

State of Rhode Island and Providence Plantations

Donald L. Carcieri, Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007

Prepared By:

Department of Administration

Jerome F. Williams, 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, 2007**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organization Chart	5
Officials of State Government	6
FINANCIAL SECTION	
Independent Auditor's Report - Report of the Auditor General.....	7
Management's Discussion and Analysis.....	10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	28
Reconciliation of the Balance Sheet of the Governmental Funds to Statement of Net Assets for Governmental Activities.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Assets – Proprietary Funds.....	32
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Statement of Fiduciary Net Assets – Fiduciary Funds	35
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	36
Notes to the Basic Financial Statements	37
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	99
Budgetary Comparison Schedule – Intermodal Surface Transportation Fund.....	120
Schedules of Funding Progress	121
Notes to Required Supplementary Information.....	122
Combining Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	126
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	129
Budgetary Comparison Schedule – R.I. Temporary Disability Fund.....	132
Combining Statement of Net Assets – Internal Service Funds.....	133

**State of Rhode Island and Providence Plantations
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007**

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	136
Combining Statement of Cash Flows – Internal Service Funds	138
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	142
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	143
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	144
Combining Statement of Net Assets – Component Units	146
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Component Units	150

STATISTICAL SECTION

Net Assets by Components	154
Changes in Net Assets	155
Fund Balances of Governmental Funds	157
Changes in Fund Balances of Governmental Funds.....	158
Taxable Sales by Industry	159
Personal Income by Industry	160
Personal Income Tax Rate.....	162
Personal Income Tax Filers & Liability by AGI	165
Ratios of Outstanding Debt by Type	166
Pledged Revenue Coverage.....	167
Personal Income and Per Capita Personal Income	168
Economic Indicators.....	168
Principal Employers	169
Full Time State Employees by Function	170
Operating Indicators by Function.....	171
Capital Asset Statistics by Function	172

INTRODUCTORY SECTION



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

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April 8, 2008

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, 2007. 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 evaluation 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

Governor Donald L. Carcieri
April 8, 2008

annual report on these internal controls to the Governor in accordance with the 1986 Financial Integrity and Accountability Act.

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, 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. Unexpended appropriations of the courts may be reappropriated upon request by the chief justice. 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 and judicial branches.

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

The Budgetary Comparison Schedules are presented as Required Supplementary Information (RSI) in this report.

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. 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.

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* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. 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, public safety, recreation, public improvements, and comprehensive support.

General Fund

The General Fund accounts for the financing of the principal operations of State government and most jointly financed state-federal programs.

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

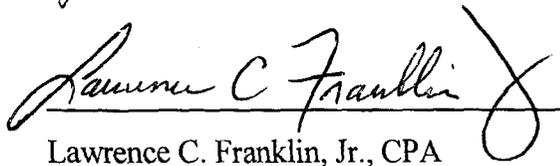
Governor Donald L. Carcieri
April 8, 2008

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,

A handwritten signature in cursive script, appearing to read "Jerome F. Williams", is written over a solid horizontal line.

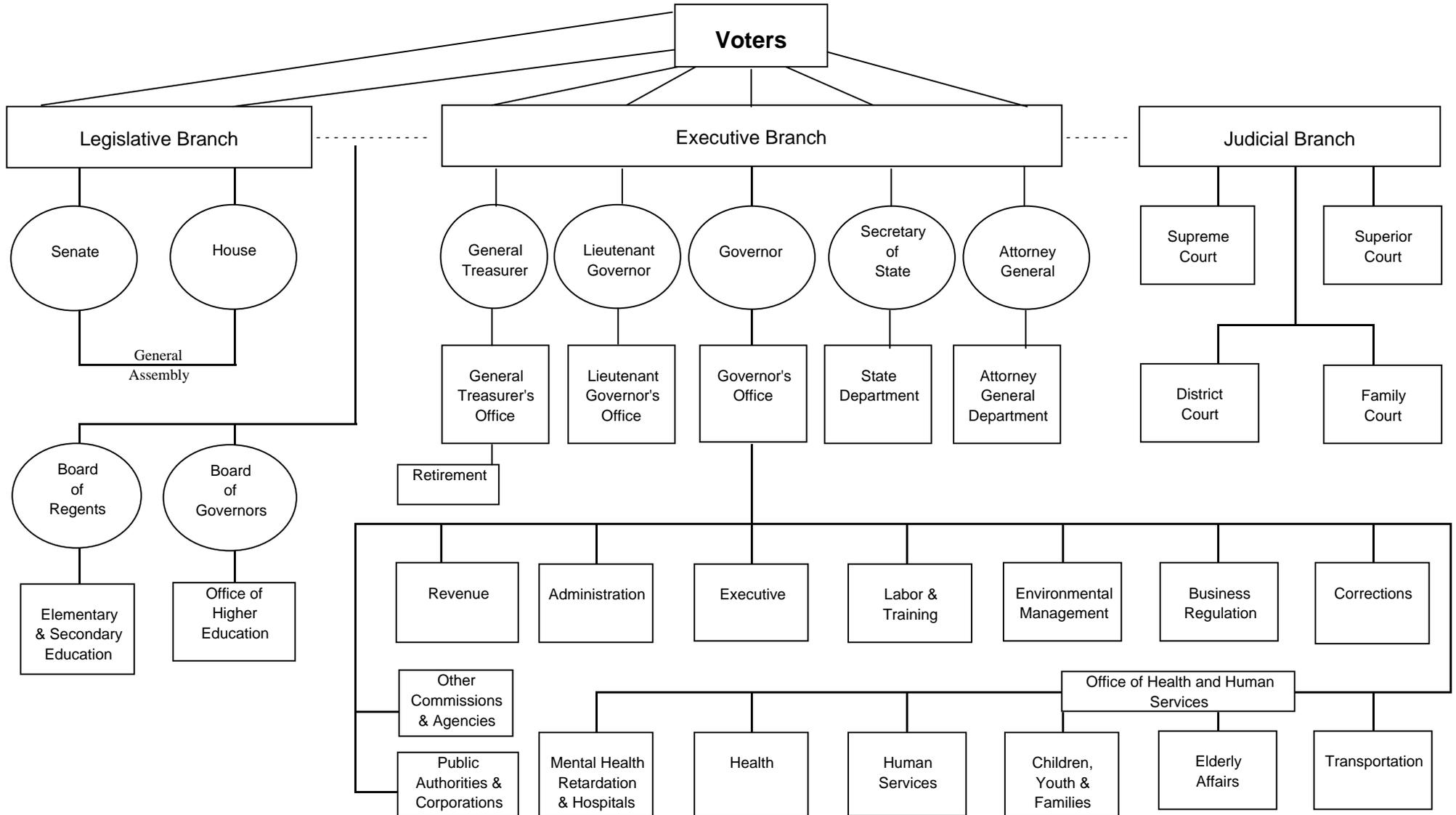
Jerome F. Williams
Director

A handwritten signature in cursive script, appearing to read "Lawrence C. Franklin, Jr.", is written over a solid horizontal line.

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

Elizabeth H. Roberts

Secretary of State

A. Ralph Mollis

General Treasurer

Frank T. Caprio

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, 2007 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 2% of the assets and 1% of the revenues of the governmental activities and 1% of the assets and 2% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 48% of the assets and 1% of the revenues of the business-type activities; and
- component units which represent 100% of the assets and 100% 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 opinions, insofar as they relate 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, are based on the reports of the other auditors.

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

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.

In our opinion, 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. The report on internal control and compliance will be included in the State's *Single Audit Report*.

The Management's Discussion and Analysis, on pages 10 through 25, the Budgetary Comparison Schedules on pages 99 through 120, and the Schedules of Funding Progress on page 121 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.

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

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 financial statements, combining financial 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 financial statements and combining financial statements for discretely presented component units have been subjected to the auditing procedures applied by us and the other auditors 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 by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Ernest A. Almonte, CPA, CFE
Auditor General

April 7, 2008

MANAGEMENT'S DISCUSSION
AND ANALYSIS

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, 2007. 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 June 30, 2007 by \$1,151.3 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$1,099.3) million was reported as unrestricted net assets, \$668.2 million was restricted net assets, and \$1,582.4 million was invested in capital assets, net of related debt.
- **Changes in Net Assets:** In the Statement of Activities the State's total net assets changed by (\$40.8) million in fiscal year 2007. Net assets of governmental activities changed by (\$49.1) million, while net assets of the business-type activities changed by \$8.3 million.

Fund Financial Statements

- The State's governmental funds reported a combined ending fund balance of \$921.5 million, a change of \$4.9 million in comparison with the previous fiscal year.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance of \$0.0, a change of (\$38.3) million in comparison with the previous fiscal year.
 - ◆ The Budget Reserve Account ended the fiscal year with a balance of \$78.7 million, a change of (\$16.7) million in comparison with the previous fiscal year. The State transferred \$19.4 million from the budget reserve to the undesignated balance to offset a budget deficit caused primarily by a general revenue shortfall.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of \$2.9 million, which was a change of (\$19.8) million from the previous year. This change includes reclassification of approximately \$28.5 million from unreserved to reserved for transportation capital projects during fiscal 2007.
- The GARVEE Fund ended its fiscal year with a fund balance of \$220.0 million a change of (\$94.3) million in comparison with the previous fiscal year. Of the fund balance, \$9.9 million is reserved for debt.
- The Rhode Island State Lottery transferred \$321.0 million to the General Fund in support of general revenue expenditures during the fiscal year, a change of (\$3.0) million in comparison with the previous fiscal year.

Overview of the Financial Statements

This discussion and analysis is 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

Management's Discussion and Analysis

3. Notes to the financial statements

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

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.

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 Rhode Island Lottery, Rhode Island 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. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government.

Fund Financial Statements

Management's Discussion and Analysis

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.

Governmental funds include the general fund and special revenue, capital projects 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. The criteria for determining if any of the other governmental funds are major funds are detailed in Note 1(D). The Intermodal Surface Transportation Fund and the GARVEE 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 the State's Comprehensive Annual Financial Report (CAFR).

- **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 (RICCA) and the Employment Security Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The

Management's Discussion and Analysis

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 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 the State's CAFR.

- Fiduciary funds:** These funds are used to account for 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 the State's CAFR.

Major Features of the Basic Financial Statements

	Government-wide Financial Statements	Fund 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 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 fiduciary funds 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.

Management's Discussion and Analysis

Other Supplementary Information

Other supplementary information, which follows the required supplementary information in the State's CAFR, includes the combining financial statements for nonmajor governmental funds, grouped by fund type and presented in single columns in the basic financial statements, internal service funds, fiduciary funds, discretely presented component units and the statistical section.

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 \$1,151.3 million at the end of fiscal year 2007, compared to \$1,190.8 million at the end of the prior fiscal year. The primary reason for the (\$39.5) million change was that prior year resources were used to fund some of the current year expenses. Governmental activities have unrestricted net assets of (\$1,082.7) million.

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

State of Rhode Island's Net Assets as of June 30, 2007
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,618,791	\$ 1,581,097	\$ 320,999	\$ 329,272	\$ 1,939,790	\$ 1,910,369
Capital assets	2,604,474	2,405,706	168,763	151,591	2,773,237	2,557,297
Total assets	<u>4,223,265</u>	<u>3,986,803</u>	<u>489,762</u>	<u>480,863</u>	<u>4,713,027</u>	<u>4,467,666</u>
Long-term liabilities outstanding	2,459,742	2,219,442	279,650	286,281	2,739,392	2,505,723
Other liabilities	780,606	736,626	41,768	34,525	822,374	771,151
Total liabilities	<u>3,240,348</u>	<u>2,956,068</u>	<u>321,418</u>	<u>320,806</u>	<u>3,561,766</u>	<u>3,276,874</u>
Net assets:						
Invested in capital assets, net of related debt	1,691,793	1,591,074	(109,435)	(131,941)	1,582,358	1,459,133
Restricted	373,788	369,137	294,395	302,689	668,183	671,826
Unrestricted	(1,082,664)	(929,476)	(16,616)	(10,691)	(1,099,280)	(940,167)
Total net assets	<u>\$ 982,917</u>	<u>\$ 1,030,735</u>	<u>\$ 168,344</u>	<u>\$ 160,057</u>	<u>\$ 1,151,261</u>	<u>\$ 1,190,792</u>

As indicated above, the State reported a balance in unrestricted net assets of (\$1,099.3) million at June 30, 2007 in the Statement of Net Assets. This deficit results primarily from the State's use

Management's Discussion and Analysis

of general obligation bond proceeds (which are reported as debt of the primary government) for non-capital expenditures deemed to provide important benefits for the general public. In these instances, proceeds are transferred to municipalities, discretely presented component units, and non-profit organizations within the State to fund specific projects. Examples of these uses of general obligation bond proceeds include but are not limited to the following:

- Certain transportation projects funded with bond proceeds that do not meet the State's criteria for capitalization as infrastructure;
- Construction of facilities at the State's university and colleges which are reflected in discretely presented component units;
- Water resources projects including the acquisition of sites for future water supply resources, various water resources planning initiatives, and funding to upgrade local water treatment facilities;
- Environmental programs to acquire, develop, and rehabilitate local recreational facilities and insure that open space is preserved;
- Historical preservation initiatives designed to protect and preserve historical buildings as well as provide funding for cultural facilities and
- Capital improvements for privately-owned and operated group homes for developmentally disabled citizens of the State as well as children who are dependant on the State for care.

In the above instances, the primary government records a liability for the general obligation bonds but no related capitalized asset is recorded. A cumulative deficit in unrestricted net assets results from financing these types of projects through the years.

Changes in Net Assets

The State's net assets changed by (\$40.8) million during the current fiscal year. Total revenues of \$7,270.1 million were less than expenses of \$7,310.9 million. Approximately 39.1% of the State's total revenue came from taxes, while 25.8% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 32.7% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services, 34.5% and education, 18.1%. In fiscal year 2007, governmental activity expenses exceeded program revenues, which resulted in the use of \$2,997.0 million in general revenues (mostly taxes). On the other hand, net program revenues from business-type activities in fiscal year 2007 exceeded expenses by \$292.9 million.

During the year, the Tobacco Settlement Financing Corporation, a blended component unit, issued \$197,005,742 of additional Tobacco Settlement Asset Backed Bonds. The bond proceeds, amounting to \$195,000,000, were used to purchase the State's future rights to residual Tobacco Settlement Revenues which were not purchased under the 2002 purchase agreement.

The cumulative effect of the prior period adjustment is fully explained in Note 18 Section C.

Management's Discussion and Analysis

State of Rhode Island's Changes in Net Assets
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 351,861	\$ 360,728	\$ 2,028,470	\$ 1,947,732	\$ 2,380,331	\$ 2,308,460
Operating grants and contributions	1,716,318	1,821,134	4,607	2,342	1,720,925	1,823,476
Capital grants and contributions	151,528	156,828			151,528	156,828
General revenues:						
Taxes	2,842,828	2,794,230			2,842,828	2,794,230
Interest and investment earnings	37,539	25,644	12,137	8,826	49,676	34,470
Miscellaneous	106,543	114,362	8,137	6,752	114,680	121,114
Payments from component units	10,108	14,715			10,108	14,715
Total revenues	<u>5,216,725</u>	<u>5,287,641</u>	<u>2,053,351</u>	<u>1,965,652</u>	<u>7,270,076</u>	<u>7,253,293</u>
Program expenses:						
General government	858,729	527,841			858,729	527,841
Human services	2,519,745	2,622,935			2,519,745	2,622,935
Education	1,320,384	287,119			1,320,384	287,119
Public safety	391,354	370,706			391,354	370,706
Natural resources	91,758	74,695			91,758	74,695
Transportation	281,518	323,517			281,518	323,517
Intergovernmental		1,213,050				1,213,050
Interest	107,211	92,121			107,211	92,121
Lottery			1,487,239	1,409,134	1,487,239	1,409,134
Convention Center			42,859	37,862	42,859	37,862
Employment insurance			210,060	197,724	210,060	197,724
Total expenses	<u>5,570,699</u>	<u>5,511,984</u>	<u>1,740,158</u>	<u>1,644,720</u>	<u>7,310,857</u>	<u>7,156,704</u>
Change in net assets before transfers	(353,974)	(224,343)	313,193	320,932	(40,781)	96,589
Transfers	304,906	312,755	(304,906)	(312,755)		
Change in net assets	(49,068)	88,412	8,287	8,177	(40,781)	96,589
Net assets - Beginning	1,030,735	195,511	160,057	151,880	1,190,792	347,391
Cumulative effect of prior period adjustments	1,250	746,812			1,250	746,812
Net assets - Beginning, as restated	<u>1,031,985</u>	<u>942,323</u>	<u>160,057</u>	<u>151,880</u>	<u>1,192,042</u>	<u>1,094,203</u>
Net assets - Ending	<u>\$ 982,917</u>	<u>\$ 1,030,735</u>	<u>\$ 168,344</u>	<u>\$ 160,057</u>	<u>\$ 1,151,261</u>	<u>\$ 1,190,792</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 \$921.5 million, a change of \$4.9 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) \$78.7 million for a "rainy day" account, (2) \$65.5 million for continuing appropriations, (3) \$85.6 million principally for liquidating debt, (4) \$145.2 million for employment insurance programs and (5)

Management's Discussion and Analysis

\$29.9 million for other restricted purposes. Approximately 56.1% (\$516.7 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 \$0.0 , while total fund balance was \$144.2 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 represents 0.0% of total General Fund expenditures, while total fund balance represents 2.8% of the same amount. The General Fund's unreserved fund balance changed from \$38.3 million to \$0.0 , a change of (\$38.3) million during the current fiscal year. In addition to using all the beginning unreserved fund balance, \$19.4 million was transferred from the Budget Reserve Account to offset a budget deficit caused primarily by a general revenue shortfall.

Revenues and other sources of the General Fund totaled \$5,056.4 million in fiscal year 2007, a decrease of (\$13.4) million (-0.26%) from the previous year. Of the aforementioned special item \$42.5 million was transferred to the general fund and is included in other sources. The revenues from various sources and the change from the previous year are shown in the following tabulation (amounts in thousands):

	2007	2006	Increase (decrease) from 2006	
			Amount	Percent
Taxes:				
Personal income	\$ 1,065,367	\$ 996,792	\$ 68,575	6.88%
Sales and use	1,052,582	1,059,031	(6,449)	-0.61%
General business	360,949	366,444	(5,495)	-1.50%
Other	50,343	57,287	(6,944)	-12.12%
Subtotal	<u>2,529,241</u>	<u>2,479,554</u>	<u>49,687</u>	<u>2.00%</u>
Federal grants	1,629,715	1,713,287	(83,572)	-4.88%
Restricted revenues	109,184	105,765	3,419	3.23%
Licenses, fines, sales, and services	242,560	253,768	(11,208)	-4.42%
Other general revenues	35,337	33,546	1,791	5.34%
Subtotal	<u>2,016,796</u>	<u>2,106,366</u>	<u>(89,570)</u>	<u>-4.25%</u>
Total revenues	<u>4,546,037</u>	<u>4,585,920</u>	<u>(39,883)</u>	<u>-0.87%</u>
Other sources	<u>510,392</u>	<u>483,880</u>	<u>26,512</u>	<u>5.48%</u>
Total revenue and other sources	<u>\$ 5,056,429</u>	<u>\$ 5,069,800</u>	<u>\$ (13,371)</u>	<u>-0.26%</u>

Expenditures and other uses totaled \$5,115.5 million in fiscal year 2007, an increase of \$64.1 million (1.27%) from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (amounts in thousands):

Management's Discussion and Analysis

	2007	2006	Increase (decrease) from 2006	
			Amount	Percent
General government	\$ 633,893	\$ 318,675	\$ 315,218	98.92%
Human services	2,512,286	2,614,712	(102,426)	-3.92%
Education	1,267,255	263,735	1,003,520	380.50%
Public safety	396,029	361,567	34,462	9.53%
Natural resources	81,518	69,538	11,980	17.23%
Capital outlay		35,479	(35,479)	-100.00%
Intergovernmental		1,186,887	(1,186,887)	-100.00%
Debt Service:				
Principal	79,954	73,700	6,254	8.49%
Interest	61,396	51,381	10,015	19.49%
Total expenditures	<u>5,032,331</u>	<u>4,975,674</u>	<u>56,657</u>	1.14%
Other uses	83,129	75,731	7,398	9.77%
Total expenditures and other uses	<u>\$ 5,115,460</u>	<u>\$ 5,051,405</u>	<u>\$ 64,055</u>	1.27%

Expenditures previously categorized as capital outlays and intergovernmental are now included in the applicable function.

Intermodal Surface Transportation Fund. The Intermodal Surface Transportation Fund (ISTEA) is a special revenue fund that 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 \$2.9 million, while the total fund balance was \$32.8 million. Total fund balance of the ISTEA fund changed by \$8.7 million during the current fiscal year. The primary reason for the increase was the collection of approximately \$8.0 million of the federal receivable that had not been previously recognized in the fund financial statements because it was a long-term receivable.

GARVEE Fund. The GARVEE Fund is a capital projects fund that accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents per gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds. The GARVEE Fund ended the fiscal year with a fund balance of \$220.0 million, a change of (\$94.3) million. The reason for this change was that it is a capital projects fund and current year expenditures were funded out of the prior year balance.

General Fund Budgetary Highlights

According to the State's Constitution, in FY2007 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 revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to

Management's Discussion and Analysis

require State funds to match the federal funds. Agencies may get additional appropriations provided a need is established. Adjustments to general revenue receipt estimates resulted in a change of (\$29.2) million, -0.9%, between the original budget and the final budget. General revenue appropriations changed from the original budget by \$3.3 million, 0.1%. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations are listed below.

General revenues	Original Budget vs. Final Budget Change	Percent
Taxes	(In thousands)	
Personal Income	\$ 4,611	0.4%
Business Corporations	44,709	36.6%
Financial Institutions	9,800	-158.1%
Sales and Use	(35,775)	-3.9%
Motor Vehicle	(4,700)	-9.4%
Cigarettes	(4,391)	-3.5%
Departmental Revenue	(7,972)	-2.7%
Other		
Other Miscellaneous	6,628	10.9%
Transfer from Lottery	(40,200)	-11.1%
Other General Revenue	(1,895)	
Total Change in Estimated Revenue	\$ (29,185)	-0.9%
General revenue appropriations		
Department		
Administration	\$ 26,280	5.9%
Children, Youth and Families	13,394	7.7%
Human Services	(19,942)	-2.8%
Corrections	(5,356)	-3.3%
Other	(11,072)	
Total Change in Appropriations	\$ 3,304	0.1%

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, 2007, amounts to \$2,773.2 million, net of accumulated depreciation of \$1,534.1 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 8.4% in terms of net book value, primarily caused by construction in progress for construction and repair of roads and other infrastructure.

Actual expenditures to purchase or construct capital assets were \$336.3 million for the year. Of this amount, \$217.0 million was used to construct or reconstruct roads. Depreciation charges for the year totaled \$115.6 million.

Management's Discussion and Analysis

State of Rhode Island's Capital Assets as of June 30, 2007
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Capital assets not being depreciated						
Land	\$ 338,987	\$ 332,092	\$ 45,558	\$ 45,558	\$ 384,545	\$ 377,650
Works of Art	135				135	
Intangibles	111,537	106,146			111,537	106,146
Construction in progress	597,005	* 413,619	25,142	3,272	622,147	416,891
Total capital assets not being depreciated	1,047,664	851,857	70,700	48,830	1,118,364	900,687
Capital assets being depreciated						
Land improvements	3,700	3,700			3,700	3,700
Buildings	520,733	438,954	161,266	161,258	681,999	600,212
Building improvements	208,342	208,343			208,342	208,343
Equipment	220,661	204,521	13,060	11,275	233,721	215,796
Intangibles	8,428	1,196			8,428	1,196
Infrastructure	2,052,745	* 2,051,013			2,052,745	2,051,013
	3,014,609	2,907,727	174,326	172,533	3,188,935	3,080,260
Less: Accumulated depreciation	1,457,799	* 1,352,629	76,263	69,772	1,534,062	1,422,401
Total capital assets being depreciated	1,556,810	1,555,098	98,063	102,761	1,654,873	1,657,859
Total capital assets (net)	\$ 2,604,474	\$ 2,406,955	\$ 168,763	\$ 151,591	\$ 2,773,237	\$ 2,558,546

* Certain June 30, 2006 balances have been restated; see Note 18 Section C for an explanation.

Significant capital projects include relocation of a major segment of interstate highway as well as construction of new youth correctional facilities and a State Police headquarters.

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 \$2,206.5 million of which \$913.5 million is general obligation debt, \$390.1 million is special obligation debt and \$902.9 million is debt of the blended component units. The State's total bonded debt increased by \$217.0 million during the current fiscal year. This increase is the net of a \$71.0 million increase in general obligation debt, a decrease of \$27.9 million in special obligation debt and an increase of \$173.9 million in the blended component units debt. 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 \$193.6 million of general obligation bonds of which \$74.8 million were refunding bonds used to refund \$72.9 million of outstanding 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 Tobacco

Management's Discussion and Analysis

Settlement Finance Corporation issued \$197.0 million of Tobacco Settlement Asset Backed Bonds.

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 \$408.6 million. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

Conditions Expected to Affect Future Operations

In November 2006 the voters of the State approved an amendment to the Rhode Island Constitution that restricts, beginning July 1, 2007, the use of excess funds in the Rhode Island Capital Fund solely for capital projects. Also, the amendment will, beginning July 1, 2012, increase the budget reserve account by limiting annual appropriations to ninety seven (97%) percent of estimated revenues and increasing the cap on the budget reserve account to five (5%) percent of estimated revenue.

In anticipation of the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, the State has obtained an actuarial valuation of the unfunded liability relating to retiree medical benefits. The unfunded liability was approximately \$696 million as of June 30, 2005. This calculation assumes an annual investment return rate of 5%. Legislation is pending that, if enacted, will modify the benefits provided to future retirees under the retiree medical benefit program. The State's policy has been to record as an expenditure current claims incurred and administrative costs for the retiree medical benefit program.

Additionally, during the 2007 Session of the General Assembly, a law was enacted which requires that general revenues received in excess of the amount estimated in the enacted budget, net of reserve fund contributions, be transferred to the State Retirement Fund upon completion of the post audit.

The November 2007 Revenue Estimating Conference revised the enacted FY 2008 estimate of general revenues downward by \$113.3 million. Nearly half of the general revenue sources were revised downward from enacted estimates including the three largest tax sources of general revenue; Personal Income Tax, Sales Tax, and Business Corporation Tax. The revised FY 2008 estimate of total general revenues is \$3.360 billion, a 3.3 percent decrease from the enacted FY 2008 estimate.

In addition, the first quarter report for FY 2008 prepared by the Budget Office and issued on November 15, 2007 projects that expenditures will exceed appropriations for a number of programs by \$46.7 Million.

In total the general revenue deficit for FY 2008 is projected to be \$151.5 million according to the first quarter report for FY 2008 prepared by the Budget Office.

On January 17, 2008 the Governor submitted a supplemental budget proposal for FY 2008 to the General Assembly. This proposal includes a number of measures designed to eliminate the FY 2008 budget deficit discussed above.

Management's Discussion and Analysis

Economic Factors

Rhode Island personal income has continued to increase over the past year, posting gains of 7.1 percent and 5.5 percent for the first two quarters of calendar year 2007, respectively. Annually, personal income grew by just 3.8 percent in fiscal year 2006 but is estimated to have accelerated to 5.1 percent in FY 2007. Despite this acceleration, Rhode Island continues to lag New England and the United States. In fiscal years 2006 and 2007, New England personal income grew at a rate of 5.5 percent and 5.8 percent, respectively. United States personal income grew at a more robust 6.2 percent for FY 2006 and 6.4 percent for FY 2007. The trend, however, in personal income per capita is very different.

Although Rhode Island's annual personal income per capita has, at times, grown more slowly than that of New England and the United States, it has also grown faster during other periods. From calendar years 1996 to 2000, Rhode Island personal income per capita lagged New England and the United States annually with the exception of 1997 when it surpassed the United States by 0.3 percentage points. From 2001 to 2003, Rhode Island personal income per capita grew at an average of 3.8 percent annually as compared to average annual growth of 1.6 percent for New England and 1.8 percent for the United States. Finally, personal income per capita growth in the 2004 to 2006 period averaged 4.5 percent annually for Rhode Island, lagging New England's average annual growth of 5.3 percent and the average annual growth of 5.2 percent for the United States. Despite these comparisons, Rhode Island has gained a higher level of per capita personal income as compared to the United States while increasingly falling behind New England's level of per capita personal income. From 2002 to 2006, Rhode Island's personal income per capita averaged \$920 higher than that of the United States in comparison to the \$52 per capita average a decade earlier, from 1992 to 1996. In comparison to New England, however, Rhode Island personal income has averaged \$5,087 lower per capita from 1992 through 2006, consistently widening every year. In 2006, Rhode Island per capita personal income was \$37,261 as compared to New England per capita personal income of \$44,252 and United States per capita personal income of \$36,629 as reported by the Bureau of Economic Analysis.

Rhode Island wages and salaries grew at lower rates than personal income as a whole for FY 2005 and FY 2006 before reversing in FY 2007. In FY 2005, the State's wages and salaries grew at 3.8 percent as compared to personal income growth of 4.8 percent. In FY 2006, wages and salaries grew at 3.6 percent as compared to 3.8 percent growth in personal income. In FY 2007, wages and salaries grew by 6.0 percent, exceeding personal income growth of 5.0 percent. According to Moody's Economy.com (11/2007), "[O]ver the very long term, payroll employment gains in Rhode Island will lag the U.S. average. However, this constraint will result more from population density than from declining per capita income, as future residents of the Ocean State can be expected to prosper from the focus on high-tech and innovation." Average annual pay is computed by dividing total annual payrolls of employees covered by unemployment insurance programs by the average monthly number of these employees. Although average annual pay has increased consistently for the last fifteen years, the ratio of pay levels in Rhode Island to the United States has been on a downward trend since 2003. In 1990, average annual pay in Rhode Island was 94.9 percent of the national average. By 2001, the ratio had fallen to 92.8 percent. For 2002, average annual pay in Rhode Island rebounded to 94.7 percent of U.S. average annual pay. This was followed by a further increase to 96.4 percent in

Management's Discussion and Analysis

2003, \$36,415 for Rhode Island versus \$37,765 for the United States as a whole. In 2004, 2005, and 2006 average annual pay in Rhode Island again fell as a percentage of average annual pay in the U.S.

According to midyear population estimates by the Bureau of Census, Rhode Island is the only state to have experienced loss of population in both 2005 and 2006. Only two other states and Washington, D.C., lost population in 2006: Louisiana and Michigan, which were hardly a surprise given the fallout of Hurricane Katrina and the contracting automobile industry. In 2005, North Dakota was the only other state to exhibit a decline in population size while the other 48 states and Washington, D.C. populations expanded. Regarding Rhode Island and Massachusetts, according to Moody's Economy.com (11/2007), "[A] narrowing in the housing affordability gap between the two states may also be lessening in-migration from Massachusetts. While U.S. population growth is expected to average about 0.9% over the next several decades, it will likely average just one-third of that pace in Rhode Island."

The State has implemented strategies to improve housing affordability. An upside risk to the forecast cited by Moody's Economy.com (11/2007) comes from the \$50 million bond referendum for affordable housing construction that passed on November 7, 2006. If the bond "actually leverages \$300 to \$400 million in private investment," it will result in a "spurring" of "the [S]tate's construction industry," as well as to "support the [S]tate's homeownership rate and increase the retention rate of young educated workers, a vital component to enhancing the economic well-being of the [St]ate's residents." Further, since FY 2002, the State's construction activity has been enhanced as a result of the provision of historic structure tax credits which have created economic incentives to stimulate the redevelopment and reuse of Rhode Island's historic structures. As of September 2007, qualified construction costs totaled \$575.0 million for completed projects utilizing the credits, and were estimated to be \$922.9 million for active and proposed projects that are expected to result in credits issued. This would result in an estimated \$172.5 million in tax credits for completed projects and \$276.9 million for active and proposed projects that may apply for credits.

The Rhode Island Department of Labor and Training reported at the November 2007 Revenue Estimating Conference that the unemployment rate increased slightly through the third quarter of CY 2007. Rhode Island's total unemployment has consistently been below last year's unemployment figures through the first three quarters of CY 2007. However, Rhode Island's unemployment rate remained above the national average for the fifth straight month in September 2007. According to the U.S. Bureau of Labor Statistics, Rhode Island experienced an increase in non-farm employment of 3,635 jobs, or 0.7 percent in FY 2007. In FY 2006, Rhode Island gained 1,708 jobs, an increase of 0.3 percent over FY 2005. On a calendar year basis, Rhode Island added 5,308 jobs in 2005 and 2006. The November 2007 Revenue Estimating Conference's Consensus Economic Forecast projects Rhode Island non-farm employment to total 501,200 in FY 2008, an increase of 1.0 percent over FY 2007, and 506,200 in FY 2009, an increase of 1.0 percent over projected FY 2008.

Although jobs in construction increased again in 2006, by 5.4 percent, the housing market in Rhode Island has begun to contract, with 23.2 percent fewer housing permits year-to-date through October 2007 from the prior fiscal year through October 2006. Although Rhode Island's "softening in house prices is good news for housing affordability," Moody's Economy.com states that "it is occurring at the expense of a marked increase in foreclosure rates for Rhode

Management's Discussion and Analysis

Island during the third quarter of 2007.” This decreased available mortgage equity for withdrawal has strained homeowners’ spending habits in Rhode Island most noticeably in the form of decreasing sales and use tax collections. FY 2007 sales and use tax collections have decreased by 2.4 percent through October 2007 as compared to the fiscal year period through October 2006.

The composition of Rhode Island’s economy reflects the prominence of industries that are reliant on housing activity. Finance, Insurance and Real Estate is the largest sector in the economy of Rhode Island in terms of number of dollars. F.I.R.E.’s contribution to total GDP has grown from 26.0 percent of GDP in 2000 to 26.7 percent of GDP in 2006. In 2006, F.I.R.E. accounted for \$12.2 billion of total gross domestic product of \$45.7 billion. For the period 2000 – 2006 this sector expanded by a respectable 26.8 percent. In 2006, Construction and Manufacturing was the second largest sector in Rhode Island at \$6.8 billion, or 14.9 percent of the total Gross Domestic Product. This sector increased by 20.3 percent from the 2000 level although it decreased in percent contribution to GDP. Services consists of professional and technical services, management services, administrative and waste services, educational, health care and social assistance, as well as other non-government services. Since 2000, Services have remained an integral sector accounting for 28.0 percent of Rhode Island’s GDP in 2006. From 2000 to 2006, Services have grown by 47.1 percent, indicating the continuing shift from Rhode Island’s traditional role as a manufacturing based economy to that of a service based economy. At 12.1 percent of GDP in 2006, the Government sector has grown slowly and steadily since 2000. Yet, due to the gains in other sectors, particularly F.I.R.E., Government contributes slightly less as a percentage of GDP in 2006 than it did in 2000. In 2000, the Government sector accounted for 12.3 percent of GDP. In 2006, the Government sector contributed \$5.5 billion to total gross state product.

