

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

**Donald L. Carcieri, Governor**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2009**

**Prepared By:**

**Department of Administration**

**Rosemary Booth Gallogly, Director of Administration**

**Office of Accounts and Control**

**Marc A. Leonetti, State Controller**

State of Rhode Island and Providence Plantations  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2009

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# INTRODUCTORY SECTION



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DEPARTMENT OF ADMINISTRATION

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April 6, 2010

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, 2009. 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 (RSI) 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.

Management's Discussion and Analysis (MD&A), which is part of the RSI, immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **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. Therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Managers in all branches and components of government are required to maintain comprehensive internal control systems, to regularly evaluate the effectiveness and adequacy of these systems by internal reviews, and to submit an annual report on these internal controls to the Governor in accordance with the 1986 Financial Integrity and Accountability Act.

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 appropriations supported by estimated revenues. Estimated general revenues are determined by a consensus of the Revenue Estimating Conference which is made up of the State Budget Officer, House Fiscal Advisor, and the Senate Fiscal Advisor. The Conference was established to provide for a more stable and accurate method of financial planning and budgeting and to facilitate the adoption of a balanced budget wherein appropriations and expenditures do not exceed anticipated revenues, as is required by the statutes and constitution of Rhode Island. Appropriations for restricted and dedicated revenue sources are supported by estimates submitted by the agencies.

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 Budgetary Comparison Schedules are presented as Required Supplementary Information (RSI) in this report. A more detailed budgetary comparison is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>.

In addition, a State Budget Reserve Account (Reserve) is maintained within the General Fund. Prior to FY2009, according to the State's Constitution, general revenue appropriations in the general fund could not 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. Excess revenue was transferred to the Reserve. If the balance in the Reserve exceeded three percent of the total general revenues and opening surplus, the excess was transferred to the RI Capital Plan Fund to be used for capital projects. In FY2009, the spending cap decreased by .2% to 97.8% and the Reserve limitation increased by .4% to 3.4%. These incremental changes will continue until FY2013 when the spending cap will be 97% of the total general revenues and opening surplus, and the Reserve will be five percent of the total general revenues and opening surplus. 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.

