research (Indirect Cost)	101	101	100	1
Debt - RIC Education and General	297	297	470	(173)
Debt - RIC Housing	568	568	563	5
Debt - RIC Student Center and Dining	178	178	178	
Debt - RIC Student Union	255	217	221	(4)
Debt - CCRI Bookstore	177	177		177
RICAP-DEM Debt Service CWFA	4,364	2,240	2,240	
Debt Service Payments	60,322	68,666	67,606	1,060
Federal Funds	1,545	1,259	1,241	18
Restricted Receipts Total	5,661	6,470	7,481	(1,011)
Debt Service Special Account			1,123	(1,123)
Total - Debt Service Payments	143,464	136,411	137,437	(1,026)
Sheriffs				
General Revenue Total	13,038	13,659	13,222	437
Total Sheriffs	13,038	13,659	13,222	437
<b>Total-Department of Administration</b>	<b>487,285</b>	<b>486,246</b>	<b>474,884</b>	<b>11,362</b>

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Department of Business Regulation</b>				
Central Management				
General Revenue Total	1,490	1,555	1,556	(1)
Total-Central Management	1,490	1,555	1,556	(1)
Banking Regulation				
General Revenue Total	1,481	1,569	1,583	(14)
Total-Banking Regulation	1,481	1,569	1,583	(14)
Security Regulation				
General Revenue Total	648	741	730	11
Total-Securities Regulation	648	741	730	11
Commercial Licensing and Regulation				
General Revenue Total	943	1,081	1,075	6
Restricted Revenue Total	100	100	11	89
Total-Commercial Licensing and Regulation	1,043	1,181	1,087	94
Racing and Athletics				
General Revenue Total	593	645	631	14
Total-Racing and Athletics	593	645	631	14
Insurance Regulation				
General Revenue Total	3,753	3,771	3,485	286
Restricted Receipts Total	492	492	392	100
Total-Insurance Regulation	4,245	4,262	3,877	385
Board of Accountancy				
General Revenue Total	121	136	124	12
Total-Board of Accountancy	121	136	124	12
<b>Total-Department of Business Regulation</b>	<b>9,622</b>	<b>10,089</b>	<b>9,589</b>	<b>500</b>
<b>Department of Labor and Training</b>				
Central Management				
General Revenue Total	404	343	345	(2)
Director of Workers' Compensation	822	793	645	148
Total-Central Management	1,225	1,136	990	146
Workforce Development Services				
Reed Act-Rapid Job Development	1,700	1,702	1,589	113
Reed Act - Workforce Development		901	409	492
Federal Funds Total	19,961	22,188	18,348	3,840
ES-Reemployment Program	1,041	465	953	(488)
Human Resource Investment Council	12,307	9,069	7,859	1,210
Job Development Fund DET Admin.	40	63	73	(10)
HRIC-Support Work/Rapid Job Entry		355		355
Total-Workforce Development Services	35,049	34,742	29,231	5,511
Workforce Regulation and Safety				
General Revenue Total	3,243	3,236	3,273	(37)
Total-Workforce Regulation and Safety	3,243	3,236	3,273	(37)

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Income Support				
General Revenue Total	2,765	2,848	2,849	(1)
Federal Funds Total	18,087	18,265	16,052	2,213
Restricted Receipt Total	1,091	1,560	1,466	94
Total-Income Support	21,943	22,674	20,367	2,307
Injured Workers Services				
Restricted Receipts Total	9,291	9,995	9,394	601
Total-Injured Workers Services	9,291	9,995	9,394	601
Labor Relations Board				
General Revenue Total	374	374	376	(2)
Total-Labor Relations Board	374	374	376	(2)
<b>Total-Department of Labor and Training</b>	<b>71,125</b>	<b>72,157</b>	<b>63,631</b>	<b>8,526</b>
<b>General Assembly</b>				
General Assembly				
General Revenue Fund Total	28,407	28,407	27,422	985
Restricted Receipts Fund Total	810	810	1,257	(447)
<b>Total-General Assembly</b>	<b>29,216</b>	<b>29,217</b>	<b>28,678</b>	<b>539</b>
<b>Office of the Lieutenant Governor</b>				
General Revenue Total	806	806	795	11
<b>Total-Office of the Lieutenant Governor</b>	<b>806</b>	<b>806</b>	<b>795</b>	<b>11</b>
<b>Department of State</b>				
Administration				
General Revenue Total	1,162	1,175	1,253	(78)
Total-Administration	1,162	1,175	1,253	(78)
Corporations				
General Revenue Total	1,536	1,627	1,598	29
RI e-Gov Fund-UCC Automated System	154	158	153	5
Total-Corporations	1,690	1,785	1,751	34
State Archives				
General Revenue Total	285	295	299	(4)
Federal Funds Total			(2)	2
Restricted Receipts total	198	233	415	(182)
Total-State Archives	483	528	713	(185)
Elections				
General Revenue Total	1,567	1,522	1,508	14
Federal Funds Total		75	30	45
Total-Elections	1,567	1,597	1,538	59
State Library				
General Revenue Total	712	711	717	(6)
Total-State Library	712	711	717	(6)

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Office of Public Information				
General Revenue Total	498	489	447	42
Total-Office of Public Information	498	489	447	42
<b>Total-Department of State</b>	<b>6,113</b>	<b>6,285</b>	<b>6,418</b>	<b>(133)</b>
<b>Treasury Department</b>				
Treasury				
General Revenue Total	2,720	2,759	2,761	(2)
Federal Funds Total	231	236	241	(5)
Restricted Receipts Total	13	8	8	8
Total-Treasury	2,964	3,003	3,003	
State Retirement System				
Administrative Expenses-State Retirement System	9,260	8,664	6,955	1,709
Retirement-Treasury Investment Operations	576	589	534	55
Total-State Retirement System	9,836	9,253	7,489	1,764
Unclaimed Property				
Restricted Receipts Total	9,039	14,174	14,775	(601)
Total-Unclaimed Property	9,039	14,174	14,775	(601)
RI Refunding Bond Authority				
General Revenue Total	86	86	54	32
Total-RI Refunding Bond Authority	86	86	54	32
Crime Victim Compensation Program				
General Revenue Total	712	673	683	(10)
Federal Funds Total	1,337	1,947	88	1,859
Restricted Receipts Total	1,757	1,600	1,703	(103)
Total-Crime Victim Compensation Program	3,805	4,219	2,474	1,745
<b>Total-Treasury Department</b>	<b>25,730</b>	<b>30,736</b>	<b>27,795</b>	<b>2,941</b>
<b>Boards for Design Professionals-PL</b>				
Boards For Professional Design				
General Revenue Total	379	424	440	(16)
<b>Total-Boards for Design Professionals-PL</b>	<b>379</b>	<b>424</b>	<b>440</b>	<b>(16)</b>
<b>Board of Elections</b>				
General Revenue Total	2,149	2,246	2,247	(1)
RI e-Government Fund-Electronic Campaign Finance	3,260	858	871	(13)
<b>Total-Board Of Elections</b>	<b>5,409</b>	<b>3,104</b>	<b>3,118</b>	<b>(14)</b>
<b>Rhode Island Ethics Commission</b>				
General Revenue Total	926	902	881	21
<b>Total-Rhode Island Ethics Commission</b>	<b>926</b>	<b>902</b>	<b>881</b>	<b>21</b>

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Office of the Governor</b>				
General Revenue Total	6,163	6,363	6,206	157
<b>Total-Office Of Governor</b>	6,163	6,363	6,206	157
<b>Public Utilities Commission</b>				
General Revenue Total	706	693	658	35
Federal Funds Total	67	67	64	3
Restricted Receipts Total	4,874	4,874	3,828	1,046
<b>Total-Public Utilities Commission</b>	5,646	5,633	4,550	1,083
<b>Rhode Island Commission on Women</b>				
General Revenue Total	143	143	128	15
<b>Total-Rhode Island Commission on Women</b>	143	143	128	15
<b>Department of Children, Youth, and Families</b>				
Central Management				
General Revenue Total	7,586	7,876	8,213	(337)
Federal Funds Total	4,849	4,780	4,675	105
Total-Central Management	12,435	12,656	12,887	(231)
Children's Behavioral Health Services				
RICAP-Spurwink/RI	114	114	81	33
General Revenue Total	23,294	22,357	23,204	(847)
Federal Funds Total	23,984	25,870	22,092	3,778
Total-Children's Behavioral Health Services	47,392	48,341	45,377	2,964
Juvenile Correctional Services				
RICAP-RI Training School Bathroom Renovation	99	99	52	47
General Revenue Total	25,381	25,828	26,104	(276)
Federal Funds Total	3,342	3,130	3,095	35
Restricted Receipts Total	780	1,208	999	209
Total-Juvenile Correctional Services	29,602	30,264	30,250	14
Child Welfare				
Children's Trust Fund	56	56	55	1
Harmony Hill				
General Revenues	83,009	84,074	84,723	(649)
Federal Funds Total	60,198	61,686	62,182	(496)
Restricted Receipts Total	680	1,237	1,496	(259)
Total-Child Welfare	143,943	147,053	148,456	(1,403)
Higher Education Incentive Grant				
General Revenue Total	206	208	208	
Total-Higher Education Incentive Grants	206	208	208	
<b>Total-Department of Children, Youth and Families</b>	233,578	238,522	237,180	1,342

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Department of Elderly Affairs</b>				
Intermodel Surface Transportation Fund	4,700	4,670	4,956	(286)
General Revenues Total	13,489	13,727	13,856	(129)
Safety and Care of the Elderly	1	1		1
RIPAE	13,343	13,107	13,478	(371)
Federal Funds Total	9,179	11,370	10,325	1,045
<b>Total-Department of Elderly Affairs</b>	<b>40,712</b>	<b>42,875</b>	<b>42,615</b>	<b>260</b>
<b>Department of Health</b>				
Central Management				
Trauma Registry	112	22	27	(5)
General Revenues Total	2,616	2,616	2,771	(155)
Federal Funds Total	2,297	5,331	4,233	1,098
Restricted Receipts Total	1,923	2,384	2,632	(248)
Total-Central Management	6,947	10,353	9,663	690
State Medical Examiner				
General Revenue Total	1,747	1,788	1,705	83
Total-State Medical Examiners	1,747	1,788	1,705	83
Family Health				
General Revenues Total	8,248	9,099	9,244	(145)
Poison Control Center	250	248	259	(11)
Federal Funds Total	29,901	35,608	33,700	1,908
Restricted Receipts Total	3,632	5,707	3,761	1,946
Total-Family Health	42,031	50,662	46,964	3,698
Health Services Regulation				
General Revenues Total	4,466	4,466	4,582	(116)
Hospital Care Consultant Report	1			
Federal Funds Total	2,250	2,861	2,811	50
Restricted Receipts Total	541	423	385	38
Total-Health Services Regulation	7,257	7,750	7,778	(28)
Environmental Health				
General Revenue Total	4,168	4,164	4,170	(6)
Federal Funds Total	8,079	3,564	2,869	695
Restricted Receipts Total	1,195	1,570	1,153	417
Total-Environmental Health	13,442	9,298	8,191	1,107
Health Laboratories				
General Revenue Total	6,183	6,217	6,086	131
Federal Funds Total	947	1,843	1,461	382
Total-Health Laboratories	7,130	8,060	7,547	513

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Disease Prevention and Control</b>				
General Revenue Total	4,833	5,008	5,282	(274)
Smoking Cessation	950	835	716	119
Federal Funds Total	12,442	14,315	13,660	655
Restricted Receipts Total	876	884	697	187
Child Safety Program	20	72	57	15
Walkable Communities Initiative	80	80		80
Total-Disease Prevention and Control	19,201	21,195	20,411	784
<b>Total-Department of Health</b>	<b>97,756</b>	<b>109,107</b>	<b>102,259</b>	<b>6,848</b>
<b>Department of Human Services</b>				
<b>Central Management</b>				
General Revenue Total	6,639	6,494	5,989	505
Federal Funds Total	3,890	4,221	3,811	410
Restricted Receipts Total	2,107	2,204	2,368	(164)
Total-Central Management	12,635	12,919	12,168	751
<b>Individual and Family Support</b>				
RICAP Forand Building Exterior Window Panels	154			
RICAP-Veterans Home Roof	140	140	140	
General Revenue Total	20,219	19,860	20,212	(352)
Federal Funds Total	52,601	52,157	48,157	4,000
Restricted Receipts Total	68	68	44	24
Total-Individual and Family Support	73,182	72,226	68,553	3,673
<b>Veterans' Affairs</b>				
General Revenue Total	15,286	15,401	15,536	(135)
Federal Funds Total	5,142	7,144	5,302	1,842
Restricted Receipts Total	1,378	2,652	845	1,807
Total-Veterans' Affairs	21,806	25,197	21,683	3,514
<b>Health Care Quality, Financing and Purchases</b>				
General Revenue Total	23,227	23,100	23,147	(47)
Federal Funds Total	33,034	38,840	36,604	2,236
Restricted Receipts Total	478	893	213	680
Total-Health Care Quality, Financing & Purchase	56,739	62,833	59,965	2,868
<b>Medical Benefits</b>				
<b>General Revenue</b>				
Managed Care	146,720	122,340	123,203	(863)
Hospital	90,179	97,241	90,568	6,673
Other	70,809	94,982	97,281	(2,299)
Special Education	14,372	16,415	15,434	981
Nursing Facilities	119,756	117,461	114,835	2,626
General Revenue Total	441,837	448,439	441,322	7,117