One of the “main threats” to the State’s economic performance is the high tax burden imposed on Rhode Island businesses and households. High property taxes at the local level and high personal income tax rates at the state level drive Rhode Island’s heavy tax burden. The former discourages businesses that are making relocation decisions from choosing Rhode Island. The latter discourage entrepreneurs and venture capitalists from enhancing new business development in the State giving Rhode Island a less dynamic economy than Connecticut and Massachusetts. Additionally, Moody’s Economy.com (11/07) cites recent legislation to “eliminate REIT loopholes” as part of a policy that is “a hinder on prosperity.” However, “[T]he desire to keep biotech companies growing in the [S]tate and attracting new ones led to the recently legislated Biotechnology Jobs Growth Act, which extends the duration of the [S]tate’s investment tax credit from seven to 15 years for biotechnology companies.” The biotechnology industry cluster that has begun to emerge in Rhode Island should positively continue to impact the State’s long term economic performance. According to Moody’s Economy.com (11/2007), “[A] major upside risk for the long-term forecast is further expansion of high-tech companies in Rhode Island, such as information technology or biotech.” Further, “The [S]tate remains well-suited as an expansion corridor for the densely packed biotech community in eastern Massachusetts.” The fact that “Rhode Island has the highest concentration of college students relative to population in the nation” bodes well for the future of the biotech and high-tech industry development in the State. These students are among the State’s chief assets for the development of a viable biotechnology industry cluster and “[T]he development of a biotech industry would allow Rhode Island to retain more of its college science majors, who usually

Management's Discussion and Analysis

search elsewhere for employment upon graduation.," a compact geography, and responsive government at the state and local levels.

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. The State's Comprehensive Annual Financial Report may be found on the State Controller's home page, <http://controller.admin.ri.gov/index.php>. 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, 2007

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 582,245	\$ 19,854	\$ 602,099	\$ 260,591
Funds on deposit with fiscal agent	301,155	182,391	483,546	
Investments	327		327	69,905
Receivables (net)	377,918	59,780	437,698	191,143
Restricted assets:				
Cash and cash equivalents		14,514	14,514	497,660
Investments	72,545		72,545	423,713
Other assets				34,869
Due from primary government				3,720
Due from component units	1,025		1,025	
Internal balances	6,278	(6,278)		
Due from other governments and agencies	177,299	1,395	178,694	3,673
Inventories	2,242	970	3,212	2,787
Other assets	48,932	761	49,693	18,218
Total current assets	1,569,966	273,387	1,843,353	1,506,279
Noncurrent assets:				
Investments				150,533
Receivables (net)	18,882		18,882	1,414,425
Restricted assets:				
Cash and cash equivalents				145,667
Investments		43,791	43,791	199,636
Other assets				1,409,624
Due from component units	19,334		19,334	
Capital assets - nondepreciable	1,047,664	70,700	1,118,364	666,791
Capital assets - depreciable (net)	1,556,810	98,063	1,654,873	1,115,513
Other assets	10,609	3,821	14,430	81,250
Total noncurrent assets	2,653,299	216,375	2,869,674	5,183,439
Total assets	4,223,265	489,762	4,713,027	6,689,718
Liabilities				
Current Liabilities:				
Cash overdraft	4,778		4,778	2,208
Accounts payable	512,151	18,619	530,770	75,408
Due to primary government				1,978
Due to component units	3,720		3,720	
Due to other governments and agencies		1,668	1,668	748
Deferred revenue	8,500	1,717	10,217	23,272
Other current liabilities	77,553	4,630	82,183	285,373
Current portion of long-term debt	173,904	9,163	183,067	268,854
Obligation for unpaid prize awards		5,971	5,971	
Total current liabilities	780,606	41,768	822,374	657,841
Noncurrent Liabilities:				
Due to primary government				19,334
Due to other governments and agencies				4,292
Deferred revenue		9,556	9,556	1,059
Notes payable				3,801
Loans payable				255,674
Obligations under capital leases	242,297		242,297	30,609
Compensated absences	27,451		27,451	25,146
Bonds payable	2,136,857	269,035	2,405,892	3,532,803
Other liabilities	53,137	1,059	54,196	141,758
Total noncurrent liabilities	2,459,742	279,650	2,739,392	4,014,476
Total liabilities	3,240,348	321,418	3,561,766	4,672,317
Net Assets				
Invested in capital assets, net of related debt	1,691,793	(109,435)	1,582,358	899,576
Restricted for:				
Budget reserve	78,659		78,659	
Transportation	1,388		1,388	
Capital projects	10,090		10,090	
Debt	85,554	58,305	143,859	581,432
Employment insurance programs	145,176	236,090	381,266	
Other	51,735		51,735	153,429
Nonexpendable-education	1,186		1,186	85,349
Unrestricted	(1,082,664)	(16,616)	(1,099,280)	297,615
Total net assets	\$ 982,917	\$ 168,344	\$ 1,151,261	\$ 2,017,401

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

State of Rhode Island and Providence Plantations
Statement of Activities
For the Year Ended June 30, 2007
(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		
Primary government:								
Governmental activities:								
General government	\$ 858,729	\$ 132,152	\$ 79,857	\$ 139	\$ (646,581)	\$	\$ (646,581)	\$
Human services	2,519,745	125,901	1,300,039	2,343	(1,091,462)		(1,091,462)	
Education	1,320,384	11,180	178,271	178	(1,130,755)		(1,130,755)	
Public safety	391,354	49,821	36,140	9,706	(295,687)		(295,687)	
Natural resources	91,758	31,932	19,311	7,262	(33,253)		(33,253)	
Transportation	281,518	875	102,700	131,900	(46,043)		(46,043)	
Interest and other charges	107,211				(107,211)		(107,211)	
Total governmental activities	<u>5,570,699</u>	<u>351,861</u>	<u>1,716,318</u>	<u>151,528</u>	<u>(3,350,992)</u>		<u>(3,350,992)</u>	
Business-type activities:								
State lottery	1,487,239	1,806,218				318,979	318,979	
Convention center	42,859	19,251				(23,608)	(23,608)	
Employment security	210,060	203,001	4,607			(2,452)	(2,452)	
Total business-type activities	<u>1,740,158</u>	<u>2,028,470</u>	<u>4,607</u>			<u>292,919</u>	<u>292,919</u>	
Total primary government	<u>\$ 7,310,857</u>	<u>\$ 2,380,331</u>	<u>\$ 1,720,925</u>	<u>\$ 151,528</u>	<u>(3,350,992)</u>	<u>292,919</u>	<u>(3,058,073)</u>	
Component units:	<u>\$ 1,179,807</u>	<u>\$ 838,815</u>	<u>\$ 34,391</u>	<u>\$ 61,239</u>				<u>(245,362)</u>
General Revenues:								
Taxes					2,842,828		2,842,828	
Interest and investment earnings					37,539	12,137	49,676	72,932
Miscellaneous					106,543	8,137	114,680	30,570
Gain on sale of capital assets								1,144
Transfers					304,906	(304,906)		
Payments from component units					10,108		10,108	
Payments from primary government								282,831
Total general revenues and transfers					<u>3,301,924</u>	<u>(284,632)</u>	<u>3,017,292</u>	<u>387,477</u>
Change in net assets					(49,068)	8,287	(40,781)	142,115
Net assets - beginning as restated					1,031,985	160,057	1,192,042	1,875,286
Net assets - ending					<u>\$ 982,917</u>	<u>\$ 168,344</u>	<u>\$ 1,151,261</u>	<u>\$ 2,017,401</u>

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

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.

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

GARVEE – accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents a gallon gasoline tax, which is dedicated for the debt service of the RIMFT bonds.

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. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center located within the City of Providence.

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, 2007

(Expressed in Thousands)

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 144,827	\$ 18,851	\$	\$ 382,145	\$ 545,823
Funds on deposit with fiscal agent			227,099	74,056	301,155
Investments				327	327
Restricted investments				72,545	72,545
Receivables (net)	313,487	13,473	72	43,932	370,964
Due from other funds	11,651	2,056	4,101		17,808
Due from component units	359				359
Due from other governments and agencies	125,764	51,535			177,299
Loans to other funds	14,422				14,422
Other assets	42,941			68	43,009
Total assets	\$ 653,451	\$ 85,915	\$ 231,272	\$ 573,073	\$ 1,543,711
Liabilities and Fund Balances					
Liabilities					
Cash overdraft			469	1,617	2,086
Accounts payable	430,987	24,846	10,844	23,407	490,084
Due to other funds				14,800	14,800
Due to component units		3,720			3,720
Loans from other funds				8,422	8,422
Deferred revenue	22,962	24,206			47,168
Other liabilities	55,336	324		304	55,964
Total liabilities	509,285	53,096	11,313	48,550	622,244
Fund Balances					
Reserved for:					
Budget reserve	78,659				78,659
Appropriations carried forward	65,507				65,507
Debt			9,875	75,679	85,554
Transportation capital projects		29,877			29,877
Employment insurance programs				145,176	145,176
Unreserved, reported in:					
Special revenue funds		2,942		152,540	155,482
Capital projects funds			210,084	149,942	360,026
Permanent fund				1,186	1,186
Total fund balances	144,166	32,819	219,959	524,523	921,467
Total liabilities and fund balances	\$ 653,451	\$ 85,915	\$ 231,272	\$ 573,073	\$ 1,543,711

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

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, 2007
(Expressed in Thousands)

Fund balance - total governmental funds \$ 921,467

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.

Capital assets	4,055,948	
Accumulated depreciation	(1,454,884)	
		2,601,064

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.

Compensated absences	(77,175)	
Bonds payable	(2,209,512)	
Net premium/discount and deferred amount on refunding	(26,127)	
Cost of issuance	9,492	
Obligations under capital leases	(256,865)	
Premium	(6,167)	
Cost of issuance	1,117	
Interest payable	(21,589)	
Other Liabilities	(56,867)	
		(2,643,693)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Receivables	21,951	
Due from component units	20,000	
Deferred revenue	38,668	
		80,619

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 are reported with governmental activities.

23,460

Net assets - total governmental activities	\$	982,917
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The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,529,241	\$ 141,138	\$	\$ 177,905	\$ 2,848,284
Licenses, fines, sales, and services	242,560			183	242,743
Departmental restricted revenue	109,184	875			110,059
Federal grants	1,629,715	239,621			1,869,336
Income from investments	2,611	488	13,665	19,304	36,068
Other revenues	32,726	7,292		44,646	84,664
Total revenues	4,546,037	389,414	13,665	242,038	5,191,154
Expenditures:					
Current:					
General government	633,893			172,972	806,865
Human services	2,512,286				2,512,286
Education	1,267,255				1,267,255
Public safety	396,029				396,029
Natural resources	81,518				81,518
Transportation		310,019			310,019
Capital outlays			110,503	159,047	269,550
Debt service:					
Principal	79,954	1,388	28,190	6,220	115,752
Interest and other charges	61,396	311	22,950	43,870	128,527
Total expenditures	5,032,331	311,718	161,643	382,109	5,887,801
Excess (deficiency) of revenues over (under) expenditures	(486,294)	77,696	(147,978)	(140,071)	(696,647)
Other financing sources (uses):					
Bonds and notes issued				314,852	314,852
Refunding bonds issued				74,835	74,835
Proceeds from the sale of Certificates of Participation				45,325	45,325
Premium and accrued interest				9,930	9,930
Operating transfers in	481,915	35,397	53,591	257,982	828,885
Payments from component units	10,090	18			10,108
Other	18,387			48	18,435
Payment to refunded bonds escrow agent				(78,198)	(78,198)
Operating transfers out	(83,129)	(104,353)		(335,149)	(522,631)
Total other financing sources (uses)	427,263	(68,938)	53,591	289,625	701,541
Net change in fund balances	(59,031)	8,758	(94,387)	149,554	4,894
Fund balances - beginning	203,197	24,061	314,346	374,969	916,573
Fund balances - ending	\$ 144,166	\$ 32,819	\$ 219,959	\$ 524,523	\$ 921,467

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

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, 2007
 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 4,894

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.

Capital outlay	318,076	
Depreciation expense	(106,819)	
Loss on disposal of assets	(12,437)	
		198,820

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.

Debt service		
Principal	115,752	
Payment to escrow agent	72,930	
Interest and other charges	9,288	
Proceeds	(435,012)	
Deferral of premium/discount	(7,128)	
Amortization of premium/discount	14,654	
Deferral of issuance costs	2,343	
Amortization of issuance costs	(2,538)	
		(229,711)

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.

Compensated absences	(5,754)	
Program expenses	(2,330)	
Program revenue	(914)	
Capital grant revenue	(1,491)	
General revenue - taxes	(5,456)	
General revenue-misc	3,453	
		(12,492)

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. (10,579)

Change in net assets - total governmental activities \$ (49,068)

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

State of Rhode Island and Providence Plantations
Statement of Net Assets
Proprietary Funds
June 30, 2007
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 12,088	\$ 2,262	\$ 5,504	\$ 19,854	\$ 36,422
Restricted cash and cash equivalents		14,514		14,514	
Funds on deposit with fiscal agent			182,391	182,391	
Receivables (net)	8,577	947	50,256	59,780	3,886
Due from other funds					5,146
Due from other governments and agencies			1,395	1,395	
Inventories	970			970	2,242
Other assets	482	279		761	5,923
Total current assets	<u>22,117</u>	<u>18,002</u>	<u>239,546</u>	<u>279,665</u>	<u>53,619</u>
Noncurrent assets:					
Restricted investments		43,791		43,791	
Capital assets - nondepreciable		70,700		70,700	
Capital assets - depreciable (net)	1,139	96,924		98,063	3,410
Other assets		3,821		3,821	
Total noncurrent assets	<u>1,139</u>	<u>215,236</u>	<u></u>	<u>216,375</u>	<u>3,410</u>
Total assets	<u>23,256</u>	<u>233,238</u>	<u>239,546</u>	<u>496,040</u>	<u>57,029</u>
Liabilities					
Current Liabilities:					
Cash overdraft					2,692
Accounts payable	12,642	5,977		18,619	22,068
Due to other funds	2,990	1,500	1,788	6,278	1,876
Due to other governments and agencies			1,668	1,668	
Loans from other funds					6,000
Deferred revenue	182	1,535		1,717	
Other current liabilities	2,096	2,534		4,630	
Bonds payable		9,163		9,163	
Obligations under capital leases					933
Obligation for unpaid prize awards	5,971			5,971	
Total current liabilities	<u>23,881</u>	<u>20,709</u>	<u>3,456</u>	<u>48,046</u>	<u>33,569</u>
Noncurrent Liabilities:					
Deferred revenue	9,375	181		9,556	
Bonds payable		269,035		269,035	
Other liabilities		1,059		1,059	
Total noncurrent liabilities	<u>9,375</u>	<u>270,275</u>	<u></u>	<u>279,650</u>	<u></u>
Total liabilities	<u>33,256</u>	<u>290,984</u>	<u>3,456</u>	<u>327,696</u>	<u>33,569</u>
Net Assets					
Invested in capital assets, net of related debt	1,139	(110,574)		(109,435)	3,410
Restricted for:					
Debt		58,305		58,305	
Employment insurance programs			236,090	236,090	
Unrestricted	(11,139)	(5,477)		(16,616)	20,050
Total net assets	<u>\$ (10,000)</u>	<u>\$ (57,746)</u>	<u>\$ 236,090</u>	<u>\$ 168,344</u>	<u>\$ 23,460</u>

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

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, 2007
(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	\$ 1,806,218	\$ 18,816	\$ 202,862	\$ 2,027,896	\$ 300,252
Grants			4,607	4,607	
Miscellaneous		435	139	574	
Total operating revenues	1,806,218	19,251	207,608	2,033,077	300,252
Operating expenses:					
Personal services	4,451	12,005		16,456	9,731
Supplies, materials, and services	194,316	8,906		203,222	300,794
Prize awards	1,288,210			1,288,210	
Depreciation and amortization	262	7,166		7,428	364
Benefits paid			203,624	203,624	
Total operating expenses	1,487,239	28,077	203,624	1,718,940	310,889
Operating income (loss)	318,979	(8,826)	3,984	314,137	(10,637)
Nonoperating revenues (expenses):					
Interest revenue		3,416	8,721	12,137	1,471
Other nonoperating revenue	2,636		5,501	8,137	
Interest expense		(14,782)		(14,782)	
Other nonoperating expenses			(6,436)	(6,436)	(65)
Total nonoperating revenue (expenses)	2,636	(11,366)	7,786	(944)	1,406
Income (loss) before transfers	321,615	(20,192)	11,770	313,193	(9,231)
Transfers in		20,147	1,297	21,444	
Transfers out	(320,990)		(5,360)	(326,350)	(1,348)
Change in net assets	625	(45)	7,707	8,287	(10,579)
Total net assets - beginning as restated	(10,625)	(57,701)	228,383	160,057	34,039
Total net assets - ending	\$ (10,000)	\$ (57,746)	\$ 236,090	\$ 168,344	\$ 23,460

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

State of Rhode Island and Providence Plantations
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 1,812,858	\$ 18,555	\$ 201,838	\$ 2,033,251	\$ 301,762
Cash received from grants			4,607	4,607	
Cash payments to suppliers for goods and services	(5,057)	(8,671)		(13,728)	(301,844)
Cash payments to employees for services	(4,431)	(11,990)		(16,421)	(9,640)
Cash payments to prize winners	(1,296,403)			(1,296,403)	
Cash payments for commissions	(187,032)			(187,032)	
Cash payments for benefits			(203,624)	(203,624)	
Other operating revenue (expense)			864	864	1,501
Net cash provided by (used for) operating activities	<u>319,935</u>	<u>(2,106)</u>	<u>3,685</u>	<u>321,514</u>	<u>(8,221)</u>
Cash flows from noncapital financing activities:					
Loans from other funds					3,950
Repayment of loans to other funds					(3,500)
Operating transfers in		21,647	1,297	22,944	3,812
Operating transfers out	(319,099)		(5,296)	(324,395)	(5,160)
Net transfers from (to) fiscal agent			4,380	4,380	
Negative cash balance implicitly financed					2,691
Repayment of prior year negative cash balance implicitly financed					(2,779)
Net cash provided by (used for) noncapital financing activities	<u>(319,099)</u>	<u>21,647</u>	<u>381</u>	<u>(297,071)</u>	<u>(986)</u>
Cash flows from capital and related financing activities:					
Principal paid on capital obligations		(7,391)		(7,391)	(109)
Interest paid on capital obligations		(13,932)		(13,932)	
Acquisition of capital assets	(86)	(17,814)		(17,900)	(352)
Proceeds from bonds					
Net cash provided by (used for) capital and related financing activities	<u>(86)</u>	<u>(39,137)</u>		<u>(39,223)</u>	<u>(461)</u>
Cash flows from investing activities:					
Proceeds from sale and maturity of investments		13,942		13,942	
Interest on investments	1,412	3,420		4,832	
Net cash provided by (used for) investing activities	<u>1,412</u>	<u>17,362</u>		<u>18,774</u>	
Net increase (decrease) in cash and cash equivalents	<u>2,162</u>	<u>(2,234)</u>	<u>4,066</u>	<u>3,994</u>	<u>(9,668)</u>
Cash and cash equivalents, July 1	9,926	19,010	1,438	30,374	46,090
Cash and cash equivalents, June 30	<u>\$ 12,088</u>	<u>\$ 16,776</u>	<u>\$ 5,504</u>	<u>\$ 34,368</u>	<u>\$ 36,422</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	318,979	(8,826)	3,984	314,137	(10,637)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	262	7,166		7,428	364
Other revenue (expense) and operating transfer in (out)	598		725	1,323	1,501
Net changes in assets and liabilities:					
Receivables, net	(842)	(472)	(1,024)	(2,338)	98
Inventory	51			51	634
Prepaid items		82		82	(169)
Other assets	(211)	9		(202)	
Accounts and other payables	1,936	499		2,435	(101)
Accrued expenses	353	(340)		13	89
Deferred revenue	(135)	(224)		(359)	
Prize awards payable	(1,056)			(1,056)	
Total adjustments	<u>956</u>	<u>6,720</u>	<u>(299)</u>	<u>7,377</u>	<u>2,416</u>
Net cash provided by (used for) operating activities	<u>\$ 319,935</u>	<u>\$ (2,106)</u>	<u>\$ 3,685</u>	<u>\$ 321,514</u>	<u>\$ (8,221)</u>

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

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 Fiduciary Net Assets
Fiduciary Funds
June 30, 2007
(Expressed in Thousands)

	Pension Trust	Private Purpose	
		Touro Jewish Synagogue	Agency
Assets			
Cash and cash equivalents	\$ 11,376	\$	\$ 19,300
Deposits held as security for entities doing business in the State			66,438
Receivables			
Contributions	29,163		
Due from state for teachers	29,259		
Miscellaneous	3,656		4,311
Total receivables	<u>62,078</u>		<u>4,311</u>
Investments, at fair value			
Equity in Short-Term Investment Fund	10,725		
Equity in Pooled Trust	8,422,155		
Other investments		2,476	
Total investments before lending activities	<u>8,432,880</u>	<u>2,476</u>	
Invested securities lending collateral	<u>1,329,239</u>		
Property and equipment, at cost, net of accumulated depreciation	<u>9,551</u>		
Total assets	<u>9,845,124</u>	<u>2,476</u>	<u>90,049</u>
Liabilities			
Securities lending liability	1,329,239		
Accounts payable	7,086		4,311
Deposits held for others			85,738
Total liabilities	<u>1,336,325</u>		<u>90,049</u>
Net assets held in trust for pension and other benefits	<u>\$ 8,508,799</u>	<u>\$ 2,476</u>	<u>\$</u>

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

State of Rhode Island and Providence Plantations
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>Private Purpose Touro Jewish Synagogue</u>
Additions		
Contributions		
Member contributions	\$ 176,599	\$
Employer contributions	262,646	
State contributions for teachers	70,531	
Interest on service credits purchased	3,994	
Total contributions	<u>513,770</u>	
Investment income		
Net appreciation in fair value of investments	1,129,009	205
Interest	111,126	
Dividends	86,541	48
Other investment income	27,702	118
	<u>1,354,378</u>	<u>371</u>
Less investment expense	25,271	
Net income from investing activities	<u>1,329,107</u>	<u>371</u>
Securities Lending		
Securities lending income	69,407	
Less securities lending expense	66,835	
Net securities lending income	<u>2,572</u>	
Total net investment income	<u>1,331,679</u>	<u>371</u>
Total additions	<u>1,845,449</u>	<u>371</u>
Deductions		
Benefits		
Retirement benefits	490,100	
Cost of living adjustment	124,353	
SRA Plus Option	28,943	
Supplemental benefits	1,106	
Death benefits	3,177	
Total benefits	<u>647,679</u>	
Refund of contributions	10,557	
Administrative expense	7,590	
Distribution		50
Total deductions	<u>665,826</u>	<u>50</u>
Change in net assets	<u>1,179,623</u>	<u>321</u>
Net assets held in trust for pension benefits		
Net assets - beginning	7,329,176	2,155
Net assets - ending	<u>\$ 8,508,799</u>	<u>\$ 2,476</u>

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

INDEX

	Page
Note 1. Summary of Significant Accounting Policies.....	38
Note 2. Cash, Cash Equivalents and Investments.....	50
Note 3. Receivables	59
Note 4. Intra-Entity Receivables and Payables.....	60
Note 5. Capital Assets.....	61
Note 6. Long-Term Obligations	63
Note 7. Net Assets/Fund Balances	74
Note 8. Taxes	75
Note 9. Operating Transfers	76
Note 10. Operating Lease Commitments	76
Note 11. Commitments.....	77
Note 12. Contingencies.....	81
Note 13. Employer Pension Plans	84
Note 14. Other Post-Employment Benefits.....	87
Note 15. Deferred Compensation	89
Note 16. Risk Management	89
Note 17. Condensed Financial Statement Information	91
Note 18. Other Information	93
Note 19. Subsequent Events	96

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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. The entities that were deemed to be component units were included because the State appoints a voting majority of the entity's governing body and the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the State.

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.

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. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center located 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, Dome Building, 3rd Floor, Providence, RI 02903.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 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, 17 Gordon Avenue, Suite 104, Providence, RI 02905.

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 the 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 Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 two subsidiary corporations. The R. I. Airport Corporation manages the State's six airports. The Quonset Development Corporation oversees the Quonset Point/Davisville Industrial Park. 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, 315 Iron Horse Way, Suite 101, 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 be obtained by writing to the Narragansett Bay Commission, 1 Service Road, Providence, RI 02905.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 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 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, 315 Iron Horse Way, Suite 101, 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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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, 315 Iron Horse Way, Suite 101, 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, One Capitol Hill, Providence, RI 02908.

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.

The College Crusade of Rhode Island (TCCRI) - This is a Rhode Island nonprofit corporation, formerly named the Rhode Island Children's Crusade for Higher Education, formed for the purpose of fostering the education of 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 The College Crusade of Rhode Island, The 134 Center, Suite 111, 134 Thurbers Avenue, Providence, RI 02905.

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:

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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. The State does not allocate indirect costs to the functions. 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 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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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. 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.

Since the activity of the **Intermodal Surface Transportation Fund** (ISTEA) and the GARVEE fund are so closely related and the same personnel are responsible for the accounting and financial reporting for both funds, management has determined that if either fund meets the criteria of a major fund the other fund will also be reported as a major fund.

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.

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.

GARVEE Fund. This fund accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents a gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds.

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. For more detailed information, a copy of the financial statements can be obtained by writing to the Office of The Financial Administrator, State Lottery, 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 on behalf of the State. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center located within the City of Providence.

Employment Security Fund. This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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.

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.

Proprietary Fund Types:

Internal Service Funds. These funds account for, among other things, employee and retiree medical benefits, State fleet management, unemployment compensation, workers' compensation, industrial prison operations, surplus property, telecommunications and other utilities, 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 and health insurance for certain retirees.

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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.

The State's enacted budget designates the source of funds for expenditures. When a type of expenditure is allocable to multiple funding sources, federal and restricted funds are generally utilized first.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposit accounts with financial institutions. Cash equivalents are highly liquid investments with a 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 due to other funds along with the applicable due from other funds.

F. Funds on Deposit with Fiscal Agent

Funds on deposit with fiscal agent in the governmental activities and business-type activities are the unexpended portion of debt instruments sold primarily for capital acquisitions and funds held by the United States Treasury Department for the payment of unemployment benefits, respectively.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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.

H. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based upon past collection experience. Within governmental funds, an allowance for unavailable amounts is also reflected.

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. The Due From/(To) Other Funds are reported at the net amount on the fund financial statements. 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 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 (first-in, first-out). 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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

L. Capital Assets

Capital assets, which include land, non-depreciable intangibles, construction in progress, land improvements, buildings, building improvements, furniture and equipment (which also includes subcategories for vehicles and computer systems), depreciable intangibles (computer software), and infrastructure (e.g., roads, bridges, dams, piers) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Non-depreciable intangibles consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

Applicable capital assets are depreciated using the straight-line method (using a half-year convention). Capitalization thresholds and estimated useful lives for depreciable capital asset categories of the primary government are as follows:

Asset Category	Capitalization Thresholds	Estimated Useful Lives
Capital Assets (Depreciable)		
Land improvements	\$1 million	20 years
Buildings	\$1 million	20 - 50 years
Building Improvements	\$1 million	10 - 20 years
Furniture and equipment	\$5,000	3 - 10 years
Intangibles	\$1 million	5 years
Infrastructure	\$1 million	7 - 75 years

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 acquired in the governmental funds are recorded as capital outlay expenditures in capital projects funds and current expenditures by function in other governmental fund financial statements.

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

M. Bonds Payable

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, bond discounts, premiums, and issuance costs are recognized in the current period. Bond discounts, premiums, and issuance costs in the government-wide financial statements are deferred and amortized over the term of the bonds using the outstanding principal method.

For Proprietary fund types and component unit's bond discounts, premiums, discounts, and issuance costs are generally deferred and amortized over the term of the bonds using the straight-

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

line method for issuance costs and the interest method for premiums and discounts. Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred bond issuance costs are included in other assets.

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 6(D)).

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

P. Other Liabilities

Other liabilities includes escrow deposits, accrued salary and fringe benefits for the governmental fund types, accrued interest payable, accrued salaries, accrued vacation and sick leave for the business fund types and escrow deposits, landfill closure costs, accrued expenses, arbitrage and interest payable for the component units.

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. Recently Issued Accounting Standards

The State considered the impact of the following GASB statement in fiscal year 2007:

GASB Statement No. 43- Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The State will adopt the following new pronouncements in future years:

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

GASB Statement No. 45 – *Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions*, effective for the State’s fiscal year ending June 30, 2008.

GASB Statement No. 48 - *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* effective for the State’s fiscal year ending June 30, 2008.

GASB Statement No. 50 – *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*, effective for the State’s fiscal year ending June 30, 2008.

The impact of these pronouncements on the State’s financial statements has not been determined.

Note 2. Cash, Cash Equivalents, Investments and Funds in Trust

Cash

Primary Government

At June 30, 2007, the carrying amount of the State's cash deposits was \$172,996,000 and the bank balance was \$208,587,000. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a. Uncollateralized b. Collateralized with securities held by the pledging financial institution, or c. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name. Of the bank balance, \$950,000 was covered by federal depository insurance and \$137,499,000 was collateralized with securities held by the pledging financial institution, or its agent but not in the State’s name. The remaining amount, \$70,138,000 was uninsured and uncollateralized. The carrying amount and bank balance includes \$34,285,000 of certificates of deposit.

During the year, the State issued \$120,000,000 in General Obligation Tax Anticipation Notes for working capital. The notes were repaid in full as of June 30, 2007.

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 were required to be collateralized at June 30, 2007.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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

Of the State's investments equaling \$116,663,000, the Tobacco Settlement Financing Corporation, a non-major governmental fund, has restricted investments totaling \$72,545,000. Investment of certain blended component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing bodies.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by the State's minimum rating criteria policy, collateralization and maximum participation by any one issuer is limited to 35% of the total portfolio. As of June 30, 2007, the State's investments in Citigroup, Morgan Stanley and GE Capital Corporation commercial paper were rated A1+ by Standard and Poors and P1 by Moody's. The State's investments in J. P. Morgan Chase, Korean Development and Merrill Lynch commercial paper were rated A1 by Standard and Poors and P1 by Moody's. The State's investments in US Government Agency Securities were rated AAA by Moody's. The State's investment in mutual funds were rated Aaa by Moody's. The State's Investment Agreements are not rated.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: a. The counterparty or b. The counterparty's trust department or agent but not in the government's name.

The portfolio concentrations (expressed in thousands) are as follows.

Type	Issuer	Amount	Percentage
Commercial Paper	Morgan Stanley CP	51,555	6.0%
US Government Agency Securities	Federal Home Loan Bank	44,494	5.2%
Investment Agreements	AIG Matched Funding Corp	164,936	19.1%
Repurchase Agreements	Bank of New York Trust Co.	43,791	5.1%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

The State's investments (expressed in thousands) at June 30, 2007 are as follows.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Agency Securities	\$ 58,292	\$ 58,292	\$ 0	\$ 0	\$ 0
Money Market	286,778	286,778	0	0	0
Commercial Paper	135,391	135,391	0	0	0
Repurchase Agreements	79,820	36,029	43,791	0	0
	560,281	\$ 516,490	\$ 43,791	\$ 0	\$ 0
Less amounts classified as cash equivalents	443,616				
Investments	\$ 116,665				

The State's funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2007 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money Market	\$ 93,761	93,761	0	0	0
Investment Agreements	207,395	0	203,305	0	4,090
Funds on deposit with fiscal agent	\$ 301,155	\$ 93,761	\$ 203,305	\$ 0	\$ 4,090

The State's investments in money market mutual funds as part of funds on deposit with fiscal agent included the following: Federated Government Obligation Tax Managed Fund rated AAAM by Standard & Poors and with an average maturity of 30 days; First American Treasury Obligations Fund rated AAAM by Standard & Poors and with an average maturity of 3 days; and JPMorgan 100% US Treasury Securities Money Market Fund rated AAAM-G by Standard and Poors with an average maturity of 38 days.

Investment agreements are not rated investments. Purchase of investment agreements is generally governed by a trust agreement in connection with a debt issuance where debt proceeds are held in trust until used for their intended purpose. The trust agreement specifies a minimum credit quality rating of the corporate issuer of the investment agreement.

Fiduciary Funds

Pension Trusts

The Employees' Retirement System (ERS) consists of four plans: the Employee Retirement System (ERSP), Municipal Employees Retirement System (MERS), State Police Retirement Board Trust (SPRBT), and Judicial Retirement Board Trust (JRTB).

Cash

At June 30, 2007, the carrying amounts of the ERS cash deposits was \$11,376,000 and the bank balance was \$11,946,000. The bank and book balances represent the ERS deposits in short-term trust accounts which include demand deposit accounts, bank money market accounts, overnight

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

repurchase agreements and certificates of deposit (ERS \$1,000,000). Of the bank balance, \$4,782,000 is covered by federal depository insurance. The remaining bank balance of \$7,164,000 is fully collateralized.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that 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 ERS's deposits were required to be collateralized at June 30, 2007.

Investments

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the ERS. Investment managers engaged by the Commission, at their discretion and in accordance with the investment objectives and guidelines for the ERS, make certain investments. The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

On July 1, 1992, the State Investment Commission pooled the assets of the ERS with the assets of the MERS for investment purposes only, and assigned units to the plans based on their respective share of market value. On September 29, 1994 and November 1, 1995, the assets of the SPRBT and the JRBT, respectively, were added to the pool for investment purposes only. The custodian bank holds most assets of the ERS in two pooled trusts, Short-term Investment Trust and Pooled Trust. Each plan holds units in the trusts. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust.

Investment expense is allocated to each plan based on the plan's units in the Short-term Investment Fund and the Pooled Trust at the end of each month.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

The following table presents the fair value (expressed in thousands) of investments by type at June 30, 2007:

Investment Type	Fair Value
U.S. Government Securities	\$ 560,391
U.S. Government Agency Securities	495,087
Collateralized Mortgage Obligations	51,930
Corporate Bonds	576,196
Domestic Equity Securities	1,195,689
International Equity Securities	1,496,936
Foreign Currencies	32,485
Private Equity	538,178
Real Estate	315,197
Money Market Mutual Fund	560,214
Commingled Funds-Fixed Income	120,122
Commingled Funds - Domestic Equity	2,313,258
Commingled Funds - International Equity	177,197
Investments at Fair Value	8,432,880
Securities Lending Collateral Pool	1,329,239
Total	\$ 9,762,119

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Duration is a measure of a debt security's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The ERS manages its exposure to interest rate risk by comparing each fixed income manager portfolio's effective duration against a predetermined benchmark index based on that manager's mandate. The fixed income indices currently used by the ERS are:

- Salomon Brothers Broad Investment Grade Bond Index
- Lehman Brothers MBS Fixed Rate Index
- Lehman Corporate Index

At June 30, 2007, no fixed income manager was outside of the policy guidelines.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

The following table shows the ERS's fixed income investments by type, fair value (expressed in thousands) and the effective duration (in years) at June 30, 2007:

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 560,391	5.94
U.S. Government Agency Securities	495,087	5.57
Collateralized Mortgage Obligations	51,930	2.71
Corporate Bonds	576,196	4.88
Total Fixed Income	<u>\$ 1,683,604</u>	5.40

The ERS also invested in a short-term money market mutual fund that held investments with an average maturity of 32 days. The duration of investments held in a fixed income commingled fund was .17 years.