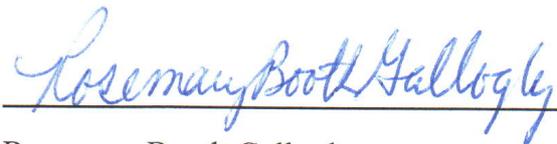
## Audit

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

## Acknowledgements

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

Respectfully submitted,



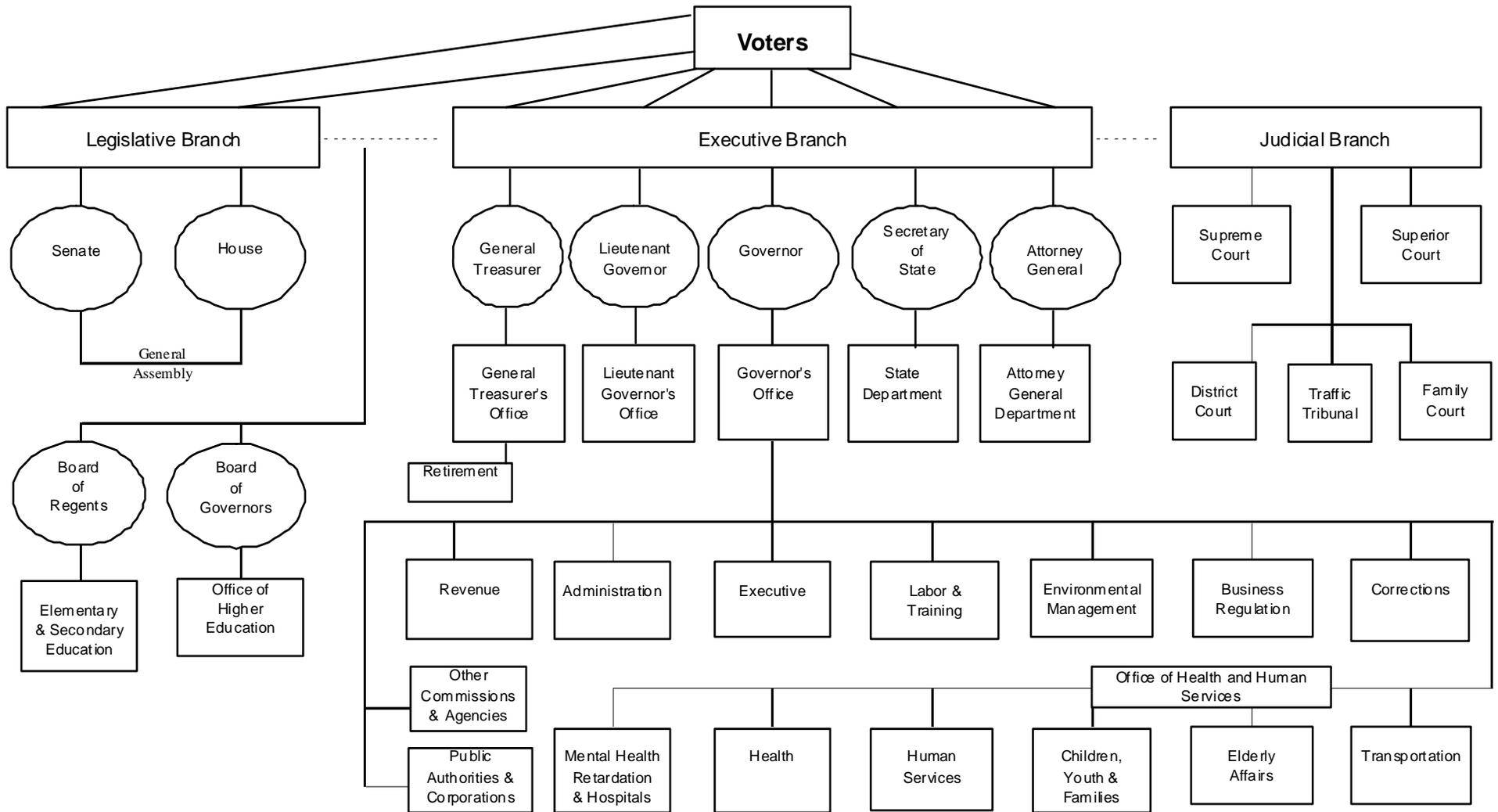
Rosemary Booth Gallogly  
Director



Marc A. Leonetti, 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**

M. Teresa Paiva-Weed

**House of Representatives**

**Speaker of the House**

Gordon D. Fox

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**

Paul A. Suttell

# FINANCIAL SECTION



DENNIS E. HOYLE, CPA  
ACTING AUDITOR GENERAL  
dennis.hoyle@oag.ri.gov

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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, 2009, 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 14% of the revenues and net additions of the fiduciary funds within the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 70% 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.

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

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

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, 2009, 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.

As disclosed in note 18D, the General Fund had a fiscal 2009 operating deficit of \$36.7 million resulting from a deficiency of general revenue compared to general revenue expenditures. The unreserved fund balance (deficit) of the General Fund was (\$62.3) million at June 30, 2009.

As described in notes 1(R), 6(F), and 18(C), the State implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. 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 24, the Budgetary Comparison Schedules on pages 121 through 123, and the Schedules of Funding Progress on pages 124 through 126 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.

A handwritten signature in black ink, appearing to read "Dennis E. Hoyle", with a long horizontal flourish extending to the right.

Dennis E. Hoyle, CPA  
Acting Auditor General

April 6, 2010

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

## Management 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, 2009. 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, 2009 by \$789.1 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$1,550.9) million was reported as unrestricted net assets (deficit), \$440.3 million was restricted net assets, and \$1,899.7 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 decreased by \$209.8 million in fiscal year 2009. Net assets of governmental activities decreased by \$40.6 million, while net assets of the business-type activities decreased by \$169.2 million.

#### Fund Financial Statements

- The State's governmental funds reported a combined ending fund balance of \$889.3 million, an increase of \$204.0 million in comparison with the previous fiscal year, primarily as a result of debt issued during the year pending disbursement.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance (deficit) of (\$62.3) million, a decrease of \$19.4 million from June 30, 2008.
  - The Budget Reserve and Cash Stabilization Account ended the fiscal year with a balance of \$80.1 million, a decrease of \$22.8 million in comparison with the previous fiscal year. In fiscal year 2009, \$22 million was appropriated from the Budget Reserve Account to mitigate the effect of a projected general revenue shortfall.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of \$0.2 million, which was a decrease of \$7.4 million from the previous year.
- The GARVEE Fund ended its fiscal year with a fund balance of \$268.1 million an increase of \$115.4 million in comparison with the previous fiscal year. Of the fund balance, \$15.6 million is reserved for debt.
- The Rhode Island State Lottery transferred \$337.5 million to the General Fund in support of general revenue expenditures during the fiscal year, a decrease of \$16.8 million in comparison with the previous fiscal year. In addition, \$6.8 million was also transferred to the Permanent School Fund in fiscal year 2009.
- The Employment Security Fund ended the fiscal year with net assets of \$6.8 million, a decrease of \$171.2 million compared with the prior year. This decrease was primarily attributable to a significant increase in unemployment benefits paid as a result of the high unemployment rate in the State. This necessitated the borrowing of \$70.3 million from the Federal Unemployment Trust Fund.