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Federal Funds				
Managed Care	180,381	156,682	159,418	(2,736)
Hospitals	109,436	115,759	111,603	4,156
Nursing Facilities	144,044	145,918	145,965	(47)
Other	85,038	118,717	122,778	(4,061)
Special Education	17,328	20,585	19,708	877
Federal Funds Total	536,227	557,661	559,471	(1,810)
Restricted Receipts Total	15	15	4	11
Total-Medical Benefits	978,079	1,006,115	1,000,797	5,318
Supplemental Security Income Program				
General Revenue Total	28,296	26,954	27,157	(203)
Total-Supplemental Security Income Program	28,296	26,954	27,157	(203)
Family Independence Program				
TANF/Families Independence Program	13,340	14,044	14,043	1
Child Care	56,176	51,516	51,516	
Federal Funds Total	83,976	91,837	91,342	495
Total-Family Independence Program	153,491	157,397	156,901	496
State Funded Programs				
General Public Assistance	2,309	2,805	2,845	(40)
Food Stamp Replacement for Legal Immigrants	1,346	1,341	1,340	1
Weatherization One-Time Payment			(7)	7
Citizen Participation Program	50	50	50	
Federal Funds Total	66,888	65,864	67,038	(1,174)
Total-State Funded Programs	70,593	70,060	71,266	(1,206)
<b>Total-Department of Human Services</b>	<b>1,394,821</b>	<b>1,433,699</b>	<b>1,418,490</b>	<b>15,209</b>
<b>Department of Mental Health, Retardation and Hospitals</b>				
Central Management				
General Revenue Total	2,073	2,125	2,074	51
Total-Central Management	2,073	2,125	2,074	51
Hospital & Community System Support				
RICAP-Utilities Upgrade	270	270	270	
RICAP-Medical Center Rehabilitation	491	699	699	
RICAP-Utilities Systems Water Tanks and Pipes		145	145	
RICAP-Central Power Plant Rehabilitation	459			
General Revenue Total	19,334	20,033	21,615	(1,582)
Total-Hospital & Community System Support	20,553	21,147	22,729	(1,582)
Service for the Developmentally Disabled				
General Revenue Total	99,005	97,521	96,001	1,520
Pirovano Trust	148	148	96	52
Federal Funds Total	118,662	119,213	117,568	1,645
Total-Service for the Developmentally Disabled	217,815	216,882	213,664	3,218

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Integrated Mental Health Services</b>				
General Revenue Total	31,626	33,272	34,586	(1,314)
Federal Funds Total	30,520	32,128	32,933	(805)
Total-Integrated Mental Health Services	62,146	65,400	67,519	(2,119)
<b>Hospital &amp; Community Rehabilitation Svcs</b>				
RICAP-Zambarano Buildings and Utilities	97	97	58	39
General Revenue Total	51,569	50,136	52,053	(1,917)
Federal Funds Total	57,862	57,269	55,493	1,776
Total-Hospital & Community Rehabilitation Svcs	109,529	107,502	107,604	(102)
<b>Substance Abuse</b>				
RICAP-Asset Protection	100	100	78	22
General Revenues Total	15,226	15,254	14,393	861
Federal Funds Total	13,396	13,582	11,173	2,409
Restricted Receipts Total	65	75	44	31
Total-Substance Abuse	28,787	29,012	25,688	3,324
<b>Total-Department of Mental Health, Retardation and Hospitals</b>	<b>440,903</b>	<b>442,067</b>	<b>439,279</b>	<b>2,788</b>
<b>Office of the Child Advocate</b>				
General Revenue Total	495	493	535	(42)
Federal Funds Total	359	361	372	(11)
Restricted Receipts Total		18	18	18
<b>Total-Office of the Child Advocate</b>	<b>854</b>	<b>872</b>	<b>906</b>	<b>(34)</b>
<b>Rhode Island Commission on Deaf and Hard of Hearing</b>				
Commission On Deaf and Hard Of Hearing				
General Revenue Total	261	261	216	45
<b>Total-Rhode Island Commission on Deaf and Hard of Hea</b>	<b>261</b>	<b>261</b>	<b>216</b>	<b>45</b>
<b>State Council on Developmental Disabilities</b>				
Federal Funds Total	421	546	499	47
<b>Total-State Council on Developmental Disabilities</b>	<b>421</b>	<b>546</b>	<b>499</b>	<b>47</b>
<b>Governor's Commission on Disabilities</b>				
General Revenue Total	321	482	518	(36)
Federal Funds Total	32	36	1	35
Restricted Receipts Total	71	57	9	48
<b>Total-Governor's Commission on Disabilities</b>	<b>423</b>	<b>575</b>	<b>529</b>	<b>46</b>
<b>Rhode Island Commission For Human Rights</b>				
General Revenue Total	770	805	814	(9)
Federal Funds Total	409	388	347	41
<b>Total-Rhode Island Commission For Human Rights</b>	<b>1,178</b>	<b>1,192</b>	<b>1,161</b>	<b>31</b>

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Office of Mental Health Advocate</b>				
Office of Mental Health Advocate				
General Revenue Total	297	297	310	(13)
<b>Total-Office of Mental Health Advocate</b>	<b>297</b>	<b>297</b>	<b>310</b>	<b>(13)</b>
<b>Department of Elementary and Secondary Education</b>				
State Aid				
State Support Local School Operations	636,713	636,474	636,445	29
Federal Funds Total	2,013	3,299	2,757	542
Total-State Aid	638,726	639,772	639,202	570
School Housing Aid				
General Revenue Total	33,422	38,232	38,232	
Total-School Housing Aid	33,422	38,232	38,232	
Teachers' Retirement				
General Revenue Total	38,439	38,072	38,243	(171)
Total-Teachers' Retirement	38,439	38,072	38,243	(171)
RI School for the Deaf				
RICAP-School for the Deaf-Physical Education Fac	284	284		284
General Revenue Total	5,550	5,533	5,234	299
Federal Funds Total	1,221	1,300	936	364
Restricted Receipts Total		1		1
Total-RI School for the Deaf	7,054	7,119	6,170	949
Davies Career and Technical School				
RICAP - Davies Roof Repair	225	225	8	217
General Revenue Total	10,714	10,714	10,343	371
Federal Funds Total	813	1,114	864	250
Restricted Receipts Total	165	174	104	70
Total-Davies Career and Technical School	11,918	12,227	11,319	908
Program Operations				
RICAP-Woonsocket Vocational HVAC	7			
RICAP-East Providence Vocational HVAC	55	55	1	54
RICAP-Hanley-HVAC	64	64	63	1
RICAP-State Owned Schools-Fire Alarm Systems	93			
RICAP-Hazardous Materials Storage/Dust				
General Revenue Total	14,573	14,498	14,238	260
Federal Funds Total	129,973	161,564	123,638	37,926
Restricted Receipts Total	1,089	1,153	1,116	37
Total-Program Operations	145,856	177,334	139,056	38,278
<b>Total-Department of Elementary and Secondary Education</b>	<b>875,415</b>	<b>912,758</b>	<b>872,223</b>	<b>40,535</b>
<b>Board Of Governors for Higher Education</b>				
General Revenue Fund Total	169,438	169,616	169,454	162
Federal Fund Total	2,362	3,349	2,829	520

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Total-Board Of Governors for Higher Education</b>	171,800	172,965	172,283	682
<b>Rhode Island State Council On The Arts</b>				
Operating Support	363	363	371	(8)
Grants	1,937	1,937	1,312	625
Federal Funds Total	616	609	576	33
Restricted Receipts Total	200	255	(43)	298
<b>Total-Rhode Island State Council On The Arts</b>	3,116	3,165	2,216	949
<b>Rhode Island Atomic Energy Commission</b>				
URI Sponsored Research	145	144	145	(1)
RICAP-Roof Replacement-North Bunker	3			
General Revenue Total	640	672	669	3
Federal Funds Total	826	295	(3)	298
<b>Total-Rhode Island Atomic Energy Commission</b>	1,613	1,111	811	300
<b>Rhode Island Higher Education Assistance Authority</b>				
Needs Based Grant and Work Opportunities	4,933	4,933	4,920	13
Authority Operations and Other Grants	1,084	1,084	1,097	(13)
<b>Total-Rhode Island Higher Education Assistance Authority</b>	6,017	6,017	6,017	
<b>Historical Preservation and Heritage Commission</b>				
General Revenue Total	879	1,041	1,024	17
Federal Funds Total	535	535	545	(10)
Restricted Receipts Total	336	207	51	156
<b>Total-Historical Preservation and Heritage Commission</b>	1,750	1,782	1,620	162
<b>Rhode Island Public Telecommunications Authority</b>				
General Revenue Total	1,292	1,292	1,121	171
<b>Total-Rhode Island Public Telecommunications Authority</b>	1,292	1,292	1,121	171
<b>Department of Attorney General</b>				
Criminal				
General Revenue Total	10,058	10,059	9,881	178
Federal Funds Total	1,557	1,610	1,469	141
Restricted Receipts Total	179	190	164	26
Total-Criminal	11,795	11,859	11,513	346
Civil				
General Revenue Total	3,526	3,595	3,365	230
Federal Funds Total	76	61	61	
Restricted Receipts Total	452	449	418	31
Total-Civil	4,054	4,105	3,844	261

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Bureau of Criminal Identification</b>				
General Revenue Total	655	773	718	55
Federal Funds Total	15	515	119	396
Total-Bureau of Criminal Identification	670	1,288	836	452
<b>General</b>				
General Revenue Total	1,586	1,635	1,636	(1)
Total-General	1,586	1,635	1,636	(1)
<b>Total-Department of Attorney General</b>	<b>18,104</b>	<b>18,887</b>	<b>17,829</b>	<b>1,058</b>
<b>Department of Corrections</b>				
<b>Central Management</b>				
General Revenue Total	9,054	9,081	8,770	311
Federal Funds Total	324	324	28	296
Total-Central Management	9,378	9,405	8,799	606
<b>Parole Board</b>				
General Revenue Total	892	920	925	(5)
Total-Parole Board	892	920	925	(5)
<b>Institutional Corrections</b>				
RICAP-Fire Code Safety Improvements	649	649	443	206
RICAP-Security Camera Installation	113	113	61	52
RICAP-HVAC Renovations-Maximum	19	20	20	
RICAP-Window Replacement-Women's	473	473	410	63
RICAP-Dix Expansion-Phase II	19		1	(1)
RICAP-Reintegration Center State Match	507	153	153	
RICAP-Dix Expansion-State Match	42		22	(22)
RICAP-General Renovations-Maximum	626	626	6	620
RICAP-Roof/Masonry Renovations-Women's	328	328		328
RICAP-High Security Fire Alarm HVAC	31	31		31
RICAP-Aquidneck & Prudence Cellblock Roofs	61			
RICAP-Perimeter/Security Upgrades	132	132	18	114
RICAP - Women's Bath Renovation	160	195		195
RICAP - Dix Expansion Consolidation		61		61
General Revenue Total	108,452	115,068	116,330	(1,262)
Federal Funds Total	10,079	7,521	2,944	4,577
Restricted Receipts Total	5,454	2,607	2,456	151
Total-Institutional Corrections	127,144	127,976	122,865	5,111
<b>Community Corrections</b>				
General Revenue Total	10,909	11,131	11,072	59
Federal Funds Total	190	736	155	581
Total-Community Corrections	11,099	11,867	11,227	640
<b>Total-Department of Corrections</b>	<b>148,512</b>	<b>150,168</b>	<b>143,816</b>	<b>6,352</b>

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Judicial Department</b>				
Supreme Court				
RICAP-Garrahy Judicial Complex Renovation	4	4		4
RICAP-Garrahy Complex Roof Repair	1			
RICAP-Licht Exterior/Interior Refurbishment				
RICAP - Murray Judicial Complex - Interior Refurbishn	165	165	3	162
RICAP-Fogarty Judicial Annex	60	60	71	(11)
General Revenue Total	19,587	19,989	19,577	412
Defense of Indigents	1,550	1,650	2,041	(391)
Federal Funds Total	137	172	58	114
Restricted Receipts Total	840	832	772	60
Total-Supreme Court	22,345	22,872	22,522	350
Superior Court				
Federal Funds Total	164	164	9	155
General Revenue Total	15,922	16,115	16,235	(120)
Total-Superior Court	16,087	16,279	16,243	36
Family Court				
General Revenue Total	11,934	11,956	11,514	442
Federal Funds Total	2,019	2,789	2,957	(168)
Restricted Receipts Total	258	148	132	16
Total-Family Court	14,211	14,893	14,602	291
District Court				
General Revenue Total	7,490	7,716	7,737	(21)
Federal Funds Total		49	48	1
Restricted Receipts Total		64	64	
Total-District Court	7,490	7,830	7,849	(19)
Traffic Tribunal				
General Revenue Total	5,885	5,959	5,923	36
Total-Traffic Tribunal	5,885	5,959	5,923	36
Worker's Compensation Court				
Restricted Receipts Total	5,646	5,638	5,592	46
Total-Worker's Compensation Court	5,646	5,638	5,592	46
Justice Link				
General Revenue Total	1,475	417	812	(395)
Federal Funds	500	914	197	717
Total-Justice Link	1,975	1,332	1,009	323
<b>Total-Judicial Department</b>	<b>73,639</b>	<b>74,804</b>	<b>73,741</b>	<b>1,063</b>

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Militia of the State</b>				
National Guard				
RICAP-Bristol Armory Rehabilitation	200	200	10	190
RICAP-Benefit St. Arsenal Rehabilitation	193	63	1	62
RICAP-Schofield Armory Rehabilitation	168	100		100
RICAP-US Property and Finance Office-HVAC			3	(3)
RICAP-Warren Armory	170	170	43	127
RICAP - Warwick Armory Boiler		25		25
RICAP-Vehicle Exhaust Vent System	1	1		1
RICAP - North Smithfield Armory	5	5		5
General Revenue Total	1,736	1,749	1,646	103
RI e-Government Fnd-Distributed Tech Training	18	18	17	1
Federal Funds Total	7,714	7,895	6,085	1,810
Total-National Guard	10,204	10,226	7,805	2,421
Emergency Management				
General Revenue Total	455	607	541	66
Federal Funds Total	6,294	6,726	4,772	1,954
Restricted Receipts Total	123	183	114	69
Total-Emergency Management	6,872	7,515	5,428	2,087
<b>Total-Militia of the State</b>	17,076	17,741	13,233	4,508
<b>E-911 Uniform Emergency Telephone System</b>				
General Revenue Total	3,513	3,639	3,592	47
RI e-Government Fund-GIS Database Development	500	385	374	11
<b>Total-E-911 Uniform Emergency Telephone System</b>	4,013	4,024	3,966	58
<b>Fire Safety Code Board of Appeal &amp; Review</b>				
Fire Code Commission				
General Revenue Total	225	234	242	(8)
<b>Total-Fire Safety Code Board of Appeal &amp; Review</b>	225	234	242	(8)
<b>Division of Fire Safety</b>				
Fire Safety & Training Academy				
General Revenue Total	1,465	1,415	1,353	62
Federal Funds Total	101	354	152	202
<b>Total-Division of Fire Safety</b>	1,566	1,769	1,504	265
<b>Commission on Judicial Tenure &amp; Discipline</b>				
General Revenue Total	109	144	112	32
<b>Total-Commission on Judicial Tenure &amp; Discipline</b>	109	144	112	32