The ERS invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only (PO) strips. They are reported in U.S. Government Agency Securities and Collateralized Mortgage Obligations in the table above. 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 ERS may invest in interest-only (IO) and principal-only (PO) strips 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.

Credit Risk

The ERS directs its investment managers to maintain well diversified portfolios by sector, credit rating and issuer using the prudent person standard, which is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Each manager's portfolio composition is aligned with a benchmark and is constructed based on specific guidelines that are reflective of the manager's mandate. An example of a high yield fixed income manager's guidelines is as follows:

- No single industry is expected to represent more than 20% of the portfolio's market value.
- No single issue is expected to represent more than 5% of the portfolio's market value.
- The portfolio, once fully invested, is expected to include a minimum of 70 individual holdings.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

- The portfolio quality is expected to be invested in high yield below investment grade fixed income securities.
- The weighted average credit quality is expected to maintain a minimum rating of "B" using either Moody's or Standard and Poor's credit ratings.

The ERS's exposure to credit risk (expressed in thousands) as of June 30, 2007 is as follows:

Quality Rating *	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds
Aaa	\$ 21,690	\$ 495,087	\$ 59,534
Aa	106		76,750
A	2,053		155,794
Baa	10,907		103,763
Ba	846		39,571
B			57,741
Not rated	16,328		83,043
Fair Value	<u>\$ 51,930</u>	<u>\$ 495,087</u>	<u>\$ 576,196</u>

* Moody's bond rating

The ERS's investment in a short-term money market mutual fund was unrated but held investments with an average quality rating of A-1+ / P-1. The ERS's investment in a fixed income commingled fund was unrated but held investments with an average quality rating of AA-.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an ERS's investments in a single issuer. There is no single issuer exposure within the ERS's portfolio that comprises 5% of the overall portfolio and, therefore, there is no concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ERS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2007 all securities were registered in the name of the ERS and were held in the possession of the ERS's custodial bank, State Street Bank and Trust.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk and the ERS's investment asset allocation policy targets non-US equity investments at 20%. The ERS may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments.

The ERS's exposure to foreign currency risk (expressed in thousands) at June 30, 2007, was as follows:

Currency	Currency	Equities	Fixed Income	Total
Australian Dollar	\$ 539	\$ 95,301	\$	\$ 95,840
Brazilian Real		6,535		6,535
Canadian Dollar	853	68,101	5,674	74,628
Danish Krone	6	2,794		2,800
Euro Currency	7,975	529,436	59,697	597,108
Hong Kong Dollar	1,111	36,386		37,497
Hungarian Forint	11	1,891		1,902
Indonesian Rupiah	333	1,623		1,956
Israeli Shekel		3,464		3,464
Japanese Yen	1,970	273,187		275,157
Malaysian Ringitt		3,736		3,736
Mexican Peso	15	4,493		4,508
New Zealand Dollar	21	5,993		6,014
Norwegian Krone	2	4,735		4,737
Pound Sterling	2,403	296,929		299,332
Russian Ruble		2,519		2,519
Singapore Dollar	242	19,939		20,181
South African Rand	163	4,463		4,626
South Korean Won	2,201	22,768		24,969
Swedish Krona	14,363	15,453	6,084	35,900
Swiss Franc	277	74,380		74,657
Thailand Dollar		18,680		18,680
Thailand Baht		4,129		4,129
Total	\$ 32,485	\$ 1,496,935	\$ 71,455	\$ 1,600,875

The ERS also had exposure to foreign currency risk through its investment in international commingled equity funds which totaled \$177,197,000.

Derivatives and Other Similar Investments

Some of the ERS's investment managers are allowed to invest in certain derivative type transactions, including forward foreign currency transactions and futures contracts. According to investment policy guidelines, derivative type instruments may be used for hedging purposes and not for leveraging plan assets.

Forward Foreign Currency Contracts – The ERS enters 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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

in the ERS's Statements of Fiduciary Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the ERS has in that particular currency contract. By policy, no more than 25% 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 ERS uses 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 ERS's exposure to the underlying instrument. Selling futures tends to decrease the ERS's exposure to the underlying instrument, or hedge other ERS 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.

Through commingled funds, the ERS also indirectly holds derivative type instruments, primarily equity index futures. Other types of derivative type instruments held by the commingled funds include purchased or written options, forward security contracts, forward foreign currency exchange contracts, interest rate swaps and credit default swaps.

The ERS 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 ERS when the price of a security underlying the short sale increases and the ERS is subject to a higher cost to purchase the security in order to cover the position.

Securities Lending

Policies of the State Investment Commission permit the ERS to enter into securities lending transactions. The ERS has contracted with State Street Bank & Trust Company (SSB) as third party securities lending agent to lend the ERS's debt and equity securities for cash, securities and sovereign debt of foreign countries as collateral at not less than 100% of the market value of the domestic securities on loan and at not less than 100% of the market value of the international securities on loan. In practice, securities on loan are collateralized at 102%. There are no restrictions on the amount of loans that can be made. The contract with the lending agent requires them to indemnify the ERS if the borrowers fail to return the securities. Either the ERS 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. At June 30, 2007 the investment pool had a weighted average maturity of 48 days and an average final maturity of 168 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The ERS 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 borrowers or lending agent.

At June 30, 2007, management believes the ERS has no credit risk exposure to borrowers because the amounts the ERS owes the borrowers do not exceed the amounts the borrowers owe

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

the ERS. The securities on loan at year-end were \$1,364,492,149 (fair value), and the collateral received for those securities on loan was \$1,399,810,228 (fair value).

Private Purpose Trusts

The private purpose trusts had investments of \$2,476,000 in a mutual fund. The average maturity of the fund was not available.

Note 3. Receivables

Receivables at June 30, 2007 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Allowance for Uncollectibles	Total Receivables
Governmental Activities:						
General	\$ 279,410	\$ 143,137	\$	\$	\$ (87,110)	\$ 335,437
Intermodal Surface Transportation	12,473			1,000		13,473
Other governmental	44,676	944			(1,616)	44,004
Internal Service		3,886				3,886
Total - governmental activities	\$ 336,559	\$ 147,967	\$	\$ 1,000	\$ (88,726)	\$ 396,800
Amounts not expected to be collected in the subsequent year and recorded as deferred revenue						
General	\$ 7,355	\$ 7,107				
Business-type activities:						
State Lottery	\$	\$ 8,889	\$	\$	\$ (312)	\$ 8,577
Convention Center		1,354			(407)	947
Employment Security	50,004	10,560			(10,308)	50,256
Total - business-type activities	\$ 50,004	\$ 20,803	\$	\$	\$ (11,027)	\$ 59,780
Component Units	\$	\$ 90,610	\$ 32,227	\$ 1,548,818	\$ (66,087)	\$ 1,605,568

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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables, as of June 30, 2007, 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
Governmental Funds		
Major Funds		
General Fund	\$ 11,651	\$
Intermodal Surface Transportation Fund	2,056	
GARVEE	4,101	
Other		
Bond Capital		11,013
RI Temporary Disability Insurance		1,482
COPS		2,305
Total Other		14,800
Total Governmental	17,808	14,800
Proprietary Funds		
Enterprise		
RI Lottery		2,990
RI Convention Center Authority		1,500
Employment Security Trust Fund		1,788
Total Enterprise		6,278
Internal Service		
Assessed Fringe Benefits		443
Central Utilities	528	
Central Mail		15
State Telecommunications		79
Central Pharmacy	766	
Central Laundry	71	
Automotive Maintenance		317
Central Warehouse		301
Correctional Industries	528	
Health Insurance Active		715
Records Center		6
Health Insurance Retiree	3,253	
Total Internal Service	5,146	1,876
Totals	\$ 22,954	\$ 22,954

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 5. 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	\$ 332,092	\$ 21,045	\$ (14,150)	\$ 338,987
Works of Art		135		135
Intangibles	106,146	5,391		111,537
Construction in progress	* 413,619	270,970	(87,584)	597,005
Total capital assets not being depreciated	<u>851,857</u>	<u>297,541</u>	<u>(101,734)</u>	<u>1,047,664</u>
Capital assets being depreciated:				
Land improvements	3,700			3,700
Buildings	438,954	84,260	(2,481)	520,733
Building Improvements	208,343		(1)	208,342
Furniture and equipment	204,521	18,778	(2,638)	220,661
Intangibles	1,196	7,232		8,428
Infrastructure	* 2,051,013	1,732		2,052,745
Total capital assets being depreciated	<u>2,907,727</u>	<u>112,002</u>	<u>(5,120)</u>	<u>3,014,609</u>
Less accumulated depreciation for:				
Land improvements	2,522	185		2,707
Buildings	* 153,717	18,897	(1,631)	170,983
Building Improvements	126,361			126,361
Furniture and equipment	* 141,606	18,523	(1,644)	158,485
Intangibles	654	936	13	1,603
Infrastructure	* 927,769	69,891		997,660
Total accumulated depreciation	<u>1,352,629</u>	<u>108,432</u>	<u>(3,262)</u>	<u>1,457,799</u>
Total capital assets being depreciated, net	<u>1,555,098</u>	<u>3,570</u>	<u>(1,858)</u>	<u>1,556,810</u>
Governmental activities capital assets, net	<u>\$ 2,406,955</u>	<u>\$ 301,111</u>	<u>\$ (103,592)</u>	<u>\$ 2,604,474</u>

* Certain beginning balances have been restated; see Note 18 Section C.

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

General government	\$ 8,017
Human services	8,393
Education	2,942
Public safety	10,961
Natural resources	3,858
Transportation	74,261
Total depreciation expense - governmental activities	<u>\$ 108,432</u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 45,558	\$	\$	\$ 45,558
Construction in progress	3,273	22,022	(153)	25,142
Total capital assets not being depreciated	48,831	22,022	(153)	70,700
Capital assets being depreciated:				
Buildings	161,258	8		161,266
Machinery and equipment	11,275	2,435	(650)	13,060
Total capital assets being depreciated	172,533	2,443	(650)	174,326
Less accumulated depreciation	69,772	7,132	(640)	76,263
Total capital assets being depreciated, net	102,761	(4,689)	(10)	98,063
Business-type activities capital assets, net	<u>\$ 151,592</u>	<u>\$ 17,333</u>	<u>\$ (163)</u>	<u>\$ 168,763</u>

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 83,881	\$ 5,903	\$ (2,560)	\$ 87,224
Construction in progress	446,032	266,051	(132,516)	579,567
Total capital assets not being depreciated	529,913	271,954	(135,076)	666,791
Capital assets being depreciated:				
Buildings	1,026,032	114,032	(1,310)	1,138,754
Land improvements	144,756	11,183	(284)	155,655
Machinery and equipment	266,284	15,371	(2,532)	279,123
Infrastructure	325,167	15,332	(593)	339,906
Total capital assets being depreciated	1,762,239	155,918	(4,719)	1,913,438
Less accumulated depreciation for:				
Buildings	398,643	39,401	(840)	437,204
Land improvements	76,512	10,418	(256)	86,674
Machinery and equipment	152,250	20,160	(2,100)	170,310
Infrastructure	97,809	6,153	(225)	103,737
Total accumulated depreciation	725,214	76,132	(3,421)	797,925
Total capital assets being depreciated, net	1,037,025	79,786	(1,298)	1,115,513
Total capital assets, net	<u>\$ 1,566,938</u>	<u>\$ 351,740</u>	<u>\$ (136,374)</u>	<u>\$ 1,782,304</u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 6. Long-Term Obligations

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

A. Bonds Payable

At June 30, 2007, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units	
	Governmental Activities		Business Type Activities		Principal	Interest
	Principal	Interest	Principal	Interest		
2008	\$ 95,736	\$ 108,073	\$ 8,975	\$ 14,286	\$ 189,847	\$ 163,984
2009	100,709	100,569	9,285	13,853	137,245	158,356
2010	88,709	95,533	9,740	13,408	94,210	153,367
2011	83,295	91,298	10,205	12,938	93,187	149,474
2012	110,350	87,055	10,720	12,431	94,289	142,904
2013 - 2017	492,965	356,273	61,585	53,565	567,896	650,288
2018 - 2022	283,080	255,123	77,345	36,993	576,058	520,139
2023 - 2027	214,655	184,097	49,295	19,353	504,200	388,829
2028 - 2032	168,260	167,686	24,345	10,185	533,405	271,527
2033 - 2037		116,156	18,440	2,279	525,515	152,181
2038 - 2042	371,700	116,156			359,285	38,512
2043 - 2047					39,415	6,009
2048 - 2052	197,006	2,637,174			4,050	153
	<u>\$ 2,206,465</u>	<u>\$ 4,315,193</u>	<u>\$ 279,935</u>	<u>\$ 189,291</u>	<u>\$ 3,718,602</u>	<u>\$ 2,795,723</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 through 2009 with interest payable with each principal payment.

In September 2006, the State issued \$74,835,000 Consolidated Capital Development Loan of 2006, Refunding Series A, with interest rates ranging from 4.00% to 5.00%, maturing from 2007 through 2023. The proceeds were used to advance refund portions of the 1996 Refunding Series, 1998A, 2000A, 2001C, and 2002B, totaling \$72,930,000. 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 decreases total debt service payments over the next 15 years by \$3,638,050 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,745,687.

Included in the current interest bonds is \$16,365,000 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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 December 15, 2015. 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.

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty cents (\$.30) per gallon Motor Fuel Tax. The bonds provide the state matching funds for the Grant Anticipation Revenue Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The RIEDC has no taxing power. The obligation of the State to make payments to the trustee of future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

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 authority and leased to the State. Proceeds from the RIRBA bonds have been used (1) to loan funds to the State to affect 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. During the year ended, June 30, 2007, TSFC utilized \$6,220,000 of excess collections to early redeem an equal amount of outstanding bonds.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

In June of 2007, TSFC issued \$197,005,742 of additional Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual Tobacco Settlement Revenues which were not purchased under the 2002 purchase agreement. The bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accrete to full value at maturity in the year 2052. At maturity, the bond redemption values represent accreted yields ranging from 6.00% to 6.75%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. The bond indenture contains "Turbo Maturity" provisions, whereby the Corporation is required to apply 100% of all collections that are in excess of the then current funding requirements of the indenture to the early redemption of the bonds.

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 Financial 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, (f) pay costs of issuance and (g) acquire and renovate the Civic Center. 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.

During November 2001, the RICCA issued Refunding Revenue Bonds, 2001 Series A (the bonds), in the aggregate principal amount of \$101,315,000. The bonds may bear interest at Daily Rates, Weekly Rates, or Term Rates, as defined in the Bond Resolution adopted by the RICCA on October 18, 2001, for periods selected from time to time by the RICCA and determined by UBS Painewebber, Inc. (UBS), as Remarketing Agent under the Remarketing Agreement (the Agreement) dated November 6, 2001. In addition, the RICCA may convert the bonds to fixed rate bonds. The bonds initially bear interest at the weekly rate as determined by UBS and are payable in monthly installments. Total interest paid to the bondholders for the year ended June 30, 2007 was \$2,299,533. The bonds mature in varying installments through May 15, 2027; \$61,245,000 of these bonds remain outstanding at June 30, 2007.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Concurrent with the issuance of the 2001 Series A Refunding Revenue Bonds, the RICCA entered into an interest rate swap agreement (the Swap Agreement) with UBSAG, Stamford Branch (UBSAG). Under the terms of the Swap Agreement, the RICCA agrees to pay to UBSAG a fixed interest rate of 3.924% on the outstanding principal amount of the Bonds each May 15th and November 15th through May 15, 2027. In exchange, UBSAG agrees to pay to the RICCA interest at the Weekly Rate on a monthly basis through May 15, 2027. The Swap Agreement contains a barrier option early termination date of November 15, 2006 and every fixed rate payment due date thereafter. In addition, UBSAG has the right, but not the obligation, on providing 30 calendar days notice prior to the early termination date, to terminate the Swap Agreement if the averaged Weekly Rate has exceeded 5.25% per annum within the preceding 180 days. Such termination shall not require the consent of the RICCA and no fees, payments or other amounts shall be payable by either party in respect of this termination. Total interest paid by the RICCA to UBSAG for the year ended June 30, 2007 under the Swap Agreement was \$2,480,164. Total interest received by the RICCA from UBSAG for the years ended June 30, 2007 under the Swap Agreement was \$2,267,347. By entering into the Swap Agreement, the RICCA converted variable rate bonds to fixed rate bonds to minimize interest rate fluctuation risk. At June 30, 2007, the fair value of RICCA's liability for the interest rate swap was approximately \$2,876,000.

Concurrently, the RICCA entered into a standby bond purchase agreement with Dexia Credit Local (Dexia). Under the terms of the standby bond purchase agreement, Dexia agrees from time to time during the commitment period, as defined by the standby bond purchase agreement, to purchase bonds from the RICCA that bear interest at variable rates. The purchase price shall not exceed the aggregate amount of principal and interest outstanding on said bonds at the time of purchase. Under the terms of the standby bond purchase agreement, Dexia agrees to purchase the bonds when notified by U.S. Bank (the Bonds' paying agent). The initial purchase price is \$102,480,817, which consists of the original \$101,315,000 of principal plus accrued interest.

The termination date of the standby bond purchase agreement is the later of November 1, 2006 or when all principal and interest on any bonds purchased by Dexia have been paid in full. During FY 07, the standby bond purchase agreement was extended through November 1, 2011. Under the terms of the standby bond purchase agreement, the RICCA is obligated to pay a fee equal to .165% per annum of the outstanding bond principal and interest. Fees paid by the RICCA for the year ended June 30, 2007 totaled \$106,526.

During August 2005, RICCA issued Refunding Revenue Bonds, 2005 Series A, in an aggregate principal amount of \$34,610,000 for the purpose of refunding certain of the RICCA's outstanding 1993 Series C Refunding Revenue Bonds and to pay the costs of issuance. The 2005 Series A Bonds mature between 2006 and 2023 and bear interest at rates ranging from 3.5% to 5%. Proceeds from this refunding were used to acquire direct obligations guaranteed by the United States of America (the "Escrow Securities") the principal of and interest on which, when due, provided money sufficient to pay on August 31, 2005, the redemption price of the 1993 Series C Refunding bonds maturing in years 2008 through 2023, inclusive of interest on the 1993 Series C Refunding Bonds on and prior to such redemption date. As a result of this in-substance defeasance, total debt service requirements were reduced by approximately \$2,300,000.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

During June 2006, RICCA issued Civic Center Revenue Bonds, 2006 Series A, (federally taxable) (2006 Series A Bonds) in an aggregate principal amount of \$92,500,000 for the purpose of (i) financing or refinancing the acquisition, renovation, equipping, improvement and redevelopment of the Center, (ii) redeeming the \$33,000,000 Civic Center Revenue Bonds, 2005 Series A previously issued by RICCA, (iii) paying the costs of issuance, and (iv) paying capitalized interest on the 2006 Series A Bonds. The bonds mature between 2008 and 2035 and bear interest at rates ranging from 5.38% to 6.06%.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years beginning in 2009 through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of RICCA at amounts ranging from 100% to 102% of the principal balance.

RICCA is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2007, total outstanding bond and note indebtedness equals \$281,300,000.

Each of the RICCA's Bond Resolutions contains certain restrictive covenants. The RICCA was unable to fund the Renewal and Replacement component to the restrictive covenants pursuant to certain indentures. During the annual budget process, the RICCA requests Renewal and Replacement funding from the State. Such appropriations were not received during FY07.

At June 30, 2007 general obligation bonds authorized by the voters and unissued amounted to \$408,580,000. 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.

See Note 12 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) 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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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).

In June 2006, the R.I. Airport Corporation (RIAC), RIEDC and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the Intermodal Facility Project. RIAC is permitted under the agreement to make requisitions of funds for eligible project costs and it is anticipated that such requisitions will occur in fiscal years 2007-2010. Upon completion of the project, RIAC will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made on behalf of RIEDC (the borrower per the Agreement) and it is anticipated that repayments will commence in fiscal year 2010 with a final maturity of January 2042. Such repayments are payable solely from the net revenues derived from the Intermodal Facility. As of June 30, 2007, RIAC had \$83,232 in borrowings under this agreement.

In April 2004, the Narragansett Bay Commission (NBC) issued Multi-Modal Revenue Bonds, 2004 Series A in the principal amount of \$70,000,000 maturing September 2034. These bonds have been issued in weekly rate mode but can be changed by NBC to a daily, commercial paper or term rate mode. The interest rate is determined weekly or daily based on the mode and interest is paid monthly. The interest rate for the bonds outstanding during fiscal year 2007 ranged from 3.2% to 4.0%. The owners of the bonds in weekly mode can require NBC (acting through its remarketing and lender agents) to repurchase the bonds. The remarketing agent has agreed to use its best efforts to remarket any purchased bonds.

NBC has entered into a standby bond purchase agreement (liquidity facility) with the tender agent and a European 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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

from time to time in an amount not to exceed the principal amount plus accrued interest up to 183 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility. NBC is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus ½ 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. The standby bond purchase agreement terminates on April 29, 2009 and carries a fee of 0.18% per annum on the amount available.

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 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.

The \$80,000,000 of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority is limited by mortgage balances that it has insured, \$12,840,000 at June 30, 2007 (See Note 18B). The insured mortgages are guaranteed by the State.

URI entered into an interest rate swap for its currently outstanding Auxiliary Enterprise Revenue Issue, Series 2004B. The purpose of the swap was to lower the cost of funds.

URI pays the bondholders a variable rate set weekly. Based on the swap agreement, URI pays interest at a variable rate based on the bonds and I) a fixed rate on the swap equal to 3.691% and IIO in return URI receives the of (i) 67.0% of the one month USD-LIBOR-BBA plus (ii) 0.12%. The one month USD-LIBOR-BBA plus 0.12% is a variable rate designed to offset the variable rate paid to the bondholders, thereby establishing a synthetic fixed rate for the bonds.

All payments under the swap agreement are netted and paid on a monthly basis each on the fifteenth (15th), commencing on January 15, 2005. As further defined in the Confirmation to the swap agreement, the Board of Governors of Higher Education is acting for URI. Subject to cash settlement, URI has the right to terminate the agreement, in whole or in part, on the effective date and on any business day thereafter. The swap is scheduled to terminate on September 15, 2034.

Because interest rates have declined and tax-exempt and taxable ratios have remained high since execution of the swap, the swap, if it were to be terminated, had a fair market value \$1,162,670. Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using the zero coupon method. Information was obtained from generally recognized sources with respect to quotations, reporting specific transactions and market conditions and based on accepted industry standards and methodology.

As the variable rate that URI pays on its bonds, which approximates the Bond Market Association Municipal Swap Index, differs from the variable percent of LIBOR rate received from MLCS, the

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

swap exposes URI to basis risk. As of June 30, 2007, the Bond Market Municipal Swap Index was 3.73% whereas 67.0% of 1 month LIBOR plus 0.12% was 3.56%.

As of June 30, 2007, URI was exposed to credit risk because the swap had a negative fair value. MLCS is unconditionally guaranteed by Merrill Lynch & Co. and has maintained its ratings since inception of AA3, A+ and AA- by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. Additionally URI has obtained swap insurance on this transaction from Ambac Assurance Corporation. To mitigate credit risk, if the counterparty's credit quality falls below a threshold level, the counterparty is obligated, on demand of URI, to provide and maintain collateral (cash or U.S. Government and Agency Securities) having certain values required by the swap in order to provide security for payment of the positive value of the swap, if any, to URI.

B. Notes Payable

Notes payable (expressed in thousands) at June 30, 2007 are as follows:

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.	\$ 1,920
R.I. Housing and Mortgage Finance Corporation bank notes, 4.21% to 5.54% interest, payable through 2007.	52,015
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 4.15% interest, payable through 2015	775
R.I. Resource Recovery Corporation notes due in installments through 2010, 5 % interest.	1,875
	<u>56,585</u>
Less: current payable	(52,784)
	<u><u>\$ 3,801</u></u>

C. Loans Payable

Component Units

Loans payable include liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) of \$269,691,000.

D. Obligations Under Capital Leases

Primary Government

The State has entered into capital lease agreements, Certificates of Participation, (COPS) 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, 2007 consists of the present value of future minimum lease payments less any funds available in debt service reserve funds.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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, 2007.

Fiscal Year Ending June 30	COPS
2008	\$ 32,198
2009	32,826
2010	31,357
2011	26,194
2012	24,901
2013 - 2017	109,221
2018 - 2022	67,062
2023 - 2027	27,654
Total future minimum lease payments	351,413
Amount representing interest	(94,548)
Present value of future minimum lease payments	\$ 256,865

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 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.

The compensated absences liability attributable to the governmental activities will be liquidated in the applicable fund as the sick and vacation time is discharged. Upon termination the applicable amount owed will be paid out of the Assessed Fringe Benefit Fund, an internal service fund.

F. Other Long-Term Liabilities

Items in this category include, but are not limited to, income on invested general obligation bond proceeds, determined to be arbitrage earnings in accordance with federal regulations. These amounts are generally payable to the federal government five years after the bond issuance date. Retainage payable is also included since the related construction projects are not expected to be completed in the subsequent fiscal period. In addition, this section includes special obligation notes with R.I. Housing and Mortgage Finance Corporation.

G. Changes in Long-Term Debt

During the fiscal year ended June 30, 2007, the following changes (expressed in thousands) occurred in long-term debt:

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Primary Government

	Balance July 1	Additions	Reductions	Balance June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities						
General obligation bonds payable:						
Current interest bonds	\$ 842,243	\$ 193,620	\$ (122,496)	\$ 913,367	\$ 45,107	\$ 868,260
Capital appreciation bonds	304		(186)	118	109	9
Accreted interest on capital appreciation bonds	6,119		(3,073)	3,046	3,046	
Premium and deferred amount on refunding	32,550	5,964	(6,714)	31,800		31,800
	<u>881,216</u>	<u>199,584</u>	<u>(132,469)</u>	<u>948,331</u>	<u>48,262</u>	<u>900,069</u>
RIEDC Grant Anticipation Bonds	338,380		(24,560)	313,820	28,315	285,505
Premium	27,857		(7,058)	20,799		20,799
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	79,920		(3,630)	76,290	3,730	72,560
Premium	1,635		(133)	1,502		1,502
Revenue bonds - RIRBA	60,320		(17,610)	42,710	18,475	24,235
Net premium/discount and deferred amount on refunding	591		(842)	(251)		(251)
Tobacco Settlement Asset-Backed Bonds	669,375	197,006	(6,220)	860,161		860,161
Net premium/discount	(28,160)		437	(27,723)		(27,723)
Bonds payable	<u>2,031,134</u>	<u>396,590</u>	<u>(192,085)</u>	<u>2,235,639</u>	<u>98,782</u>	<u>2,136,857</u>
Certificates of Participation (COP)	226,755	45,325	(15,215)	256,865	20,735	236,130
Premium	5,347	1,164	(344)	6,167		6,167
Obligations under capital leases	232,102	46,489	(15,559)	263,032	20,735	242,297
Compensated absences	71,421	65,491	(58,804)	78,108	50,657	27,451
Other long-term liabilities	49,352	11,729	(4,214)	56,867	3,730	53,137
	<u>\$ 2,384,009</u>	<u>\$ 520,299</u>	<u>\$ (270,662)</u>	<u>\$ 2,633,646</u>	<u>\$ 173,904</u>	<u>\$ 2,459,742</u>
Business type activities						
Revenue bonds	\$ 287,185	\$	\$ (7,250)	\$ 279,935	\$ 8,975	\$ 270,960
Add: bond premium	4,558		(334)	4,224		4,224
Less: issuance discounts	(852)	118		(734)		(734)
Deferred amounts on refunding	(7,360)	774		(6,586)		(6,586)
Bonds payable	<u>283,531</u>	<u>892</u>	<u>(7,584)</u>	<u>276,839</u>	<u>8,975</u>	<u>267,864</u>
Other long-term liabilities		1,500	(141)	1,359	188	1,171
	<u>\$ 283,531</u>	<u>\$ 2,392</u>	<u>\$ (7,725)</u>	<u>\$ 278,198</u>	<u>\$ 9,163</u>	<u>\$ 269,035</u>

H. Defeased Debt

In prior years, the State and its component units defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources, in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements. On June 30, 2007, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 314,609
R.I. Convention Center Authority	37,840
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	295,970
R.I. Economic Development Corporation	64,300
R.I. Turnpike and Bridge Authority	29,000

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2007 was \$118,000,000, \$2,108,268,690 and \$938,651,000 respectively. Certain issues of conduit debt are moral obligations of the State and the current amounts outstanding are disclosed in Note 12.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 7. Net Assets/Fund Balances

Governmental Activities Unrestricted Net Assets

The detail of the unrestricted net assets of the governmental activities (expressed in thousands), is listed below.

	Governmental Activities	
Deficit	\$ (1,106,354)	
General Revenue		
Appropriations carried forward	3,640	General revenues carried forward for original purpose
Internal Service Funds	20,050	Unrestricted balance of all Internal Service Funds
Unrestricted Net Assets	<u>\$ (1,082,664)</u>	

The State issues debt for various purposes that does not result in the acquisition of capital assets. Included in the liabilities of the governmental activities on the Statement of Net Assets is \$1,276,735,000 of such debt, which causes the above deficit.

Changes in General Fund Reserved Fund Balances

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

	Reserved Fund Balance July 1	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	\$ 95,376	\$ 65,388	\$ (82,105)	\$ 78,659
Appropriations carried forward				
General revenue	17,381	3,640	(17,381)	3,640
Departmental restricted revenue	42,994	51,777	(42,994)	51,777
Other	9,115	10,090	(9,115)	10,090
Total	<u>\$ 164,866</u>	<u>\$ 130,895</u>	<u>\$ (151,595)</u>	<u>\$ 144,166</u>

The State maintains a State Budget Reserve and Cash Stabilization Account in the general fund. Annually, 2% of general revenues and opening surplus are set aside in this 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. 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.

The State transferred \$19,423,000 from the budget reserve to the undesignated balance to offset a budget deficit caused primarily by a general revenue shortfall. Appropriations carried forward, as authorized by the Governor, can only be used for the same purpose as intended in the original budget as enacted by the General Assembly.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 8. 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 estimated refunds, uncollectible amounts 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 and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is presented below (expressed in thousands):

	Governmental Funds	Statement of Activities
	<u> </u>	<u> </u>
General Fund		
Personal Income Tax	\$ 1,065,367	\$ 1,067,426
General Business Taxes:		
Business Corporation Tax	148,053	148,038
Non-resident Contractor Tax	96	96
Gross Earnings Tax-Public Utilities	102,109	102,106
Income Tax-Financial Institutions	4,423	(2,777)
Tax on Insurance Companies	56,624	56,619
Tax on Deposits-Banking Institutions	1,674	1,663
Health Care Provider Assessment	11,787	11,791
Nursing Facilities Provider Assessments	36,183	36,235
Sub-total - General Business Taxes	<u>360,949</u>	<u>353,771</u>
Sales and Use Taxes:		
Sales and Use Tax	860,466	860,341
Providence Place Sales Tax	12,738	12,738
Motor Vehicle Tax	43,740	43,740
Rental Vehicle Surcharge	3,139	3,140
Fuel Use Tax on Motor Carriers	1,312	1,329
Cigarette Tax	117,949	117,383
Smokeless Tobacco Tax	2,532	2,595
Alcoholic Beverage Import Fees	10,680	10,680
Tax on Mfg. of Beers, Liquors, etc.	26	26
Sub-total - Sales and Use Taxes	<u>1,052,582</u>	<u>1,051,972</u>
Other Taxes:		
Inheritance Tax	34,683	34,956
Simulcast Wagering	1,918	1,918
Dog Racing - Pari-mutuel Betting	989	989
Dog Racing - Tax on Breakage	15	15
Realty Transfer Tax	12,721	12,721
Mobile Home Conveyance Tax	17	17
Sub-total - Other Taxes	<u>50,343</u>	<u>50,616</u>
Total - General Fund	<u>2,529,241</u>	<u>2,523,785</u>
Intermodal Surface Transportation Fund		
Gasoline	141,138	141,138
Other Governmental Funds	177,905	177,905
Total Taxes	<u>\$ 2,848,284</u>	<u>\$ 2,842,828</u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 9. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2007 are presented below (expressed in thousands):

Fund Financial Statements

	Transfers	Description
Governmental activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 50,762	Debt service and operating assistance
Nonmajor Funds		
Tobacco Settlement Trust	42,500	Operating assistance
Bond Capital	60,099	Debt service and capital projects
RI Temporary Disability Insurance	2,105	Operating assistance
COPS	48	Art Projects
Business-Type Activities		
Lottery	320,990	Net income
Employment Security	5,360	Operating assistance
Internal Service		
Assessed Fringe Benefits	51	Charges for Information Technology Services
ISTEA		
Bond Capital	35,397	Infrastructure
GARVEE		
Intermodal Surface Transportation	53,591	Debt Service
Nonmajor Fund		
Bond Capital		
General Fund	62,682	Debt service and capital projects
Economic Policy Council		
General	300	Operating assistance
Tobacco Settlement Trust		
Tobacco Settlement Financing Corporation	195,000	Proceeds from purchase of future revenue stream
Total Governmental Activities	828,885	
Business-Type Activities		
Employment Security		
Assessed Fringe Benefits	1,297	Reimbursement for State employee's unemployment compensation
Convention Center		
General	20,147	Debt service
Total operating transfers	\$ 850,329	

Note 10. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$12,006,000 for the fiscal year ended June 30, 2007.

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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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, 2007:

Fiscal Year Ending June 30	
2008	\$ 11,437
2009	10,405
2010	9,389
2011	6,923
2012	5,127
2013 - 2017	18,568
2018 - 2022	3,941
Total	<u>\$ 65,790</u>

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

Note 11. Commitments

Primary Government

Commitments arising from encumbrances outstanding as of June 30, 2007 are listed below (expressed in thousands).