## Management Discussion and Analysis

- The R.I. Convention Center Fund ended the fiscal year with net asset deficiency of \$44.6 million, a reduction of \$1.3 million compared with the prior year. The Fund has historically had a net asset deficiency as the amount of debt related to capital assets has exceeded the net book value of the capital assets because the repayment term for the debt generally is more than the depreciable life of the assets.

### 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
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 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.

## Management Discussion and Analysis

- **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

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

## Management Discussion and Analysis

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 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

# **Management Discussion and Analysis**

## **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 and other post-employment 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 enacted budget.

## **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 \$789.1 million at the end of fiscal year 2009, compared to \$998.9 million at the end of the prior fiscal year. The primary reason for the \$209.8 million decrease was that resources accumulated in prior years were used to fund some of the current year expenses. Governmental activities have unrestricted net assets (deficit) of (\$1,543.7) 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.

## Management Discussion and Analysis

State of Rhode Island's Net Assets as of June 30, 2009  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008	2009	2008*
Current and other assets	\$ 1,610,728	\$ 1,413,978	\$ 120,086	\$ 223,419	\$ 1,730,814	\$ 1,637,397
Capital assets	2,855,528	2,784,026	205,282	208,595	3,060,810	2,992,621
Total assets	4,466,256	4,198,004	325,368	432,014	4,791,624	4,630,018
Long-term liabilities outstanding	2,796,056	2,476,054	335,548	268,980	3,131,604	2,745,034
Other liabilities	834,565	845,762	36,394	40,353	870,959	886,115
Total liabilities	3,630,621	3,321,816	371,942	309,333	4,002,563	3,631,149
Net assets:						
Invested in capital assets, net of related debt	1,959,118	1,877,872	(59,453)	(60,902)	1,899,665	1,816,970
Restricted	420,215	427,588	20,130	198,928	440,345	626,516
Unrestricted	(1,543,698)	(1,429,272)	(7,251)	(15,345)	(1,550,949)	(1,444,617)
Total net assets *(as restated)	<u>\$ 835,635</u>	<u>\$ 876,188</u>	<u>\$ (46,574)</u>	<u>\$ 122,681</u>	<u>\$ 789,061</u>	<u>\$ 998,869</u>

\* - Cumulative effect of prior period adjustments is fully explained in note 18C.

As indicated above, the State reported a balance in unrestricted net assets (deficit) of (\$1,550.9) million at June 30, 2009 in the Statement of Net Assets. This deficit results in part from the State's use 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.