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Rhode Island Governor's Justice Commission</b>				
General Revenue Total	172	172	166	6
Federal Funds Total	5,037	5,579	4,798	781
Restricted Receipts Total	90	90	12	78
<b>Total-Rhode Island Governor's Justice Commission</b>	<b>5,299</b>	<b>5,841</b>	<b>4,976</b>	<b>865</b>
<b>Municipal Police Training School</b>				
General Revenue Total	351	351	344	7
Federal Funds Total		65	19	46
<b>Total-Municipal Police Training Academy</b>	<b>351</b>	<b>416</b>	<b>363</b>	<b>53</b>
<b>Rhode Island State Police</b>				
RICAP - Barracks & Training Headquarters'	100	100		100
RICAP-Headquarters Repair/Renovation	126	19	19	
Traffic Enforcement-Municipal Training	217	217	159	58
Lottery Commission Assistance	112	121	110	11
Road Construction Reimbursement	2,175	1,830	1,739	91
General Revenue Total	37,835	38,588	38,383	205
Federal Funds Total	2,780	2,219	1,769	450
Restricted Receipts Total	147	335	193	142
<b>Total-Rhode Island State Police</b>	<b>43,492</b>	<b>43,428</b>	<b>42,371</b>	<b>1,057</b>
<b>Office of Public Defenders</b>				
General Revenue Total	5,845	6,013	5,935	78
Federal Funds Total	356	483	376	107
<b>Total-Office of Public Defenders</b>	<b>6,202</b>	<b>6,496</b>	<b>6,312</b>	<b>184</b>
<b>Department of Environmental Management</b>				
Policy and Administration				
DOT Recreational Projects	26	26	92	(66)
Blackstone Bikepath Design	1,303	1,303	498	805
RICAP-Dam Repair	335	335	87	248
General Revenue Total	8,044	8,138	8,221	(83)
Permanent Streamlining				
Federal Funds Total	2,932	2,432	230	2,202
Restricted Receipts Total	8,215	3,038	3,275	(237)
Total-Policy and Administration	20,856	15,273	12,403	2,870

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Natural Resources				
RICAP-Westerly Boat Ramp	1	1		1
RICAP-Fort Adams Rehabilitation	250	250	250	
RICAP-Recreational Facilities Improvement	63	63	26	37
RICAP-Galilee Piers	352	352		352
RICAP-Newport Piers	493	493	492	1
RICAP-Boyd's Marsh Habitat Restoration	70	70		70
General Revenue Total	14,926	15,016	15,080	(64)
Federal Funds Total	12,872	11,488	8,055	3,433
Restricted Receipts Total	3,122	3,189	2,671	518
Total-Natural Resources	32,150	30,923	26,575	4,348
Environmental Protection				
Aquafund				
General Revenue Total	8,573	8,722	8,808	(86)
Rose Hill	1,020	500	202	298
Federal Funds Total	8,388	9,195	6,601	2,594
Restricted Receipts Total	2,963	3,313	3,264	49
Total-Environmental Protection	20,944	21,730	18,875	2,855
<b>Total-Department of Environmental Management</b>	<b>73,950</b>	<b>67,926</b>	<b>57,853</b>	<b>10,073</b>
<b>Coastal Resources Management Council</b>				
RICAP - South Coast Restoration Project	145	145	145	
RICAP -Allens Cove	172	172		172
General Revenue Total	1,695	1,580	1,464	116
Federal Funds Total	1,191	2,402	1,654	748
Restricted Total	250	4,750	3,353	1,397
<b>Total-Coastal Resources Management Council</b>	<b>3,453</b>	<b>9,049</b>	<b>6,616</b>	<b>2,433</b>
<b>Water Resources Board</b>				
RICAP-Big River Management Area	74	74	49	25
RICAP-Water Allocation Plan	167	167	97	70
RICAP-Supplemental Water Supplies Development	39	39		39
General Revenue Total	991	1,057	1,037	20
Federal Total	500	500	173	327
Restricted Receipts Total	754	754	597	157
<b>Total-Water Resources Board</b>	<b>2,525</b>	<b>2,592</b>	<b>1,953</b>	<b>639</b>
<b>Total expenditures</b>	<b>4,319,286</b>	<b>4,424,727</b>	<b>4,301,736</b>	<b>122,991</b>

**State of Rhode Island and Providence Plantations**  
**Schedule of Expenditures and Other Financing Uses**  
**Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Other financing uses:</b>				
Transfers to other funds		54,697	54,141	556
Total expenditures and other financing uses	<u>\$ 4,319,286</u>	<u>\$ 4,479,424</u>	<u>\$ 4,355,877</u>	<u>\$ 123,547</u>
General revenue funds total	\$ 2,672,345	\$ 2,699,033	\$ 2,690,324	\$ 8,709
Federal grants funds total	1,438,271	1,528,619	1,433,410	95,209
Restricted funds total	94,555	101,441	91,403	10,038
Other funds total	114,117	95,633	86,599	9,034
	<u>\$ 4,319,288</u>	<u>\$ 4,424,726</u>	<u>\$ 4,301,736</u>	<u>\$ 122,990</u>

**State of Rhode Island and Providence Plantations**

**Schedule of General Revenue  
Budget and Actual**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

**(Expressed in Thousand)**

	Original Budget	Final Budget	Actual	Variance	Percent Variance
<b>PERSONAL INCOME TAX</b>	\$ 826,419	\$ 808,900	\$ 813,341	\$ 4,441	0.55%
<b>GENERAL BUSINESS TAXES:</b>					
Business Corporations	46,100	64,000	56,416	(7,584)	-11.85%
Franchise	8,700	0	6,402	6,402	
Public Utilities Gross Earnings	94,800	74,000	76,134	2,134	2.88%
Financial Institutions	8,700	1,400	9,804	8,404	600.29%
Insurance Companies	35,500	49,500	51,288	1,788	3.61%
Bank Deposits	1,200	1,400	1,698	298	21.29%
Health Care Provider Assessment	29,000	28,919	28,141	(778)	-2.69%
<b>SALES AND USE TAXES:</b>					
Sales and Use	778,210	778,200	777,365	(835)	-0.11%
Motor Vehicle	45,810	46,800	47,251	451	0.96%
Motor Fuel	1,150	600	1,022	422	70.33%
Cigarettes	98,900	96,500	94,379	(2,121)	-2.20%
Alcohol	10,000	10,000	10,059	59	0.59%
Controlled Substances			0	0	
<b>OTHER TAXES:</b>					
Inheritance and Gift	22,000	30,000	24,352	(5,648)	-18.83%
Racing and Athletics	5,450	5,000	4,939	(61)	-1.22%
Realty Transfer Tax	8,100	8,800	9,781	981	11.15%
<b>Total Taxes</b>	<u>2,020,039</u>	<u>2,004,019</u>	<u>2,012,372</u>	<u>8,353</u>	<u>0.42%</u>
<b>DEPARTMENTAL RECEIPTS</b>					
Licenses and Fees	155,235	0	159,140		
Fines and Penalties	30,500	0	33,629		
Sales and Services	26,700	0	31,408		
Miscellaneous	58,551	0	66,078		
<b>Total Departmental Receipts</b>	<u>270,986</u>	<u>288,693</u>	<u>290,255</u>	<u>1,562</u>	<u>0.54%</u>
<b>Total Taxes and Departmentals</b>	<u>2,291,025</u>	<u>2,292,712</u>	<u>2,302,627</u>	<u>9,915</u>	<u>0.43%</u>
<b>OTHER SOURCES</b>					
Gas Tax Transfer	10,575	24,814	25,506	692	2.79%
Other Miscellaneous	159,773	184,839	184,087	(752)	-0.41%
Lottery	237,700	238,500	236,540	(1,960)	-0.82%
Unclaimed Property	7,900	8,800	8,458	(342)	-3.89%
<b>Total Other Sources</b>	<u>415,948</u>	<u>456,953</u>	<u>454,591</u>	<u>(2,362)</u>	<u>-0.52%</u>
<b>Total General Revenues</b>	<u>\$ 2,706,973</u>	<u>\$ 2,749,665</u>	<u>\$ 2,757,218</u>	<u>\$ 7,553</u>	<u>0.27%</u>

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Other Financing Sources, Expenditures, and Other Financing Uses**  
**Budget and Actual**  
**Intermodal Surface Transportaion Fund**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 141,000	\$ 141,000	\$ 139,458	\$ (1,542)
Departmental restricted revenue	43,506	18,935	2,400	(16,535)
Federal grants	192,779	192,806	153,197	(39,609)
Other revenues	8,003	5,000	5,199	199
Total revenues	<u>385,288</u>	<u>357,741</u>	<u>300,254</u>	<u>(57,487)</u>
<b>Other financing sources:</b>				
Operating transfers in	0	0	44,130	44,130
Total revenues and other financing sources	<u>385,288</u>	<u>357,741</u>	<u>344,384</u>	<u>(13,357)</u>
<b>Expenditures:</b>				
<b>Central Management</b>				
Gasoline Tax	3,150	3,097	3,251	(154)
Federal Funds	4,326	4,353	4,328	25
Total - Central Management	<u>7,476</u>	<u>7,450</u>	<u>7,579</u>	<u>(129)</u>
<b>Management and Budget</b>				
Gasoline Tax	1,957	1,965	1,129	836
Total - Management and Budget	<u>1,957</u>	<u>1,965</u>	<u>1,129</u>	<u>836</u>
<b>Infrastructure - Engineering</b>				
Gasoline Tax	39,316	40,330	37,519	2,811
RICAP - RIPTA Land and Buildings	1,715	2,075	0	2,075
State Infrastructure Bank	1,000	1,000	0	1,000
State Match - Bond Funds	0	0	17,221	(17,221)
Land Sale Revenue	8,003	5,000	1,037	3,963
Federal Funds	188,453	188,453	159,793	28,660
Restricted Receipts	42,506	17,935	25,859	(7,924)
Total - Infrastructure - Engineering	<u>280,993</u>	<u>254,793</u>	<u>241,429</u>	<u>13,364</u>
<b>Infrastructure - Maintenance</b>				
Gasoline Tax	39,615	40,780	44,742	(3,962)
Total - Infrastructure - Maintenance	<u>39,615</u>	<u>40,780</u>	<u>44,742</u>	<u>(3,962)</u>
Total Expenditures	<u>330,041</u>	<u>304,988</u>	<u>294,879</u>	<u>10,109</u>
<b>Other financing uses:</b>				
Transfers to other funds	0	0	57,416	(57,416)
Total expenditures and other financing uses	<u>\$ 330,041</u>	<u>\$ 304,988</u>	<u>\$ 352,295</u>	<u>\$ (47,307)</u>

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual**  
**Rhode Island Temporary Disability Insurance Fund**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 162,666	\$ 162,595	\$ 178,247	\$ 15,652
Other revenues			983	983
Total revenues	<u>162,666</u>	<u>162,595</u>	<u>179,230</u>	<u>16,635</u>
<b>Expenditures:</b>				
Department of Labor and Training				
Income Support				
Temporary Disability Insurance Fund	162,415	162,351	158,980	3,371
Total - Income Support	<u>162,415</u>	<u>162,351</u>	<u>158,980</u>	<u>3,371</u>
Total - Department of Labor and Training	<u>162,415</u>	<u>162,351</u>	<u>158,980</u>	<u>3,371</u>
Treasury Department				
Temporary Disability Insurance Fund	251	244	158	86
Total - Treasury Department	<u>251</u>	<u>244</u>	<u>158</u>	<u>86</u>
Total Expenditures	<u>\$ 162,666</u>	<u>\$ 162,595</u>	<u>\$ 159,138</u>	<u>\$ 3,457</u>

State of Rhode Island and Providence Plantations  
Required Supplementary Information  
Schedules of Funding Progress  
June 30, 2003  
*(Expressed in thousands)*

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Entry Age - ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
6/30/02	5,907,680	8,141,130	2,233,450	72.6%	1,378,905	162.0%
6/30/01	6,026,141	7,768,536	1,742,395	77.6%	1,287,476	135.3%
6/30/00	5,859,719	7,234,787	1,375,068	81.0%	1,220,833	112.6%

**State Police Retirement Benefits Trust**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Entry Age - ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
6/30/02	17,770	23,527	5,757	75.5%	10,933	52.7%
6/30/01	14,386	16,650	2,264	86.4%	9,139	24.8%
6/30/00	11,336	13,917	2,581	81.5%	8,917	28.9%

**Judicial Retirement Benefits Trust**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Entry Age - ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
6/30/02	11,129	16,243	5,114	68.5%	4,738	107.9%
6/30/01	9,190	12,026	2,836	76.4%	4,092	69.3%
6/30/00	7,375	9,720	2,345	75.9%	3,533	66.4%

**State of Rhode Island and Providence Plantations**  
**Notes to Required Supplementary Information**  
**June 30, 2003**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Preparation and submission of the budget is governed by both the State Constitution and the Rhode Island General Laws. The budget, as enacted by the General Assembly and signed by the Governor, contains a complete plan of estimated revenues (general, federal and restricted), transfers in (general and restricted) and proposed expenditures.

The legal level of budgetary control, i.e. the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch. Federal grant appropriations may also be limited by the availability of matching funds and may also require special approval from a federal agency before reallocating resources among programs.

Internal administrative and accounting budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations and the supervisory powers and functions exercised by management. Management cannot reduce the budget without special approval.

Unexpended general revenue appropriations lapse at the end of the fiscal year, unless the department/agency directors identify unspent appropriations related to specific projects/purchases and request a reappropriation. If the requests are approved by the Governor, such amounts are reappropriated for the ensuing fiscal year and made immediately available for the same purposes as the former appropriations. Unexpended appropriations of the General Assembly and its legislative commissions and agencies may be reappropriated by the Joint Committee on Legislative Services. If the sum total of all departments and agencies general revenue expenditures exceeds the total general revenue appropriations, it is the policy of management to lapse all unexpended appropriations, except those of the legislative branch and the Justice Link program.

The original budget includes the amounts in the applicable appropriation act, general revenue appropriations carried forward by the Governor, the unexpended balances in the R.I Capital Fund projects and any unexpended balances designated by the General Assembly.

COMBINING and INDIVIDUAL  
FUND STATEMENTS

## Nonmajor Governmental Funds

**Special Revenue Funds** - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is mandated.

**Tobacco Settlement Trust Fund** – accounts for the proceeds from the sale of the tobacco securitization by the State to the Tobacco Settlement Finance Corporation.