Major funds	
General	\$ 13,989
ISTEA	234,742
GARVEE	108,370
Total major funds	<u>357,101</u>
Other governmental funds	<u>37,187</u>
Total encumbrances outstanding	<u>\$ 394,288</u>

The primary government is committed at June 30, 2007 under various contractual obligations for infrastructure construction and other capital projects, which will be principally financed with bond proceeds and federal grants. Encumbrances within the general fund will be principally financed through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years. The primary government is also committed at June 30, 2007 under contractual obligations with various service providers, which will be funded through appropriations of general revenue, and federal and restricted revenues in succeeding fiscal years.

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, 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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 R.I. Convention Center Authority (RICCA) has several active construction projects as of June 30, 2007, the most significant of which is the renovation of the Dunkin' Donuts Center. The Authority's construction related commitments at year-end are \$45,904,000. Also, RICCA has entered into management contracts with vendors under which these vendors will provide various services relating to the operation of the convention center and parking garages.

In 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 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.

During fiscal year 2006, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc., the owners of Twin River, to operate one of the State's licensed video lottery facilities. The agreement entitles UTGR, Inc. to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. At the time of the agreement, the Lottery authorized an additional 1,750 video lottery terminals to be installed at Twin River and UTGR, Inc. has agreed to invest no less than \$125 million in the construction and development of its gaming facility during the first three (3) years of the agreement. UTGR, Inc. has the right and option to extend the term of the agreement for two (2) successive five (5) year periods by giving notice to the Lottery at least ninety (90) days prior to the expiration of the agreement. The option can be exercised if UTGR, Inc. is not in default of any major term or condition of the agreement and the full-time employee requirement at Twin River has been met.

During fiscal year 2006, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand, to continue to operate one of the State's licensed video lottery facilities. The agreement entitles Newport Grand to 26% of video lottery net terminal income at the facility. At the time of the agreement, the Lottery authorized an additional 800 video lottery terminals to be installed at Newport Grand, which has agreed to invest no less than \$20 million in the construction and development of its gaming facility during the first three (3) years of the agreement. Newport Grand has the right and option to extend the term of the agreement for one (1) additional five (5) year period by giving notice to the Lottery at least ninety (90) days prior to the expiration of the agreement. The option can be exercised if Newport Grand is not in default of any major term or condition and the full-time employee requirement at Newport Grand has been met.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 \$26,553,000 which is expected to be funded from current available resources and future operations. As of June 30, 2007, RIAC was also obligated for completion of the Intermodal Facility under commitments of approximately \$5,325,000.

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 \$37,577,000 at June 30, 2007.

A portion of the R.I. Resource Recovery Corporation (RIRRC) landfill is a designated Superfund site. During 1996, the RIRRC entered into a Consent Decree with the United States Environmental Protection Agency (EPA) concerning remedial actions taken by RIRRC for groundwater contamination. The Consent Decree requires the establishment of a trust in the amount of \$27,000,000 for remedial purposes. The Central Landfill Remediation Trust Fund Agreement was approved August 22, 1996 by the EPA. In accordance with the terms of the agreement, RIRRC has deposited approximately \$33,300,000 into the trust fund and has disbursed approximately \$5,303,000 for remediation expenses through June 30, 2007. Additionally, trust fund earnings, net of changes in market value have totaled approximately \$13,417,000.

The cost of future remedial actions may exceed the amount of funds reserved. However, the RIRRC projects that the amount reserved plus cash flow over the next five years will be adequate to fund the Superfund remedy. RIRRC would seek appropriations from the General Assembly to fund any shortfall. The State, virtually every municipality in the State, and numerous businesses within and outside the State are all potentially responsible parties (“PRPs”) for the costs of remedial actions at the RIRRC Superfund site. Under federal law, PRPs are jointly and severally liable for all costs of remediation. EPA has agreed not to seek contributions from any other PRP as long as RIRRC is performing the remedy.

The Environmental Protection Agency (EPA) established closure and postclosure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. In 2004, RIRRC reviewed and revised its estimates relating to methane gas monitoring as required by the EPA and leachate pretreatment costs and flows. In addition, the RIRRC began construction of the Phase I and Phase II/III caps. In 2005, RIRRC began landfilling in Phase V and further revised its estimates relating to capping, maintenance and leachate flow costs. In 2006, RIRRC reviewed and revised its estimates relating to closure costs, leachate pretreatment and gas collection system and maintenance costs as required by RIDEM. The total estimate of future landfill closure and postclosure care costs was increased to approximately \$100,500,000 at June 30, 2007.

The liability for closure and postclosure care costs at June 30, 2007 of \$65,755,000 is recorded in the statements of net assets, as noted below, with \$34,700,000 remaining to be recognized at June 30, 2007. The detail of the recorded liability (expressed in thousands) is listed below.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Phase V	\$	24,574
Phase IV		14,104
Phases II and III		3,677
Phase I		23,400
	\$	<u>65,755</u>

Based on the estimates of RIRRC engineers, approximately 98% and 55% of capacity for Phase IV and Phase V, respectively, has been used to date, and it is expected that full capacity will be reached during fiscal 2008 for Phase IV and fiscal 2011 for Phase V.

Amounts provided for closure and postclosure care 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 or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in restricted assets on the accompanying statement of net assets is \$79,371,584 at June 30, 2007, consisting of amounts placed in trust to meet the financial requirements of closure and postclosure care costs related to Phases I, II, III, IV, and V and the Superfund remediation liability. RIRRC plans to make additional trust fund contributions each year to enable it to satisfy these costs.

In 2004, RIRRC began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. The present value of the estimated remaining total expenditures at June 30, 2007 relating to remediation that will be required as a result of the Consent Decree is approximately \$13,089,000.

In October, 2006, RIRRC entered into a construction contract for the development of a portion of its land held for development into an industrial park. The adjusted contract price including approved change orders totaled \$8,009,494. The total contract work completed and capitalized as of June 30, 2007 was \$4,808,779.

The R.I. Housing and Mortgage Finance Corporation had loan commitments of \$32,413,567 under various loan programs at June 30, 2007.

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2007 remaining commitments on these contracts approximated \$10,790,000, primarily due in one year or less.

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$5,935,161 at June 30, 2007

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

installments. As of June 30, 2007, the remaining amount outstanding and recorded in the Federal Fund is \$368,318, which was paid on August 30, 2007.

The College Crusade of R.I. has committed \$1,293,242 toward scholarships for tuition during the 2007/2008 school year. This represents approximately 339 students for an average award of approximately \$3,815 per student. As of June 30, 2007, the estimated value of the potential future scholarship costs through the year 2020 is estimated to be between \$2,000,000 and \$7,400,000.

The Quonset Development Corporation was obligated for the completion of certain construction contracts under commitments totaling \$9,371,131 at June 30, 2007 which are expected to be funded from the receipt of State bond proceeds and internal funding.

Note 12. 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.

Litigation has been initiated against the State and the State's Fire Marshal arising out of a tragic fire at a nightclub in West Warwick, Rhode Island. The fire resulted in 100 deaths and injuries to approximately 300 people. Numerous suits have been served upon the State and its Fire Marshal. There is no way to estimate the potential claims against the State and/or its employees. The State intends to contest any liability on its part or that of its employees. In any event, the Attorney General believes the State and its employees have immunity from suit based upon R.I. General Law § 23-28.2-17 of the State Fire Code. In addition, the Attorney General is of the view the State and its employees have immunity under the Public Duty Doctrine. Moreover, should total immunity not be available (which is denied), damages in any tort action against the State ought to be subject to the \$100,000 per plaintiff limitation contained in the State's Tort Claims Act.

Tobacco Settlement Financing Corporation

Litigation has been filed alleging, 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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

In April 2005, 2006 and 2007 some of the tobacco manufacturers participating in the MSA either withheld all or portions of their payments due, or remitted their payments to a disputed escrow account alleging, that the calculations of amounts due under the agreement were erroneous. These manufacturers assert that the calculations of the amounts due failed to recognize a prescribed non-participating manufacturers adjustment. The corporation's share of these disputed payments is approximately \$12,100,000. Due to uncertainties regarding the ultimate realization of the remaining amount of these disputed payments, they have not been recognized as revenue in the accompanying financial statements. The State and the other affected parties are taking actions consistent with the MSA to arrive at a resolution of these matters.

Lottery

The Lottery's master contracts with its video lottery facility operators contain revenue protection provisions in the event that existing video lottery facility operators incur revenue losses caused by new gaming ventures within the State.

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, 2007 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$292,475,181 and \$43,312,462 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 \$3,019,000 of the debt on the related economic development revenue bonds in fiscal year 2008.

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 letters of credit will expire on the earliest to occur: a) June 30, 2012, for the January 1995 and April 1996 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.

R.I. Higher Education Assistance Authority

Under an agreement with Alliance Bernstein L.P., the Administrative Fund receives account maintenance, direct commission and other fees from the Program Fund. All the Administrative Fund's operating revenues, totaling \$6,066,750, are derived from the Program Fund. In addition, the R.I. Higher Education Assistance Authority (RIHEAA) receives \$250,000 annually (in quarterly installments) directly from Alliance. During 2002, RIHEAA established two scholarship and grant programs, to be funded with Rhode Island Higher Education Savings Trust (RIHEST) administrative fees, as follows:

Academic Promise Scholarship Program: up to \$1,000,000 is invested annually through RIHEAA in the CollegeBoundfund for the benefit of 100 academic and income-qualified students to provide up to \$10,000 to each student over a four-year scholarship period. During 2007, \$1,000,000 was transferred to RIHEAA and RIHEAA in turn invested that amount in the CollegeBoundfund on behalf of unnamed beneficiaries. 5 and 10 Matching Grant Program: up to \$500,000 may be made available annually by the Authority to invest through RIHEAA into the CollegeBoundfund as matching contribution accounts for individual accounts established for the benefit of income-qualifying individuals.

During 2007, the Board of Directors authorized the transfer of \$6,900,000 to supplement amounts available for need-based scholarships under the State's grant program.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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, 2007.

The College Crusade of R.I.

The College Crusade of R.I has a \$1,200,000 line of credit agreement. Interest is payable monthly at the prime rate less one quarter per cent, which was 8.00 % at June 30, 2007. There was an outstanding balance of \$530,000 as of June 30, 2007. Total interest expense for the fiscal year ended June 30, 2007 was \$33,299.

R.I. Housing and Mortgage Finance Corporation

On March 27, 2006, the Corporation executed a revolving loan agreement with Citizens Bank of Rhode Island, expiring in March 2009, whereby the Corporation may borrow up to a maximum outstanding principal sum of \$20,000,000. On July 31, 2006, the Corporation executed a revolving loan agreement with Bank of America N.A., expiring in July 2007, whereby the Corporation may borrow up to a maximum outstanding principal sum of \$50,000,000. Borrowings outstanding under the revolving loans are unsecured. At June 30, 2007, \$7,000,000 is outstanding under these revolving loans.

Note 13. Employer Pension Plans

Plan Descriptions

The State, through the Employees' Retirement System (ERS), 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 ERS 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 and teachers, which is subject to amendment by the general assembly, is established by the General Laws as listed below. As a result of an amendment to the General Laws effective July 1, 2005, the ERS implemented a two-tiered benefit structure for members of the ERS. Members with 10 years of service as of July 1, 2005 follow the Schedule A benefit structure and all other members follow the Schedule B benefit structure. In addition to the State, there are 48 local public school entities that are members of the ERS. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the Schedule A and Schedule B benefit structures. The report may

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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 ERS 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 withheld from payroll. 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. Investment transactions are recorded on a trade date basis. The gains or losses on foreign 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.

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. Other investments, which are not traded on a national security exchange, are generally valued based on audited December 31 net asset values adjusted for cash flows for the period January 1 through June 30 (which principally include additional investments and partnership distributions). Commingled funds consist primarily of institutional domestic and international equity index funds and a short duration fixed income fund. 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. Short-term investments are stated at cost, which approximates fair value.

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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	18.40%	31.78%	36.07%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	7.57% and 8.02%		
Annual pension cost	\$188,832	\$4,039	\$2,363
Contributions made - state employees	\$118,301	\$4,039	\$2,363
Contributions made - teachers	\$70,531		
Actuarial valuation date	June 30, 2004	June 30, 2004	June 30, 2004
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	25 years	25 years	25 years
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.50% to 8.25%	5% to 15.00%	5.25%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	Schd. A 3% compounded Schd. B 2.5% compounded	\$1,500 per annum	3%
Level of benefits established by:			
General Law(s)	36-8 to 10 16-15 to 17	42-28-22.1	8-3-16, 8-8-10.1, 8-8-2-7 and 28-30-18.1

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/05	\$ 114,923	100%	\$ 0
	6/30/06	145,792	100%	0
	6/30/07	188,832	100%	0
State Police Retirement Benefits Trust	6/30/05	2,615	100%	0
	6/30/06	3,175	100%	0
	6/30/07	4,039	100%	0
Judicial Retirement Benefits Trust	6/30/05	2,057	100%	0
	6/30/06	2,292	100%	0
	6/30/07	2,363	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 under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employee's gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to \$13,864,560 during the year ended June 30, 2007.

The Rhode Island Public Transit Authority has a funded pension plan for all employees, for which eligibility to participate begins immediately upon employment. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of age 62 and 10 years of continuous service. Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. The plan also provides death and disability benefits. Employees are required to contribute 3% of their base salary to the plan. The remaining contributions to the plan are made by the Authority. Employer contributions paid in fiscal year 2007 totaled \$5,042,462. At January 1, 2007, the most recent valuation date, the total actuarial accrued liability was \$64,592,000 and the actuarial value of assets was \$41,625,367. The

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Authority contributed 44.32% of its annual pension cost for fiscal year 2007 and had a net pension obligation of \$1,799,084 at June 30, 2007.

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 14. Other Post-Employment Benefits

Plan Description. The State administers one defined benefit post-employment health care plan—the Rhode Island Retiree Health Care Benefit Plan (RIRHCBP).

All members of the Employees' Retirement System, including State employees, legislators and certified public school teachers are eligible to receive some form of State sponsored retiree health care benefits. In addition, State judges may purchase the active health care benefit at the active rate and State Police Officers receive the active health care benefits at no cost to the retiree until they reach age 65.

Membership in the RIRHCBP consisted of the following at June 30, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits*	9,857
Terminated plan members entitled to receive future benefits but not yet qualifying for benefits	881
Active ERSRI plan members	<u>27,628</u>
Total	38,366

*-Includes retired teachers for whom the State pays the Tier I benefit.

The State provides two types of subsidies for health care benefits. The Tier I subsidy only applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

RIGL Section 36-12-4 governs the provisions of the RIRHCBP.

The RIRHCBP is included as an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree (plan member) contributions to the plan. Contributions are recognized when due. Benefits (health care claims) and refunds are

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. No provision has been made to fund future benefits to be provided to RIRHCBP members.

As mentioned above, non-Medicare retirees pay the active monthly premium rate and the State pays the difference between the active group rate and the more costly, early retiree rate (The Tier I benefit). Pursuant to RIGL Section 36-12-4 the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and years of service of the retiree, which is referred to as the Tier II benefit. The retirees' fiscal 2007 contributions are as follows:

Retiree Age Below 60

<u>Years of Service</u>	<u>Amount of Cost Paid by Retiree</u>
28-34	10%
35+	0%

The monthly premium rate is \$708.94 for the individual plan. The retiree's cost is then calculated based on a maximum of \$427.64 (the active plan rate).

Retiree Age from 60 to 65

<u>Years of Service</u>	<u>Amount of Cost Paid by Retiree</u>
10 – 15	50%
16 – 22	30%
23 – 27	20%
28+	0%

The monthly premium rate is \$708.94 for the individual plan. The retiree's cost is then calculated based on a maximum of \$427.64 (the active plan rate).

Retiree Age Greater than 65

<u>Years of Service</u>	<u>Amount of Cost Paid by Retiree</u>
10 – 15	50%
16 – 19	30%
20 – 27	10%
28+	0%

The monthly premium rate for the Medicare Supplemental plan is \$171.52 for the individual plan, and the monthly premium for the Medicare HMO plan is \$100. Retiree's can choose

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

between the two plans. The retiree's cost is then calculated based on their years-of-service subsidy above.

Note 15. 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 State's financial statements.

Note 16. 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 has a contract with an insurance company to provide health care benefits to active and retired employees. The State reimburses the company for the costs of all claims paid plus administrative fees. The estimated liability for incurred but not reported (IBNR) claims at June 30, 2007 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30
Health Insurance Funds Liability for unpaid claims	\$ 18,388	\$ 214,578	\$ 213,130	\$ 19,836

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

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.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Note 17. Condensed Financial Statement Information

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

	<u>RIHMFC</u>	<u>RISLA</u>	<u>RITBA</u>	<u>RIEDC</u>	<u>NBC</u>
Other assets	\$ 2,048,305	\$ 1,004,096	\$ 37,150	\$ 272,530	\$ 109,343
Capital assets - nondepreciable			15,101	195,978	381,302
Capital assets - depreciable (net)		8	63,568	236,968	222,674
Due from primary government					
Long term debt	1,532,020	889,558	27,838	364,410	429,347
Other liabilities	225,821	38,536	4,569	41,351	14,356
Due to primary government					
Net assets:					
Invested in capital assets, net of related debt	10,132	8	47,828	166,756	214,974
Restricted					
Debt service	179,281	75,839	6,089		
Other				87,588	127
Other nonexpendable					
Unrestricted	101,051	163	29,495	45,371	54,515
Operating expenses	87,567	63,203	6,350	72,139	41,845
Depreciation, depletion, and amortization	2,944	346	2,044	16,823	6,803
Program revenue					
Charges for services	77,538	54,932	12,095	56,187	58,657
Operating grants and contributions		1,778		(499)	49
Capital grants and contributions				19,851	6
Net program (expense) revenue	(12,973)	(6,839)	3,701	(13,423)	10,064
Interest and investment earnings	24,644	13,908	2,274	10,132	2,849
Miscellaneous		(3,000)	(26)	9,156	75
Payments from primary government				19,030	
Change in net assets	11,671	4,069	5,949	26,743	12,988
Beginning net assets as restated	278,793	71,941	77,463	272,972	256,628
Ending net assets	290,464	76,010	83,412	299,715	269,616

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
Other assets	\$ 9,496	\$ 130,845	\$ 26,501	\$ 16,495	\$ 1,216
Capital assets - nondepreciable		7,042	307	6,536	
Capital assets - depreciable (net)	32	55,649	1,061	82,948	
Due from primary government				3,720	
Long term debt		18,033	372		
Other liabilities	294	92,246	1,947	21,920	773
Due to primary government					
Net assets:					
Invested in capital assets, net of related debt	32	75,814	1,369	89,484	
Restricted					
Debt service		1,796			
Other			24,181		
Other nonexpendable					
Unrestricted	9,202	5,647		(1,705)	443
Operating expenses	1,799	53,656	24,077	83,675	33
Depreciation, depletion, and amortization	33	13,814	241	10,537	
Program revenue					
Charges for services	2,118	69,783	16,541	31,646	119
Operating grants and contributions			359	16,069	
Capital grants and contributions				5,783	
Net program (expense) revenue	286	2,313	(7,418)	(40,714)	86
Interest and investment earnings	210	7,472	1,218	423	28
Miscellaneous		(3,300)		3,020	(150)
Payments from primary government			6,708	34,108	
Change in net assets	490	5,779	508	(3,155)	(36)
Beginning net assets as restated	8,744	77,478	25,042	90,934	479
Ending net assets	9,234	83,257	25,550	87,779	443

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>
Other assets	\$ 938,915	\$ 2,235	\$ 6,817	\$ 1,446	\$ 6,968
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	35	368	1	6,345	38
Due from primary government					
Long term debt	592,708		11,092	2,356	
Other liabilities	9,666	80	749	376	2,556
Due to primary government				1,011	
Net assets:					
Invested in capital assets, net of related debt	35	549		5,030	38
Restricted					
Debt service	318,427				
Other			(5,241)	102	337
Other nonexpendable					
Unrestricted	18,114	2,155	218	(263)	4,075
Operating expenses	27,799	80	508	4,396	7,102
Depreciation, depletion, and amortization	351	14	107	947	25
Program revenue					
Charges for services	31,522	726	1,211	2,785	5,156
Operating grants and contributions	15,015		(2,384)		
Capital grants and contributions					
Net program (expense) revenue	18,387	632	(1,788)	(2,558)	(1,971)
Interest and investment earnings		17	193	150	175
Miscellaneous			6	287	
Payments from primary government				2,179	1,409
Change in net assets	18,387	649	(1,589)	58	(387)
Beginning net assets as restated	318,189	2,055	(3,434)	4,811	4,837
Ending net assets	336,576	2,704	(5,023)	4,869	4,450

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Other assets	\$ 217,097	\$ 50,260	\$ 17,300	\$ 6,679	\$ 4,903,694
Capital assets - nondepreciable	28,349	29,618	1,556		666,791
Capital assets - depreciable (net)	344,024	52,829	45,506	3,459	1,115,513
Due from primary government					3,720
Long term debt	216,670	19,834	10,602	2,047	4,116,887
Other liabilities	50,669	16,622	6,609	4,978	534,118
Due to primary government		20,000	301		21,312
Net assets:					
Invested in capital assets, net of related debt	194,220	47,807	42,372	3,128	899,576
Restricted					
Debt service					581,432
Other	32,220	10,479	3,583	53	153,429
Other nonexpendable	70,475	14,874			85,349
Unrestricted	25,216	3,091	895	(68)	297,615
Operating expenses	365,151	111,824	94,306	53,292	1,098,802
Depreciation, depletion, and amortization	18,725	4,272	2,705	274	81,005
Program revenue					
Charges for services	290,803	67,632	49,372	9,992	838,815
Operating grants and contributions		3,786	218		34,391
Capital grants and contributions	24,158	9,637	1,804		61,239
Net program (expense) revenue	(68,915)	(35,041)	(45,617)	(43,574)	(245,362)
Interest and investment earnings	4,969	3,567	678	25	72,932
Miscellaneous	24,441	1		60	30,570
Payments from primary government	83,359	45,024	47,113	43,901	282,831
Change in net assets	43,854	13,551	2,174	412	142,115
Beginning net assets as restated	278,277	62,700	44,676	2,701	1,875,286
Ending net assets	322,131	76,251	46,850	3,113	2,017,401

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Significant transactions between primary government and component units

	Revenue (Expenses)	Description
Governmental activities		
General Fund		
R.I. Higher Education Assistance Authority	\$ 6,708	Operating assistance
R.I. Economic Development Corporation	11,584	Operating and capital assistance
University of Rhode Island	85,901	Educational assistance
Rhode Island College	47,338	Educational assistance
Community College of Rhode Island	48,519	Educational assistance
Central Falls School District	43,795	Educational assistance
ISTEA Fund		
R.I. Public Transit Corporation	31,649	Operating assistance
Capital Projects		
University of Rhode Island	30,801	Construction, improvement or purchase of assets
Rhode Island College	20,514	Construction, improvement or purchase of assets
Total Governmental Activities	\$ 326,809	

Note 18. Other Information

A. Elimination Entries

When the governmental fund statements and the internal service funds statements are combined into one column for governmental activity on the government-wide financial statements interfund balances and activity should be eliminated. The following are the eliminations (expressed in thousands) that were made.

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 17,808	\$ 5,146	\$ 22,954	\$ (16,676)	\$ 6,278
Loans to other funds	14,422		14,422	(14,422)	
Total assets	\$ 32,230	\$ 5,146	\$ 37,376	\$ (31,098)	\$ 6,278
Liabilities					
Due to other funds	\$ 14,800	\$ 1,876	\$ 16,676	\$ (16,676)	\$
Loans from other funds	8,422	6,000	14,422	(14,422)	
Total liabilities	\$ 23,222	\$ 7,876	\$ 31,098	\$ (31,098)	\$
Other financing sources (uses):					
Operating transfers in	\$ 828,885		\$ 828,885	\$ (523,979)	\$ 304,906
Operating transfers out	(522,631)	(1,348)	(523,979)	523,979	
Total other financing sources (uses):	\$ 306,254	\$ (1,348)	\$ 304,906	\$	\$ 304,906
Total Business-type Activities					
			Total	Eliminations	Internal Balances
Liabilities					
Due to other funds	\$ 6,278	\$	\$ 6,278	\$	\$ 6,278
	\$ 6,278	\$	\$ 6,278	\$	\$ 6,278
Nonoperating revenues (expenses):					
Operating transfers in	\$ 21,444		\$ 21,444	\$ (21,444)	\$
Operating transfers out	(326,350)		(326,350)	21,444	(304,906)
Total nonoperating revenues (expenses):	\$ (292,350)	\$	\$ (292,350)	\$	\$ (304,906)

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

B. Related Party Transactions

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, whereby the State has agreed to lease various assets to RIAC. The agreement requires RIAC to reimburse the State for principal and interest payments for certain airport related General Obligation Bonds. The term of the agreement is 30 years beginning July 1, 1993, with annual rent of \$1.00.

The R.I. Student Loan Authority (RISLA) and the R.I. Higher Education Assistance Authority (RIHEAA), component units of the State, are related parties. RISLA is a public instrumentality created to provide a statewide student loan program through the acquisition and origination of student loans. RIHEAA is a public instrumentality created for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post-secondary student financial assistance assigned by law.

Transactions between RISLA and RIHEAA as of and during the year ended June 30, 2007 were as follows:

Guaranteed loans outstanding at June 30, 2007	\$392,980,000
Loans guaranteed during the year	202,581,000
Guarantee claims paid during the year	15,849,000

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) and the State have entered into a contractual relationship whereby RIHMFC assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, RIHMFC made \$3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the \$3,800,000, subject to appropriations, in installments of \$950,000 over a four year period beginning in the year ended June 30, 1996, but to date no payments have been made, nor have any payments for advances totaling \$35,935,000 made during the years ended June 30, 1998 through 2007 been made.

In November 2004, the voters of Rhode Island authorized the issuance of \$30 million in general obligation debt for the construction of a new residence hall at Rhode Island College. Of this amount, \$20 million will be repaid to the State.

As of June 30, 2007, the State had issued all of the \$30 million authorized debt. The College has recognized \$20 million as a liability to the State for its obligation to pay two-thirds of the debt service as a result of these issuances. Additionally, the College recorded an appropriation of \$8,104,033 as of June 30, 2007 to record the \$10 million of contributed capital by the State.

C. Restatements, Reclassifications and Other Changes in Presentation

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Restatements	Governmental Activities	Discretely Presented Component Units	Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>
June 30, 2006 net assets as previously reported	\$ 1,030,735	\$ 1,877,527	\$ 31,767
Correction of errors	1,250	(587)	1,025
Reclassifications		(1,654)	1,247
June 30, 2006 net assets as restated	<u>\$ 1,031,985</u>	<u>\$ 1,875,286</u>	<u>\$ 34,039</u>

The beginning net assets of the Governmental Activities within the government-wide financial statements were increased by \$1,250,000 for the correction of errors relating to depreciation of capital assets recognized in prior years. Certain assets were included in infrastructure assets during fiscal 2006 rather than construction in progress. During fiscal 2007 those assets were reclassified to construction in progress and the related depreciation expense recognized during fiscal 2006 (\$225,000) was reversed. Beginning net assets were increased by \$1,025,000 to reflect the correction of errors relating to accumulated depreciation on certain capital assets utilized within the internal service funds.

Beginning net assets of the internal service funds were increased by a net amount of \$2,272,000 relating to the adjustment of accumulated depreciation on certain capital assets utilized within the internal service funds and the transfer of functions previously recorded in an internal service fund to the General fund.

The beginning net assets of certain discretely presented component units decreased by an aggregate amount of \$587,000 to correct errors in prior periods. Additionally, the operations of the Rhode Island Underground Storage Tank Responsibility Fund, a discretely presented component unit in fiscal 2006, are presented within the State's General Fund in fiscal 2007. Accordingly, beginning net assets of the aggregate discretely presented component units were decreased by \$1,654,000.

During fiscal 2007, one internal service fund (Information Processing) was eliminated; two others were combined into one fund (Pastore Communications and Centrex); and one other internal service fund (Retiree Health) was split into two internal service funds – Health Insurance Active and Health Insurance Retirees. Other activity included in the Retiree Health internal service fund in fiscal 2006 is now reflected in two agency funds.

The State changed its amortization method for premiums, discounts and deferred amounts on refunding related to the issuance of debt from straight-line to the bonds outstanding method. The change resulted in a net decrease of \$2,500,000 in current year interest expense resulting from the adjustment of amortization recognized in prior years.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

The State changed its classification of expenditures/expenses by function by eliminating the intergovernmental category and classifying those expenditures/expenses within the remaining functional categories. In addition, the State changed its classification of capital outlay expenditures within the Governmental Funds.

Note 19. Subsequent Events

Primary Government

In July 2007, the State of Rhode Island entered into a payment agreement with the R.I. Economic Development Corporation relating to \$14,280,000 of financing obtained to provide funds to extinguish historic structure tax credits for the Masonic Temple project through a long-term loan to the developer.

On August 29, 2007 the State of Rhode Island issued \$131,755,000 in General Obligation Bonds with interest rates ranging from 4.50% to 5.50% with maturity dates of August 2008 through August 2027. This issuance included a \$123,255,000 Consolidated Capital Development Loan of 2007, Series A and a \$8,500,000 Capital Development Loan of 2007, Series B.

On December 13, 2007 the State of Rhode Island issued \$220,000,000 in General Obligation Tax Anticipation Notes that mature on June 30, 2008.

On November 30, 2007 the State of Rhode Island issued \$59,185,000 in Lease Participation Certificates with interest rates ranging from 3.30% to 5.00% to refund \$60,435,000 of existing Certificates of Participation.

The State plans to issue, in April 2008, approximately \$46.5 Million of General Obligation Bonds to advance refund approximately \$47.3 Million of existing general obligation bonds.

Component Units

On August 17, 2007 the R.I. Resource Recovery Corporation received proceeds of \$2,666,740 on the sale of an 18 acre parcel lot from its industrial park development project.

Subsequent to June 30, 2007 the R.I. Housing and Mortgage Finance Corporation instructed its trustee to redeem the Homeownership Opportunity Bonds in the amount of \$2,470,000 and the Multifamily Bond Program in the amount of \$2,000,000.

On September 13, 2007 the R.I. Housing and Mortgage Finance Corporation issued \$70,000,000 of Homeownership Opportunity Bonds, Series 57.

On November 7, 2007 the R.I. Housing and Mortgage Finance Corporation issued \$72,620,000 of Homeownership Opportunity Bonds, Series 58.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

On December 14, 2007 the R.I. Housing and Mortgage Finance Corporation issued \$45,560,000 of Housing Bonds, Series B-1.

On March 20, 2008 the R.I. Housing and Mortgage Finance Corporation issued \$72,610,000 of Homeownership Opportunity Bonds, Series 59.

On April 1, 2008 the R.I. Housing and Mortgage Finance Corporation issued \$23,040,000 of Homeownership Opportunity Bonds, Series 60.

On November 16, 2006, the R.I. Clean Water Finance Agency issued \$39,740,000 of Water Pollution Control Revolving Fund Revenue Bonds, Series 2007A.

On December 12, 2007, the Narragansett Bay Commission executed a \$25,000,000 borrowing from Rhode Island Clean Water Finance Agency.

On September 17, 2007 the R.I. Board of Governors for Higher Education voted to discontinue the Retirement Incentive Programs at the University of Rhode Island, Rhode Island College and the Community College of Rhode Island effective June 30, 2008. The program provides for an incentive payment for all eligible employees. The number of employees who will elect to retire and receive the retirement incentive is unknown at this time.

Effective September 27, 2007, the agreement between the R.I. Student Loan Authority (RISLA) and the National Education Loan Network, Inc. (Nelnet) to sell and assign certain assets and rights was terminated. RISLA has agreed to reimburse Nelnet \$4,100,000 which represents 51.3% of the \$8,000,000 paid to RISLA by Nelnet in 2004.

In November 2007, the R.I. Board of Governors for Higher Education and the Community College of RI were ordered by an arbitrator to pay a contractor approximately \$3,300,000 in damages relating to the construction of a new facility. This decision has been appealed to the Superior Court.

Subsequent to June 30, 2007 the R.I. Health & Educational Building Corporation, the R.I. Economic Development Corporation and the R.I. Industrial Facilities Corporation have issued various conduit debt obligations. These are not obligations of the respective corporations or the State.

In March 2008, UTGR, Inc., the owners of Twin River, a licensed video lottery facility of the Rhode Island Lottery, defaulted on loan payments to its lenders, and is in the process of working out agreements with its lenders and other creditors. The Rhode Island Lottery and the Department of Business Regulation are monitoring the situation on a daily basis. The Lottery has collected all revenues due to the State each day without interruption, and the facility is current. UTGR, Inc. has advised the Lottery that a 150-day extension (August 2008) has been reached with its lenders.

In the event of default, the lenders could force bankruptcy proceedings; a master could be appointed and require current personnel to oversee the operation until all accounts with the lenders are settled. In the event the facility is to be sold, the Rhode Island Lottery with the Department of

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2007

Business Regulation would perform necessary procedures to approve the buyer and meet licensing requirements.

A preliminary forensic audit of the R.I. Resource Recovery Corporation highlighted various matters involving land transactions, the development of an industrial park adjacent to the landfill, and environmental issues. The results of the preliminary forensic audit have been referred to law enforcement to determine if there is evidence of criminal activity that warrants further investigation. Management has not determined the impact of the preliminary forensic audit or other pending investigations on the corporation, including the carrying value of certain of its assets held for development.