## Management Discussion and Analysis

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 decreased by \$209.8 million during the current fiscal year. Total revenues of \$8,339.8 million were less than expenses of \$8,549.6 million. Approximately 31.0% of the State's total revenue came from taxes, while 28.9% resulted from grants and contributions (including federal financial aid). Charges for various goods and services provided 38.4% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services, 31.8% and education, 15.1%. In fiscal year 2009, governmental activity expenses exceeded program revenues by \$3,064.8 million, which resulted in the use of \$2,708.8 million in general revenues (mostly taxes). On the other hand, net program revenues from business-type activities in fiscal year 2009 exceeded expenses by \$130.1 million.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 428,854	\$ 449,812	\$ 2,772,889	\$ 2,601,083	\$ 3,201,743	\$ 3,050,895
Operating grants and contributions	2,114,821	1,827,704	194,857	3,285	2,309,678	1,830,989
Capital grants and contributions	103,515	112,712			103,515	112,712
General revenues:						
Taxes	2,588,417	2,820,709			2,588,417	2,820,709
Interest and investment earnings	9,435	32,466	4,279	9,531	13,714	41,997
Miscellaneous	95,758	121,273	11,782	8,341	107,540	129,614
Gain on sale of capital assets	1,656	3,026			1,656	3,026
Payments from component units	13,569	39,284			13,569	39,284
Total revenues	<u>5,356,025</u>	<u>5,406,986</u>	<u>2,983,807</u>	<u>2,622,240</u>	<u>8,339,832</u>	<u>8,029,226</u>
Program expenses:						
General government	754,386	894,766			754,386	894,766
Human services	2,719,346	2,736,956			2,719,346	2,736,956
Education	1,287,577	1,361,310			1,287,577	1,361,310
Public safety	414,830	428,351			414,830	428,351
Natural resources	75,103	90,087			75,103	90,087
Transportation	324,007	240,644			324,007	240,644
Interest	136,737	133,298			136,737	133,298
Lottery			2,215,602	2,042,722	2,215,602	2,042,722
Convention Center			48,764	41,007	48,764	41,007
Employment insurance			573,288	259,246	573,288	259,246
Total expenses	<u>5,711,986</u>	<u>5,885,412</u>	<u>2,837,654</u>	<u>2,342,975</u>	<u>8,549,640</u>	<u>8,228,387</u>
Change in net assets before transfers	(355,961)	(478,426)	146,153	279,265	(209,808)	(199,161)
Transfers	315,408	324,928	(315,408)	(324,928)		
Change in net assets	(40,553)	(153,498)	(169,255)	(45,663)	(209,808)	(199,161)
Net assets - Beginning	829,461	982,959	122,681	168,344	952,142	1,151,303
Cumulative effect of prior period adjustments	46,727				46,727	
Net assets - Beginning, as restated	<u>876,188</u>	<u>982,959</u>	<u>122,681</u>	<u>168,344</u>	<u>998,869</u>	<u>1,151,303</u>
Net assets - Ending	<u>\$ 835,635</u>	<u>\$ 829,461</u>	<u>\$ (46,574)</u>	<u>\$ 122,681</u>	<u>\$ 789,061</u>	<u>\$ 952,142</u>

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

## Management Discussion and Analysis

### 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 \$889.3 million, an increase of \$204.0 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) \$80.1 million for a "rainy day" account, (2) \$52.1 million for continuing appropriations, (3) \$90.6 million principally for liquidating debt, (4) \$148.4 million for employment insurance programs and (5) \$35.2 million for other restricted purposes. Approximately 61.3% or \$545.2 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 (deficit) of the General Fund was (\$62.3) million, while total fund balance was \$70.0 million.

Revenues and other sources of the General Fund totaled \$5,218.3 million in fiscal year 2009, a decrease of \$135.7 million, 2.53%, from the previous year. The revenues from various sources and the change from the previous year are shown in the following tabulation (amounts in thousands):

## Management Discussion and Analysis

	2009	2008	Increase (decrease) from 2008	
			Amount	Percent
<b>Taxes:</b>				
Personal income	\$ 897,305	\$ 1,073,617	\$ (176,312)	-16.42%
Sales and use	998,513	1,019,614	(21,101)	-2.07%
General business	345,792	374,800	(29,008)	-7.74%
Other	37,359	48,370	(11,011)	-22.76%
Subtotal	<u>2,278,969</u>	<u>2,516,401</u>	<u>(237,432)</u>	<u>-9.44%</u>
Federal grants	2,001,605	1,740,283	261,322	15.02%
Restricted revenues	133,872	126,090	7,782	6.17%
Licenses, fines, sales, and services	295,069	322,864	(27,795)	-8.61%
Other general revenues	30,307	41,200	(10,893)	-26.44%
Subtotal	<u>2,460,853</u>	<u>2,230,437</u>	<u>230,416</u>	<u>10.33%</u>
Total revenues	<u>4,739,822</u>	<u>4,746,838</u>	<u>(7,016)</u>	<u>-0.15%</u>
Other sources	<u>478,516</u>	<u>607,153</u>	<u>(128,637)</u>	<u>-21.19%</u>
Total revenue and other sources	<u>\$ 5,218,338</u>	<u>\$ 5,353,991</u>	<u>\$ (135,653)</u>	<u>-2.53%</u>

The increase in Federal grants of \$261.3 million is primarily attributable to \$255.2 million of new funds received by the State under the American Recovery and Reinvestment Act (ARRA) which was enacted on February 17, 2009. ARRA provided funding for a number of programs primarily in the Human Services, General Government and Education categories.