**Rhode Island Economic Policy Council** – works with State officials to identify issues facing the 's economy, to advise the State legislature in policy matters relating to economic development, and to administer a grant program designed to foster private technology commercialization. It is a blended component unit.

**Tobacco Settlement Financing Corporation (TFSC)** - created to securitize the tobacco settlement revenues from the State.

**Capital Project Funds** - account for resources obtained and used for the acquisition, construction or improvement of capital facilities not reported in other governmental or proprietary funds

**R.I. Clean Water Act Environmental Trust** – accounts for the proceeds of certain bonds issued of which the proceeds are restricted to providing grants and loans to local governmental entities and the required State share or related expenses for the Narragansett Bay study.

**R.I. Refunding Bond Authority** – accounts for the loan issued to the State to provide funds used to retire certain general obligation bonds and accounts for revenue bonds issued by the R.I. Public Buildings Authority (RIPBA), a blended component unit that was abolished by the State in fiscal 1998. The revenue bonds issued by RIPBA were used to provide funding for the acquisition, construction or improvement of public facilities and equipment.

**Certificates of Participation** – accounts for the proceeds of the sale of certificates of participation which provide funding for the acquisition, construction or improvement of public facilities and equipment

**Debt Service Funds** - account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Sinking Fund** - is funded by annual appropriations that approximate the annual interest savings from debt refundings. The funds are used to advance refund high interest debt.

**Permanent Funds** – are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the State's programs.

**Permanent School** – accounts for certain appropriations of the General Assembly and the earnings thereon, which are to be used for the promotion and support of public education.

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

**Special Revenue**

	<b>Tobacco Settlement Financing Corporation</b>	<b>R.I. Economic Policy Council</b>	<b>Tobacco Settlement Trust</b>
<b>Assets</b>			
Cash and cash equivalents	\$	\$ 280,813	\$ 542,721
Funds on deposit with fiscal agent			
Investments	71,605,263		29,415,163
Receivables (net)			
Due from other funds			
Other assets	600,672	13,561	
Total assets	<u>72,205,935</u>	<u>294,374</u>	<u>29,957,884</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Cash overdraft			160,059
Accounts payable		239,932	
Due to other funds	600,672		28,500,000
Loans from other funds			
Other liabilities		49,469	
Total liabilities	<u>600,672</u>	<u>289,401</u>	<u>28,660,059</u>
<b>Fund balances</b>			
Reserved for:			
Debt	71,605,263		
Self-insurance			
Unrestricted			
Special Revenue		4,973	1,297,825
Capital Projects Fund			
Permanent Fund			
Total fund balances	<u>71,605,263</u>	<u>4,973</u>	<u>1,297,825</u>
Total Liabilities and fund balances	<u>\$ 72,205,935</u>	<u>\$ 294,374</u>	<u>\$ 29,957,884</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

**Capital Project**

	<b>R.I. Clean Water Act Environmental Trust</b>	<b>R.I. Refunding Bond Authority</b>	<b>Certificates of Participation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,736,287	\$ 2,278,015	\$
Funds on deposit with fiscal agent			11,529,483
Investments			
Receivables (net)			8,648
Due from other funds			2,894
Other assets		871,223	
Total assets	<u>6,736,287</u>	<u>3,149,238</u>	<u>11,541,025</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Cash overdraft	959,394		
Accounts payable	68,414	12,795	625,938
Due to other funds			1,432,474
Loans from other funds			19,590
Other liabilities		2,843,077	
Total liabilities	<u>1,027,808</u>	<u>2,855,872</u>	<u>2,078,002</u>
<b>Fund balances</b>			
Reserved for:			
Debt			2,757,833
Self-insurance		100,000	
Unrestricted			
Special Revenue			
Capital Projects Fund	5,708,479	193,366	6,705,190
Permanent Fund			
Total fund balances	<u>5,708,479</u>	<u>293,366</u>	<u>9,463,023</u>
Total Liabilities and fund balances	<u>\$ 6,736,287</u>	<u>\$ 3,149,238</u>	<u>\$ 11,541,025</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

	<b>Debt Service</b>	<b>Permanent</b>	
	<b>Sinking Fund</b>	<b>Permanent School</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,500,000	\$ 837,235	\$ 14,175,071
Funds on deposit with fiscal agent			11,529,483
Investments			101,020,426
Receivables (net)			8,648
Due from other funds			2,894
Other assets			1,485,456
Total assets	3,500,000	837,235	128,221,978
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Cash overdraft	3,217,884		4,337,337
Accounts payable			947,079
Due to other funds	282,116		30,815,262
Loans from other funds			19,590
Other liabilities			2,892,546
Total liabilities	3,500,000		39,011,814
<b>Fund balances</b>			
Reserved for:			
Debt			74,363,096
Self-insurance			100,000
Unrestricted			
Special Revenue			1,302,798
Capital Projects Fund			12,607,035
Permanent Fund		837,235	837,235
Total fund balances		837,235	89,210,164
Total Liabilities and fund balances	\$ 3,500,000	\$ 837,235	\$ 128,221,978

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

	Special Revenue		
	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Tobacco Settlement Trust
<b>Revenues:</b>			
Licenses, fines, sales, and services	\$	\$	\$
Income from investments	3,026,264	6,192	859,415
Other revenues	52,748,551	199,670	
Total operating revenues	55,774,815	205,862	859,415
<b>Expenditures:</b>			
Current:			
General government	32,024	3,254,101	
Capital outlays		25,017	
Intergovernmental			
Debt service:			
Interest and other charges	39,459,181		
Total operating expenditures	39,491,205	3,279,118	
Excess (deficiency) of revenues over (under) expenditures	16,283,610	(3,073,256)	859,415
<b>Nonoperating revenues (expenditures)</b>			
Bonds and notes issued			
Proceeds from the sale of Certificates of Participation			
Premium and accrued interest			
Operating transfers in		2,675,000	
Operating transfers in from component units			
Other			
Payment to refunded bonds escrow agent			
Operating transfers out	(52,748,551)		(113,500,000)
Operating transfers out to component units			
Total nonoperating revenues (expenditures) and other sources (uses)	(52,748,551)	2,675,000	(113,500,000)
Special item			
Change in fund balances	(36,464,941)	(398,256)	(112,640,585)
Fund balances - beginning, as restated	108,070,204	403,229	113,938,410
Fund balances - ending	\$ 71,605,263	\$ 4,973	\$ 1,297,825

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

**Capital Projects**

	<b>R.I. Clean Water Act Environmental Trust</b>	<b>R.I. Refunding Bond Authority</b>	<b>Certificates of Participation</b>
<b>Revenues:</b>			
Licenses, fines, sales, and services	\$	\$ 6,291,333	\$
Income from investments	116,079	892,325	258,911
Other revenues			
Total operating revenues	116,079	7,183,658	258,911
<b>Expenditures:</b>			
Current:			
General government	2,406	49,159	137,572
Capital outlays			18,362,176
Intergovernmental	124,132		
Debt service:			
Interest and other charges		8,169,443	947
Total operating expenditures	126,538	8,218,602	18,500,695
Excess (deficiency) of revenues over (under) expenditures	(10,459)	(1,034,944)	(18,241,784)
<b>Nonoperating revenues (expenditures)</b>			
Bonds and notes issued	1,220,000		
Proceeds from the sale of Certificates of Participation			3,890,000
Premium and accrued interest	70,778		601
Operating transfers in			
Operating transfers in from component units			
Other		(471,433)	
Payment to refunded bonds escrow agent		(16,700,615)	
Operating transfers out			(293,591)
Operating transfers out to component units	(2,528,365)		(264,282)
Total nonoperating revenues (expenditures) and other sources (uses)	(1,237,587)	(17,172,048)	3,332,728
Special item		1,509,506	
Change in fund balances	(1,248,046)	(16,697,486)	(14,909,056)
Fund balances - beginning, as restated	6,956,525	16,990,852	24,372,079
Fund balances - ending	\$ 5,708,479	\$ 293,366	\$ 9,463,023

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2003**

	<u>Debt Service</u>	<u>Permanent</u>	
	<u>Sinking Fund</u>	<u>Permanent School</u>	<u>Totals</u>
<b>Revenues:</b>			
Licenses, fines, sales, and services	\$	\$ 39,254	\$ 6,330,587
Income from investments	48,504	11,549	5,219,239
Other revenues			52,948,221
Total operating revenues	48,504	50,803	64,498,047
<b>Expenditures:</b>			
Current:			
General government			3,475,262
Capital outlays			18,387,193
Intergovernmental			124,132
Debt service:			
Interest and other charges			47,629,571
Total operating expenditures			69,616,158
Excess (deficiency) of revenues over (under) expenditures	48,504	50,803	(5,118,111)
<b>Nonoperating revenues (expenditures)</b>			
Bonds and notes issued			1,220,000
Proceeds from the sale of Certificates of Participation			3,890,000
Premium and accrued interest			71,379
Operating transfers in			2,675,000
Operating transfers in from component units	192,114		192,114
Other			(471,433)
Payment to refunded bonds escrow agent			(16,700,615)
Operating transfers out	(240,618)		(166,782,760)
Operating transfers out to component units			(2,792,647)
Total nonoperating revenues (expenditures) and other sources (uses)	(48,504)		(178,698,962)
Special item			1,509,506
Change in fund balances		50,803	(182,307,567)
Fund balances - beginning, as restated		786,432	271,517,731
Fund balances - ending	\$	\$ 837,235	\$ 89,210,164

(Concluded)

## **Internal Service Funds**

**Internal Service Funds** are used to account for the financing and providing of specified goods and services, on a centralized basis, for other departments and agencies.

**Federal Surplus Property** – accounts for the revenues received and expenses incurred from the disposition of federal surplus property.

**Assessed Fringe Benefits** – accounts for the biweekly assessment of a percentage applied to salaries and wages to pay for certain fringe benefits, including workers' compensation to State employees injured on the job.

**Central Utilities** – processes all electric bills for the state and charges the expending department/agency.

**Energy Revolving** – accounts for revenues to be used to implement and encourage energy efficiency and cost reduction measures in state facilities or alternate fuel vehicles.

**Information Processing** – is the center of the State's data processing activities.

**Central Postage** – provides for the delivery of mail services for the state.

**Centrex** – processes all of the telephone bills for the State and charges the expending department/agency.

**Pastore Communications** - provides the telecommunication services at the State institutions.

**Central Pharmacy** – maintains an inventory of prescription drugs for use at State institutions.

**Central Laundry** – provides laundry service to the State institutions.

**Automotive Maintenance** – approves work orders, pays the corresponding bills for the State fleet and bills the user department/agency.

**Central Warehouse** – provides a low-cost centralized distribution center for food for State institutions and local public school districts.

**Correctional Industries** – in addition to its main purpose of providing job training for inmates through prison industries, it accounts for federal surplus property.

**Record Center** – provides a centralized location for the archival of State documents.

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2003**

	<u>Federal Surplus Property</u>	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Information Processing</u>
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 2,306,338	\$ 1,309,315	\$ 425,030	\$ 338,571
Receivables (net)		1,064,497	1,339,063	66,165	652,270
Due from other funds			295,388	158,265	769,448
Inventories					
Loans to other funds					
Other assets					
Total current assets		<u>3,370,835</u>	<u>2,943,766</u>	<u>649,460</u>	<u>1,760,289</u>
Noncurrent assets:					
Loans receivable				668,483	
Capital assets (net)		5,357	230		746,284
Total noncurrent assets		<u>5,357</u>	<u>230</u>	<u>668,483</u>	<u>746,284</u>
Total assets		<u>3,376,192</u>	<u>2,943,996</u>	<u>1,317,943</u>	<u>2,506,573</u>
<b>Liabilities:</b>					
Current liabilities:					
Cash overdraft	500				
Accounts payable		72,253	2,650,167		196,774
Due to other funds		518,799	36,713	188,699	651,925
Loans from the general fund					
Accrued liabilities		338,954	33,070		1,010,686
Obligations under capital leases					104,731
Total current liabilities	<u>500</u>	<u>930,006</u>	<u>2,719,950</u>	<u>188,699</u>	<u>1,964,116</u>
Noncurrent liabilities:					
Obligations under capital leases					91,665
Total noncurrent liabilities					<u>91,665</u>
Total liabilities	<u>500</u>	<u>930,006</u>	<u>2,719,950</u>	<u>188,699</u>	<u>2,055,781</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt		5,357	230		549,888
Unrestricted	(500)	2,440,829	223,816	1,129,244	(99,096)
Total net assets	<u>\$ (500)</u>	<u>\$ 2,446,186</u>	<u>\$ 224,046</u>	<u>\$ 1,129,244</u>	<u>\$ 450,792</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2003**

	<u>Central Postage</u>	<u>Centrex</u>	<u>Pastore Communications</u>	<u>Central Pharmacy</u>	<u>Central Laundry</u>
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 331,788	\$	\$	\$
Receivables (net)	381,240	212,559	279,544	159,828	
Due from other funds	2,500	4,354		765,991	80,836
Inventories	176,413			444,038	147,253
Loans to other funds					
Other assets				353,040	495,619
Total current assets	<u>560,153</u>	<u>548,701</u>	<u>279,544</u>	<u>1,722,897</u>	<u>723,708</u>
Noncurrent assets:					
Loans receivable					
Capital assets (net)	284,261	21,435	3,128	991	47,893
Total noncurrent assets	<u>284,261</u>	<u>21,435</u>	<u>3,128</u>	<u>991</u>	<u>47,893</u>
Total assets	<u>844,414</u>	<u>570,136</u>	<u>282,672</u>	<u>1,723,888</u>	<u>771,601</u>
<b>Liabilities:</b>					
Current liabilities:					
Cash overdraft	143,422		284,364	479,264	246,127
Accounts payable	40,222	25,468	113,801	501,611	52,323
Due to other funds	7,457	8,905	2,269	19,078	28,958
Loans from the general fund					
Accrued liabilities	2,522	48,234		82,605	40,403
Obligations under capital leases	70,188				
Total current liabilities	<u>263,811</u>	<u>82,607</u>	<u>400,434</u>	<u>1,082,558</u>	<u>367,811</u>
Noncurrent liabilities:					
Obligations under capital leases	183,189				
Total noncurrent liabilities	<u>183,189</u>				
Total liabilities	<u>447,000</u>	<u>82,607</u>	<u>400,434</u>	<u>1,082,558</u>	<u>367,811</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	30,884	21,435	3,128	991	47,893
Unrestricted	366,530	466,094	(120,890)	640,339	355,897
Total net assets	<u>\$ 397,414</u>	<u>\$ 487,529</u>	<u>\$ (117,762)</u>	<u>\$ 641,330</u>	<u>\$ 403,790</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2003**