REQUIRED SUPPLEMENTARY
INFORMATION

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,051,789	\$ 1,056,400	\$ 1,065,367	\$ 8,967
General Business Taxes:				
Business Corporations	122,291	167,000	148,149	(18,851)
Public Utilities Gross Earnings	99,300	104,000	102,109	(1,891)
Financial Institutions	(6,200)	3,600	4,423	823
Insurance Companies	52,700	52,400	56,624	4,224
Bank Deposits	1,600	1,600	1,674	74
Health Care Provider Assessment	49,864	47,800	47,970	170
Sales and Use Taxes:				
Sales and Use	920,775	885,000	873,204	(11,796)
Motor Vehicle	50,000	45,300	46,879	1,579
Motor Fuel	1,106	1,100	1,312	212
Cigarettes	123,791	119,400	120,481	1,081
Alcohol	11,000	10,900	10,706	(194)
Other Taxes:				
Inheritance and Gift	32,074	29,600	34,684	5,084
Racing and Athletics	3,300	2,900	2,921	21
Realty Transfer Tax	15,000	13,800	12,737	(1,063)
Total Taxes	<u>2,528,390</u>	<u>2,540,800</u>	<u>2,529,240</u>	<u>(11,560)</u>
Departmental Revenue	<u>296,432</u>	<u>288,460</u>	<u>277,790</u>	<u>(10,670)</u>
Total Taxes and Departmental Revenue	<u>2,824,822</u>	<u>2,829,260</u>	<u>2,807,030</u>	<u>(22,230)</u>
Other Sources				
Gas Tax Transfer	4,927	4,676	4,705	29
Other Miscellaneous	60,779	67,407	67,471	64
Lottery	362,500	322,300	320,990	(1,310)
Unclaimed Property	10,800	11,000	11,457	457
Total Other Sources	<u>439,006</u>	<u>405,383</u>	<u>404,623</u>	<u>(760)</u>
Total General Revenues	<u>3,263,828</u>	<u>3,234,643</u>	<u>3,211,653</u>	<u>(22,990)</u>
Federal Revenues	1,697,574	1,730,406	1,629,715	(100,691)
Restricted Revenues	124,302	135,119	109,184	(25,935)
Other Revenues	114,192	115,536	105,877	(9,659)
Total Revenues	<u>5,199,896</u>	<u>5,215,704</u>	<u>5,056,429</u>	<u>(159,275)</u>
Expenditures:				
Department of Administration				
Central Management				
General Revenue Total	1,545	1,404	1,338	66
Federal Fund Total	346	278	234	44
** Restricted Receipts Total	70	125	120	5
Total-Central Management	1,962	1,807	1,693	114
Legal Services				
Legal Support/DOT	109	115	31	84
General Revenue Total	2,562	2,648	2,498	150
Total-Legal Services	2,671	2,762	2,529	233
Accounts & Control				
General Revenue Total	3,429	3,391	3,357	34
Federal Fund Total	3,429	3,391	3,357	34
Total-Accounts & Control	3,429	3,391	3,357	34

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Budgeting				
General Revenue Total	2,456	2,250	2,192	58
Municipal Affairs				
Federal Fund Total			(355)	355
Purchasing				
General Revenue Total	2,417	2,319	2,213	106
Auditing				
General Revenue Total	2,058	1,735	1,707	28
Human Resources				
Other Fund Total	1,120	763	463	300
General Revenue Total	12,314	9,935	9,717	218
Federal Fund Total	815	1,961	1,697	264
Restricted Receipts Total	647	548	532	16
Total-Human Resources	14,897	13,207	12,409	798
Personnel Appeal Board				
General Revenue Total	103	111	94	17
Child Support				
Federal Fund Total			(221)	221
Facilities Management				
General Revenue Total	41,144	39,165	39,655	(490)
Federal Fund Total	21,551	30,110	29,205	905
Restricted Receipts Total	1,374	1,285	1,230	55
Other Fund Total	1,542	510	471	39
Total-Facilities Management	65,610	71,071	70,561	510
Capital Projects & Property Management				
General Revenue Total	3,316	3,092	3,073	19
Information Technology				
General Revenue Total	17,585	20,889	21,042	(153)
Federal Fund Total	7,076	7,489	6,190	1,299
Restricted Receipts Total	1,441	1,461	1,869	(408)
Other Fund Total	1,242	1,272	2,453	(1,181)
Total-Information Technology	27,344	31,111	31,554	(443)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Library and Information Services				
General Revenue Total	1,078	1,096	1,096	
Federal Fund Total	1,356	1,082	1,008	74
Restricted Receipts Total	2	5	1	4
Total-Library and Information Services	2,435	2,182	2,105	77
Statewide Planning				
General Revenue Total	5,306	4,611	4,597	14
Federal Fund Total	8,107	10,203	7,448	2,755
Other Fund Total	1,474	1,829	1,425	404
Total-Statewide Planning	14,887	16,642	13,469	3,173
Security Services				
General Revenue Total	19,855	19,686	19,535	151
General				
RICAP-State House Terrace/South Stairs		24		24
RICAP-Pastore Center Sewer Improvements		43	43	
RICAP-Chapin Health Laboratory	100			
RICAP-Cranston Street Armory		781	479	302
RICAP-Cannon Building	150	179		179
Zambarano Building		151		151
RICAP-Veterans' Auditorium		794	770	24
RICAP-Old State House	100	39	9	30
RICAP-State Office Building		417	230	187
RICAP-Old Colony House		99	51	48
RICAP-Washington County Government Center		239	151	88
RICAP-State House Renovations-Phase II			(7)	7
RICAP-William Powers Building	500	642	597	45
RICAP-State House Renovations-Phase III	830	949	863	86
RICAP-Environmental Compliance	250	242	179	63
RICAP-Fox Point Hurricane Barrier	50			
Bio-Tech Training Lab Planning		86	85	1
RICAP-Varley Building	100			
RICAP-Fire Code Compliance State Building	500	237	215	22
Eisenhower House		17	16	1
RICAP-Elderly Affairs One Stop	200			
McCoy Stadium Repair	1,280	1,280	1,043	237
RICAP-Lead Mitigation-Group Homes	200			
Miscellaneous Grants and Payments	627	627	617	10
Torts-Court Awards	400	518	471	47
EDC-RI Airport Corporation Impact Aid	1,754	1,754	2,754	(1,000)
State Employees/Teachers Retiree Health	9,475			
EDC-Urban Revitalization Fund Capital Reserve	50	50		50
Governor's Contingency Fund	1,050	1,324	936	388
Economic Development Corporation Grant	7,455	7,235	6,230	1,005
Slater Centers of Excellence	3,000	3,000	3,000	
Economic Policy Council	300	300	300	
Motor Vehicle Excise Tax Payment	136,005	136,229	136,230	(1)
Property Valuation	1,500	2,000	2,186	(186)
General Revenue Sharing Program	65,160	65,112	65,112	
Payment in Lieu of Tax Exempt Properties	27,767	27,767	27,767	
Distressed Communities Relief Program	10,921	10,154	9,930	224
Resource Sharing and State Library Aid	8,713	8,713	8,712	1

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Library Construction Aid	2,705	2,849	2,752	97
EPScore-EDC	1,500	1,500	1,500	
Police/Fire Incentive Pay		675	671	4
Domestic Partners IRS Penalty		20	19	1
Federal Fund Total	35	35	203	(168)
Restricted Receipts Total	1,283	1,496	1,266	230
Total-General	283,960	277,580	275,381	2,199
Debt Service Payments				
RICAP-DEM-Narragansett Bay Commission	1,528	1,528	1,528	
RICAP-DEM-Clean Water Finance Agency	3,254	3,351	3,351	
RICAP-DEM-Wastewater Treatment	4,203	4,256	4,256	
RICAP-DEM-Debt Service-Recreation	8,341	6,027	6,027	
RIPTA Debt Service	703	684	684	
RICAP-MHRH Comm Services	5,375	5,375	5,375	
RICAP-MHRH Comm. Mental Health	1,827	1,863	1,863	
Transportation Debt Service	36,696	35,907	35,907	
RIRBA-DLT Temporary Disability Insurance	46	46	62	(16)
COPS-DLT Building-TDI	382	382	354	28
Investment Receipts-Bond Funds			32	(32)
RICAP-DEM Hazardous Waste	2,340	2,340	2,340	
RICAP-Water Resources Board	2,220	2,247	2,247	
Airport Debt Service		2,500	2,500	
RICAP-Third Rail/Quonset Point Debt Service	2,464	2,065	2,065	
Debt Service Payments	89,129	86,601	86,817	(216)
Federal Fund Total	1,178	1,178	1,155	23
Restricted Receipts Total	1,028	2,078	1,766	312
Total-Debt Service Payments	160,715	158,428	158,329	99
Retirement Alternative				
Pay Plan Reserve General Revenue	(3,710)			
Other Fund Total	(1,513)			
Federal Fund Total	(1,298)			
Restricted Receipts Total	(265)			
State Employee Turnover 5.2%	(36,491)			
Total-Retirement Alternative	(6,786)			
General Revenue Total-Department of Administration	442,478	468,758	468,121	637
Federal Fund Total-Department of Administration	39,166	52,334	46,563	5,771
Restricted Receipts Total-Department of Administration	5,580	6,998	6,785	213
Other Fund Total-Department of Administration	77,613	79,282	78,160	1,122
Total-Department of Administration	564,837	607,372	599,627	7,745
Department of Business Regulations				
Central Management				
General Revenue Total	1,456	1,225	1,202	23
Banking Regulation				
General Revenue Total	2,822	2,775	2,840	(65)
Commercial Licensing and Regulation				
General Revenue Total	1,815	1,553	1,541	12
Restricted Receipts Total	100	100	(25)	125

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Total-Commercial Licensing and Regulation	1,915	1,653	1,516	137
Insurance Regulation				
Federal Funds		43	43	
General Revenue Total	4,685	5,033	4,759	274
Restricted Receipts Total	704	828	741	87
Total-Insurance Regulation	5,389	5,905	5,543	362
Board of Accountancy				
General Revenue Total	156	146	143	3
General Revenue Total-DBR	10,935	10,733	10,485	248
Federal Fund Total-DBR		43	43	
Restricted Receipts Total-DBR	804	928	716	212
Total-Department of Business Regulation	11,739	11,704	11,245	459
Department of Labor and Training				
Central Management				
General Revenue Total	143	146	139	7
Director of Workers' Compensation	385	528	478	50
Total-Central Management	528	674	617	57
Workforce Development Services				
Reed Act-Woonsocket Network Office Renovations	55	145	103	42
Reed Act-Rapid Job Development	931	950	798	152
Reed Act-Workforce Development	6,203	4,531	4,088	443
General Revenue Total	259	36	36	36
Federal Fund Total	15,789	17,917	13,471	4,446
Restricted Receipts Total	10,379	6,631	3,656	2,975
Total-Workforce Development Services	33,616	30,209	22,116	8,093
Workforce Regulation and Safety				
General Revenue Total	2,861	3,382	3,383	(1)
Income Support				
General Revenue Total	3,138	3,259	3,270	(11)
Federal Fund Total	12,821	16,506	16,460	46
Restricted Receipts Total	1,616	1,761	1,596	165
Total-Income Support	17,575	21,526	21,327	199
Injured Workers Services				
Restricted Receipts Total	10,509	11,163	9,822	1,341

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Labor Relations Board				
General Revenue Total	442	354	354	
General Revenue Total-DLT	6,842	7,177	7,147	30
Federal Fund Total-DLT	28,610	34,423	29,931	4,492
Restricted Receipts Total-DLT	22,889	20,083	15,552	4,531
Other Fund Total-DLT	7,190	5,626	4,989	637
Total-Department of Labor and Training	65,531	67,309	57,619	9,690
General Assembly				
General Revenue Total				
General Revenue Total	32,220	33,473	30,942	2,531
Restricted Receipts Total	1,452	1,409	1,409	
Total-General Assembly	33,672	34,882	32,351	2,531
Office of the Lietenant Governor				
General Revenue Total	963	881	875	6
Department of State Administration				
General Revenue Total	1,741	1,661	1,691	(30)
Corporations				
General Revenue Total	1,802	1,839	1,807	32
State Archives				
General Revenue Total	105	207	194	13
Federal Fund Total	85	85	87	(2)
Restricted Receipts Total	486	217	270	(53)
Total-State Archives	676	509	552	(43)
Elections				
General Revenue Total	1,278	1,570	1,559	11
Federal Fund Total	1,932	858	889	(31)
Total-Elections	3,210	2,428	2,448	(20)
State Library				
General Revenue Total	700	698	698	
Office of Public Information				
General Revenue Total	314	204	201	3
General Revenue Total-Secretary of State	5,941	6,180	6,150	30
Federal Fund Total-Secretary of State	2,017	943	976	(33)
Restricted Fund Total-Secretary of State	486	217	270	(53)
Total-Department of State	8,444	7,339	7,397	(58)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Treasury Department				
Treasury				
General Revenue Total	2,686	2,425	2,408	17
Federal Fund Total	291	305	264	41
Restricted Receipts Total	10	10		10
Total-Treasury	2,987	2,741	2,672	69
State Retirement System				
Administrative Expenses-State Retirement System	5,661	6,391	4,959	1,432
Retirement-Treasury Investment Operations	772	933	867	66
Total-State Retirement System	6,433	7,324	5,826	1,498
Unclaimed Property				
Restricted Receipts Total	16,658	19,473	14,481	4,992
RI Refunding Bond Authority				
General Revenue Total	56	41	32	9
Crime Victim Compensation Program				
General Revenue Total	212	197	197	
Federal Fund Total	731	1,654	212	1,442
Restricted Receipts Total	1,716	1,627	1,154	473
Total-Crime Victim Compensation Program	2,659	3,479	1,563	1,916
General Revenue Total-Treasury	2,953	2,663	2,637	26
Federal Fund Total-Treasury	1,022	1,960	476	1,484
Restricted Receipts Total-Treasury	24,817	28,434	21,461	6,973
Total-Treasury Department	28,792	33,057	24,573	8,484
Board for Professional Design				
General Revenue Total	390	374	374	
Board of Elections				
General Revenue Total	2,516	3,685	3,626	59
Federal Fund Total	819	822	766	56
Total-Board of Elections	3,335	4,507	4,392	115
Rhode Island Ethics Commission				
General Revenue Total	1,297	1,228	1,222	6
Office of Governor				
General Revenue Total	4,952	4,682	4,672	10
Restricted Receipts Total			(4)	4
Other Fund Total	92	89	69	20
Total-Office of Governor	5,044	4,770	4,738	32

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Public Utilities Commission				
General Revenue Total	744	509	499	10
Federal Fund Total	89	100	93	7
Restricted Receipts Total	6,080	6,209	4,882	1,327
Total-Public Utilities Commission	6,913	6,817	5,474	1,343
Rhode Island Commission on Women				
General Revenue Total	100	99	99	
Department of Revenue				
Director of Revenue				
General Revenue Total		251	203	48
Office of Revenue Analysis				
General Revenue Total	877		177	(177)
Property Valuation				
General Revenue Total	670	652	641	11
Taxation				
General Revenue Total	18,374	17,189	16,646	543
Federal Fund Total	1,188	1,157	1,002	155
Restricted Receipts Total	813	776	690	86
Other Fund Total	918	937	771	166
Total Taxation	21,294	20,059	19,109	950
Registry of Motor Vehicles				
General Revenue Total	17,537	17,023	16,860	163
Federal Fund Total	396	975	146	829
Restricted Receipts Total	16	16	15	1
Total Registry of Motor Vehicles	17,949	18,015	17,021	994
General Revenue Total-Department of Revenue	37,458	35,115	34,527	588
Federal Fund Total-Department of Revenue	1,584	2,133	1,148	985
Restricted Receipts Total-Department of Revenue	829	792	705	87
Other Fund Total-Department of Revenue	918	937	771	166
Total-Department of Revenue	40,789	38,976	37,151	1,825
Office of Health and Human Services				
General Revenue Total	313	297	250	47
Federal Fund Total	245	2,591	94	2,497
Restricted Revenues Total	212	416	297	119
Total-Office of Health and Human Services	770	3,304	641	2,663

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Children, Youth, and Families				
Central Management				
General Revenue Total	6,861	7,126	6,906	220
Federal Fund Total	3,477	3,135	3,338	(203)
Total-Central Management	10,338	10,260	10,244	16
Children's Behavioral Health Services				
RICAP-Groden Center-Mt. Hope		63	63	
General Revenue Total	36,982	39,865	38,167	1,698
Federal Fund Total	37,112	38,884	37,511	1,373
Total-Children's Behavioral Health Services	74,094	78,813	75,741	3,072
Juvenile Correctional Services				
RICAP-RI Training School-Girls Facilities	800	100	100	
RICAP-Community Facilities-Training	500			
General Revenue Total	32,579	31,626	31,969	(343)
Federal Fund Total	3,379	3,060	2,663	397
Restricted Receipts Total	6	504	202	302
Total-Juvenile Correctional Services	37,264	35,289	34,934	355
Child Welfare				
General Revenue Total	96,569	107,768	112,150	(4,382)
Federal Fund Total	72,496	79,357	76,913	2,444
Restricted Receipts Total	1,655	1,715	1,565	150
RICAP-Fire Codes Upgrade	500	100	25	75
Total-Child Welfare	171,220	188,940	190,652	(1,712)
Higher Education Incentive Grant				
General Revenue Total	200	200	200	
General Revenue Total-DCYF	173,191	186,585	189,391	(2,806)
Federal Fund Total-DCYF	116,465	124,435	120,425	4,010
Restricted Receipts Total-DCYF	1,661	2,219	1,767	452
Other Fund Total-DCYF	1,800	263	188	75
Total-Department of Children, Youth, and Families	293,117	313,502	311,771	1,731
Department of Elderly Affairs				
Intermodal Surface Transportation Fund	4,800	4,685	4,344	341
General Revenue Total	16,683	17,418	17,672	(254)
Safety and Care of the Elderly	1	1		1
RIPAE	3,412	1,465	1,137	328
Federal Fund Total	12,624	14,777	12,058	2,719
Restricted Receipts Total	1,250	1,200	741	459
General Revenue Total-Department of Elderly Affairs	20,096	18,884	18,810	74
Federal Fund Total-Department of Elderly Affairs	12,624	14,777	12,058	2,719
Restricted Receipts Total-Department of Elderly Affairs	1,250	1,200	741	459
Other Fund Total-Department of Elderly Affairs	4,800	4,685	4,344	341
Total-Department of Elderly Affairs	38,769	39,546	35,952	3,594

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Department of Health				
Central Management				
General Revenue Total	4,815	4,968	4,384	584
Federal Fund Total	4,850	5,268	3,076	2,192
Trauma Registry		8		8
Restricted Receipts Total	1,851	3,553	3,329	224
Total-Central Management	11,515	13,798	10,789	3,009
State Medical Examiner				
General Revenue Total	1,965	2,158	1,984	174
Federal Fund Total	141	150	144	6
Total-State Medical Examiner	2,105	2,309	2,128	181
Family Health				
General Revenue Total	3,039	2,934	2,952	(18)
Federal Fund Total	28,930	30,573	30,036	537
Restricted Receipts Total	6,876	12,800	6,753	6,047
Total-Family Health	38,845	46,306	39,740	6,566
Health Services Regulation				
General Revenue Total	5,085	5,974	5,632	342
Federal Fund Total	5,350	5,882	4,789	1,093
Restricted Receipts Total	400	404	365	39
Total-Health Services Regulation	10,836	12,260	10,787	1,473
Environmental Health				
General Revenue Total	4,617	4,301	4,125	176
Federal Fund Total	4,815	6,029	4,304	1,725
Restricted Receipts Total	1,554	2,469	1,758	711
Total-Environmental Health	10,986	12,799	10,186	2,613
Health Laboratories				
General Revenue Total	6,366	6,575	6,546	29
Federal Fund Total	2,185	2,572	2,004	568
Total-Health Laboratories	8,551	9,147	8,550	597
Disease Prevention and Control				
General Revenue Total	7,367	6,201	5,818	383
Smoking Cessation	50	50	50	
Federal Fund Total	19,893	18,076	16,560	1,516
Walkable Communities Initiative	30	27	30	(3)
Total-Disease Prevention and Control	27,340	24,354	22,457	1,897
General Revenue Total-Health	33,303	33,161	31,491	1,670
Federal Fund Total-Health	66,163	68,550	60,912	7,638
Restricted Receipts Total-Health	10,681	19,226	12,205	7,021
Other Fund Total-Health	30	35	29	6
Total-Department of Health	110,177	120,972	104,637	16,335

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Department of Human Services				
Central Management				
General Revenue Total	8,778	11,342	11,074	268
Federal Fund Total	6,666	6,595	4,803	1,792
Restricted Receipts Total	2,240	1,699	1,688	11
Total-Central Management	17,684	19,636	17,566	2,070
Child Support Enforcement				
General Revenue Total	3,649	3,656	3,411	245
Federal Fund Total	7,400	7,186	6,960	226
Restricted Receipts Total		50	49	1
Total-Child Support Enforcement	11,049	10,891	10,420	471
Individual and Family Support				
General Revenue Total	25,166	23,140	23,254	(114)
Federal Fund Total	54,778	53,060	49,740	3,320
Restricted Receipts Total	92	134	136	(2)
Total-Individual and Family Support	80,036	76,334	73,130	3,204
Veterans' Affairs				
General Revenue Total	17,300	16,844	17,206	(362)
Federal Fund Total	7,588	6,616	6,662	(46)
Restricted Receipts Total	1,219	2,804	866	1,938
Total-Veterans' Affairs	26,108	26,264	24,735	1,529
Health Care Quality, Financing and Purchases				
General Revenue Total	21,179	21,439	19,755	1,684
Federal Fund Total	45,341	44,955	37,333	7,622
Restricted Receipts Total	567	287	181	106
Total-Health Care Quality, Financing and Purchases	67,086	66,680	57,269	9,411
Medical Benefits				
General Revenue Total				
Managed Care	202,050	205,647	196,813	8,834
Hospital	84,254	70,211	76,939	(6,728)
Other	113,479	50,255	75,948	(25,693)
Pharmacy	23,485	61,178	59,788	1,390
Nursing Facilities	146,058	164,813	140,386	24,427
General Revenue Total	569,326	552,104	549,874	2,230
Federal Fund Total				
Managed Care	246,229	239,353	239,468	(115)
Hospital	82,339	70,227	64,979	5,248
Nursing Facilities	163,775	185,164	156,281	28,883
Other	80,234	56,498	86,025	(29,527)
Pharmacy	25,887	24,433	23,218	1,215
Special Education	20,733	20,733	19,122	1,611
Federal Fund Total	619,197	596,408	589,093	7,315
Restricted Receipts Total	4,490	3,900	20	3,880
Total-Medical Benefits	1,193,013	1,152,412	1,138,987	13,425
Supplemental Security Income Program				
General Revenue Total	28,201	27,659	27,574	85

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Family Independence Program				
TANF/Families Independence Program	7,724	16,125	16,124	1
Child Care	39,871	28,905	31,798	(2,893)
Federal Fund Total	84,438	86,613	86,064	549
Total-Family Independence Program	132,033	131,644	133,986	(2,342)
State Funded Programs				
General Public Assistance	3,860	3,898	3,681	217
Federal Fund Total	83,691	83,333	86,907	(3,574)
Total-State Funded Programs	87,551	87,231	90,588	(3,357)
General Revenue Total-Human Services	725,054	705,112	703,753	1,359
Federal Fund Total-Human Services	909,099	884,766	867,561	17,205
Restricted Receipts Total-Human Services	8,609	8,873	2,941	5,932
Other Fund Total-Human Services				
Total-Department of Human Services	1,642,762	1,598,751	1,574,256	24,495
Department of Mental Health, Retardation, and Hospital Central Management				
Federal Fund Total		131		131
General Revenue Total	2,251	2,148	2,169	(21)
Total-Central Management	2,251	2,278	2,169	109
Hospital & Community System Support				
RICAP-Utilities Upgrade	500	623	119	504
RICAP-Medical Center Rehabilitation	400	115	94	21
RICAP-Utilities Systems Water tanks and Pipes	250	522	452	70
RICAP-DD Private Community Firecode	188	71	34	37
RICAP-Central Power Plant Rehabilitation	400	117	81	36
RICAP-Community Fire Code Compliance	500	544	415	129
Pastore Fire Code Compliance	250	133	128	5
General Revenue Total	4,575	3,562	3,553	9
Federal Fund Total	229	87	37	50
Total-Hospital & Community System Support	7,292	5,775	4,913	862
Service for the Developmentally Disabled				
RICAP-Dev. Disability Group Homes	1,000	959	893	66
RICAP-Regional Center Repair/Rehabilitation	200	160	141	19
General Revenue Total	119,315	118,007	118,047	(40)
Federal Fund Total	135,138	137,008	134,605	2,403
Total-Service for the Developmentally Disabled	255,654	256,134	253,686	2,448
Integrated Mental Health Services				
General Revenue Total	43,580	43,453	44,544	(1,091)
Federal Fund Total	37,670	37,527	36,127	1,400
Total-Integrated Mental Health Services	81,250	80,980	80,671	309
Hospital & Community Rehabilitation Svcs				
RICAP-Zambarano Building and Utilities	200	79	26	53
General Revenue Total	52,577	58,311	54,536	3,775
Federal Fund Total	56,766	61,872	55,482	6,390
Hospital Consolidation		150		150
Total-Hospital & Community Rehabilitation Svcs	109,543	120,412	110,044	10,368

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Substance Abuse				
RICAP-Asset Protection	100	199	165	34
General Revenue Total	16,158	15,474	15,467	7
Federal Fund Total	14,849	14,819	14,195	624
Restricted Receipts Total	90	190	183	7
Eastman House		200		200
Total-Substance Abuse	31,197	30,882	30,011	871
General Revenue Total-MHRH	238,456	240,956	238,316	2,640
Federal Fund Total-MHRH	244,653	251,443	240,446	10,997
Restricted Receipts Total-MHRH	90	190	183	7
Other Fund Total-MHRH	3,988	3,873	2,548	1,325
Total-Department of Mental Health, Retardation, and Hospital	487,186	496,462	481,494	14,968
Office of Child Advocate				
General Revenue Total	558	521	514	7
Federal Fund Total	40	38	38	
General Revenue Total-Office of Child Advocate	558	521	514	7
Federal Fund Total-Office of Child Advocate	40	38	38	
Restricted Receipts Total-Office of Child Advocate				
Total-Office of Child Advocate	598	559	551	8
Rhode Island Commission of the Deaf and Hard of Hearing				
Commission on Deaf and Hard of Hearing				
General Revenue Total	355	310	302	8
Federal Fund Total	15	18	5	13
Total-Rhode Island Commission of the Deaf and Hard of Hearing	370	327	306	21
State Council on Developmental Disabilities				
Federal Fund Total	461	461	422	39
Governor's Commission on Disabilities				
General Revenue Total	602	553	519	34
Federal Fund Total	196	176	162	14
Restricted Receipts Total	25	26	2	24
RICAP-Handicapped Accessibility Facility Renovation	200	200	163	37
Total-Governor's Commission on Disabilities	1,023	955	846	109

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Rhode Island Commission for Human Rights				
General Revenue Total	1,075	990	988	2
Federal Fund Total	323	324	259	65
General Revenue Total-RI Comm for Human Rights	1,075	990	988	2
Federal Fund Total-RI Comm for Human Rights	323	324	259	65
Total-Rhode Island Commission for Human Rights	1,399	1,313	1,247	66
Office of Mental Health Advocate				
General Revenue Total	409	385	385	
Department of Elementary and Secondary Education				
Education Aid				
State Support Local School Operations	675,530	676,885	676,878	7
Federal Fund Total	2,222	1,119	727	392
Restricted Receipts Total	1,735	1,454	980	474
Total-Education Aid	679,487	679,458	678,585	873
School Construction				
General Revenue Total	49,672	46,815	46,815	
Teachers' Retirement				
General Revenue Total	69,200	67,260	70,287	(3,027)
RI School for the Deaf				
General Revenue Total	6,476	6,441	6,423	18
Federal Fund Total	376	402	328	74
Total-RI School for the Deaf	6,852	6,844	6,751	93
Central Falls School District				
General Revenue Total	43,235	43,795	43,795	
Davies Career and Technical School				
RICAP-Davies Elevators/HVAC	52	124	124	
General Revenue Total	13,753	13,621	13,599	22
Federal Fund Total	1,200	1,335	1,160	175
Restricted Receipts Total		2	2	
Total-Davies Career and Technical School	15,005	15,082	14,885	197
Metropolitan Career and Technical School				
General Revenue Total	10,407	10,407	10,407	

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Administration of the Comprehensive Education Strategy				
RICAP-Chariho Wells		46	46	
General Revenue Total	21,103	20,287	20,244	43
Federal Fund Total	178,926	178,389	172,099	6,290
Restricted Receipts Total	2,793	3,779	3,451	328
Total-Administration of the Comprehensive Education Strategy	202,822	202,501	195,840	6,661
General Revenue Total-Dept of Elem & Sec Education	889,376	885,511	888,448	(2,937)
Federal Fund Total-Dept of Elem & Sec Education	182,724	181,246	174,314	6,932
Restricted Receipts Total-Dept of Elem & Sec Education	4,527	5,235	4,432	803
Other Fund Total-Dept of Elem & Sec Education	52	170	170	
Total-Department of Elementary & Secondary Education	1,076,679	1,072,162	1,067,364	4,798
Board of Governors for Higher Education				
Board of Governors/Office				
General Revenue Total	7,859	7,734	7,732	2
Federal Fund Total	3,147	3,147	2,871	276
General Revenue Total-URI	88,692	85,901	85,901	
General Revenue Total-RIC	49,239	47,338	47,338	
General Revenue Total-CCRI	50,942	48,519	48,519	
General Revenue Total-BOG Higher Education	196,731	189,492	189,490	2
Federal Fund Total-BOG Higher Education	3,147	3,147	2,871	276
Restricted Receipts Total-BOG Higher Education	486	692	439	253
Total-Board of Governors for Higher Education	200,365	193,330	192,799	531
Rhode Island State Council on the Arts				
Operating Support	1,575	709	657	52
Grants	1,267	2,048	1,455	593
Federal Fund Total	732	695	654	41
Art of Public Facilities Fund	1,008	800	156	644
General Revenue Total-RI State Council on the Arts	2,841	2,757	2,112	645
Federal Fund Total-RI State Council on the Arts	732	695	654	41
Other Funds-RI State Council on the Arts	1,008	800	156	644
Total-Rhode Island Council on the Arts	4,581	4,252	2,922	1,330
Rhode Island Atomic Energy Commission				
URI Sponsored Research	171	174	158	16
General Revenue Total	837	829	828	1
Federal Fund Total	375	341	102	239
Total-Rhode Island Atomic Energy Council	1,383	1,343	1,087	256
R I Higher Education Assistance Authority				
General Revenue Total	6,747	6,708	6,708	
Federal Fund Total	12,852	11,601	8,846	2,755
Tuition Savings Program-Administration	10,058	9,537	8,385	1,152
Total-R I Higher Education Assistance Authority	29,658	27,846	23,939	3,907
Historical Preservation and Heritage Commission				
General Revenue Total	1,706	1,658	1,616	42

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Federal Fund Total	487	605	509	96
Restricted Receipts Total	267	491	85	406
Total-Historical Preservation and Heritage Commission	2,460	2,754	2,210	544
R I Public Telecommunication Authority				
General Revenue Total	1,389	1,318	1,312	6
Corporation for Public Broadcasting	828	739	699	40
RICAP-Digital TV Conversion		384	384	
General Revenue Total-RIPTCA	1,389	1,318	1,312	6
Other Fund Total-RIPTCA	828	1,123	1,083	40
Total-R I Public Telecommunication Authority	2,217	2,440	2,395	45
Department of Attorney General				
Criminal				
General Revenue Total	13,078	12,486	12,468	18
Federal Fund Total	1,055	1,246	1,216	30
Restricted Receipts Total	521	355	165	190
Total-Criminal	14,654	14,087	13,850	237
Civil				
General Revenue Total	4,525	4,219	4,117	102
Restricted Receipts Total	553	585	513	72
Total-Civil	5,077	4,804	4,630	174
Bureau of Criminal Identification				
General Revenue Total	992	949	956	(7)
Federal Fund Total		64	58	6
Total-Bureau of Criminal Identification	992	1,013	1,014	(1)
General				
General Revenue Total	2,250	2,260	2,258	2
RICAP-Building Renovations & Repairs	165	352	162	190
Total-General	2,415	2,611	2,420	191
General Revenue Total-Department of Attorney General	20,844	19,914	19,800	114
Federal Fund Total-Department of Attorney General	1,055	1,310	1,274	36
Restricted Receipts Total-Department of Attorney General	1,073	940	678	262
Other Fund Total-Department of Attorney General	165	352	162	190
Total-Department of Attorney General	23,137	22,515	21,915	600
Department of Corrections				
Central Management				
General Revenue Total	8,557	9,121	8,432	689
Federal Fund Total	260	395	294	101
Total-Central Management	8,817	9,517	8,725	792
Parole Board				
General Revenue Total	1,248	1,231	1,189	42
Federal Fund Total	33	33	38	(5)
Total-Parole Board	1,281	1,264	1,226	38

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Institutional Corrections				
RICAP-Bernadette Guay Bldg. Roof	623	679	194	485
RICAP-Reintegration Center State Match	3,247	3,787	2,663	1,124
RICAP-General Renovations-Maximum	250	9	6	3
RICAP-Roof/Masonry Renovations-Women's	700	1,077	1,051	26
RICAP-Women's Bath Renovations	506			
RICAP-Asset Protection	2,154	1,876	1,154	722
RICAP-MIS/Admin Units Relocation	151			
General Revenue Total	139,084	134,363	133,883	480
Federal Fund Total	7,225	9,637	7,922	1,715
Total-Institutional Corrections	153,940	151,428	146,874	4,554
Community Corrections				
General Revenue Total	13,553	12,371	12,293	78
Federal Fund Total	820	1,375	999	376
Total-Community Corrections	14,373	13,746	13,292	454
General Revenue Total-Corrections	162,442	157,086	155,796	1,290
Federal Fund Total-Corrections	8,338	11,440	9,253	2,187
Other Fund Total-Corrections	7,631	7,428	5,068	2,360
Total-Department of Corrections	178,412	175,954	170,117	5,837
Judicial Department				
Supreme Court				
RICAP-McGrath Judicial Complex Interior	200	302	202	100
RICAP-Blackstone Valley Courthouse Study	145	146	63	83
RICAP-Judicial HVAC	500	590	590	
RICAP-Asset Protection	100	100	99	1
General Revenue Total	25,834	26,616	26,025	591
Defense of Indigents	2,968	2,968	2,870	98
Federal Fund Total	122	290	92	198
Restricted Receipts Total	1,042	1,206	289	917
Total-Supreme Court	30,911	32,219	30,231	1,988
Superior Court				
Federal Fund Total	465	643	370	273
General Revenue Total	20,659	19,363	19,081	282
Total-Superior Court	21,124	20,006	19,450	556
Family Court				
General Revenue Total	17,271	17,048	17,251	(203)
Federal Fund Total	1,609	1,996	952	1,044
Total-Family Court	18,880	19,044	18,203	841