	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Records Center</u>	<u>Total</u>
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 601,669	\$ 106,507	\$	\$ 129,752	\$ 5,548,970
Receivables (net)	925,955	35,153	1,890,552	157,792	7,164,618
Due from other funds		384,745	780,914		3,242,441
Inventories	80,692	625,590	583,885		2,057,871
Loans to other funds					
Other assets					848,659
Total current assets	<u>1,608,316</u>	<u>1,151,995</u>	<u>3,255,351</u>	<u>287,544</u>	<u>18,862,559</u>
Noncurrent assets:					
Loans receivable					668,483
Capital assets (net)	1,971	2,185,188	462,252	5,005	3,763,995
Total noncurrent assets	<u>1,971</u>	<u>2,185,188</u>	<u>462,252</u>	<u>5,005</u>	<u>4,432,478</u>
Total assets	<u>1,610,287</u>	<u>3,337,183</u>	<u>3,717,603</u>	<u>292,549</u>	<u>23,295,037</u>
<b>Liabilities:</b>					
Current liabilities:					
Cash overdraft	57,443		74,154		1,285,274
Accounts payable	734,594	93,512	933,671	59,759	5,474,155
Due to other funds	95,993	32,950	57,301	17,311	1,666,358
Loans from the general fund	100,000				100,000
Accrued liabilities	59,848	153,285	157,114	12,954	1,939,676
Obligations under capital leases		225,000			399,919
Total current liabilities	<u>1,047,878</u>	<u>504,747</u>	<u>1,222,240</u>	<u>90,024</u>	<u>10,865,382</u>
Noncurrent liabilities:					
Obligations under capital leases		492,340			767,194
Total noncurrent liabilities		<u>492,340</u>			<u>767,194</u>
Total liabilities	<u>1,047,878</u>	<u>997,087</u>	<u>1,222,240</u>	<u>90,024</u>	<u>11,632,576</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	1,971	1,467,848	462,252	5,005	2,596,882
Unrestricted	560,438	872,248	2,033,111	197,520	9,065,580
Total net assets	<u>\$ 562,409</u>	<u>\$ 2,340,096</u>	<u>\$ 2,495,363</u>	<u>\$ 202,525</u>	<u>\$ 11,662,462</u>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<u>Federal Surplus Property</u>	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Information Processing</u>	<u>Central Postage</u>	<u>Centrex</u>	<u>Pastore Communications</u>
<b>Operating revenues:</b>								
Charges for services	\$	\$ 27,894,867	\$ 17,252,204	\$	\$ 11,042,308	\$ 4,939,801	\$ 2,486,079	\$ 763,184
Total operating revenues		27,894,867	17,252,204		11,042,308	4,939,801	2,486,079	763,184
<b>Operating expenses:</b>								
Personal services		2,491,082	284,125		6,302,455	132,201	285,265	50,683
Supplies, materials, and services		23,449,396	16,968,343		3,795,619	4,515,166	1,966,687	728,788
Depreciation		9,828	464		431,866	31,585	6,579	1,251
Total operating expenses		25,950,306	17,252,932		10,529,940	4,678,952	2,258,531	780,722
Operating income (loss)		1,944,561	(728)		512,368	260,849	227,548	(17,538)
<b>Nonoperating revenues (expenses):</b>								
Interest revenue								
Interest expense								
Other nonoperating revenues and (expenses)								
Income (loss) before transfers		1,944,561	(728)		512,368	260,849	227,548	(17,538)
Operating transfers out		(1,622,072)		(45,545)				
Net income (loss)		322,489	(728)	(45,545)	512,368	260,849	227,548	(17,538)
Total net assets - beginning	(500)	2,123,697	224,774	1,174,789	(61,576)	136,565	259,981	(100,224)
Total net assets - ending	\$ (500)	\$ 2,446,186	\$ 224,046	\$ 1,129,244	\$ 450,792	\$ 397,414	\$ 487,529	\$ (117,762)

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<u>Central Pharmacy</u>	<u>Central Laundry</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Records Center</u>	<u>Total</u>
<b>Operating revenues:</b>							
Charges for services	\$ 9,044,571	\$ 874,224	\$ 12,177,053	\$ 5,306,646	\$ 5,561,918	\$ 935,427	\$ 98,278,282
Total operating revenues	<u>9,044,571</u>	<u>874,224</u>	<u>12,177,053</u>	<u>5,306,646</u>	<u>5,561,918</u>	<u>935,427</u>	<u>98,278,282</u>
<b>Operating expenses:</b>							
Personal services	420,193	790,559	585,532	921,961	1,483,401	197,484	13,944,941
Supplies, materials, and services	8,504,059	391,811	11,829,382	4,157,931	3,819,280	712,246	80,838,708
Depreciation	661	16,454	1,160	159,123	138,402	1,909	799,282
Total operating expenses	<u>8,924,913</u>	<u>1,198,824</u>	<u>12,416,074</u>	<u>5,239,015</u>	<u>5,441,083</u>	<u>911,639</u>	<u>95,582,931</u>
Operating income (loss)	<u>119,658</u>	<u>(324,600)</u>	<u>(239,021)</u>	<u>67,631</u>	<u>120,835</u>	<u>23,788</u>	<u>2,695,351</u>
<b>Nonoperating revenues (expenses):</b>							
Interest revenue			19,951		4,754		24,705
Interest expense				(60,762)			(60,762)
Other nonoperating revenues and (expenses)							
Income (loss) before transfers	<u>119,658</u>	<u>(324,600)</u>	<u>(219,070)</u>	<u>6,869</u>	<u>125,589</u>	<u>23,788</u>	<u>2,659,294</u>
Operating transfers out							<u>(1,667,617)</u>
Net income (loss)	<u>119,658</u>	<u>(324,600)</u>	<u>(219,070)</u>	<u>6,869</u>	<u>125,589</u>	<u>23,788</u>	<u>991,677</u>
Total net assets - beginning	<u>521,672</u>	<u>728,390</u>	<u>781,479</u>	<u>2,333,227</u>	<u>2,369,774</u>	<u>178,737</u>	<u>10,670,785</u>
Total net assets - ending	<u>\$ 641,330</u>	<u>\$ 403,790</u>	<u>\$ 562,409</u>	<u>\$ 2,340,096</u>	<u>\$ 2,495,363</u>	<u>\$ 202,525</u>	<u>\$ 11,662,462</u>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<b>Federal Surplus Property</b>	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$	\$ 25,461,088	\$ 17,907,995
Cash payments to suppliers for goods and services		(23,464,356)	(16,553,525)
Cash payments to employees for services		(2,501,419)	(281,415)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities		(504,687)	1,073,055
<b>Cash flows from noncapital financing activities:</b>			
Loans from the general fund			
Advance to other funds			
Repayment of loans to the general fund		(1,000,000)	
Negative cash balance implicitly financed		(1,622,072)	
Net cash provided by (used for) noncapital financing activities		(2,622,072)	
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital lease obligations			
Interest paid on capital lease obligations			
Acquisition of capital assets			
Proceeds from disposition of equipment			
Net cash provided by (used for) capital and related financing activities			
<b>Cash flows from investing activities:</b>			
Interest on investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents		(3,126,758)	1,073,055
Cash and cash equivalents - July 1		5,433,096	236,261
Cash and cash equivalents - June 30	\$	\$ 2,306,338	\$ 1,309,316
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$	1,944,561	(728)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	\$	\$ 9,828	\$ 464
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables		(20,767)	(8,987,785)
Inventory			
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable		(2,427,971)	10,058,394
Accrued expenses		(10,338)	2,710
Total adjustments		(2,449,248)	1,073,783
Net cash provided by (used for) operating activities	\$	\$ (504,687)	\$ 1,073,055

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<b>Energy Revolving</b>	<b>Information Processing</b>	<b>Central Postage</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 27,818	\$ 13,526,790	\$ 5,016,707
Cash payments to suppliers for goods and services		(4,149,107)	(4,442,363)
Cash payments to employees for services		(6,447,502)	(132,107)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities	<u>27,818</u>	<u>2,930,181</u>	<u>442,237</u>
<b>Cash flows from noncapital financing activities:</b>			
Loans from the general fund			
Advance to other funds	(714,028)		
Repayment of loans to the general fund	1,022,007	(200,000)	
Negative cash balance implicitly financed			143,422
Net cash provided by (used for) noncapital financing activities	<u>307,979</u>	<u>(200,000)</u>	<u>143,422</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital lease obligations		(128,962)	(62,469)
Interest paid on capital lease obligations			
Acquisition of capital assets		(53,410)	
Proceeds from disposition of equipment			
Net cash provided by (used for) capital and related financing activities		<u>(182,372)</u>	<u>(62,469)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents	335,797	2,547,809	523,190
Cash and cash equivalents - July 1	89,233	(2,209,238)	(523,190)
Cash and cash equivalents - June 30	<u>\$ 425,030</u>	<u>\$ 338,571</u>	<u>\$ (0)</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)		512,368	260,849
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	\$	\$ 431,868	\$ 31,585
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables	(122,229)	(1,161,674)	(1,668,319)
Inventory			89,217
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable	150,047	3,292,666	1,728,812
Accrued expenses		(145,047)	93
Total adjustments	<u>27,818</u>	<u>2,417,813</u>	<u>181,388</u>
Net cash provided by (used for) operating activities	<u>\$ 27,818</u>	<u>\$ 2,930,181</u>	<u>442,237</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<u>Centrex</u>	<u>Pastore Communications</u>	<u>Central Pharmacy</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 2,120,530	\$ 662,120	\$ 9,866,709
Cash payments to suppliers for goods and services	(2,170,859)	(731,379)	(8,691,174)
Cash payments to employees for services	(285,846)	(50,683)	(396,504)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities	<u>(336,176)</u>	<u>(119,942)</u>	<u>779,031</u>
<b>Cash flows from noncapital financing activities:</b>			
Loans from the general fund			
Advance to other funds			
Repayment of loans to the general fund			(400,000)
Negative cash balance implicitly financed		284,364	479,263
Net cash provided by (used for) noncapital financing activities		<u>284,364</u>	<u>79,263</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital lease obligations			
Interest paid on capital lease obligations			
Acquisition of capital assets			
Proceeds from disposition of equipment			
Net cash provided by (used for) capital and related financing activities			
<b>Cash flows from investing activities:</b>			
Interest on investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents	(336,176)	164,422	858,294
Cash and cash equivalents - July 1	667,964	(164,422)	(858,294)
Cash and cash equivalents - June 30	<u>\$ 331,788</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	<u>227,548</u>	<u>(17,538)</u>	<u>119,658</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	\$ 6,579	\$ 1,251	\$ 661
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables	(1,125,950)	(485,644)	(3,064,408)
Inventory			39,245
Prepaid items			123,115
Increase (decrease) in liabilities:			
Vouchers and accounts payable	556,228	381,989	3,537,072
Accrued expenses	(581)		23,688
Total adjustments	<u>(563,724)</u>	<u>(102,404)</u>	<u>659,373</u>
Net cash provided by (used for) operating activities	<u>\$ (336,176)</u>	<u>\$ (119,942)</u>	<u>\$ 779,031</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<b>Central Laundry</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 927,854	\$ 11,922,679	\$ 5,174,958
Cash payments to suppliers for goods and services	(901,081)	(11,776,596)	(4,473,979)
Cash payments to employees for services	(784,519)	(586,276)	(914,699)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities	<u>(757,746)</u>	<u>(440,193)</u>	<u>(213,719)</u>
<b>Cash flows from noncapital financing activities:</b>			
Loans from the general fund			
Advance to other funds			
Repayment of loans to the general fund			(200,000)
Negative cash balance implicitly financed	246,127	57,443	
Net cash provided by (used for) noncapital financing activities	<u>246,127</u>	<u>57,443</u>	<u>(200,000)</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital lease obligations			(225,000)
Interest paid on capital lease obligations			(60,762)
Acquisition of capital assets			(68,682)
Proceeds from disposition of equipment			
Net cash provided by (used for) capital and related financing activities			<u>(354,444)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments		19,951	
Net cash provided by (used for) investing activities		<u>19,951</u>	
Net increase (decrease) in cash and cash equivalents	(511,619)	(362,799)	(768,163)
Cash and cash equivalents - July 1	511,619	964,468	874,670
Cash and cash equivalents - June 30	<u>\$ 0</u>	<u>\$ 601,669</u>	<u>\$ 106,507</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	<u>(324,600)</u>	<u>(239,021)</u>	<u>67,631</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	\$ 16,454	\$ 1,160	\$ 159,123
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables	(932,322)	(564,330)	(1,815,435)
Inventory	(38,922)	62,632	(27,906)
Prepaid items	(495,619)		
Increase (decrease) in liabilities:			
Vouchers and accounts payable	1,011,224	300,109	1,395,606
Accrued expenses	6,039	(743)	7,262
Total adjustments	<u>(433,146)</u>	<u>(201,172)</u>	<u>(281,350)</u>
Net cash provided by (used for) operating activities	<u>\$ (757,746)</u>	<u>\$ (440,193)</u>	<u>\$ (213,719)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2003**

	<b>Correctional Industries</b>	<b>Records Center</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 6,601,365	\$ 892,933	\$ 100,109,545
Cash payments to suppliers for goods and services	(3,385,026)	(705,385)	(81,444,830)
Cash payments to employees for services	(1,471,192)	(197,459)	(14,049,621)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities	<u>1,745,147</u>	<u>(9,911)</u>	<u>4,615,094</u>
<b>Cash flows from noncapital financing activities:</b>			
Loans from the general fund	1,850,000	200,000	2,050,000
Advance to other funds			(714,028)
Repayment of loans to the general fund	(2,700,000)	(260,000)	(3,737,993)
Negative cash balance implicitly financed	74,154		(337,299)
Net cash provided by (used for) noncapital financing activities	<u>(775,846)</u>	<u>(60,000)</u>	<u>(2,739,320)</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital lease obligations			(416,431)
Interest paid on capital lease obligations			(60,762)
Acquisition of capital assets	(204,371)		(326,463)
Proceeds from disposition of equipment			
Net cash provided by (used for) capital and related financing activities	<u>(204,371)</u>		<u>(803,656)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	4,754		24,705
Net cash provided by (used for) investing activities	<u>4,754</u>		<u>24,705</u>
Net increase (decrease) in cash and cash equivalents	769,684	(69,911)	1,096,823
Cash and cash equivalents - July 1	(769,684)	199,663	4,452,147
Cash and cash equivalents - June 30	<u>\$ (0)</u>	<u>\$ 129,752</u>	<u>\$ 5,548,970</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	<u>120,835</u>	<u>23,788</u>	<u>\$ 2,695,352</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	\$ 138,402	\$ 1,909	\$ 799,284
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables	259,297	(118,063)	(19,807,631)
Inventory	120,695		244,961
Prepaid items			(372,504)
Increase (decrease) in liabilities:			
Vouchers and accounts payable	1,093,709	82,430	21,160,315
Accrued expenses	12,209	26	(104,682)
Total adjustments	<u>1,624,312</u>	<u>(33,698)</u>	<u>1,919,743</u>
Net cash provided by (used for) operating activities	<u>\$ 1,745,147</u>	<u>\$ (9,910)</u>	<u>\$ 4,615,094</u>

(Concluded)

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## **Pension Trust Funds**

**Pension Trust Funds** – used to report resources that are required to be held in trust for the members and beneficiaries of the State sponsored defined benefit pension plans.

**Employees' Retirement System** – a multiple-employer, cost-sharing, public employee retirement plan for State employees, teachers and certain employees of local school districts.

**State Police Benefit Trust** – a single-employer public employee retirement plan for State police hired after July 1, 1987.

**Judicial Benefit Trust** – a single-employer public employee retirement plan for State judges appointed after December 31, 1989.

**Municipal Employees' Retirement System** – an agent multiple-employer public employee retirement plan for municipal police, firemen and employees of municipalities, housing authorities and water and sewer districts that have elected to participate.

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Plan Net Assets**  
**Pension Trust Funds**  
**June 30, 2003**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,597,708	\$ 458,808	\$ 215,754	\$ 154,694	\$ 3,426,964
Receivables					
Contributions	19,472,668	1,750,926			21,223,594
Due from state for teachers	14,872,584				14,872,584
Due from other plans	2,472,280	12,006,321	116,547	80,661	14,675,809
Miscellaneous	2,945,486	230,709	2,209	6,833	3,185,237
Total receivables	39,763,018	13,987,956	118,756	87,494	53,957,224
Investments, at fair value					
Equity in Short-Term Investment Fund		2,090,765			2,090,765
Equity in Pooled Trust	4,639,657,474	693,116,083	17,759,049	11,187,155	5,361,719,761
Plan specific investments	22,850,413				22,850,413
Total investments before lending activities	4,662,507,887	695,206,848	17,759,049	11,187,155	5,386,660,939
Invested securities lending collateral	503,989,579	75,290,685	1,929,027	1,215,174	582,424,465
Property and equipment, at cost, net of accumulated depreciation					
Line of Business System in Development	13,132,723	1,931,230	30,796	19,822	15,114,571
Computer Equipment	263,059	38,405	517	335	302,316
Total Property and Equipment	13,395,782	1,969,635	31,313	20,157	15,416,887
Total assets	5,222,253,974	786,913,932	20,053,899	12,664,674	6,041,886,479
<b>Liabilities</b>					
Securities lending liability	503,989,579	75,290,685	1,929,027	1,215,174	582,424,465
Accounts payable	3,808,097	682,293	12,604	8,038	4,511,032
Due to other plans	12,203,528	2,472,280			14,675,808
Total liabilities	520,001,204	78,445,258	1,941,631	1,223,212	601,611,305
Net assets held in trust for pension benefits	\$ 4,702,252,770	\$ 708,468,674	\$ 18,112,268	\$ 11,441,462	\$ 5,440,275,174

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2003**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Totals</b>
<b>Additions</b>					
Contributions					
Member contributions	\$ 129,365,297	\$ 17,680,088	\$ 718,589	\$ 433,824	\$ 148,197,798
Employer contributions	102,283,913	6,485,065	2,256,770	1,656,964	112,682,712
State contributions for teachers	38,242,690				38,242,690
Interest on service credits purchased	1,254,432	134,524			1,388,956
Total contributions	<u>271,146,332</u>	<u>24,299,677</u>	<u>2,975,359</u>	<u>2,090,788</u>	<u>300,512,156</u>
Investment income					
Net appreciation (depreciation) in fair value of investments	12,761,770	2,302,774	335,278	199,394	15,599,216
Interest	80,744,407	10,677,586	266,854	167,457	91,856,304
Dividends	38,778,696	5,783,829	135,694	85,222	44,783,441
Other investment income	14,422,684	2,148,599	50,233	31,509	16,653,025
	<u>146,707,557</u>	<u>20,912,788</u>	<u>788,059</u>	<u>483,582</u>	<u>168,891,986</u>
Less investment expense	20,313,580	3,029,465	70,915	44,239	23,458,199
Net income from investing activities	<u>126,393,977</u>	<u>17,883,323</u>	<u>717,144</u>	<u>439,343</u>	<u>145,433,787</u>
Securities Lending					
Securities lending income	6,485,644	968,886	24,824	15,638	7,494,992
Less securities lending expense	4,943,543	738,513	18,922	11,919	5,712,897
Net securities lending income	<u>1,542,101</u>	<u>230,373</u>	<u>5,902</u>	<u>3,719</u>	<u>1,782,095</u>
Total net investment income	<u>127,936,078</u>	<u>18,113,696</u>	<u>723,046</u>	<u>443,062</u>	<u>147,215,882</u>
Total additions	<u>399,082,410</u>	<u>42,413,373</u>	<u>3,698,405</u>	<u>2,533,850</u>	<u>447,728,038</u>
<b>Deductions</b>					
Benefits					
Retirement benefits	326,118,741	32,139,989	69,448	118,978	358,447,156
Cost of living adjustment	79,724,969	3,971,476		1,382	83,697,827
SRA Plus (option)	23,012,613	1,228,457			24,241,070
Supplemental benefits	1,006,992				1,006,992
Death benefits	2,317,265	425,609			2,742,874
Total benefits	<u>432,180,580</u>	<u>37,765,531</u>	<u>69,448</u>	<u>120,360</u>	<u>470,135,919</u>
Refund of contributions	5,277,244	1,292,261			6,569,505
Administrative expense	4,340,497	645,862	11,830	7,640	5,005,829
Total deductions	<u>441,798,321</u>	<u>39,703,654</u>	<u>81,278</u>	<u>128,000</u>	<u>481,711,253</u>
Net increase (decrease)	(42,715,911)	2,709,719	3,617,127	2,405,850	(33,983,215)
Net assets held in trust for pension benefits					
Net assets - beginning	4,744,968,681	705,758,955	14,495,141	9,035,612	5,474,258,389
Net assets - ending	<u>\$ 4,702,252,770</u>	<u>\$ 708,468,674</u>	<u>\$ 18,112,268</u>	<u>\$ 11,441,462</u>	<u>\$ 5,440,275,174</u>

## **Agency Funds**

**Agency Funds** – used to report resources held by the State in a purely custodial capacity (assets equal liabilities).

**Statutory Deposits** – accounts for deposits required from financial institutions, principally insurance companies, doing business within the state.

**Court Deposits** – accounts for deposits held by various state courts pending resolution of litigation between two or more parties.

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2003**

**Statutory Deposits**

Assets	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Cash and cash equivalents	\$ 1,702,333	\$ 3,305,019	\$	\$ 5,007,352
Investments	69,126,806		3,627,118	65,499,688
<b>Total assets</b>	<b>\$ 70,829,139</b>	<b>\$ 3,305,019</b>	<b>\$ 3,627,118</b>	<b>\$ 70,507,040</b>
<b>Liabilities</b>				
Deposits held for others	\$ 70,829,139	\$	\$ 322,099	\$ 70,507,040
<b>Total liabilities</b>	<b>\$ 70,829,139</b>	<b>\$</b>	<b>\$ 322,099</b>	<b>\$ 70,507,040</b>

**Court Deposits**

Assets	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Cash and cash equivalents	\$ 13,474,899	\$ 59,024	\$	\$ 13,533,923
<b>Total assets</b>	<b>\$ 13,474,899</b>	<b>\$ 59,024</b>	<b>\$</b>	<b>\$ 13,533,923</b>
<b>Liabilities</b>				
Deposits held for others	\$ 13,474,899	\$ 59,024	\$	\$ 13,533,923
<b>Total liabilities</b>	<b>\$ 13,474,899</b>	<b>\$ 59,024</b>	<b>\$</b>	<b>\$ 13,533,923</b>

**Total - All Agency Funds**

Assets	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Cash and cash equivalents	\$ 15,177,232	\$ 3,364,043	\$	\$ 18,541,275
Investments	69,126,806		3,627,118	65,499,688
<b>Total assets</b>	<b>\$ 84,304,038</b>	<b>\$ 3,364,043</b>	<b>\$ 3,627,118</b>	<b>\$ 84,040,963</b>
<b>Liabilities</b>				
Deposits held for others	\$ 84,304,038	\$ 59,024	\$ 322,099	\$ 84,040,963
<b>Total liabilities</b>	<b>\$ 84,304,038</b>	<b>\$ 59,024</b>	<b>\$ 322,099</b>	<b>\$ 84,040,963</b>

## **Discretely Presented Component Units**

**Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)** created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the state

**Rhode Island Student Loan Authority (RISLA)** - created in order to provide a statewide student loan program through the acquisition of student loans.

**Rhode Island Turnpike and Bridge Authority (RITBA)** - created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law.

**Rhode Island Economic Development Corporation (RIEDC)** - created in 1995 and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the state, which will promote economic development. It has the power to issue tax-exempt industrial development bonds to accomplish its corporate purpose.

**R.I. Underground Storage Tank Financial Responsibility (RIUSTFR)** – accounts for a designated portion of the gasoline tax to be used to facilitate the clean-up of leaking underground storage tanks or underground storage tanks systems, in order to protect the environment, including drinking water supplies and public health.

**Narragansett Bay Commission (NBC)** - created for the purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities.

**Rhode Island Health and Educational Building Corporation (RIHEBC)** – created to: (1) to assist in providing financing for education facilities for colleges and universities operating in the state; (2) to assist hospitals in the state in the financing of health care facilities; (3) to assist stand-alone, non-profit assisted-living and adult daycare facilities; (4) to assist in financing a broad range of non-profit health care providers; and (5) to assist in financing non-profit secondary schools and child care centers.

**Rhode Island Resource Recovery Corporation (RIRRC)** created in order to provide and/or coordinate solid waste management services to municipalities and persons within the state. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate.

**Rhode Island Depositors Economic Protection Corporation (DEPCO)** created to assist in protecting the interests of depositors of certain financial institutions in the state which had been closed when their private deposit insurer failed, thereby leaving those institutions without deposit insurance as required by statute.

**Rhode Island Higher Education Assistance Authority (RIHEAA)** - created by law in 1977 for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post secondary student.

## Discretely Presented Component Units

**Rhode Island Public Transit Authority (RIPTA)** created to acquire any mass motor bus transportation system if that system has previously filed a petition to discontinue its service and further, if RIPTA determines it is in the public interest to continue such.

**Rhode Island Industrial Facilities Corporation (RIIFC)** - created to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the state.

**Rhode Island Clean Water Finance Agency (RICWFA)** created for the purpose of providing financial assistance in the form of loans to municipalities, sewer commissions and waste water management districts in the state for the construction or upgrading of water pollution abatement projects.

**Rhode Island Industrial-Recreational Building Authority (RIIRBA)** created to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the.

**Rhode Island Water Resources Board Corporate (RIWRBC)** - created to foster and guide the development of water resources including the establishment of water supply facilities and lease these facilities to cities, towns, districts, and other municipal, quasi-municipal or private corporations engaged in the water supply business in the.

**Rhode Island Public Telecommunications Authority (RIPTCA)** – created to operate a non-commercial educational television station in the state.

**Rhode Island Children's Crusade for Higher Education (RICCHE)** - created for the purpose of fostering the education of economically disadvantaged youth through scholarship awards, summer jobs programs, and mentoring programs for parents and students.

**University of Rhode Island (URI), Rhode Island College (RIC) and Community College of Rhode Island (CCRI)** – collectively these three institutions are the higher education system of the State.

**Central Falls School District (CFSD)** – created to provide elementary and secondary education to residents of the City of Central Falls.

For more detailed information, contact the applicable administration office as listed in Note 1.