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
District Court				
General Revenue Total	9,924	10,006	9,873	133
Traffic Tribunal				
General Revenue Total	7,318	7,073	6,845	228
Worker's Compensation Court				
Restricted Receipts Total	7,286	7,140	6,984	156
General Revenue Total-Judicial Department	83,974	83,073	81,946	1,127
Federal Fund Total-Judicial Department	2,196	2,930	1,413	1,517
Restricted Receipts Total-Judicial Department	8,328	8,347	7,273	1,074
Other Fund Total-Judicial Department	945	1,138	955	183
Total-Judicial Department	95,442	95,488	91,586	3,902
Militia of the State				
National Guard				
Quonset Hangar/Armory		3,025	1,945	1,080
RICAP-Schofield Rehabilitation	140	316	145	171
RICAP-Emergency Operations Center				
RICAP-Asset Protection	200	200	144	56
General Revenue Total	2,335	2,053	1,836	217
Federal Fund Total	8,955	8,607	6,755	1,852
Restricted Receipts Total	145	145	63	82
Total-National Guard	12,544	14,346	10,889	3,457
Emergency Management				
General Revenue Total	829	733	698	35
Federal Fund Total	23,695	30,773	20,807	9,966
Restricted Receipts Total	285	219	179	40
Total-Emergency Management	24,810	31,725	21,684	10,041
General Revenue Total-Militia of the State	3,165	2,786	2,534	252
Federal Fund Total-Militia of the State	32,650	39,380	27,562	11,818
Restricted Receipts Total-Militia of the State	430	364	242	122
Other Fund Total-Militia of the State	1,109	3,541	2,235	1,306
Total-Militia of the State	37,354	46,071	32,573	13,498
E-911 Uniform Emergency Telephone System				
General Revenue Total	4,486	4,098	4,116	(18)
Federal Fund Total	71	171	100	71
Restricted Receipts Total	2,312	1,259	1,619	(360)
General Revenue Total-E-911 Uniform Emer Telephone System	4,486	4,098	4,116	(18)
Federal Fund Total-E-911 Uniform Emer Telephone System	71	171	100	71
Restricted Receipts Total-E-911 Uniform Emer Telephone System	2,312	1,259	1,619	(360)
Total- E-911 Uniform Emergency Telephone System	6,869	5,529	5,835	(306)
Fire Safety Code Board of Appeal and Review				
Fire Code Commission				
General Revenue Total	289	285	285	

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Division of Fire Safety				
Fire Safety & Training Academy				
General Revenue Total	2,838	2,357	2,285	72
Federal Fund Total	191	475	155	320
Other Fund Total		13	13	
General Revenue Total-Div. of Fire Safety	2,838	2,357	2,285	72
Federal Fund Total-Div of Fire Safety	191	475	155	320
Other Fund Total-Div of Fire Safety		13	13	
Total-Division of Fire Safety	3,029	2,844	2,453	391
Commission on Judicial Tenure & Discipline				
General Revenue Total	115	94	94	
Rhode Island Justice Commission				
General Revenue Total	164	203	203	
Federal Fund Total	4,708	4,269	4,131	138
Restricted Receipts Total	30	30		30
Total-Rhode Island Justice Commission	4,902	4,502	4,334	168
Municipal Police Training School				
General Revenue Total	426	395	400	(5)
Federal Fund Total	45	80	22	58
Total-Municipal Police Training School	471	475	422	53
Rhode Island State Police				
Airport Corporation		137	137	
RICAP-Headquarters Repair/Renovation	340	342	208	134
Traffic Enforcement-Municipal Training	455	666	582	84
Lottery Commission Assistance	155	139	131	8
Road Construction Reimbursement	2,367	2,615	2,219	396
General Revenue Total	49,047	53,870	53,332	538
Federal Fund Total	1,744	2,078	1,721	357
Restricted Receipts Total	235	614	287	327
General Revenue Total-State Police	49,047	53,870	53,332	538
Federal Fund Total-State Police	1,744	2,078	1,721	357
Restricted Receipts Total-State Police	235	614	287	327
Other Fund Total-State Police	3,316	3,901	3,277	624
Total-Rhode Island State Police	54,343	60,463	58,618	1,845
Office of Public Defenders				
General Revenue Total	9,327	8,549	8,565	(16)
Federal Fund Total	136	261	214	47
Total-Office of Public Defenders	9,462	8,810	8,778	32
Department of Environmental Management				
Office of Director				
General Revenue Total	6,476	6,361	7,292	(931)
Federal Fund Total	1,495	1,587	468	1,119
Restricted Receipts Total	1,895	1,881	2,091	(210)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Total-Office of Director	9,866	9,828	9,850	(22)
Natural Resources				
RICAP-Recreational Facilities Improvement	500	441	297	144
RICAP-Fort Adams Rehabilitation	250	250	250	
RICAP-Wickford Marine Facility	223	733	223	510
Blackstone Bikepath Design	1,285	1,284	490	794
RICAP-Galilee Piers	200	75	15	60
RICAP-Dam Repair	300	26	26	
DOT Recreational Projects	73	125	77	48
General Revenue Total	18,708	18,407	18,607	(200)
Federal Fund Total	19,130	19,828	10,436	9,392
Restricted Receipts Total	4,155	4,375	2,959	1,416
Total-Natural Resources	45,074	45,543	33,380	12,163
Environmental Protection				
General Revenue Total	12,347	11,795	12,173	(378)
Federal Fund Total	13,161	18,103	10,416	7,687
Restricted Receipts Total	11,502	12,637	10,208	2,429
Total-Environmental Protection	37,010	42,536	32,797	9,739
General Revenue Total-DEM	37,530	36,562	38,072	(1,510)
Federal Fund Total-DEM	33,786	39,518	21,320	18,198
Restricted Receipts Total-DEM	17,552	18,893	15,257	3,636
Other Fund Total-DEM	3,082	2,934	1,378	1,556
Total-Department of Environmental Management	91,951	97,907	76,027	21,880
Coastal Resources Management Council				
RICAP-South Coast Restoration Project				
RICAP-Allins Cove		6		6
General Revenue Total	2,113	2,131	2,076	55
Federal Fund Total	1,599	2,060	1,659	401
Restricted Receipts Total	3,195	989	163	826
General Revenue Total-Coastal Resources	2,113	2,131	2,076	55
Federal Fund Total-Coastal Resources	1,599	2,060	1,659	401
Restricted Receipts Total-Coastal Resources	3,195	989	163	826
Other Fund Total-Coastal Resources		6		6
Total-Coastal Resources Management Council	6,907	5,185	3,898	1,287
Water Resource Board				
RICAP-Big River Management Area	81	90	81	9
General Revenue Total	1,937	1,737	1,648	89
Federal Fund Total		64	64	
Restricted Receipts Total	400	46		46
General Revenue Total-Water Resources Board	1,937	1,737	1,648	89
Federal Fund Total-Water Resources Board		64	64	
Restricted Receipts Total-Water Resources Board	400	46		46
Other Fund Total-Water Resources Board	81	90	81	9
Total-Water Resources Board	2,418	1,937	1,793	144

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Total Departmental Expenditures	5,149,459	5,197,756	5,052,778	144,978
Transfer of Excess Budget Reserve to Bond Capital Fund			62,682	(62,682)
Total Expenditures	<u>5,149,459</u>	<u>5,197,756</u>	<u>5,115,460</u>	<u>82,296</u>
Change in Fund Balance	<u>\$ 50,437</u>	<u>\$ 17,948</u>	<u>(59,031)</u>	<u>\$ (76,979)</u>
Fund balance - beginning			203,197	
Fund balance - ending			<u>\$ 144,166</u>	
General Revenue Total	3,213,391	3,216,695	3,217,761	(1,066)
Federal Fund Total	1,697,574	1,730,406	1,629,715	100,691
Restricted Receipts Total	124,302	135,119	100,401	34,718
Other Fund Total	114,192	115,536	104,901	10,635
Total Expenditures	<u>\$ 5,149,459</u>	<u>\$ 5,197,756</u>	<u>\$ 5,052,778</u>	<u>\$ 144,978</u>

** Certain totals may not add due to rounding.

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 144,000	\$ 140,550	\$ 141,138	\$ 588
Departmental restricted revenue	3,067	645	875	230
Federal grants	237,747	272,660	239,621	(33,039)
Other revenues	3,100	10,894	7,779	(3,115)
Total revenues	<u>387,914</u>	<u>424,749</u>	<u>389,413</u>	<u>(35,336)</u>
Other financing sources:				
Operating transfers in			35,397	35,397
Payments from component units			18	18
Total revenues and other financing sources	<u>387,914</u>	<u>424,749</u>	<u>424,828</u>	<u>79</u>
Expenditures:				
Central Management				
Gasoline Tax	3,098	3,472	3,602	(130)
Federal Funds	5,162	17,148	5,835	11,313
Total - Central Management	<u>8,260</u>	<u>20,620</u>	<u>9,437</u>	<u>11,183</u>
Management and Budget				
Gasoline Tax	1,709	4,528	3,428	1,100
Total - Management and Budget	<u>1,709</u>	<u>4,528</u>	<u>3,428</u>	<u>1,100</u>
Infrastructure - Engineering				
Gasoline Tax	49,053	47,512	47,234	278
RICAP - RIPTA Land and Buildings		101	101	
Train Station	25	60	60	
State Infrastructure Bank	1,000	1,344		1,344
Land Sale Revenue	2,000	9,186	6,689	2,497
Federal Funds	232,585	255,512	225,508	30,004
Restricted Receipts	3,067	645	1,452	(807)
Subtotal - Infrastructure - Engineering	<u>287,730</u>	<u>314,360</u>	<u>281,044</u>	<u>33,316</u>
State Match - FHWA			40,194	(40,194)
Total - Infrastructure - Engineering	<u>287,730</u>	<u>314,360</u>	<u>321,238</u>	<u>(6,878)</u>
Infrastructure - Maintenance				
Gasoline Tax	41,065	36,791	34,584	2,207
Outdoor Advertising	75	203		203
Nonland Surplus		373		373
Total - Infrastructure - Maintenance	<u>41,140</u>	<u>37,367</u>	<u>34,584</u>	<u>2,783</u>
Total Expenditures	<u>338,839</u>	<u>376,875</u>	<u>368,687</u>	<u>8,188</u>
Other financing uses:				
Transfers to other funds				
Gas tax			46,938	
Other			445	
Total expenditures and other financing uses			<u>416,070</u>	
Net change in fund balance			8,758	
Fund balance - beginning			<u>24,061</u>	
Fund balance - ending			<u>\$ 32,819</u>	

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
June 30, 2007
(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)
06/30/2006	5,651,066	10,575,851	4,924,786	53.4%	1,559,966	315.7%
06/30/2005	5,444,369	9,762,675	4,318,306	55.8%	1,504,526	287.0%
06/30/2004	5,543,427	9,328,983	3,785,556	59.4%	1,472,620	257.1%

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)
06/30/2006	36,315	42,216	5,901	86.0%	13,475	43.8%
06/30/2005	29,617	37,511	7,894	79.0%	13,225	59.7%
06/30/2004	24,767	32,689	7,922	75.8%	11,422	69.4%

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)
06/30/2006	23,873	27,504	3,631	86.8%	6,313	57.4%
06/30/2005	19,347	22,251	2,904	86.9%	5,685	51.0%
06/30/2004	16,019	21,846	5,827	73.3%	5,638	103.3%

State of Rhode Island and Providence Plantations
Notes to Required Supplementary Information
June 30, 2007

For the fiscal year ended June 30, 2007 expenditures exceeded appropriations in the following department and agency programs, (expressed in thousands):

Fund/Agency/Program	Budgeted Expenditures	Actual Expenditures	Variance
	\$	\$	\$
General Fund			
Department of Administration			
Facilities Management			
General Revenue Total	39,165	39,655	(490)
Information Technology			
General Revenue Total	20,889	21,042	(153)
Restricted Receipts Total	1,461	1,869	(408)
Other Fund Total	1,272	2,453	(1,181)
General			
EDC-RI Airport Corporation Impact Aid	1,754	2,754	(1,000)
Motor Vehicle Excise Tax Payment	136,229	136,230	(1)
Property Valuation	2,000	2,186	(186)
Federal Fund Total	35	203	(168)
Debt Service Payments			
RIRBA-DLT Temporary Disability Insurance	46	62	(16)
Investment Receipts-Bond Funds		32	(32)
Debt Service Payments	86,601	86,817	(216)
Department of Business Regulations			
Banking Regulation			
General Revenue Total	2,775	2,840	(65)
Department of Labor and Training			
Workforce Regulation and Safety			
General Revenue Total	3,382	3,383	(1)
Income Support			
General Revenue Total	3,259	3,270	(11)
Department of State			
Administration			
General Revenue Total	1,661	1,691	(30)
State Archives			
Federal Fund Total	85	87	(2)
Restricted Receipts Total	217	270	(53)
Elections			
Federal Fund Total	858	889	(31)
Department of Revenue			
Office of Revenue Analysis			
General Revenue Total		177	(177)
Department of Children, Youth, and Families			
Central Management			
Federal Fund Total	3,135	3,338	(203)
Juvenile Correctional Services			
General Revenue Total	31,626	31,969	(343)
Child Welfare			
General Revenue Total	107,768	112,150	(4,382)
Department of Elderly Affairs			
General Revenue Total	17,418	17,672	(254)

State of Rhode Island and Providence Plantations
Notes to Required Supplementary Information
June 30, 2007

Fund/Agency/Program	Budgeted Expenditures	Actual Expenditures	Variance
	\$	\$	\$
General Fund			
Department of Health			
Family Health			
General Revenue Total	2,934	2,952	(18)
Disease Prevention and Control			
Walkable Communities Initiative	27	30	(3)
Department of Human Services			
Individual and Family Support			
General Revenue Total	23,140	23,254	(114)
Restricted Receipts Total	134	136	(2)
Veterans' Affairs			
General Revenue Total	16,844	17,206	(362)
Federal Fund Total	6,616	6,662	(46)
Medical Benefits			
General Revenue Total			
Hospital	70,211	76,939	(6,728)
Other	50,255	75,948	(25,693)
Federal Fund Total			
Managed Care	239,353	239,468	(115)
Other	56,498	86,025	(29,527)
Family Independence Program			
Child Care	28,905	31,798	(2,893)
State Funded Programs			
Federal Fund Total	83,333	86,907	(3,574)
Department of Mental Health, Retardation, and Hospital Central Management			
General Revenue Total	2,148	2,169	(21)
Service for the Developmentally Disabled			
General Revenue Total	118,007	118,047	(40)
Integrated Mental Health Services			
General Revenue Total	43,453	44,544	(1,091)
Department of Elementary and Secondary Education			
Teachers' Retirement			
General Revenue Total	67,260	70,287	(3,027)
Department of Attorney General			
Bureau of Criminal Identification			
General Revenue Total	949	956	(7)
Department of Corrections			
Parole Board			
Federal Fund Total	33	38	(5)
Judicial Department			
Family Court			
General Revenue Total	17,048	17,251	(203)
E-911 Uniform Emergency Telephone System			
General Revenue Total	4,098	4,116	(18)
Restricted Receipts Total	1,259	1,619	(360)

State of Rhode Island and Providence Plantations
Notes to Required Supplementary Information
June 30, 2007

Fund/Agency/Program	Budgeted Expenditures	Actual Expenditures	Variance
	\$	\$	\$
General Fund			
Municipal Police Training School			
General Revenue Total	395	400	(5)
Office of Public Defenders			
General Revenue Total	8,549	8,565	(16)
Department of Environmental Management			
Office of Director			
General Revenue Total	6,361	7,292	(931)
Restricted Receipts Total	1,881	2,091	(210)
Natural Resources			
General Revenue Total	18,407	18,607	(200)
Environmental Protection			
General Revenue Total	11,795	12,173	(378)
ISTEA Fund			
Central Management			
Gasoline Tax	3,472	3,602	(130)
Infrastructure-Engineering-Garvee/Motor Fuel Tax Bonds			
Restricted Receipts Total	645	1,452	(807)

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 annual budget is adopted on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the "actual" column that have no corresponding original or final budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

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.

State of Rhode Island and Providence Plantations
Notes to Required Supplementary Information
June 30, 2007

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 and judicial branches.

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

Appropriations for Medical Benefits in the Department of Human Services are divided into six categories by the Caseload Estimating Conference (Conference). For the first time, in May 2007, the Conference recognized the reassignment of certain costs recorded in the "Other" line item account as "Long-Term Care" costs, a new line item category of Medicaid expenditures, in conjunction with RIGL 40-8.9-4 of the Long Term Care Service and Reform Act. Contrary to this new budget categorization, the actual expenditures were recorded in the "Other" line item category due to the fact that the Medicaid Management Information System was not programmed to reflect this new account creation. This mismatch between actual and budgeted expenditures occurred for both general and federal revenue funding sources.

The General Assembly authorized the transfer of \$19.4 million from the State's budget reserve account for fiscal 2007 to avert a budget deficit caused by a revenue shortfall. The amount reported as the "Transfer of Excess Budget Reserve to Bond Capital Fund" is net of this transfer from the budget reserve.

**COMBINING
STATEMENTS**

Nonmajor Governmental Funds

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

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.

Rhode Island Economic Policy Council – works with State officials to identify issues facing the State'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.

Tobacco Settlement Financing Trust Fund – created to account for the proceeds from the TSFC until the proceeds are transferred to other funds as prescribed by the legislature.

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.

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.

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, 2007
(Expressed in Thousands)

	Special Revenue				Total Special Revenue Funds
	R.I. Temporary Disability	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Tobacco Settlement Trust	
Assets					
Cash and cash equivalents	\$ 104,486	\$	\$	\$ 152,582	\$ 257,068
Funds on deposit with fiscal agent					
Investments		327			327
Restricted investments		72,545			72,545
Receivables (net)	43,932				43,932
Loans to other funds					
Other assets			62		62
Total assets	\$ 148,418	\$ 72,872	\$ 62	\$ 152,582	\$ 373,934
Liabilities and Fund Balances					
Liabilities					
Cash overdraft	1,613		4		1,617
Accounts payable	147		3		150
Due to other funds	1,482				1,482
Loans from other funds					
Other liabilities			97		97
Total liabilities	3,242		104		3,346
Fund balances					
Reserved for:					
Debt		72,872			72,872
Employment Insurance Programs	145,176				145,176
Unreserved					
Special revenue			(42)	152,582	152,540
Capital projects					
Permanent fund					
Total fund balances	145,176	72,872	(42)	152,582	370,588
Total Liabilities and fund balances	\$ 148,418	\$ 72,872	\$ 62	\$ 152,582	\$ 373,934

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Expressed in Thousands)

Capital Project

	Bond Capital	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation	Total Capital Project Funds
Assets					
Cash and cash equivalents	\$ 116,350	\$ 7,181	\$ 360	\$	\$ 123,891
Funds on deposit with fiscal agent				74,056	74,056
Investments					
Restricted investments					
Receivables (net)					
Loans to other funds					
Other assets			6		6
Total assets	\$ 116,350	\$ 7,181	\$ 366	\$ 74,056	\$ 197,953
Liabilities and Fund Balances					
Liabilities					
Cash overdraft					
Accounts payable	12,281	69	6	10,901	23,257
Due to other funds	11,013			2,305	13,318
Loans from other funds	8,400			22	8,422
Other liabilities	170		37		207
Total liabilities	31,864	69	43	13,228	45,204
Fund balances					
Reserved for:					
Debt				2,807	2,807
Employment Insurance Programs					
Unreserved					
Special revenue					
Capital projects	84,486	7,112	323	58,021	149,942
Permanent fund					
Total fund balances	84,486	7,112	323	60,828	152,749
Total Liabilities and fund balances	\$ 116,350	\$ 7,181	\$ 366	\$ 74,056	\$ 197,953

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Expressed in Thousands)

	Permanent	Total
	Permanent	Nonmajor
Assets	School	Governmental
	Funds	Funds
Cash and cash equivalents	\$ 1,186	\$ 382,145
Funds on deposit with fiscal agent		74,056
Investments		327
Restricted investments		72,545
Receivables (net)		43,932
Loans to other funds		
Other assets		68
Total assets	\$ 1,186	\$ 573,073
Liabilities and Fund Balances		
Liabilities		
Cash overdraft		1,617
Accounts payable		23,407
Due to other funds		14,800
Loans from other funds		8,422
Other liabilities		304
Total liabilities		48,550
Fund balances		
Reserved for:		
Debt		75,679
Employment Insurance Programs		145,176
Unreserved		
Special revenue		152,540
Capital projects		149,942
Permanent fund	1,186	1,186
Total fund balances	1,186	524,523
Total Liabilities and fund balances	\$ 1,186	\$ 573,073

(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, 2007
(Expressed in Thousands)

	Special Revenue				Total Special Revenue Funds
	R.I. Temporary Disability	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Tobacco Settlement Trust	
Revenues:					
Taxes	\$ 177,905	\$	\$	\$	\$ 177,905
Licenses, fines, sales, and services					
Income from investments	5,448	3,566		82	9,096
Other revenues	222	44,025	399		44,646
Total revenues	183,575	47,591	399	82	231,647
Expenditures:					
Current:					
General government	172,056	54	825		172,935
Capital outlays					
Debt service:					
Principal		6,220			6,220
Interest and other charges		42,149			42,149
Total expenditures	172,056	48,423	825		221,304
Excess (deficiency) of revenues over (under) expenditures	11,519	(832)	(426)	82	10,343
Other financing sources (uses)					
Bonds and notes issued		196,067			196,067
Refunding bonds issued					
Proceeds from the sale of Certificates of Participation					
Premium and accrued interest					
Operating transfers in			300	195,000	195,300
Other			32		32
Payment to refunded bonds escrow agent					
Operating transfers out	(2,105)	(195,000)		(42,500)	(239,605)
Total other financing sources (uses)	(2,105)	1,067	332	152,500	151,794
Net change in fund balances	9,414	235	(94)	152,582	162,137
Fund balances - beginning	135,762	72,637	52		208,451
Fund balances - ending	\$ 145,176	\$ 72,872	\$ (42)	\$ 152,582	\$ 370,588

(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, 2007
(Expressed in Thousands)

	Capital Projects				Total Capital Project Funds
	Bond Capital	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation	
Revenues:					
Taxes	\$	\$	\$	\$	\$
Licenses, fines, sales, and services			35		35
Income from investments	6,867	406		2,885	10,158
Other revenues					
Total revenues	6,867	406	35	2,885	10,193
Expenditures:					
Current:					
General government			37		37
Capital outlays	99,855	1,283		57,909	159,047
Debt service:					
Principal					
Interest and other charges	1,314	3		404	1,721
Total expenditures	101,169	1,286	37	58,313	160,805
Excess (deficiency) of revenues over (under) expenditures	(94,302)	(880)	(2)	(55,428)	(150,612)
Other financing sources (uses)					
Bonds and notes issued	117,185	1,600			118,785
Refunding bonds issued	74,835				74,835
Proceeds from the sale of Certificates of Participation				45,325	45,325
Premium and accrued interest	8,705	66		1,159	9,930
Operating transfers in	62,682				62,682
Other			16		16
Payment to refunded bonds escrow agent	(78,198)				(78,198)
Operating transfers out	(95,496)			(48)	(95,544)
Total other financing sources (uses)	89,713	1,666	16	46,436	137,831
Net change in fund balances	(4,589)	786	14	(8,992)	(12,781)
Fund balances - beginning	89,075	6,326	309	69,820	165,530
Fund balances - ending	\$ 84,486	\$ 7,112	\$ 323	\$ 60,828	\$ 152,749

(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, 2007
(Expressed in Thousands)

	<u>Permanent</u>	
	<u>Permanent</u>	<u>Total</u>
	<u>School</u>	<u>Nonmajor</u>
		<u>Governmental</u>
		<u>Funds</u>
Revenues:		
Taxes	\$	\$ 177,905
Licenses, fines, sales, and services	148	183
Income from investments	50	19,304
Other revenues		44,646
Total revenues	198	242,038
Expenditures:		
Current:		
General government		172,972
Capital outlays		159,047
Debt service:		
Principal		6,220
Interest and other charges		43,870
Total expenditures		382,109
Excess (deficiency) of revenues over (under) expenditures	198	(140,071)
Other financing sources (uses)		
Bonds and notes issued		314,852
Refunding bonds issued		74,835
Proceeds from the sale of Certificates of Participation		45,325
Premium and accrued interest		9,930
Operating transfers in		257,982
Other		48
Payment to refunded bonds escrow agent		(78,198)
Operating transfers out		(335,149)
Total other financing sources (uses)		289,625
Net change in fund balances	198	149,554
Fund balances - beginning	988	374,969
Fund balances - ending	\$ 1,186	\$ 524,523

(Concluded)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Temporary Disability Insurance Fund
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 177,905	\$ 177,905	\$ 177,905	\$
Other Revenues	5,670	5,670	5,670	
Total Revenues	<u>183,575</u>	<u>183,575</u>	<u>183,575</u>	
Expenditures:				
Department of Labor and Training				
Income Support				
Temporary Disability Insurance Fund	177,526	176,891	173,959	2,932
Total - Income Support	<u>177,526</u>	<u>176,891</u>	<u>173,959</u>	<u>2,932</u>
Total - Department of Labor and Training	<u>177,526</u>	<u>176,891</u>	<u>173,959</u>	<u>2,932</u>
Treasury Department				
Temporary Disability Insurance Fund	306	304	202	102
Total - Treasury Department	<u>306</u>	<u>304</u>	<u>202</u>	<u>102</u>
Total Expenditures	<u>177,832</u>	<u>177,195</u>	<u>174,161</u>	<u>3,034</u>
Net change in fund balance	5,743	6,380	9,414	3,034
* Fund balance - beginning	135,762	135,762	135,762	
Fund balance - ending	<u>\$ 141,505</u>	<u>\$ 142,142</u>	<u>\$ 145,176</u>	<u>\$ 3,034</u>

* Resources are not legislatively adopted, budgeted revenues and opening surpluses are assumed to equal actual amounts.

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.

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..

Central Mail – provides for the delivery of mail services for the state.

State Telecommunications – provides the telecommunication services for the State and processes all of the telephone bills for the State and charges the expending department/agency. (Formerly Centrex and Pastore Communications)..

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 – provides job training for inmates through prison industries.

Surplus Property - accounts for the revenues received and expenses incurred from the disposition of state surplus property.

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

Health Insurance-Active – pays active employee health benefits.

Health Insurance-Retirees – pays retiree's health benefits.

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Central Mail</u>	<u>State Tele- communications</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,250	\$ 4,856	\$ 1,339	\$ 800	\$ 161
Receivables (net)				800	161
Due from other funds		528			
Inventories				80	
Other assets					
Total current assets	<u>2,250</u>	<u>5,384</u>	<u>1,339</u>	<u>880</u>	<u>161</u>
Noncurrent assets:					
Capital assets (net)				146	97
Total noncurrent assets				<u>146</u>	<u>97</u>
Total assets	<u>2,250</u>	<u>5,384</u>	<u>1,339</u>	<u>1,026</u>	<u>258</u>
Liabilities:					
Current liabilities:					
Cash overdraft				794	366
Accounts payable	5			57	238
Due to other funds	443			15	79
Loans from the general fund		5,500			
Other liabilities	221	84		96	43
Total current liabilities	<u>669</u>	<u>5,584</u>		<u>962</u>	<u>726</u>
Net Assets:					
Invested in capital assets, net of related debt				146	97
Unrestricted	1,581	(200)	1,339	(82)	(565)
Total net assets	<u>\$ 1,581</u>	<u>\$ (200)</u>	<u>\$ 1,339</u>	<u>\$ 64</u>	<u>\$ (468)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007
(Expressed in Thousands)

	<u>Central Pharmacy</u>	<u>Central Laundry</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>
Assets:						
Current assets:						
Cash and cash equivalents	\$ 759	\$	\$ 965	\$	\$ 2,190	\$ 58
Receivables (net)	12		939	396	1,496	
Due from other funds	766	71			528	
Inventories	193	114	295	814	746	
Other assets	503	155				
Total current assets	<u>2,233</u>	<u>340</u>	<u>2,199</u>	<u>1,210</u>	<u>4,960</u>	<u>58</u>
Noncurrent assets:						
Capital assets (net)		139	37	2,586	398	7
Total noncurrent assets		<u>139</u>	<u>37</u>	<u>2,586</u>	<u>398</u>	<u>7</u>
Total assets	<u>2,233</u>	<u>479</u>	<u>2,236</u>	<u>3,796</u>	<u>5,358</u>	<u>65</u>
Liabilities:						
Current liabilities:						
Cash overdraft		1,279		228		
Accounts payable	487	1	963	72	365	
Due to other funds			317	301		
Loans from the general fund						
Other liabilities	83	56	107	84	141	
Total current liabilities	<u>570</u>	<u>1,336</u>	<u>1,387</u>	<u>685</u>	<u>506</u>	
Net Assets:						
Invested in capital assets, net of related debt		139	37	2,586	398	7
Unrestricted	1,663	(996)	812	525	4,454	58
Total net assets	<u>\$ 1,663</u>	<u>\$ (857)</u>	<u>\$ 849</u>	<u>\$ 3,111</u>	<u>\$ 4,852</u>	<u>\$ 65</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007
(Expressed in Thousands)

	Records Center	Health Insurance Active	Health Insurance Retirees	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 433	\$ 23,572	\$	\$ 36,422
Receivables (net)	82			3,886
Due from other funds			3,253	5,146
Inventories				2,242
Other assets		5,265		5,923
Total current assets	<u>515</u>	<u>28,837</u>	<u>3,253</u>	<u>53,619</u>
Noncurrent assets:				
Capital assets (net)				3,410
Total noncurrent assets				<u>3,410</u>
Total assets	<u>515</u>	<u>28,837</u>	<u>3,253</u>	<u>57,029</u>
Liabilities:				
Current liabilities:				
Cash overdraft		25		2,692
Accounts payable	44	15,990	3,846	22,068
Due to other funds	6	715		1,876
Loans from the general fund	500			6,000
Other liabilities	18			933
Total current liabilities	<u>568</u>	<u>16,730</u>	<u>3,846</u>	<u>33,569</u>
Net Assets:				
Invested in capital assets, net of related debt				3,410
Unrestricted	(53)	12,107	(593)	20,050
Total net assets	<u>\$ (53)</u>	<u>\$ 12,107</u>	<u>\$ (593)</u>	<u>\$ 23,460</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, 2007
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Central Mail</u>	<u>State Tele- communications</u>	<u>Central Pharmacy</u>	<u>Central Laundry</u>	<u>Automotive Maintenance</u>
Operating revenues:								
Charges for services	\$ 25,919	\$ 23,109	\$	\$ 4,642	\$ 2,871	\$ 8,475	\$ 1,006	\$ 12,905
Total operating revenues	<u>25,919</u>	<u>23,109</u>	<u></u>	<u>4,642</u>	<u>2,871</u>	<u>8,475</u>	<u>1,006</u>	<u>12,905</u>
Operating expenses:								
Personal services	2,482	870		879	433	505	864	692
Supplies, materials, and services	25,080	22,447		4,326	2,474	7,818	347	11,947
Depreciation				20	19		93	10
Total operating expenses	<u>27,562</u>	<u>23,317</u>	<u></u>	<u>5,225</u>	<u>2,926</u>	<u>8,323</u>	<u>1,304</u>	<u>12,649</u>
Operating income (loss)	<u>(1,643)</u>	<u>(208)</u>	<u></u>	<u>(583)</u>	<u>(55)</u>	<u>152</u>	<u>(298)</u>	<u>256</u>
Nonoperating revenues (expenses):								
Interest revenue	217							94
Other nonoperating revenues and (expenses)	15			(95)				15
Income (loss) before transfers	<u>(1,411)</u>	<u>(208)</u>	<u></u>	<u>(678)</u>	<u>(55)</u>	<u>152</u>	<u>(298)</u>	<u>365</u>
Operating transfers in (out)	<u>(1,348)</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Change in net assets	<u>(2,759)</u>	<u>(208)</u>	<u></u>	<u>(678)</u>	<u>(55)</u>	<u>152</u>	<u>(298)</u>	<u>365</u>
Total net assets - beginning as restated	<u>4,340</u>	<u>8</u>	<u>1,339</u>	<u>742</u>	<u>(413)</u>	<u>1,511</u>	<u>(559)</u>	<u>484</u>
Total net assets - ending	<u>\$ 1,581</u>	<u>\$ (200)</u>	<u>\$ 1,339</u>	<u>\$ 64</u>	<u>\$ (468)</u>	<u>\$ 1,663</u>	<u>\$ (857)</u>	<u>\$ 849</u>