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2003**

(Expressed in Thousands)

	<u>RIHMFC</u>	<u>RISLA</u>	<u>RITBA</u>	<u>RIEDC</u>	<u>RIUSTRF</u>	<u>NBC</u>
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 322,689	\$ 164,157	\$ 5,137	\$ 94,109	\$ 154	\$ 29,270
Investments	705,506	5,732				
Receivables (net)	982,770	65,403	198	9,286	1,147	14,350
Due from primary government				678	48	217
Due from other governments				7,107		
Inventories						
Other assets		1,128	147	179		116
Rentals due						
Total current assets	<u>2,010,965</u>	<u>236,420</u>	<u>5,482</u>	<u>111,359</u>	<u>1,349</u>	<u>43,953</u>
Noncurrent Assets:						
Investments			32,361	32,407		
Receivables (net)		725,927	49	44,944		
Capital assets - nondepreciable			5,391	76,908		138,399
Capital assets - depreciable (net)		490	56,024	259,858	66	191,196
Rentals due						
Other assets, net of amortization	38,926	4,472	329	3,587		2,940
Total noncurrent assets	<u>38,926</u>	<u>730,889</u>	<u>94,154</u>	<u>417,704</u>	<u>66</u>	<u>332,535</u>
Total assets	<u>2,049,891</u>	<u>967,309</u>	<u>99,636</u>	<u>529,063</u>	<u>1,415</u>	<u>376,488</u>
<b>Liabilities</b>						
Current liabilities:						
Cash overdraft		87				
Accounts payable			1,806	10,839	46	13,424
Due to primary government				24		
Due to (from) other component units				(677)		
Due to other governments		401				
Accrued liabilities	39,397	2,782	537	5,063	437	4,029
Deferred revenue		454	859			1,076
Other liabilities						
Current portion of long-term debt	249,860	2,360	1,795	8,032		8,947
Total current liabilities	<u>289,257</u>	<u>6,084</u>	<u>4,997</u>	<u>23,281</u>	<u>483</u>	<u>27,476</u>
Noncurrent liabilities:						
Due to other governments						
Accrued liabilities		20,346		5,250		354
Deferred revenue	2,308					
Notes payable	2,000			41		
Loans payable						130,373
Obligations under capital leases				22,914		282
Escrow deposits	194,992					
Other liabilities						
Compensated absences						
Bonds payable	1,311,774	881,203	35,519	241,753		11,228
Total noncurrent liabilities	<u>1,511,074</u>	<u>901,549</u>	<u>35,519</u>	<u>269,958</u>		<u>142,237</u>
Total liabilities	<u>1,800,331</u>	<u>907,633</u>	<u>40,516</u>	<u>293,239</u>	<u>483</u>	<u>169,713</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	17,850	490	24,101	142,492	66	178,411
Restricted for debt service	166,732	56,791	5,653	74,039	835	71
Unrestricted	64,978	2,395	29,366	19,293	31	28,293
Total net assets	<u>\$ 249,560</u>	<u>\$ 59,676</u>	<u>\$ 59,120</u>	<u>\$ 235,824</u>	<u>\$ 932</u>	<u>\$ 206,775</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2003**

(Expressed in Thousands)

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>DEPCO</u>	<u>RIHEAA</u>	<u>RIPTA</u>
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 878	\$ 14,268	\$	\$ 6,394	\$ 4,667
Investments	8,092			947	
Receivables (net)	450	6,823		52	3,575
Due from primary government					2,389
Due from other governments				763	
Inventories					1,904
Other assets	32	1,734		58	288
Rentals due					
Total current assets	<u>9,452</u>	<u>22,825</u>		<u>8,214</u>	<u>12,823</u>
Noncurrent Assets:					
Investments		2,366		10,543	
Receivables (net)	1,378			493	
Capital assets - nondepreciable		15,626		194	12,840
Capital assets - depreciable (net)	123	53,673		1,436	80,570
Rentals due					
Other assets, net of amortization		67,219			
Total noncurrent assets	<u>1,501</u>	<u>138,884</u>		<u>12,666</u>	<u>93,410</u>
Total assets	<u>10,953</u>	<u>161,709</u>		<u>20,880</u>	<u>106,233</u>
<b>Liabilities</b>					
Current liabilities:					
Cash overdraft					
Accounts payable	40	6,870		228	4,343
Due to primary government		3,000			647
Due to (from) other component units					
Due to other governments				258	
Accrued liabilities	62	779		112	3,922
Deferred revenue					17
Other liabilities					7
Current portion of long-term debt		2,555			
Total current liabilities	<u>102</u>	<u>13,204</u>		<u>598</u>	<u>8,936</u>
Noncurrent liabilities:					
Due to other governments				346	
Accrued liabilities				195	7,371
Deferred revenue				369	196
Notes payable					
Loans payable					
Obligations under capital leases					
Escrow deposits					
Other liabilities		60,136			
Compensated absences					
Bonds payable		18,280			
Total noncurrent liabilities		<u>78,416</u>		<u>910</u>	<u>7,567</u>
Total liabilities	<u>102</u>	<u>91,620</u>		<u>1,508</u>	<u>16,503</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	123	50,329		1,630	93,411
Restricted for debt service		(14,667)		14,808	
Unrestricted	10,728	34,427		2,934	(3,681)
Total net assets	<u>\$ 10,851</u>	<u>\$ 70,089</u>	<u>\$</u>	<u>\$ 19,372</u>	<u>\$ 89,730</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2003**

(Expressed in Thousands)

	<u>RIIFC</u>	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 1,268	\$ 45,530	\$ 4,631	\$ 8,423	\$ 301	\$ 1,506
Investments		154,817		158	1,405	9,600
Receivables (net)	5	21,581	32	292	54	860
Due from primary government				8		
Due from other governments						
Inventories					13	
Other assets		92	9	61	3	12,400
Rentals due				790		
Total current assets	<u>1,273</u>	<u>222,020</u>	<u>4,672</u>	<u>9,732</u>	<u>1,776</u>	<u>24,366</u>
Noncurrent Assets:						
Investments				9,850		
Receivables (net)		319,097				
Capital assets - nondepreciable			181		821	
Capital assets - depreciable (net)		53	425		3,492	66
Rentals due				5,555		
Other assets, net of amortization		2,668		575	318	
Total noncurrent assets		<u>321,818</u>	<u>606</u>	<u>15,980</u>	<u>4,631</u>	<u>66</u>
Total assets	<u>1,273</u>	<u>543,838</u>	<u>5,278</u>	<u>25,712</u>	<u>6,407</u>	<u>24,432</u>
<b>Liabilities</b>						
Current liabilities:						
Cash overdraft						
Accounts payable	3	2,602		10	62	832
Due to primary government					295	
Due to (from) other component units	647		30			
Due to other governments						
Accrued liabilities		3,638		373	140	
Deferred revenue	26			1,042	6	
Other liabilities			2,828			2,970
Current portion of long-term debt		10,350		9,129	841	
Total current liabilities	<u>676</u>	<u>16,590</u>	<u>2,858</u>	<u>10,554</u>	<u>1,344</u>	<u>3,802</u>
Noncurrent liabilities:						
Due to other governments						
Accrued liabilities						
Deferred revenue					1,087	
Notes payable						
Loans payable						
Obligations under capital leases					3,325	
Escrow deposits						
Other liabilities		1,079				23,867
Compensated absences					220	
Bonds payable		279,315		15,702		
Total noncurrent liabilities		<u>280,394</u>		<u>15,702</u>	<u>4,632</u>	<u>23,867</u>
Total liabilities	<u>676</u>	<u>296,984</u>	<u>2,858</u>	<u>26,256</u>	<u>5,976</u>	<u>27,669</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt		53	606		(941)	66
Restricted for debt service		240,609		(1,062)		
Unrestricted	597	6,192	1,814	518	1,372	(3,303)
Total net assets	<u>\$ 597</u>	<u>\$ 246,854</u>	<u>\$ 2,420</u>	<u>\$ (544)</u>	<u>\$ 431</u>	<u>\$ (3,237)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2003**  
(Expressed in Thousands)

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 27,310	\$ 10,402	\$ 5,261	\$ 5,124	\$ 751,479
Investments					886,257
Receivables (net)	22,855	3,834	2,041	18	1,135,626
Due from primary government				900	4,240
Due from other governments					7,870
Inventories	4,684	392	519		7,512
Other assets			590		16,835
Rentals due					790
Total current assets	<u>54,849</u>	<u>14,628</u>	<u>8,411</u>	<u>6,042</u>	<u>2,810,609</u>
Noncurrent Assets:					
Investments		960			88,487
Receivables (net)	11,305	4,331			1,107,524
Capital assets - nondepreciable	12,381	6,947	5,479	50	275,217
Capital assets - depreciable (net)	237,776	46,369	32,415	2,616	966,648
Rentals due					5,555
Other assets, net of amortization	15,130	4,628	725		141,517
Total noncurrent assets	<u>276,592</u>	<u>63,235</u>	<u>38,619</u>	<u>2,666</u>	<u>2,584,948</u>
Total assets	<u>331,441</u>	<u>77,863</u>	<u>47,030</u>	<u>8,708</u>	<u>5,395,557</u>
<b>Liabilities</b>					
Current liabilities:					
Cash overdraft				128	215
Accounts payable	24,720	7,589	3,181	377	76,972
Due to primary government			1,069		5,035
Due to (from) other component units					
Due to other governments					659
Accrued liabilities				2,475	63,746
Deferred revenue	9,866	2,371	1,172		16,889
Other liabilities	295	2,169	425		8,694
Current portion of long-term debt	2,927	3,134	2,882	94	302,906
Total current liabilities	<u>37,808</u>	<u>15,263</u>	<u>8,729</u>	<u>3,074</u>	<u>475,116</u>
Noncurrent liabilities:					
Due to other governments		3,871			4,217
Accrued liabilities					33,516
Deferred revenue					3,960
Notes payable		2,110			4,151
Loans payable	201		433		131,007
Obligations under capital leases	15,165	237	1,824		43,747
Escrow deposits					194,992
Other liabilities	10,415				95,497
Compensated absences	15,937	2,914	3,038	1,792	23,901
Bonds payable	95,254	12,373	3,428		2,905,829
Total noncurrent liabilities	<u>136,972</u>	<u>21,505</u>	<u>8,723</u>	<u>1,792</u>	<u>3,440,817</u>
Total liabilities	<u>174,780</u>	<u>36,768</u>	<u>17,452</u>	<u>4,866</u>	<u>3,915,933</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	137,310	38,059	31,839	2,665	718,560
Restricted for debt service	18,326	7,723	3,220	493	573,571
Unrestricted	1,023	(4,687)	(5,481)	684	187,493
Total net assets	<u>\$ 156,659</u>	<u>\$ 41,095</u>	<u>\$ 29,578</u>	<u>\$ 3,842</u>	<u>\$ 1,479,624</u>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Component Units**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<b>RIHMFC</b>	<b>RISLA</b>	<b>RITBA</b>	<b>RIEDC</b>	<b>RIUSTFR</b>	<b>NBC</b>
<b>Operating revenues:</b>						
Charges for services	\$ 5,257	\$	\$ 11,683	\$ 49,011	\$ 4,526	\$ 44,588
Interest income on loans	73,254	36,460				
Interest on investments	29,326					
Net increase (decrease) in fair value of investments	3,719					
Other operating income	519					
Total operating revenues	<u>112,075</u>	<u>36,460</u>	<u>11,683</u>	<u>49,011</u>	<u>4,526</u>	<u>44,588</u>
<b>Operating expenses:</b>						
Personal services	9,745	1,912	1,556	20,216	296	13,894
Supplies, materials, and services	4,837	4,933	2,033	16,936	4,162	10,228
Interest expense	77,358	13,924				
Grants, scholarships and contract programs				1,371		
Depreciation, depletion and amortization	5,584	913	979	15,196	3	5,981
Other operating expenses	5,648	11,696	597	4,932		
Total operating expenses	<u>103,172</u>	<u>33,378</u>	<u>5,165</u>	<u>58,651</u>	<u>4,461</u>	<u>30,103</u>
Operating income (loss)	<u>8,903</u>	<u>3,082</u>	<u>6,518</u>	<u>(9,640)</u>	<u>65</u>	<u>14,485</u>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue		1,937	2,374	5,708	15	260
Grants				(2,409)		392
Operating transfers in from primary government				11,563		
Operating transfers out to primary government				(1,893)		
Gain (loss) on sale of property				(493)	4	
Interest expense			(1,856)	(14,506)		(4,296)
Net increase (decrease) in fair value of investments		(4)	42			
Other nonoperating revenue (expenses)			117	12,128	1	(28)
Total nonoperating revenue (expenses)		<u>1,933</u>	<u>677</u>	<u>10,098</u>	<u>20</u>	<u>(3,672)</u>
Income (loss) before contributions	8,903	5,015	7,195	458	85	10,813
Capital contributions				4,756		1,665
Change in net assets	<u>8,903</u>	<u>5,015</u>	<u>7,195</u>	<u>5,214</u>	<u>85</u>	<u>12,478</u>
Total net assets - beginning, as restated	<u>240,657</u>	<u>54,661</u>	<u>51,925</u>	<u>230,610</u>	<u>847</u>	<u>194,297</u>
Total net assets - ending	<u>\$ 249,560</u>	<u>\$ 59,676</u>	<u>\$ 59,120</u>	<u>\$ 235,824</u>	<u>\$ 932</u>	<u>\$ 206,775</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Component Units**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>DEPCO</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
<b>Operating revenues:</b>						
Charges for services	\$ 1,270	\$ 57,339	\$	\$ 10,455	\$ 17,878	\$ 99
Interest income on loans	99					
Interest on investments						
Net increase (decrease) in fair value of investment:						
Other operating income		1,281	914	851		1
Total operating revenues	<u>1,369</u>	<u>58,620</u>	<u>914</u>	<u>11,306</u>	<u>17,878</u>	<u>100</u>
<b>Operating expenses:</b>						
Personal services	262	11,891	91	2,554	44,966	
Supplies, materials, and services	749	15,664	99	3,754	22,319	27
Interest expense						
Grants, scholarships and contract programs		728		6,645		
Depreciation, depletion and amortization	15	16,361		212	7,677	
Other operating expenses		16,175	59	93		
Total operating expenses	<u>1,026</u>	<u>60,819</u>	<u>249</u>	<u>13,258</u>	<u>74,962</u>	<u>27</u>
Operating income (loss)	<u>343</u>	<u>(2,199)</u>	<u>665</u>	<u>(1,952)</u>	<u>(57,084)</u>	<u>73</u>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	125	2,854	14	485	68	7
Grants					15,375	
Operating transfers in from primary government				6,018	29,055	
Operating transfers out to primary government		(6,000)	(9,319)		(409)	
Gain (loss) on sale of property		(316)			(10)	
Interest expense		(965)			(12)	
Net increase (decrease) in fair value of investments						
Other nonoperating revenue (expenses)		(4,017)		351	4,001	(100)
Total nonoperating revenue (expenses)	<u>125</u>	<u>(8,444)</u>	<u>(9,305)</u>	<u>6,854</u>	<u>48,068</u>	<u>(93)</u>
Income (loss) before contributions	468	(10,643)	(8,640)	4,902	(9,016)	(20)
Capital contributions					6,013	
Change in net assets	<u>468</u>	<u>(10,643)</u>	<u>(8,640)</u>	<u>4,902</u>	<u>(3,003)</u>	<u>(20)</u>
Total net assets - beginning, as restated	<u>10,383</u>	<u>80,732</u>	<u>8,640</u>	<u>14,470</u>	<u>92,733</u>	<u>617</u>
Total net assets - ending	<u>\$ 10,851</u>	<u>\$ 70,089</u>	<u>\$</u>	<u>\$ 19,372</u>	<u>\$ 89,730</u>	<u>\$ 597</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Component Units**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>	<u>URI</u>
<b>Operating revenues:</b>						
Charges for services	\$ 1,558	\$ 119	\$ 1,562	\$ 842	\$	\$ 131,392
Interest income on loans	16,137					
Interest on investments					307	
Net increase (decrease) in fair value of investment:						
Other operating income	1,450	88		1,429	6,375	82,995
Total operating revenues	<u>19,145</u>	<u>207</u>	<u>1,562</u>	<u>2,271</u>	<u>6,682</u>	<u>214,387</u>
<b>Operating expenses:</b>						
Personal services	345			1,974	3,019	211,121
Supplies, materials, and services	1,715	84	53	1,330	792	76,917
Interest expense	12,385					
Grants, scholarships and contract programs					3,666	10,394
Depreciation, depletion and amortization	145	14	125	650	46	12,123
Other operating expenses		1			12	
Total operating expenses	<u>14,590</u>	<u>99</u>	<u>178</u>	<u>3,954</u>	<u>7,535</u>	<u>310,555</u>
Operating income (loss)	<u>4,555</u>	<u>108</u>	<u>1,384</u>	<u>(1,683)</u>	<u>(853)</u>	<u>(96,168)</u>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue		46	289	7		
Grants	24,571					
Operating transfers in from primary government	2,675			1,939		81,990
Operating transfers out to primary government						
Gain (loss) on sale of property						
Interest expense			(1,041)	(239)		(5,703)
Net increase (decrease) in fair value of investments			(6)			797
Other nonoperating revenue (expenses)					2,922	10,400
Total nonoperating revenue (expenses)	<u>27,246</u>	<u>46</u>	<u>(758)</u>	<u>1,707</u>	<u>2,922</u>	<u>87,484</u>
Income (loss) before contributions	31,801	154	626	24	2,069	(8,684)
Capital contributions						29,834
Change in net assets	<u>31,801</u>	<u>154</u>	<u>626</u>	<u>24</u>	<u>2,069</u>	<u>21,150</u>
Total net assets - beginning, as restated	215,053	2,266	(1,170)	407	(5,306)	135,509
Total net assets - ending	<u>\$ 246,854</u>	<u>\$ 2,420</u>	<u>\$ (544)</u>	<u>\$ 431</u>	<u>\$ (3,237)</u>	<u>\$ 156,659</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Component Units**  
**For the Year Ended June 30, 2003**  
**(Expressed in Thousands)**

	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
<b>Operating revenues:</b>				
Charges for services	\$ 37,816	\$ 26,735	\$ 1,663	\$ 403,793
Interest income on loans				125,950
Interest on investments			73	29,706
Net increase (decrease) in fair value of investment:				3,719
Other operating income	12,063	11,186	6,518	125,670
Total operating revenues	<u>49,879</u>	<u>37,921</u>	<u>8,254</u>	<u>688,838</u>
<b>Operating expenses:</b>				
Personal services	70,913	57,693	41,326	493,774
Supplies, materials, and services	17,581	13,711	1,699	199,623
Interest expense				103,667
Grants, scholarships and contract programs	4,456	6,525		33,785
Depreciation, depletion and amortization	5,255	2,458	104	73,841
Other operating expenses				39,213
Total operating expenses	<u>98,205</u>	<u>80,387</u>	<u>43,129</u>	<u>943,903</u>
Operating income (loss)	<u>(48,326)</u>	<u>(42,466)</u>	<u>(34,875)</u>	<u>(255,065)</u>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue				14,189
Grants				37,929
Operating transfers in from primary government	43,469	39,601	34,448	250,758
Operating transfers out to primary government				(17,621)
Gain (loss) on sale of property				(815)
Interest expense	(827)	(298)		(29,743)
Net increase (decrease) in fair value of investments	548	128		1,505
Other nonoperating revenue (expenses)			35	25,810
Total nonoperating revenue (expenses)	<u>43,190</u>	<u>39,431</u>	<u>34,483</u>	<u>282,012</u>
Income (loss) before contributions	(5,136)	(3,035)	(392)	26,947
Capital contributions	7,355	4,108		53,731
Change in net assets	<u>2,219</u>	<u>1,073</u>	<u>(392)</u>	<u>80,678</u>
Total net assets - beginning, as restated	38,876	28,505	4,234	1,398,946
Total net assets - ending	<u>\$ 41,095</u>	<u>\$ 29,578</u>	<u>\$ 3,842</u>	<u>\$ 1,479,624</u>

(Concluded)

# STATISTICAL SECTION

**State of Rhode Island and Providence Plantations**  
**Revenues by Source and Expenditures by Function**  
**All Governmental Fund Types**

Last Ten Fiscal Years  
*(Expressed in thousands)*

<b>Revenues by Source</b>	2003	2002	2001	2000	1999
Taxes	\$ 2,330,076	\$ 2,181,956	\$ 2,282,436	\$ 2,082,906	\$ 1,919,008
Licenses, fines, sales and services	230,917	198,737	216,843	183,753	175,925
Departmental restricted revenues	78,126	79,840	77,339	114,462	107,208
Federal grants	1,597,545	1,487,126	1,416,685	1,257,203	1,215,433
Income from investments	7,808	9,814	24,592	19,270	20,426
Other revenues	123,637	60,688	53,565	36,631	32,657
<b>Total revenues</b>	<b>\$ 4,368,109</b>	<b>\$ 4,018,161</b>	<b>\$ 4,071,460</b>	<b>\$ 3,694,225</b>	<b>\$ 3,470,657</b>

<b>Expenditures by Function</b>	2003	2002	2001	2000	1999
Current:					
General government	\$ 445,497	\$ 428,884	\$ 267,920	\$ 222,125	\$ 211,525
Human services	2,232,252	2,103,198	2,077,462	1,880,477	1,761,940
Education	101,270	92,035	63,324	59,869	43,723
Public safety	297,070	288,363	279,626	257,625	246,057
Natural resources	53,207	64,568	56,483	52,450	54,729
Transportation	143,635	122,208	53,390	45,368	43,660
Capital outlay	195,611	203,729	234,221	229,678	227,573
Intergovernmental	947,791	896,800	856,770	765,670	684,890
Debt service	158,789	165,660	155,409	150,191	125,062
<b>Total expenditures</b>	<b>\$ 4,575,122</b>	<b>\$ 4,365,445</b>	<b>\$ 4,044,605</b>	<b>\$ 3,663,453</b>	<b>\$ 3,399,159</b>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Revenues by Source and Expenditures by Function**  
**All Governmental Fund Types**

Last Ten Fiscal Years  
*(Expressed in thousands)*

<b>Revenues by Source</b>	1998	1997	1996	1995	1994
Taxes	\$ 1,851,224	\$ 1,686,265	\$ 1,584,277	\$ 1,533,559	\$ 1,496,371
Licenses, fines, sales and services	169,496	179,634	173,736	182,646	154,629
Departmental restricted revenues	119,561	91,317	92,854	135,687	157,677
Federal grants	1,079,633	1,082,058	1,009,558	1,009,331	948,495
Income from investments	17,568	11,658	12,118	14,542	4,634
Other revenues	32,113	23,793	19,966	15,766	15,559
<b>Total revenues</b>	<b>\$ 3,269,595</b>	<b>\$ 3,074,725</b>	<b>\$ 2,892,509</b>	<b>\$ 2,891,531</b>	<b>\$ 2,777,365</b>

<b>Expenditures by Function</b>	1998	1997	1996	1995	1994
<b>Current:</b>					
General government	\$ 227,620	\$ 198,800	\$ 197,233	\$ 247,873	\$ 307,216
Human services	1,644,950	1,596,517	1,539,547	1,438,725	1,333,235
Education	43,222	39,877	33,415	62,328	61,151
Public safety	233,031	215,939	211,777	196,174	129,623
Natural resources	46,568	43,532	39,000	50,061	48,249
Transportation	32,934	33,275	43,391	37,560	44,674
Capital outlay	145,846	138,758	148,942	247,579	243,829
Intergovernmental	591,766	561,001	535,455	494,819	430,549
Debt service	123,086	115,358	107,870	108,658	97,701
<b>Total expenditures</b>	<b>\$ 3,089,023</b>	<b>\$ 2,943,057</b>	<b>\$ 2,856,630</b>	<b>\$ 2,883,777</b>	<b>\$ 2,696,227</b>

**State of Rhode Island and Providence Plantations**  
**Ratio of Annual Debt Service to General Expenditures**

Last Ten Fiscal Years  
*(Expressed in thousands)*

<b>Fiscal Year</b>	<b>Debt Service (Principal and Interest)</b>	<b>Total General Expenditures</b>	<b>Ratio</b>
2003	\$ 158,789	\$ 4,575,122	3.47%
2002	165,660	4,365,445	3.79%
2001	155,409	4,044,605	3.84%
2000	150,191	3,663,453	4.10%
1999	125,062	3,399,159	3.68%
1998	123,086	3,089,023	3.98%
1997	115,358	2,943,057	3.92%
1996	107,870	2,856,630	3.78%
1995	108,658	2,883,777	3.77%
1994	97,701	2,696,227	3.62%

**State of Rhode Island and Providence Plantations**  
**General Obligation Debt Per Capita**

Last Ten Fiscal Years  
*(Expressed in thousands except per capita)*

<b>Fiscal Year</b>	<b>Rhode Island Population</b>	<b>General Obligation Bonds Outstanding</b>	<b>G.O. Debt per Capita</b>
2003	1,076	728,644	677.18
2002	1,070	827,057	772.95
2001	1,059	1,035,400	977.71
2000	1,048	1,078,614	1,029.21
1999	991	998,961	1,008.03
1998	988	990,772	1,002.81
1997	987	1,015,506	1,028.88
1996	988	991,786	1,003.83
1995	989	987,367	998.35
1994	993	986,249	993.20

*Source : Population - U.S. Department of Commerce, Bureau of the Census*

**State of Rhode Island and Providence Plantations**  
**Schedule of the Largest Private Employers in 2003**

<b>Rank</b>	<b>Employer</b>	<b>Employed</b>	<b>Primary Business Activity</b>
1	Lifespan	10,082	Hospital
2	CVS Corporation	5,622	Drug Stores
3	Care New England	5,608	Hospital
4	Stop & Shop Supermarket Co., Inc.	4,555	Grocery Store
5	Brown University	4,450	University
6	Royal Bank of Scotland	4,100	Bank
7	Fleet Financial Group, Inc.	3,967	Bank
8	The Jan Companies	3,465	Restaurants
9	Shaw's super Market	2,100	Grocery Store
10	General Dynamics Corp	2,075	Ship Building

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**Source:** *Rhode Island Economic Development Corporation.*  
*Some employers are not listed because they did not wish to participate.*

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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**  
**SCHEDULE OF MISCELLANEOUS STATISTICS**

Adoption of Constitution	<u>November 5, 1842</u>
Land area (square miles)	<u>1,545</u>
Miles of state highway	<u>5,978</u>
State Police Protection:	
Number of stations	<u>5</u>
Number of officers	<u>206</u>
Higher Education:	
Number of institutions	<u>13</u>
Number of educators	<u>5,416</u>
Number of students	<u>79,085</u>
Recreation:	
Number of state parks, beaches, bike paths	<u>21</u>
Area of state parks, beaches (acres)	<u>13,289</u>
Length of bike paths (miles)	<u>32</u>
Area of state-owned forests (square miles)	<u>63</u>
Percent of state covered with forest (all ownership)	<u>55%</u>

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**Sources:** *Rhode Island State Police Annual Report. Office of Higher Education. Rhode Island Almanac. Rhode Island Department of Environmental Management, Division of Parks and Recreation and Division of Forest Environment.*

**State of Rhode Island and Providence Plantations**  
**Schedule of Personal Income and Per Capita Personal Income**  
1993 Through 2002

	<b>Personal Income</b>				<b>Per Capita Personal Income</b>			
	<i>(in millions)</i>				<i>(in dollars)</i>			
	<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>
<b>2002</b>	\$ 8,900.0	2.6%	\$ 33.0	2.8%	\$ 30,906	1.6%	\$ 30,859	2.0%
<b>2001</b>	8,677.5	4.4%	32.1	4.9%	30,413	3.3%	30,256	3.8%
<b>2000</b>	8,312.3	6.8%	30.6	5.2%	29,451	3.2%	29,158	(.7)%
<b>1999</b>	7,783.1	5.4%	29.1	5.1%	28,542	4.5%	29,377	4.9%
<b>1998</b>	7,383.7	6.6%	27.7	9.1%	27,322	5.6%	28,012	5.2%
<b>1997</b>	6,928.6	6.0%	25.4	2.4%	25,874	5.0%	26,631	6.0%
<b>1996</b>	6,538.2	5.6%	24.8	4.2%	24,651	4.6%	25,123	4.5%
<b>1995</b>	6,192.2	5.3%	23.8	5.3%	23,562	4.3%	24,046	5.6%
<b>1994</b>	5,878.4	5.0%	22.6	2.3%	22,581	4.0%	22,762	2.8%
<b>1993</b>	5,598.5	4.1%	22.1	3.8%	21,718	3.0%	22,137	4.1%

**State of Rhode Island and Providence Plantations**  
**Schedule of Economic Indicators**  
1993 Trough 2002

	<b>Civilian Labor Force</b>		<b>Unemployment Rate</b>		<b>Home Sales</b>	
	<i>(in thousands)</i>					
	<b>Number in Labor Force</b>	<b>Percent Change</b>	<b>Rate</b>	<b>Percent Change</b>	<b>Number of Sales</b>	<b>Percent Change</b>
<b>2002</b>	556	10.3%	5.1%	8.5%	19,700	(9.2)%
<b>2001</b>	504	(0.2)%	4.7%	14.6%	21,700	11.3%
<b>2000</b>	505	0.2%	4.1%	0.0%	19,500	(5.8)%
<b>1999</b>	504	1.2%	4.1%	(16.3)%	20,700	22.5%
<b>1998</b>	498	(1.4)%	4.9%	(7.5)%	16,900	17.4%
<b>1997</b>	505	1.8%	5.3%	3.9%	14,400	21.0%
<b>1996</b>	496	2.3%	5.1%	(27.1)%	11,900	0.0%
<b>1995</b>	485	(2.4)%	7.0%	(1.4)%	11,900	2.6%
<b>1994</b>	497	(2.9)%	7.1%	(9.0)%	11,600	5.5%
<b>1993</b>	512	(1.7)%	7.8%	(13.3)%	11,000	10.0%

*Sources: US Department of Commerce, Bureau of Economic Analysis. US Department of Labor. Federal Reserve Bank of Boston, Rhode Island Economic Development Corporation.*