(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, 2007
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Surplus Property	Records Center	Health Insurance Active	Health Insurance Retirees	Total
Operating revenues:							
Charges for services	\$ 6,423	\$ 8,530	\$ 18	\$ 1,010	\$ 165,470	\$ 39,874	\$ 300,252
Total operating revenues	<u>6,423</u>	<u>8,530</u>	<u>18</u>	<u>1,010</u>	<u>165,470</u>	<u>39,874</u>	<u>300,252</u>
Operating expenses:							
Personal services	937	1,701		368			9,731
Supplies, materials, and services	5,211	5,853	4	709	170,299	44,279	300,794
Depreciation	89	130	3				364
Total operating expenses	<u>6,237</u>	<u>7,684</u>	<u>7</u>	<u>1,077</u>	<u>170,299</u>	<u>44,279</u>	<u>310,889</u>
Operating income (loss)	<u>186</u>	<u>846</u>	<u>11</u>	<u>(67)</u>	<u>(4,829)</u>	<u>(4,405)</u>	<u>(10,637)</u>
Nonoperating revenues (expenses):							
Interest revenue		62			1,098		1,471
Other nonoperating revenues and (expenses)							(65)
Income (loss) before transfers	<u>186</u>	<u>908</u>	<u>11</u>	<u>(67)</u>	<u>(3,731)</u>	<u>(4,405)</u>	<u>(9,231)</u>
Operating transfers in (out)					<u>(3,812)</u>	<u>3,812</u>	<u>(1,348)</u>
Change in net assets	<u>186</u>	<u>908</u>	<u>11</u>	<u>(67)</u>	<u>(7,543)</u>	<u>(593)</u>	<u>(10,579)</u>
Total net assets - beginning as restated	<u>2,925</u>	<u>3,944</u>	<u>54</u>	<u>14</u>	<u>19,650</u>		<u>34,039</u>
Total net assets - ending	<u>\$ 3,111</u>	<u>\$ 4,852</u>	<u>\$ 65</u>	<u>\$ (53)</u>	<u>\$ 12,107</u>	<u>\$ (593)</u>	<u>\$ 23,460</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Central Mail</u>
Cash flows from operating activities:				
Cash received from customers	\$ 26,075	\$ 26,485	\$ 143	\$ 4,101
Cash payments to suppliers for goods and services	(25,135)	(24,199)		(3,991)
Cash payments to employees for services	(2,468)	(859)		(831)
Other operating revenue (expense)	232			
Net cash provided by (used for) operating activities	<u>(1,296)</u>	<u>1,427</u>	<u>143</u>	<u>(721)</u>
Cash flows from noncapital financing activities:				
Loans from the general fund		2,750		
Repayment of loans to the general fund		(2,000)		
Operating transfers in				
Operating transfers out	(1,348)			
Negative cash balance implicitly financed				793
Repayment of prior year negative cash balance implicitly financed				
Net cash provided by (used for) noncapital financing activities	<u>(1,348)</u>	<u>750</u>		<u>793</u>
Cash flows from capital and related financing activities:				
Principal paid on capital lease obligations				(61)
Acquisition of capital assets				(139)
Net cash provided by (used for) capital and related financing activities				<u>(200)</u>
Net increase (decrease) in cash and cash equivalents	(2,644)	2,177	143	(128)
Cash and cash equivalents - July 1	4,894	2,679	1,196	128
Cash and cash equivalents - June 30	<u>\$ 2,250</u>	<u>\$ 4,856</u>	<u>\$ 1,339</u>	<u>\$</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,643)	\$ (208)	\$	\$ (583)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$	\$	\$	\$ 20
Other revenue (expense) and operating transfer in (out)	232			
(Increase) decrease in assets:				
Receivables		3,375	143	(463)
Inventory				348
Prepaid items				
Increase (decrease) in liabilities:				
Accounts payable	101	(1,751)		(90)
Accrued expenses	14	11		47
Total adjustments	<u>347</u>	<u>1,635</u>	<u>143</u>	<u>(138)</u>
Net cash provided by (used for) operating activities	<u>\$ (1,296)</u>	<u>\$ 1,427</u>	<u>\$ 143</u>	<u>(721)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	State Tele- communications	Central Pharmacy	Central Laundry	Automotive Maintenance
Cash flows from operating activities:				
Cash received from customers	\$ 3,896	\$ 8,450	\$ 1,027	\$ 12,832
Cash payments to suppliers for goods and services	(2,462)	(7,607)	(421)	(11,520)
Cash payments to employees for services	(425)	(500)	(864)	(670)
Other operating revenue (expense)				109
Net cash provided by (used for) operating activities	<u>1,009</u>	<u>343</u>	<u>(258)</u>	<u>751</u>
Cash flows from noncapital financing activities:				
Loans from the general fund				1,000
Repayment of loans to the general fund				(1,500)
Operating transfers in				
Operating transfers out				
Negative cash balance implicitly financed	366		1,279	
Repayment of prior year negative cash balance implicitly financed	(1,304)		(1,021)	
Net cash provided by (used for) noncapital financing activities	<u>(938)</u>		<u>258</u>	<u>(500)</u>
Cash flows from capital and related financing activities:				
Principal paid on capital lease obligations				
Acquisition of capital assets	(71)			(22)
Net cash provided by (used for) capital and related financing activities	<u>(71)</u>			<u>(22)</u>
Net increase (decrease) in cash and cash equivalents		343		229
Cash and cash equivalents - July 1		416		736
Cash and cash equivalents - June 30	<u>\$</u>	<u>\$ 759</u>	<u>\$</u>	<u>\$ 965</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>\$ (55)</u>	<u>\$ 152</u>	<u>\$ (298)</u>	<u>\$ 256</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 19		\$ 93	\$ 10
Other revenue (expense) and operating transfer in (out)				109
(Increase) decrease in assets:				
Receivables	993	(25)	21	(380)
Inventory		232	(23)	(25)
Prepaid items				
Increase (decrease) in liabilities:				
Accounts payable	44	(20)	(51)	759
Accrued expenses	8	4		22
Total adjustments	<u>1,064</u>	<u>191</u>	<u>40</u>	<u>495</u>
Net cash provided by (used for) operating activities	<u>\$ 1,009</u>	<u>\$ 343</u>	<u>\$ (258)</u>	<u>\$ 751</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>	<u>Records Center</u>
Cash flows from operating activities:				
Cash received from customers	\$ 6,576	\$ 7,290	\$ 18	\$ 1,015
Cash payments to suppliers for goods and services	(5,357)	(5,782)	(4)	(724)
Cash payments to employees for services	(945)	(1,711)		(367)
Other operating revenue (expense)		62		
Net cash provided by (used for) operating activities	<u>274</u>	<u>(141)</u>	<u>14</u>	<u>(76)</u>
Cash flows from noncapital financing activities:				
Loans from the general fund				200
Repayment of loans to the general fund				
Operating transfers in				
Operating transfers out				
Negative cash balance implicitly financed	228			
Repayment of prior year negative cash balance implicitly financed	(454)			
Net cash provided by (used for) noncapital financing activities	<u>(226)</u>			<u>200</u>
Cash flows from capital and related financing activities:				
Principal paid on capital lease obligations	(48)			
Acquisition of capital assets		(120)		
Net cash provided by (used for) capital and related financing activities	<u>(48)</u>	<u>(120)</u>		
Net increase (decrease) in cash and cash equivalents		(261)	14	124
Cash and cash equivalents - July 1		2,451	44	309
Cash and cash equivalents - June 30	<u>\$</u>	<u>\$ 2,190</u>	<u>\$ 58</u>	<u>\$ 433</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 186	\$ 846	\$ 11	\$ (67)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 89	\$ 130	\$ 3	\$
Other revenue (expense) and operating transfer in (out)		62		
(Increase) decrease in assets:				
Receivables	(149)	(1,214)		2
Inventory	4	98		
Prepaid items				
Increase (decrease) in liabilities:				
Accounts payable	152	(53)		(12)
Accrued expenses	(8)	(10)		1
Total adjustments	<u>88</u>	<u>(987)</u>	<u>3</u>	<u>(9)</u>
Net cash provided by (used for) operating activities	<u>\$ 274</u>	<u>\$ (141)</u>	<u>\$ 14</u>	<u>\$ (76)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	Health Insurance Active	Health Insurance Retirees	Total
Cash flows from operating activities:			
Cash received from customers	\$ 167,233	\$ 36,621	\$ 301,762
Cash payments to suppliers for goods and services	(174,209)	(40,433)	(301,844)
Cash payments to employees for services			(9,640)
Other operating revenue (expense)	1,098		1,501
Net cash provided by (used for) operating activities	<u>(5,878)</u>	<u>(3,812)</u>	<u>(8,221)</u>
Cash flows from noncapital financing activities:			
Loans from the general fund			3,950
Repayment of loans to the general fund			(3,500)
Operating transfers in		3,812	3,812
Operating transfers out	(3,812)		(5,160)
Negative cash balance implicitly financed	25		2,691
Repayment of prior year negative cash balance implicitly financed			(2,779)
Net cash provided by (used for) noncapital financing activities	<u>(3,787)</u>	<u>3,812</u>	<u>(986)</u>
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations			(109)
Acquisition of capital assets			(352)
Net cash provided by (used for) capital and related financing activities			<u>(461)</u>
Net increase (decrease) in cash and cash equivalents	(9,665)		(9,668)
Cash and cash equivalents - July 1	33,237		46,090
Cash and cash equivalents - June 30	<u>\$ 23,572</u>	<u>\$</u>	<u>\$ 36,422</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (4,829)	\$ (4,405)	\$ (10,637)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$	\$	\$ 364
Other revenue (expense) and operating transfer in (out)	1,098		1,501
(Increase) decrease in assets:			
Receivables	1,048	(3,253)	98
Inventory			634
Prepaid items	(169)		(169)
Increase (decrease) in liabilities:			
Accounts payable	(3,026)	3,846	(101)
Accrued expenses			89
Total adjustments	<u>(1,049)</u>	<u>593</u>	<u>2,416</u>
Net cash provided by (used for) operating activities	<u>\$ (5,878)</u>	<u>\$ (3,812)</u>	<u>\$ (8,221)</u>

(Concluded)

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 Fiduciary Net Assets
Pension Trust Funds
June 30, 2007
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Assets					
Cash and cash equivalents	\$ 8,744	\$ 1,825	\$ 513	\$ 294	\$ 11,376
Receivables					
Contributions	24,922	4,241			29,163
Due from state for teachers	29,259				29,259
Miscellaneous	3,640	16			3,656
Total receivables	<u>57,821</u>	<u>4,257</u>			<u>62,078</u>
Investments, at fair value					
Equity in Short-Term Investment Fund	8,009	2,716			10,725
Equity in Pooled Trust	7,160,045	1,179,912	49,939	32,259	8,422,155
Total investments before lending activities	<u>7,168,054</u>	<u>1,182,628</u>	<u>49,939</u>	<u>32,259</u>	<u>8,432,880</u>
Invested securities lending collateral	<u>1,130,045</u>	<u>186,221</u>	<u>7,882</u>	<u>5,091</u>	<u>1,329,239</u>
Property and equipment, at cost, net of accumulated depreciation	<u>8,292</u>	<u>1,223</u>	<u>22</u>	<u>14</u>	<u>9,551</u>
Total assets	<u>8,372,956</u>	<u>1,376,154</u>	<u>58,356</u>	<u>37,658</u>	<u>9,845,124</u>
Liabilities					
Securities lending liability	1,130,045	186,221	7,882	5,091	1,329,239
Accounts payable	6,058	982	29	17	7,086
Total liabilities	<u>1,136,103</u>	<u>187,203</u>	<u>7,911</u>	<u>5,108</u>	<u>1,336,325</u>
Net assets held in trust for pension benefits	<u>\$ 7,236,853</u>	<u>\$ 1,188,951</u>	<u>\$ 50,445</u>	<u>\$ 32,550</u>	<u>\$ 8,508,799</u>

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Additions					
Contributions					
Member contributions	\$ 152,416	\$ 22,494	\$ 1,112	\$ 577	\$ 176,599
Employer contributions	229,548	26,696	4,038	2,364	262,646
State contributions for teachers	70,531				70,531
Interest on service credits purchased	3,524	470			3,994
Total contributions	<u>456,019</u>	<u>49,660</u>	<u>5,150</u>	<u>2,941</u>	<u>513,770</u>
Investment income					
Net appreciation in fair value of investments	961,402	157,228	6,274	4,105	1,129,009
Interest	94,722	15,391	613	400	111,126
Dividends	73,686	12,056	483	316	86,541
Other investment income	23,545	3,904	153	100	27,702
	<u>1,153,355</u>	<u>188,579</u>	<u>7,523</u>	<u>4,921</u>	<u>1,354,378</u>
Less investment expense	21,437	3,595	144	95	25,271
Net income from investing activities	<u>1,131,918</u>	<u>184,984</u>	<u>7,379</u>	<u>4,826</u>	<u>1,329,107</u>
Securities Lending					
Securities lending income	59,010	9,721	411	265	69,407
Less securities lending expense	56,820	9,363	396	256	66,835
Net securities lending income	<u>2,190</u>	<u>358</u>	<u>15</u>	<u>9</u>	<u>2,572</u>
Total net investment income	<u>1,134,108</u>	<u>185,342</u>	<u>7,394</u>	<u>4,835</u>	<u>1,331,679</u>
Total additions	<u>1,590,127</u>	<u>235,002</u>	<u>12,544</u>	<u>7,776</u>	<u>1,845,449</u>
Deductions					
Benefits					
Retirement benefits	446,778	42,905	171	246	490,100
Cost of living adjustment	117,632	6,699	6	16	124,353
SRA Plus (option)	27,104	1,839			28,943
Supplemental benefits	1,106				1,106
Death benefits	2,544	633			3,177
Total benefits	<u>595,164</u>	<u>52,076</u>	<u>177</u>	<u>262</u>	<u>647,679</u>
Refund of contributions	8,703	1,830	24		10,557
Administrative expense	6,528	1,012	30	20	7,590
Total deductions	<u>610,395</u>	<u>54,918</u>	<u>231</u>	<u>282</u>	<u>665,826</u>
Change in net assets	<u>979,732</u>	<u>180,084</u>	<u>12,313</u>	<u>7,494</u>	<u>1,179,623</u>
Net assets held in trust for pension benefits					
Net assets - beginning	6,257,121	1,008,867	38,132	25,056	7,329,176
Net assets - ending	<u>\$ 7,236,853</u>	<u>\$ 1,188,951</u>	<u>\$ 50,445</u>	<u>\$ 32,550</u>	<u>\$ 8,508,799</u>

Agency Funds

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

BOG Retiree Health – accounts for the contributions on behalf of the retirees from the Board of Governors for Higher Education.

RIPTA Retiree Health – accounts for the contributions on behalf of the retirees from the Rhode Island Public Transit Authority.

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 Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

BOG Retiree Health Fund

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Receivables	\$	1,104	\$	\$ 1,104
Total assets	\$	1,104	\$	\$ 1,104
Liabilities				
Accounts payable	\$	1,104	\$	\$ 1,104
Total liabilities	\$	1,104	\$	\$ 1,104

RIPTA Health Fund

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Receivables	\$	3,207	\$	\$ 3,207
Total assets	\$	3,207	\$	\$ 3,207
Liabilities				
Accounts payable	\$	3,207	\$	\$ 3,207
Total liabilities	\$	3,207	\$	\$ 3,207

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

Statutory Deposits

Assets	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Cash and cash equivalents	\$ 3,359	\$ 1,895	\$	\$ 5,254
Deposits held as security for entities doing business in the State	66,899		461	66,438
Total assets	\$ 70,258	\$ 1,895	\$ 461	\$ 71,692
Liabilities				
Deposits held for others	\$ 70,258	\$ 1,434	\$	\$ 71,692
Total liabilities	\$ 70,258	\$ 1,434	\$	\$ 71,692

Court Deposits

Assets	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Cash and cash equivalents	\$ 13,331	\$ 715	\$	\$ 14,046
Total assets	\$ 13,331	\$ 715	\$	\$ 14,046
Liabilities				
Deposits held for others	\$ 13,331	\$ 715	\$	\$ 14,046
Total liabilities	\$ 13,331	\$ 715	\$	\$ 14,046

Total - All Agency Funds

Assets	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Cash and cash equivalents	\$ 16,690	\$ 2,610	\$	\$ 19,300
Deposits held as security for entities doing business in the State	66,899		461	66,438
Receivables		4,311		4,311
Total assets	\$ 83,589	\$ 6,921	\$ 461	\$ 90,049
Liabilities				
Deposits held for others	\$ 83,589	\$ 2,149	\$	\$ 85,738
Accounts payable		4,311		4,311
Total liabilities	\$ 83,589	\$ 6,460	\$	\$ 90,049

(Concluded)

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.

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: (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 purpose.

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 financial assistance.

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 State.

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 State.

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

The College Crusade of Rhode Island (TCCRI) - 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. (Formerly known as Rhode Island Children’s Crusade for Higher Education)

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(B).

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2007
(Expressed in Thousands)

	<u>RIHMFC</u>	<u>RISLA</u>	<u>RITBA</u>	<u>RIEDC</u>	<u>NBC</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 31,296	\$ 1,786	\$ 1,698	\$ 44,040	\$ 15,494
Investments					
Receivables (net)	1,229	70,089	319	13,653	21,025
Restricted assets:					
Cash and cash equivalents	214,620	248,607	1,867	25,968	
Investments	233,870	28,069	3,550		
Other assets	30,503			4,366	
Due from primary government					
Due from other governments					
Inventories					
Other assets	4,887	1,351	140	1,453	185
Total current assets	<u>516,405</u>	<u>349,902</u>	<u>7,574</u>	<u>89,480</u>	<u>36,704</u>
Noncurrent Assets:					
Investments			28,570		
Receivables (net)	97,090	650,131		6,386	249
Restricted assets:					
Cash and cash equivalents				74,961	66,620
Investments	138,033		848	58,805	
Other assets	1,280,550			36,187	
Capital assets - nondepreciable			15,101	195,978	381,302
Capital assets - depreciable (net)		8	63,568	236,968	222,674
Other assets, net of amortization	16,227	4,063	158	6,711	5,770
Total noncurrent assets	<u>1,531,900</u>	<u>654,202</u>	<u>108,245</u>	<u>615,996</u>	<u>676,615</u>
Total assets	<u>2,048,305</u>	<u>1,004,104</u>	<u>115,819</u>	<u>705,476</u>	<u>713,319</u>
Liabilities					
Current liabilities:					
Cash overdraft		2,208			
Accounts payable			3,357	1,334	11,725
Due to primary government					
Due to (from) other component units				1	
Due to other governments		392			
Deferred revenue		4,897	728	187	282
Other liabilities	219,734	4,387	484	33,968	2,277
Current portion of long-term debt	191,141	6,640	2,035	8,248	17,083
Total current liabilities	<u>410,875</u>	<u>18,524</u>	<u>6,604</u>	<u>43,738</u>	<u>31,367</u>
Noncurrent liabilities:					
Due to primary government					
Due to other governments					
Deferred revenue				245	
Notes payable				702	
Loans payable					254,345
Obligations under capital leases				15,344	305
Other liabilities	6,087	26,652		5,616	72
Compensated absences					
Bonds payable	1,340,879	882,918	25,803	340,116	157,614
Total noncurrent liabilities	<u>1,346,966</u>	<u>909,570</u>	<u>25,803</u>	<u>362,023</u>	<u>412,336</u>
Total liabilities	<u>1,757,841</u>	<u>928,094</u>	<u>32,407</u>	<u>405,761</u>	<u>443,703</u>
Net assets					
Invested in capital assets, net of related debt	10,132	8	47,828	166,756	214,974
Restricted for:					
Debt	179,281	75,839	6,089		
Other				87,588	127
Other nonexpendable					
Unrestricted	101,051	163	29,495	45,371	54,515
Total net assets	<u>\$ 290,464</u>	<u>\$ 76,010</u>	<u>\$ 83,412</u>	<u>\$ 299,715</u>	<u>\$ 269,616</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2007
(Expressed in Thousands)

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 195	\$ 6,469	\$ 12,316	\$ 4,024	\$ 551
Investments	5,003		8,002	3,849	
Receivables (net)	731	8,171	414	5,732	2
Restricted assets:					
Cash and cash equivalents					
Investments					
Other assets					
Due from primary government				3,720	
Due from other governments			1,037		
Inventories				2,766	
Other assets	36	2,716	3	124	
Total current assets	<u>5,965</u>	<u>17,356</u>	<u>21,772</u>	<u>20,215</u>	<u>553</u>
Noncurrent Assets:					
Investments			3,946		
Receivables (net)	3,531		187		
Restricted assets:					
Cash and cash equivalents			596		663
Investments		1,950			
Other assets		79,372			
Capital assets - nondepreciable		7,042	307	6,536	
Capital assets - depreciable (net)	32	55,649	1,061	82,948	
Other assets, net of amortization		32,167			
Total noncurrent assets	<u>3,563</u>	<u>176,180</u>	<u>6,097</u>	<u>89,484</u>	<u>663</u>
Total assets	<u>9,528</u>	<u>193,536</u>	<u>27,869</u>	<u>109,699</u>	<u>1,216</u>
Liabilities					
Current liabilities:					
Cash overdraft					
Accounts payable	110	11,366	722	6,902	
Due to primary government					
Due to (from) other component units					582
Due to other governments			356		
Deferred revenue					191
Other liabilities	184	2,036		5,392	
Current portion of long-term debt		1,415	112		
Total current liabilities	<u>294</u>	<u>14,817</u>	<u>1,190</u>	<u>12,294</u>	<u>773</u>
Noncurrent liabilities:					
Due to primary government					
Due to other governments			452		
Deferred revenue			417	397	
Notes payable		1,250			
Loans payable					
Obligations under capital leases					
Other liabilities		78,844		9,229	
Compensated absences			260		
Bonds payable		15,368			
Total noncurrent liabilities		<u>95,462</u>	<u>1,129</u>	<u>9,626</u>	
Total liabilities	<u>294</u>	<u>110,279</u>	<u>2,319</u>	<u>21,920</u>	<u>773</u>
Net assets					
Invested in capital assets, net of related debt	32	75,814	1,369	89,484	
Restricted for:					
Debt		1,796			
Other			24,181		
Other nonexpendable					
Unrestricted	9,202	5,647		(1,705)	443
Total net assets	<u>\$ 9,234</u>	<u>\$ 83,257</u>	<u>\$ 25,550</u>	<u>\$ 87,779</u>	<u>\$ 443</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2007
(Expressed in Thousands)

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 51,413	\$ 2,217	\$ 1,688	\$ 293	\$ 242
Investments	46,525			785	5,741
Receivables (net)	42,051	18	237	137	578
Restricted assets:					
Cash and cash equivalents	19			103	337
Investments	158,224				
Other assets					
Due from primary government					
Due from other governments					
Inventories				21	
Other assets	127		985	18	18
Total current assets	<u>298,359</u>	<u>2,235</u>	<u>2,910</u>	<u>1,357</u>	<u>6,916</u>
Noncurrent Assets:					
Investments			1,727		
Receivables (net)	634,656				
Restricted assets:					
Cash and cash equivalents					
Investments					
Other assets					
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	35	368	1	6,345	38
Other assets, net of amortization	5,900		2,180	89	52
Total noncurrent assets	<u>640,591</u>	<u>549</u>	<u>3,908</u>	<u>7,255</u>	<u>90</u>
Total assets	<u>938,950</u>	<u>2,784</u>	<u>6,818</u>	<u>8,612</u>	<u>7,006</u>
Liabilities					
Current liabilities:					
Cash overdraft					
Accounts payable	603		8	47	1,131
Due to primary government				1,011	
Due to (from) other component units		(583)			
Due to other governments					
Deferred revenue			596	250	
Other liabilities	6,851		145	79	1,425
Current portion of long-term debt	25,700		1,665	1,044	
Total current liabilities	<u>33,154</u>	<u>(583)</u>	<u>2,414</u>	<u>2,431</u>	<u>2,556</u>
Noncurrent liabilities:					
Due to primary government					
Due to other governments					
Deferred revenue					
Notes payable					
Loans payable				82	
Obligations under capital leases				1,010	
Other liabilities	2,212	663			
Compensated absences				220	
Bonds payable	567,008		9,427		
Total noncurrent liabilities	<u>569,220</u>	<u>663</u>	<u>9,427</u>	<u>1,312</u>	
Total liabilities	<u>602,374</u>	<u>80</u>	<u>11,841</u>	<u>3,743</u>	<u>2,556</u>
Net assets					
Invested in capital assets, net of related debt	35	549		5,030	38
Restricted for:					
Debt	318,427				
Other			(5,241)	102	337
Other nonexpendable					
Unrestricted	18,114	2,155	218	(263)	4,075
Total net assets	<u>\$ 336,576</u>	<u>\$ 2,704</u>	<u>\$ (5,023)</u>	<u>\$ 4,869</u>	<u>\$ 4,450</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2007
(Expressed in Thousands)

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 56,425	\$ 18,161	\$ 8,257	\$ 4,026	\$ 260,591
Investments					69,905
Receivables (net)	19,482	4,295	2,963	17	191,143
Restricted assets:					
Cash and cash equivalents	4,573		1,566		497,660
Investments					423,713
Other assets					34,869
Due from primary government					3,720
Due from other governments				2,636	3,673
Inventories					2,787
Other assets	4,964	472	739		18,218
Total current assets	<u>85,444</u>	<u>22,928</u>	<u>13,525</u>	<u>6,679</u>	<u>1,506,279</u>
Noncurrent Assets:					
Investments	94,548	20,336	1,406		150,533
Receivables (net)	18,044	4,062	89		1,414,425
Restricted assets:					
Cash and cash equivalents	29	1,240	1,558		145,667
Investments					199,636
Other assets	11,101	1,692	722		1,409,624
Capital assets - nondepreciable	28,349	29,618	1,556		666,791
Capital assets - depreciable (net)	344,024	52,829	45,506	3,459	1,115,513
Other assets, net of amortization	7,931	2			81,250
Total noncurrent assets	<u>504,026</u>	<u>109,779</u>	<u>50,837</u>	<u>3,459</u>	<u>5,183,439</u>
Total assets	<u>589,470</u>	<u>132,707</u>	<u>64,362</u>	<u>10,138</u>	<u>6,689,718</u>
Liabilities					
Current liabilities:					
Cash overdraft					2,208
Accounts payable	25,540	6,751	4,317	1,495	75,408
Due to primary government		666	301		1,978
Due to (from) other component units					
Due to other governments					748
Deferred revenue	12,327	2,037	1,777		23,272
Other liabilities	675	3,781	472	3,483	285,373
Current portion of long-term debt	6,652	3,899	2,971	249	268,854
Total current liabilities	<u>45,194</u>	<u>17,134</u>	<u>9,838</u>	<u>5,227</u>	<u>657,841</u>
Noncurrent liabilities:					
Due to primary government		19,334			19,334
Due to other governments		3,840			4,292
Deferred revenue					1,059
Notes payable		1,849			3,801
Loans payable	1,117			130	255,674
Obligations under capital leases	12,052	41	1,776	81	30,609
Other liabilities	12,127	213	43		141,758
Compensated absences	17,248	2,612	3,219	1,587	25,146
Bonds payable	179,601	11,433	2,636		3,532,803
Total noncurrent liabilities	<u>222,145</u>	<u>39,322</u>	<u>7,674</u>	<u>1,798</u>	<u>4,014,476</u>
Total liabilities	<u>267,339</u>	<u>56,456</u>	<u>17,512</u>	<u>7,025</u>	<u>4,672,317</u>
Net assets					
Invested in capital assets, net of related debt	194,220	47,807	42,372	3,128	899,576
Restricted for:					
Debt					581,432
Other	32,220	10,479	3,583	53	153,429
Other nonexpendable	70,475	14,874			85,349
Unrestricted	25,216	3,091	895	(68)	297,615
Total net assets	<u>\$ 322,131</u>	<u>\$ 76,251</u>	<u>\$ 46,850</u>	<u>\$ 3,113</u>	<u>\$ 2,017,401</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, 2007
(Expressed in Thousands)

	<u>RIHMFC</u>	<u>RISLA</u>	<u>RITBA</u>	<u>RIEDC</u>	<u>NBC</u>
Operating revenues:					
Charges for services	\$ 7,514	\$	\$ 12,095	\$ 56,187	\$ 58,657
Interest income on loans	68,558	54,932			
Interest on investments	24,015				
Net increase (decrease) in fair value of investments	629				
Other operating income	1,466				
Total operating revenues	<u>102,182</u>	<u>54,932</u>	<u>12,095</u>	<u>56,187</u>	<u>58,657</u>
Operating expenses:					
Personal services	11,745	337	1,947	24,920	16,044
Supplies, materials, and services	7,849	5,896	2,031	21,228	13,676
Interest expense	63,299	34,410			
Grants, scholarships and contract programs				5,495	
Depreciation, depletion and amortization	2,944	346	2,044	16,823	6,803
Other operating expenses	4,674	22,560	1,102	5,586	211
Total operating expenses	<u>90,511</u>	<u>63,549</u>	<u>7,124</u>	<u>74,052</u>	<u>36,734</u>
Operating income (loss)	<u>11,671</u>	<u>(8,617)</u>	<u>4,971</u>	<u>(17,865)</u>	<u>21,923</u>
Nonoperating revenues (expenses):					
Interest revenue		13,908	2,274	10,132	2,849
Grants		1,778		(499)	49
Payments from primary government				19,030	
Gain (loss) on sale of property				1,848	
Interest expense			(1,270)	(14,910)	(11,914)
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)		(3,000)	(26)	9,156	75
Total nonoperating revenue (expenses)		<u>12,686</u>	<u>978</u>	<u>24,757</u>	<u>(8,941)</u>
Income (loss) before contributions	11,671	4,069	5,949	6,892	12,982
Capital contributions				19,851	6
Change in net assets	<u>11,671</u>	<u>4,069</u>	<u>5,949</u>	<u>26,743</u>	<u>12,988</u>
Total net assets - beginning as restated	278,793	71,941	77,463	272,972	256,628
Total net assets - ending	<u>\$ 290,464</u>	<u>\$ 76,010</u>	<u>\$ 83,412</u>	<u>\$ 299,715</u>	<u>\$ 269,616</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, 2007
(Expressed in Thousands)

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
Operating revenues:					
Charges for services	\$ 1,923	\$ 66,539	\$ 16,135	\$ 31,646	\$ 114
Interest income on loans	195				
Interest on investments					
Net increase (decrease) in fair value of investments					
Other operating income		3,244	406		5
Total operating revenues	<u>2,118</u>	<u>69,783</u>	<u>16,541</u>	<u>31,646</u>	<u>119</u>
Operating expenses:					
Personal services	384	13,756	2,934	60,987	
Supplies, materials, and services	1,415	21,714	6,635	22,688	33
Interest expense					
Grants, scholarships and contract programs		1,574	14,388		
Depreciation, depletion and amortization	33	13,814	241	10,537	
Other operating expenses		15,663	120		
Total operating expenses	<u>1,832</u>	<u>66,521</u>	<u>24,318</u>	<u>94,212</u>	<u>33</u>
Operating income (loss)	<u>286</u>	<u>3,262</u>	<u>(7,777)</u>	<u>(62,566)</u>	<u>86</u>
Nonoperating revenues (expenses):					
Interest revenue	210	7,472	1,218	423	28
Grants			359	16,069	
Payments from primary government			6,708	34,108	
Gain (loss) on sale of property	(6)	(706)		8	
Interest expense		(949)			
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)		(3,300)		3,020	(150)
Total nonoperating revenue (expenses)	<u>204</u>	<u>2,517</u>	<u>8,285</u>	<u>53,628</u>	<u>(122)</u>
Income (loss) before contributions	490	5,779	508	(8,938)	(36)
Capital contributions				5,783	
Change in net assets	<u>490</u>	<u>5,779</u>	<u>508</u>	<u>(3,155)</u>	<u>(36)</u>
Total net assets - beginning as restated	8,744	77,478	25,042	90,934	479
Total net assets - ending	<u>\$ 9,234</u>	<u>\$ 83,257</u>	<u>\$ 25,550</u>	<u>\$ 87,779</u>	<u>\$ 443</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, 2007
(Expressed in Thousands)

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>
Operating revenues:					
Charges for services	\$ 3,551	\$ 301	\$ 1,211	\$ 598	\$
Interest income on loans	25,848				
Interest on investments					175
Net increase (decrease) in fair value of investments					
Other operating income	2,123	425		2,187	5,156
Total operating revenues	<u>31,522</u>	<u>726</u>	<u>1,211</u>	<u>2,785</u>	<u>5,331</u>
Operating expenses:					
Personal services	484			2,829	3,153
Supplies, materials, and services	2,426	80	23	1,468	749
Interest expense	24,889				33
Grants, scholarships and contract programs					3,122
Depreciation, depletion and amortization	351	14	107	947	25
Other operating expenses					45
Total operating expenses	<u>28,150</u>	<u>94</u>	<u>130</u>	<u>5,244</u>	<u>7,127</u>
Operating income (loss)	<u>3,372</u>	<u>632</u>	<u>1,081</u>	<u>(2,459)</u>	<u>(1,796)</u>
Nonoperating revenues (expenses):					
Interest revenue		17	193	150	
Grants	15,015		(2,384)		
Payments from primary government				2,179	1,409
Gain (loss) on sale of property					
Interest expense			(485)	(99)	
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)			6	287	
Total nonoperating revenue (expenses)	<u>15,015</u>	<u>17</u>	<u>(2,670)</u>	<u>2,517</u>	<u>1,409</u>
Income (loss) before contributions	18,387	649	(1,589)	58	(387)
Capital contributions					
Change in net assets	<u>18,387</u>	<u>649</u>	<u>(1,589)</u>	<u>58</u>	<u>(387)</u>
Total net assets - beginning as restated	318,189	2,055	(3,434)	4,811	4,837
Total net assets - ending	<u>\$ 336,576</u>	<u>\$ 2,704</u>	<u>\$ (5,023)</u>	<u>\$ 4,869</u>	<u>\$ 4,450</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, 2007
(Expressed in Thousands)

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 196,519	\$ 50,701	\$ 35,596	\$ 1,446	\$ 540,733
Interest income on loans					149,533
Interest on investments					24,190
Net increase (decrease) in fair value of investments					629
Other operating income	94,284	16,931	13,776	8,546	148,549
Total operating revenues	<u>290,803</u>	<u>67,632</u>	<u>49,372</u>	<u>9,992</u>	<u>863,634</u>
Operating expenses:					
Personal services	238,837	84,902	69,428	51,714	584,401
Supplies, materials, and services	104,506	21,648	17,879	1,552	253,496
Interest expense				26	122,657
Grants, scholarships and contract programs	15,899	4,634	6,654		51,766
Depreciation, depletion and amortization	18,725	4,272	2,705	274	81,005
Other operating expenses			108		50,069
Total operating expenses	<u>377,967</u>	<u>115,456</u>	<u>96,774</u>	<u>53,566</u>	<u>1,143,394</u>
Operating income (loss)	<u>(87,164)</u>	<u>(47,824)</u>	<u>(47,402)</u>	<u>(43,574)</u>	<u>(279,760)</u>
Nonoperating revenues (expenses):					
Interest revenue				25	38,899
Grants		3,786	218		34,391
Payments from primary government	83,359	45,024	47,113	43,901	282,831
Gain (loss) on sale of property					1,144
Interest expense	(5,909)	(640)	(237)		(36,413)
Net increase (decrease) in fair value of investments	4,969	3,567	678		9,214
Other nonoperating revenue (expenses)	24,441	1		60	30,570
Total nonoperating revenue (expenses)	<u>106,860</u>	<u>51,738</u>	<u>47,772</u>	<u>43,986</u>	<u>360,636</u>
Income (loss) before contributions	19,696	3,914	370	412	80,876
Capital contributions	24,158	9,637	1,804		61,239
Change in net assets	<u>43,854</u>	<u>13,551</u>	<u>2,174</u>	<u>412</u>	<u>142,115</u>
Total net assets - beginning as restated	278,277	62,700	44,676	2,701	1,875,286
Total net assets - ending	<u>\$ 322,131</u>	<u>\$ 76,251</u>	<u>\$ 46,850</u>	<u>\$ 3,113</u>	<u>\$ 2,017,401</u>

(Concluded)

STATISTICAL SECTION

Statistical Section

This part of the State's comprehensive annual financial report presents detailed information as to the context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	154
Revenue Capacity These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	159
Debt Capacity These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	166
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	168
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	170

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year. The State implemented GASB Statement 34 in 2002.

State of Rhode Island and Providence Plantations
Schedule of Net Assets by Components
Last Six Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Governmental activities						
Invested in capital assets, net of related debt	\$ 1,691,793	\$ 1,591,074	\$ 816,578	\$ 675,696	\$ 481,460	\$ 371,614
Restricted	373,788	369,137	315,370	301,346	273,559	196,913
Unrestricted	(1,082,664)	(929,476)	(936,437)	(981,605)	(860,310)	(124,431)
Total governmental activities net assets	<u>\$ 982,917</u>	<u>\$ 1,030,735</u>	<u>\$ 195,511</u>	<u>\$ (4,563)</u>	<u>\$ (105,291)</u>	<u>\$ 444,096</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ (109,435)	\$ (131,941)	\$ (71,413)	\$ (84,910)	\$ (83,896)	\$ (84,909)
Restricted	294,395	302,689	233,476	251,596	283,944	340,512
Unrestricted	(16,616)	(10,691)	(10,183)	(14,351)	(12,455)	1,650
Total business-type activities net assets	<u>\$ 168,344</u>	<u>\$ 160,057</u>	<u>\$ 151,880</u>	<u>\$ 152,335</u>	<u>\$ 187,593</u>	<u>\$ 257,253</u>
Primary government						
Invested in capital assets, net of related debt	\$ 1,582,358	\$ 1,459,133	\$ 745,165	\$ 590,786	\$ 397,564	\$ 286,705
Restricted	668,183	671,826	548,846	552,942	557,503	537,425
Unrestricted	(1,099,280)	(940,167)	(946,620)	(995,956)	(872,765)	(122,781)
Total primary government net assets	<u>\$ 1,151,261</u>	<u>\$ 1,190,792</u>	<u>\$ 347,391</u>	<u>\$ 147,772</u>	<u>\$ 82,302</u>	<u>\$ 701,349</u>

- (a) The decrease in total primary government net assets between fiscal years 2002 and 2003 is primarily because the Tobacco Settlement Financing Corporation (TSFC) was reported as a discretely presented component unit for fiscal 2002. In April 2004, the Government Accounting Standards Board issued Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues, which resulted in TSFC being reported as a blended component unit for fiscal 2003 and subsequent years. The reduction in net assets is attributable to the inclusion of TSFC's debt within the primary government.
- (b) The increase in total primary government net assets between fiscal years 2005 and 2006 is attributable to the recording of retroactive infrastructure assets for fiscal years 1981 – 2001 in accordance with GASB Statement No. 34.

State of Rhode Island and Providence Plantations
Schedule of Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Expenses						
Governmental activities:						
General government	\$ 858,729	\$ 527,841	\$ 503,659	\$ 474,640	\$ 459,989	\$ 455,489
Human services	2,519,745	2,622,935	2,512,628	2,420,998	2,244,980	2,115,220
Education	1,320,384	287,119	264,385	75,654	103,476	339,455
Public safety	391,354	370,706	336,069	321,015	309,569	288,291
Natural resources	91,758	74,695	65,913	61,839	67,597	138,287
Transportation	281,518	323,517	226,529	173,935	170,082	192,824
Intergovernmental		1,213,050	1,127,496	1,047,537	947,792	896,512
Grants				299,381	291,208	287
Interest and other charges	107,211	92,121	116,171	104,760	98,831	79,381
Total governmental activities	5,570,699	5,511,984	5,152,850	4,979,759	4,693,524	4,505,746
Business-type activities:						
Lottery	1,487,239	1,409,134	1,330,298	1,200,059	1,054,764	958,626
Convention Center	42,859	37,862	35,746	62,622	59,372	57,900
Employment insurance	210,060	197,724	209,018	238,220	262,585	231,665
Total business-type activities	1,740,158	1,644,720	1,575,062	1,500,901	1,376,721	1,248,191
Total Primary government expenses	\$ 7,310,857	\$ 7,156,704	\$ 6,727,912	\$ 6,480,660	\$ 6,070,245	\$ 5,753,937
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 132,152	\$ 146,575	\$ 141,290	\$ 137,913	\$ 108,369	\$ 140,869
Human services	125,901	127,738	122,212	124,716	113,247	98,789
Education	11,180	5,638	3,469	3,320	2,877	2,744
Public safety	49,821	53,851	46,216	43,487	60,341	30,230
Natural resources	31,932	27,487	30,340	31,191	25,807	30,573
Transportation	875	(561)	8,257	1,739	3,092	2,802
Operating grants and contributions	1,716,318	1,821,134	1,794,965	1,703,526	1,452,834	1,315,974
Capital grants and contributions	151,528	156,828	97,681	156,372	191,993	176,071
Total governmental activities program revenues	2,219,707	2,338,690	2,244,430	2,202,264	1,958,560	1,798,052
Business-type activities:						
Charges for services	2,028,470	1,947,732	1,835,511	1,684,585	1,473,723	1,345,922
Operating grants and contributions	4,607	2,342	2,633	29,492	45,712	50,656
Total business-type activities program revenues	2,033,077	1,950,074	1,838,144	1,714,077	1,519,435	1,396,578
Total primary government program revenues	\$ 4,252,784	\$ 4,288,764	\$ 4,082,574	\$ 3,916,341	\$ 3,477,995	\$ 3,194,630
Net (Expenses)/Revenues						
Governmental activities	(3,350,992)	(3,173,294)	(2,908,420)	(2,777,495)	(2,734,964)	(2,707,694)
Business-type activities	292,919	305,354	263,082	213,176	142,714	148,387
Total primary government net expenses	\$ (3,058,073)	\$ (2,867,940)	\$ (2,645,338)	\$ (2,564,319)	\$ (2,592,250)	\$ (2,559,307)

(Continued)

State of Rhode Island and Providence Plantations
Schedule of Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
General Revenue and Other Changes in Net Assets						
Governmental activities:						
Taxes	\$ 2,842,828	\$ 2,794,230	\$ 2,687,684	\$ 2,477,453	\$ 2,335,329	\$ 2,187,342
Interest and investment earnings	37,539	25,644	14,443	9,812	7,668	10,005
Miscellaneous	106,543	114,362	104,411	136,122	160,547	153,947
Gain on sale of capital assets			853			
Special items					1,511	525,276
Transfers	304,906	312,755	293,993	266,886	235,064	198,969
Payments from component units	10,108	14,715	18,503			
Total governmental activities	<u>3,301,924</u>	<u>3,261,706</u>	<u>3,119,887</u>	<u>2,890,273</u>	<u>2,740,119</u>	<u>3,075,539</u>
Business-type activities:						
Interest and investment earnings	12,137	8,826	10,875	12,884	17,336	21,134
Miscellaneous	8,137	6,752	7,633	5,568	5,354	7,615
Special items			11,948			
Transfers	(304,906)	(312,755)	(293,993)	(266,886)	(235,064)	(198,969)
Total business-type activities	<u>(284,632)</u>	<u>(297,177)</u>	<u>(263,537)</u>	<u>(248,434)</u>	<u>(212,374)</u>	<u>(170,220)</u>
Total primary government	<u>3,017,292</u>	<u>2,964,529</u>	<u>2,856,350</u>	<u>2,641,839</u>	<u>2,527,745</u>	<u>2,905,319</u>
Changes in Net Assets						
Governmental activities	(49,068)	88,412	211,467	112,778	5,155	367,845
Business-type activities	8,287	8,177	(455)	(35,258)	(69,660)	(21,833)
Total primary government	<u>\$ (40,781)</u>	<u>\$ 96,589</u>	<u>\$ 211,012</u>	<u>\$ 77,520</u>	<u>\$ (64,505)</u>	<u>\$ 346,012</u>

(Concluded)

State of Rhode Island and Providence Plantations
Schedule of Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
General Fund						
Reserved	\$ 144,166	\$ 164,866	\$ 146,103	\$ 131,843	\$ 129,205	\$ 132,761
Unreserved	-	38,331	38,699	24,451	42,634	31,039
Total General Fund	\$ 144,166	\$ 203,197	\$ 184,802	\$ 156,294	\$ 171,839	\$ 163,800
All Other Governmental Funds						
Reserved	\$ 260,607	\$ 220,612	\$ 224,483	\$ 217,048	\$ 189,911	\$ 20,887
Unreserved, reported in:						
Special Revenue Funds	155,482	22,759	32,588	36,458	25,403	241,461
Permanent Funds	1,186	988	917	875	837	786
Capital Projects Funds	360,026	469,018	388,829	298,920	70,153	87,130
Total All Other Governmental Funds	\$ 777,301	\$ 713,377	\$ 646,817	\$ 553,301	\$ 286,304	\$ 350,264

State of Rhode Island and Providence Plantations
Schedule of Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Revenues:						
Taxes	\$ 2,848,284	\$ 2,792,961	\$ 2,687,482	\$ 2,477,878	\$ 2,330,076	\$ 2,181,956
Licenses, fines, sales, and services	242,743	253,857	238,344	242,280	230,917	198,737
Departmental restricted revenue	110,059	105,181	113,589	107,407	78,126	79,840
Federal grants	1,869,336	1,962,375	1,884,104	1,847,200	1,597,545	1,487,126
Income from investments	36,068	24,941	13,770	10,310	7,808	9,632
Net increase in the fair value of investments						182
Other revenues	84,664	79,162	80,872	93,051	123,637	60,688
Total operating revenues	<u>5,191,154</u>	<u>5,218,477</u>	<u>5,018,161</u>	<u>4,778,126</u>	<u>4,368,109</u>	<u>4,018,161</u>
Expenditures:						
Current:						
General government	806,865	515,677	512,896	461,741	445,497	428,884
Human services	2,512,286	2,616,608	2,506,929	2,409,774	2,232,252	2,103,198
Education	1,267,255	284,294	265,001	72,838	101,270	92,035
Public safety	396,029	361,647	328,839	311,701	297,070	288,363
Natural resources	81,518	71,539	64,138	59,678	53,207	64,568
Transportation	310,019	247,248	209,470	161,974	143,635	122,208
Capital outlays	269,550	300,404	241,306	200,880	195,611	203,729
Intergovernmental		1,213,050	1,127,496	1,047,537	947,791	896,513
Grants				6,145		287
Debt service:						
Principal	115,752	117,663	116,322	75,892	58,161	91,576
Interest and other charges	128,527	105,264	110,243	107,720	100,628	74,084
Total operating expenditures	<u>5,887,801</u>	<u>5,833,394</u>	<u>5,482,640</u>	<u>4,915,880</u>	<u>4,575,122</u>	<u>4,365,445</u>
Excess (deficiency) of revenues over (under) expenditures	(696,647)	(614,917)	(464,479)	(137,754)	(207,013)	(347,284)
Other financing sources (uses):						
Bonds and notes issued	314,852	320,820	87,095	415,435	139,905	175,205
Refunding bonds issued	74,835		117,010			
Proceeds from the sale of Certificates of Participation	45,325	6,000	139,410		3,890	
Premium and accrued interest	9,930	16,298	17,602	30,097	10,881	6,115
Operating transfers in	828,885	593,902	537,618	513,356	625,085	569,602
Payments from component units	10,108	14,715	18,503	15,568	18,770	26,721
Other	18,435	28,313	35,083	25,391	8,990	83,142
Payment to refunded bonds escrow agent	(78,198)		(123,300)	(72,160)	(85,358)	(335,539)
Operating transfers out	(522,631)	(280,176)	(242,515)	(245,246)	(388,351)	(360,543)
Operating transfers out to component units				(293,236)	(291,208)	(402,509)
Total other financing sources (uses)	<u>701,541</u>	<u>699,872</u>	<u>586,506</u>	<u>389,205</u>	<u>42,604</u>	<u>(237,806)</u>
Special items					1,510	544,238
Extraordinary items						
Net change in fund balances	<u>\$ 4,894</u>	<u>\$ 84,955</u>	<u>\$ 122,027</u>	<u>\$ 251,451</u>	<u>\$ (162,899)</u>	<u>\$ (40,852)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.5%	4.2%	4.5%	4.1%	3.8%	4.1%

State of Rhode Island and Providence Plantations
Schedule of Taxable Sales by Industry
Prior Ten Calendar Years
(expressed in millions)

Taxable Sales By Industry	Calendar Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Grocery, Food Stores, Delis, Bakeries	\$ 1,052.45	\$ 1,065.10	\$ 879.14	\$ 818.60	\$ 708.51	\$ 710.82	\$ 679.48	\$ 471.14	\$ 535.56	\$ 471.25
Restaurants and Bars	1,803.19	1,651.39	1,616.72	1,425.54	1,363.23	1,251.22	1,181.70	1,067.59	952.75	891.63
Room Rentals - Motels, Hotels	450.46	412.93	345.85	280.21	311.45	331.33	319.21	275.71	222.65	198.43
Utilities - Telephone, Electric, Gas, Water	668.28	549.40	582.11	570.53	553.80	788.43	759.32	590.38	620.36	668.13
Total	<u><u>\$ 3,974.38</u></u>	<u><u>\$ 3,678.82</u></u>	<u><u>\$ 3,423.82</u></u>	<u><u>\$ 3,094.89</u></u>	<u><u>\$ 2,936.99</u></u>	<u><u>\$ 3,081.79</u></u>	<u><u>\$ 2,939.71</u></u>	<u><u>\$ 2,404.82</u></u>	<u><u>\$ 2,331.32</u></u>	<u><u>\$ 2,229.44</u></u>
Direct sales tax rate	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

Data is presented only for taxable sales of industries tracked by the Division of Taxation.

Source: *Division of Taxation*

State of Rhode Island and Providence Plantations
Schedule of Personal Income by Industry
Prior Ten Calendar Years
(expressed in millions)

	Calendar Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Farm Earnings	\$ 18	\$ 21	\$ 20	\$ 18	\$ 17	\$ 15	\$ 16	\$ 16	\$ 16	\$ 16
Forestry, Fishing and Other	54	49	53	51	51	8	126	116	108	101
Mining	27	24	19	18	15	1	13	14	12	8
Construction	1,708	1,591	1,488	1,423	1,123	1,215	1,142	1,072	921	813
Manufacturing	3,358	3,310	3,264	3,171	3,222	3,326	3,486	3,455	3,441	3,389
Wholesale Trade	1,295	1,238	1,136	1,093	1,044	998	1,155	1,003	923	863
Retail Trade	1,781	1,736	1,733	1,682	1,597	1,482	2,107	1,859	1,712	1,610
Transportation and Warehousing	481	447	446	436	838	765	1,134	1,019	1,013	976
Utilities (a)	288	276	273	276	N/A	N/A	N/A	N/A	N/A	N/A
Information	938	958	887	799	772	776	N/A	N/A	N/A	N/A
Finance, Insurance and Real Estate	2,067	2,029	2,508	2,339	2,162	2,090	1,820	1,658	1,534	1,307
Services	10,851	9,945	9,409	8,854	8,206	7,746	6,466	6,092	5,836	5,409
Federal/Civilian	962	952	936	864	849	798	776	715	702	706
Military	497	508	485	473	431	401	385	359	342	353
State and Local	3,478	3,434	3,228	3,089	2,922	2,755	2,645	2,448	2,312	2,223
Total Personal Income	\$ 27,803	\$ 26,518	\$ 25,885	\$ 24,586	\$ 23,249	\$ 22,376	\$ 21,271	\$ 19,826	\$ 18,872	\$ 17,774
Average Effective Rate	2.556%	2.623%	2.429%	2.374%	2.448%	2.879%	2.757%	2.705%	2.708%	2.498%

N/A=not available

Sources : US Bureau of Economic Analysis

(a) prior to 2003 was included with Transportation

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years
(expressed in millions)

	Calendar Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Personal Income Tax Revenue	\$ 996	\$ 979	\$ 870	\$ 813	\$ 808	\$ 914	\$ 817	\$ 758	\$ 723	\$ 632
Personal Income	38,972	37,318	35,817	34,239	33,000	31,747	29,639	28,020	26,695	25,303
Average Effective Rate	2.556%	2.623%	2.429%	2.374%	2.448%	2.879%	2.757%	2.705%	2.708%	2.498%

Source: Budget Office

(continued)

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years

Tax Rates on the Portion of Taxable Income in Ranges						
Tax Year 2006 Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 29,700	\$ 29,700 - 71,950	\$ 71,950 - 150,150	\$ 150,150 - 326,450	over \$ 326,450
Married Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 49,650	\$ 49,650 - 119,950	\$ 119,950 - 182,800	\$ 182,800 - 326,450	over \$ 326,450
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 24,825	\$ 24,825 - 59,975	\$ 59,975 - 91,400	\$ 91,400 - 163,225	over \$ 163,225
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 39,800	\$ 39,800 - 102,800	\$ 102,800 - 166,450	\$ 166,450 - 326,450	over \$ 326,450
Tax Year 2005 Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 29,700	\$ 29,700 - 71,950	\$ 71,950 - 150,150	\$ 150,150 - 326,450	over \$ 326,450
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 49,650	\$ 49,650 - 119,950	\$ 119,950 - 182,800	\$ 182,800 - 326,450	over \$ 326,450
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 24,825	\$ 24,825 - 59,975	\$ 59,975 - 91,400	\$ 91,400 - 163,225	over \$ 163,225
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 39,800	\$ 39,800 - 102,800	\$ 102,800 - 166,450	\$ 166,450 - 326,450	over \$ 326,450
Tax Year 2004 Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 29,050	\$ 29,050 - 70,350	\$ 70,350 - 146,750	\$ 146,750 - 319,100	over \$ 319,100
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 48,500	\$ 48,500 - 117,250	\$ 117,250 - 178,650	\$ 178,650 - 319,100	over \$ 319,100
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 24,250	\$ 24,250 - 58,625	\$ 58,625 - 89,325	\$ 89,325 - 159,550	over \$ 159,550
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 38,900	\$ 38,900 - 100,500	\$ 100,500 - 162,700	\$ 162,700 - 319,100	over \$ 319,100

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years

Tax Rates on the Portion of Taxable Income in Ranges						
Tax Year 2003 Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 28,400	\$ 28,400 - 68,800	\$ 68,800 - 143,500	\$ 143,500 - 311,950	over \$ 311,950
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 47,450	\$ 47,450 - 114,650	\$ 114,650 - 174,700	\$ 174,700 - 311,950	over \$ 311,950
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 23,725	\$ 23,725 - 57,325	\$ 57,325 - 87,350	\$ 87,350 - 155,975	over \$ 155,975
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 38,050	\$ 38,050 - 98,250	\$ 98,250 - 159,100	\$ 159,100 - 311,950	over \$ 311,950
(continued)						
Tax Year 2002 Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 27,950	\$ 27,950 - 67,700	\$ 67,700 - 141,250	\$ 141,250 - 307,050	over \$ 307,050
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 46,700	\$ 46,700 - 112,850	\$ 112,850 - 171,950	\$ 171,950 - 307,050	over \$ 307,050
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 23,350	\$ 23,350 - 56,425	\$ 56,425 - 85,975	\$ 85,975 - 153,525	over \$ 153,525
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 37,450	\$ 37,450 - 96,700	\$ 96,700 - 156,600	\$ 156,600 - 307,050	over \$ 307,050
Tax Year 2001 Single Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 27,050	\$ 27,050 - 65,550	\$ 65,550 - 136,750	\$ 136,750 - 297,350	over \$ 297,350
Married Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 45,200	\$ 45,200 - 109,250	\$ 109,250 - 166,500	\$ 166,500 - 297,350	over \$ 297,350
Married Filing Separate Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 22,600	\$ 22,600 - 54,625	\$ 54,625 - 83,250	\$ 83,250 - 148,675	over \$ 148,675
Head of Household Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 36,250	\$ 36,250 - 93,650	\$ 93,650 - 151,650	\$ 151,650 - 297,350	over \$ 297,350

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years

Tax Rates on the Portion of Taxable Income in Ranges		
Tax Year 2000		
Percentage of Federal Tax Liability	Tax Rate	26.000%
Tax Year 1999		
Percentage of Federal Tax Liability	Tax Rate	26.500%
Tax Year 1998		
Percentage of Federal Tax Liability	Tax Rate	27.000%
Tax Years 1996 and 1997		
Percentage of Federal Tax Liability	Tax Rate	27.500%

(concluded)

Source : RI 1040 Instructions

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2002 through 2005

<u>Tax Year 2005</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	191,229	40.42%	\$ 26,586,050	2.73%
\$25,001 - \$50,000	117,944	24.93%	97,782,614	10.05%
\$50,001 - \$75,000	68,732	14.53%	117,073,474	12.03%
\$75,001 - \$100,000	40,758	8.62%	111,028,948	11.41%
\$100,001 - \$200,000	42,311	8.94%	222,774,255	22.89%
\$200,001 - \$500,000	9,644	2.04%	157,005,466	16.13%
\$500,001 - \$1,000,000	1,655	0.35%	76,436,571	7.85%
\$1,000,001 and greater	828	0.18%	164,689,396	16.92%
	<u>473,101</u>	<u>100.00%</u>	<u>\$ 973,376,774</u>	<u>100.00%</u>

<u>Tax Year 2004</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	189,685	40.74%	\$ 27,587,679	2.95%
\$25,001 - \$50,000	117,704	25.28%	99,789,134	10.66%
\$50,001 - \$75,000	68,652	14.74%	119,176,017	12.73%
\$75,001 - \$100,000	39,892	8.57%	111,753,322	11.94%
\$100,001 - \$200,000	39,187	8.42%	211,965,822	22.64%
\$200,001 - \$500,000	8,440	1.81%	140,618,508	15.02%
\$500,001 - \$1,000,000	1,397	0.30%	66,373,763	7.09%
\$1,000,001 and greater	695	0.15%	158,789,344	16.96%
	<u>465,652</u>	<u>100.00%</u>	<u>\$ 936,053,589</u>	<u>100.00%</u>

<u>Tax Year 2003</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	194,616	41.68%	\$ 29,266,575	3.46%
\$25,001 - \$50,000	120,459	25.80%	103,175,468	12.21%
\$50,001 - \$75,000	68,669	14.71%	119,334,886	14.13%
\$75,001 - \$100,000	38,272	8.20%	107,970,871	12.78%
\$100,001 - \$200,000	35,845	7.68%	194,686,587	23.05%
\$200,001 - \$500,000	7,390	1.58%	125,658,653	14.88%
\$500,001 - \$1,000,000	1,169	0.25%	55,571,047	6.58%
\$1,000,001 and greater	543	0.12%	109,019,775	12.91%
	<u>466,963</u>	<u>100.00%</u>	<u>\$ 844,683,862</u>	<u>100.00%</u>

<u>Tax Year 2002</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	197,924	42.46%	\$ 30,737,043	3.91%
\$25,001 - \$50,000	121,230	26.00%	104,320,424	13.26%
\$50,001 - \$75,000	68,890	14.78%	119,366,749	15.18%
\$75,001 - \$100,000	36,922	7.92%	104,446,957	13.28%
\$100,001 - \$200,000	32,939	7.07%	178,332,249	22.67%
\$200,001 - \$500,000	6,811	1.46%	115,339,811	14.66%
\$500,001 - \$1,000,000	1,012	0.22%	49,436,218	6.29%
\$1,000,001 and greater	463	0.10%	84,591,452	10.75%
	<u>466,191</u>	<u>100.00%</u>	<u>\$ 786,570,903</u>	<u>100.00%</u>

Source: Division of Taxation

State of Rhode Island and Providence Plantations
Schedule of Ratios to Outstanding Debt by Type
Last Ten Fiscal Years
(expressed in thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Governmental Activities										
General obligation bonds	\$ 848,666	\$ 810,485	\$ 770,070	\$ 728,644	\$ 687,455	\$ 888,014	\$ 917,404	\$ 824,646	\$ 802,352	\$ 807,391
Revenue bonds (blended component units)(b)	729,695	749,445	766,410	786,095	818,495	147,385	161,210	174,315	188,420	208,115
Capital leases (c)	226,755	232,464	102,885	113,446	116,929	442,275	424,943	426,530	436,525	407,945
Special purpose bonds (a)	418,300	228,305	264,210							
Total governmental activities	<u>2,223,416</u>	<u>2,020,699</u>	<u>1,903,575</u>	<u>1,628,185</u>	<u>1,622,879</u>	<u>1,477,674</u>	<u>1,503,557</u>	<u>1,425,491</u>	<u>1,427,297</u>	<u>1,423,451</u>
Business-type Activities										
Revenue bonds (d)	287,185	202,855	302,320	310,005	319,435					
Bonds Payable (d)			153	153	1,153					
Total business-type activities	<u>287,185</u>	<u>202,855</u>	<u>302,473</u>	<u>310,158</u>	<u>320,588</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total primary Government	<u>\$ 2,510,601</u>	<u>\$ 2,223,554</u>	<u>\$ 2,206,048</u>	<u>\$ 1,938,343</u>	<u>\$ 1,943,467</u>	<u>\$ 1,477,674</u>	<u>\$ 1,503,557</u>	<u>\$ 1,425,491</u>	<u>\$ 1,427,297</u>	<u>\$ 1,423,451</u>
Debt as a Percentage of Personal Income	6.3%	5.9%	6.0%	5.7%	5.9%	4.6%	4.9%	4.9%	5.2%	5.6%
Amount of Debt Per Capita	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1

Source: Financials/notes

- (a) Special purpose bonds were sold in 2004
- (b) Tobacco Settlement revenue bonds were issued in 2002
- (c) Includes RICCA prior to 2002
- (d) Prior to 2002 RICCA was a discreetly presented component unit

State of Rhode Island and Providence Plantations
Schedule of Pledged Revenue Coverage
Last Ten Fiscal Years
(expressed in thousands)

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenue Bonds-Refunding Bond Authority										
Revenue -lease and rental payments (a)	\$ 37	\$ 34	\$ 30	\$ 2,919	\$ 7,184	\$ 8,474	\$ 9,178	\$ 9,074	\$ 9,596	\$ 10,334
Less: operating expenses	37	34	31	2,921	8,219	8,123	8,217	9,940	10,539	15,439
Net available revenue	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ (1,035)</u>	<u>\$ 351</u>	<u>\$ 961</u>	<u>\$ (866)</u>	<u>\$ (943)</u>	<u>\$ (5,105)</u>
Debt service										
Principal	\$ 17,610	\$ 14,295	\$ 10,115	\$ 15,975	\$ 15,115	\$ 14,280	\$ 13,825	\$ 13,105	\$ 14,105	\$ 4,175
Interest	2,785	3,562	3,981	4,415	6,838	7,545	8,221	9,952	9,164	7,722
Coverage (b)	0.00%	0.00%	-0.01%	-0.01%	-4.71%	1.61%	4.36%	-3.76%	-4.05%	-42.91%
Revenue Bonds-Tobacco Settlement Finance Corporation										
Revenue - Tobacco Settlement Revenue	\$ 44,025	\$ 41,546	\$ 45,831	\$ 45,644	\$ 52,749	\$	\$	\$	\$	\$
Less: operating expenses	54	40	65	80	32					
Net available revenue	<u>\$ 43,971</u>	<u>\$ 41,506</u>	<u>\$ 45,766</u>	<u>\$ 45,564</u>	<u>\$ 52,717</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt service										
Principal	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest	41,287	41,609	42,015	42,234						
Coverage (b)	106.50%	99.75%	108.93%	107.88%						
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - federal FHWA participation	\$ 44,182	\$ 41,801	\$ 41,809	\$	\$	\$	\$	\$	\$	\$
Less: operating expenses (c)										
Net available revenue	<u>\$ 44,182</u>	<u>\$ 41,801</u>	<u>\$ 41,809</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt service										
Principal	\$ 24,560	\$ 32,290	\$ 30,755	\$	\$	\$	\$	\$	\$	\$
Interest	19,650	9,517	11,054	6,141						
Coverage (b)	99.94%	99.99%	1	0						
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	\$ 9,409	\$ 9,496	\$ 9,513	\$ 9,499	\$	\$	\$	\$	\$	\$
Less: operating expenses (c)										
Net available revenue	<u>\$ 9,409</u>	<u>\$ 9,496</u>	<u>\$ 9,513</u>	<u>\$ 9,499</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt service										
Principal	\$ 3,630	\$ 5,150	\$ 5,150	\$ 5,625	\$	\$	\$	\$	\$	\$
Interest	3,335	2,105	1,653	981						
Coverage (b)	135.09%	130.89%	139.84%	1.43794						

(a) The debt service is supported by lease payments from the State equal to the annual debt service, plus administration costs. Since it is a blended component unit, the revenue is not reported in the fund financial statements.

(b) Coverage equals net available revenue divided by debt service

(c) All expenditures are made out of the proceeds of the bond sales

State of Rhode Island and Providence Plantations
Schedule of Personal Income and Per Capita Personal Income
Prior Ten Calendar Years

Personal Income					Per Capita Personal Income				
<i>(in billions)</i>					<i>(in dollars)</i>				
United States			Rhode Island		United States			Rhode Island	
	Amount	Percent Change	Amount	Percent Change		Amount	Percent Change	Amount	Percent Change
2006	\$ 10,860.9	6.2%	39.9	5.0%		36,276	4.9%	37,388	5.8%
2005	10,224.8	5.4%	37.9	2.7%	\$	34,495	4.4%	\$ 35,219	3.0%
2004	9,702.5	5.5%	36.9	8.5%		33,041	4.5%	34,180	7.1%
2003	9,199.0	3.4%	34.0	3.0%		31,632	2.3%	31,916	3.4%
2002	8,900.0	2.6%	33.0	2.8%		30,906	1.6%	30,859	2.0%
2001	8,677.5	4.4%	32.1	4.9%		30,413	3.3%	30,256	3.8%
2000	8,312.3	6.8%	30.6	5.2%		29,451	3.2%	29,158	-0.7%
1999	7,783.1	5.4%	29.1	5.1%		28,542	4.5%	29,377	4.9%
1998	7,383.7	6.6%	27.7	9.1%		27,322	5.6%	28,012	5.2%
1997	6,928.6	6.0%	25.4	2.4%		25,874	5.0%	26,631	6.0%

State of Rhode Island and Providence Plantations
Schedule of Economic Indicators
Prior Ten Calendar Years

	Civilian Labor Force		Unemployment Rate		Home Sales	
	<i>(in thousands)</i>					
	Number in Labor Force	Percent Change	Rate	Percent Change	Number of Sales	Percent Change
2006	581	2.1%	4.6%	-8.0%		
2005	569	1.2%	5.0%	-3.8%	19,700	2.6%
2004	562	-1.9%	5.2%	-3.7%	19,200	-5.0%
2003	573	3.1%	5.4%	5.9%	20,200	2.5%
2002	556	10.3%	5.1%	8.5%	19,700	-9.2%
2001	504	-0.2%	4.7%	14.6%	21,700	11.3%
2000	505	0.2%	4.1%	0.0%	19,500	-5.8%
1999	504	1.2%	4.1%	-16.3%	20,700	22.5%
1998	498	-1.4%	4.9%	-7.5%	16,900	17.4%
1997	505	1.8%	5.3%	3.9%	14,400	21.0%
1996	496	2.3%	5.1%	-27.1%	11,900	0.0%

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

**State of Rhode Island and Providence Plantations
Principal Employers
Current Year and Nine Years Ago**

2006			1997		
Rank	Employer	Employed	Rank	Employer	Employed
1	Lifespan	10,935	1	Lifespan	10,302
2	Care New England	6,611	2	Care New England	4,791
3	CVS Corporation	5,683	6	Citizen's Financial Group (Royal Bank of Scotland)	2,868
4	Citizen's Financial Group (Royal Bank of Scotland)	5,500	3	CVS Corporation	3,623
5	Stop & Shop Supermarket Co., Inc.	4,455	10	Shaw's Super Market	1,780
6	Brown University	3,943	4	Brown University	3,355
7	Bank of America	3,000	5	Fleet Financial Group, Inc (Bank of America)	2,872
8	Shaw's Super Market	2,240	7	Metropolitan Life Insurance	2,200
9	General Dynamics Corp	2,200	9	St. Joseph Health Services of RI	1,969
10	The Jan Company	2,115	8	BankBoston Corporation	2,160

Source: Rhode Island Economic Development Corporation.

Some employers are not listed because they did not wish to participate.

State of Rhode Island and Providence Plantations
Full Time State Employees by Function
Last Ten Fiscal Years

	Full Time State Employees as of June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<u>Full-time Employees</u>										
General Government	2,479	2,480	2,531	2,528	2,639	2,784	2,553	2,576	2,848	2,794
Human Service	4,144	4,370	4,176	4,269	4,425	4,571	4,600	4,594	4,572	4,489
Education	373	373	364	364	368	383	380	378	383	377
Public Safety	2,952	2,939	2,953	2,851	2,866	2,929	3,077	3,160	3,043	2,983
Natural Resources	978	1,015	963	957	928	990	944	946	918	888
Transportation	767	828	813	826	861	890	884	890	859	875
State Total	11,693	12,005	11,800	11,795	12,087	12,547	12,438	12,544	12,623	12,406

Source: Department of Administration

State of Rhode Island and Providence Plantations
Schedule of Operating Indicators by Function
Prior Ten Fiscal Years

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<u>General Government</u>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$1,920,770	\$1,810,045	\$1,672,875	\$1,523,094	\$1,386,651	\$1,299,485	\$1,099,262	\$925,401	\$842,433	\$712,136
Number of business transactions electronically	719,800	661,209	622,115	548,073	520,643	477,523	410,225	371,154	309,755	191,324
Personal Income Tax returns filed electronically -Tax Year	246,230	217,524	185,154	128,763	92,721	59,024	48,581	35,451	25,815	22,966
Department of Labor and Training										
Labor force total (in thousands)	577	541	533	538	528	521	521	519	510	504
Unemployment rate (percentage)	5.1	5.0	5.2	5.4	5.1	4.5	4.2	4.2	4.6	5.2
<u>Human Services</u>										
Department of Children, Youth and Families										
Average number of foster children	2,517	2,346	2,331	2,227	2,210	2,192	2,230	2,230	2,274	2,075
Department of Human Services										
FIP(AFDC) recipients expenditures (state share in millions)	\$13.3	\$14.8	\$19.0	\$14.0	\$17.8	\$18.8	\$38.5	\$39.1	\$40.6	\$51.5
Health Department										
Diagnosed AIDS cases	89	105	139	98	99	99	88	96	121	137
Number of births (in thousands)	13	13	14	14	14	13	13	13	13	13
<u>Education</u>										
Enrollment	40,374	40,008	39,920	39,937	38,867	39,149	38,458	38,650	38,368	37,251
Number of certificates and degrees awarded	5,418	5,404	5,567	5,330	5,453	5,240	5,142	5,309	5,356	5,557
<u>Public Safety</u>										
Department of Corrections										
Incarcerated offenders (male)	3,518	3,175	3,354	3,329	3,179	3,133	2,992	3,165	3,180	3,028
Incarcerated offenders (female)	242	186	200	208	208	215	212	219	214	212
<u>Natural Resources</u>										
Department of Environmental Management										
Hatchery fish raised and restocked (approx.in thousands)	140	140	140	140	140	140	130	130	130	130
Park visitations (in thousands)	6,135	6,010	5,861	5,976	7,499	6,990	6,399	n/a	n/a	n/a
Recreational registrations (boats)	41,933	41,366	42,759	41,696	41,024	40,432	35,614	35,133	33,602	28,182
<u>Transportation</u>										
Department of Transportation										
Percentage of pavement that is deficient	n/a	n/a	21.00%	n/a	n/a	3.50%	n/a	n/a	2.80%	n/a
Vehicle miles traveled (in millions)	8,300	8,299	8,472	8,365	8,142	7,991	8,359	8,283	7,983	7,071

State of Rhode Island and Providence Plantations
Schedule of Capital Assets Statistics by Function
Last Six Fiscal Years

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
<u>General Government</u>						
Buildings	15	17	17	17	17	17
Vehicles	238	104	95	88	n/a	n/a
<u>Human Services</u>						
Buildings	198	197	197	197	195	195
Vehicles	353	335	320	326	n/a	n/a
<u>Education</u>						
Buildings	12	13	13	13	12	12
Vehicles	19	23	26	31	n/a	n/a
<u>Public Safety</u>						
Buildings	53	54	54	54	54	54
Vehicles	580	604	586	574	n/a	n/a
<u>Natural Resources</u>						
Buildings	44	43	41	37	36	33
Vehicles	417	431	398	412	n/a	n/a
Number of state parks, beaches, bike paths	21	21	21	21	21	21
Area of state parks, beaches (acres)	13,289	13,289	13,289	13,289	13,289	13,289
<u>Transportation</u>						
Building	19	23	22	21	21	21
Vehicles	708	676	733	742	n/a	n/a
Miles of state highway	1,100	1,100	1,100	1,100	1,100	1,100