Expenditures and other uses totaled \$5,255.0 million in fiscal year 2009, a decrease of \$136.5 million, 2.53%, 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):

	2009	2008	Increase (decrease) from 2008	
			Amount	Percent
General government	\$ 586,628	\$ 626,052	\$ (39,424)	-6.30%
Human services	2,711,167	2,727,534	(16,367)	-0.60%
Education	1,217,271	1,289,124	(71,853)	-5.57%
Public safety	401,976	410,605	(8,629)	-2.10%
Natural resources	68,932	72,982	(4,050)	-5.55%
<b>Debt Service:</b>				
Principal	102,683	92,077	10,606	11.52%
Interest	67,273	68,478	(1,205)	-1.76%
Total expenditures	<u>5,155,930</u>	<u>5,286,852</u>	<u>(130,922)</u>	<u>-2.48%</u>
Other uses	<u>99,104</u>	<u>104,650</u>	<u>(5,546)</u>	<u>-5.30%</u>
Total expenditures and other uses	<u>\$ 5,255,034</u>	<u>\$ 5,391,502</u>	<u>\$ (136,468)</u>	<u>-2.53%</u>

## Management Discussion and Analysis

**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 \$0.2 million, while the total fund balance was \$35.4 million. Total fund balance of the ISTEA fund decreased by \$13.0 million during the current fiscal year. The primary reason for this decrease was a reduction in gasoline taxes collected.

**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 \$268.1 million, an increase of \$115.4 million. The reason for this increase was the issuance of \$181.8 million of special obligation bonds.

### General Fund Budgetary Highlights

Prior to FY2009, according to the State's Constitution, general revenue appropriations in the general fund could not 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. Excess revenue was transferred to the Reserve. If the balance in the Reserve exceeded three percent of the total general revenues and opening surplus, the excess was transferred to the RI Capital Plan Fund to be used for capital projects. In FY2009, the spending cap decreased by .2% and Reserve limitation increased by .4%. For years subsequent to FY2009 the spending cap will decrease by .2% and the reserve limitation will increase by .4% each year until FY2013 when the spending cap will be 97% of the total general revenues and opening surplus, and the Reserve will be five percent of the total general revenues and opening surplus. 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 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 decrease of \$258.2 million, 7.7%, between the original budget and the final budget. General revenue appropriations decreased from the original budget by \$268.4 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations are listed below.

## Management Discussion and Analysis

	Original Budget vs. Final Budget Change (In thousands)	Percent
General revenues		
Taxes		
Personal Income	\$ (153,635)	-13.7%
Business Corporations	(49,000)	-30.4%
Public Utilities Gross Earnings	15,000	15.0%
Sales and Use	(39,900)	-4.6%
Motor Vehicle	5,132	11.2%
Cigarettes	16,500	14.4%
Inheritance and Gift	(7,800)	-20.5%
Departmental Revenue	(17,477)	-5.0%
Other		
Transfer from Lottery	(27,400)	-7.5%
Other General Revenue	344	
<b>Total Change in Estimated Revenue</b>	<b>\$ (258,236)</b>	<b>-7.7%</b>
General revenue appropriations		
Department		
Administration	\$ 6,452	1.4%
Revenue	(5,055)	-13.4%
Children, Youth and Families	24,254	17.7%
Health	(4,245)	-13.2%
Human Services	(107,431)	-14.0%
Mental Health, Retardation and Hospitals	(36,566)	-16.7%
Elementary and Secondary Education	(103,303)	-11.1%
Board of Governors for Higher Education	(8,975)	-5.0%
Corrections	(23,465)	-13.1%
Judicial	(3,313)	-3.9%
Public safety	(2,865)	-4.3%
Environmental Management	(2,224)	-6.2%
Other	(1,616)	
<b>Total Change in Appropriations</b>	<b>\$ (268,352)</b>	<b>-9.2%</b>

The General Fund ended fiscal year 2009 with an unreserved fund balance deficit of \$62.3 million. The deficit increased by \$19.4 million from June 30, 2008. The primary factor that caused the increase was a shortfall in actual general revenues vs. the final budgeted amounts of \$63.3 million. Deficiencies were experienced in all major categories of general revenue. The two largest general revenue shortfalls were in Personal Income Taxes-\$30.1 million and Sales and Use Taxes-\$15.3 million. These were a result of the severe economic downturn that affected the nation and especially the Northeast region in fiscal year 2009. Due to a number of aggressive cost control measures that were implemented during the fiscal year, general revenue expenditures were equal to final appropriated amounts. In addition, the General Assembly appropriated \$22 million from the Budget Reserve and Cash Stabilization Account which mitigated the effect of the general revenue shortfall.

## Management Discussion and Analysis

### 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, 2009, amounts to \$3,060.8 million, net of accumulated depreciation of \$1,763.4 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 2.3% 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 \$202.9 million for the year. Of this amount, \$131.8 million was used to construct or reconstruct roads. Depreciation charges for the year totaled \$125.3 million.

State of Rhode Island's Capital Assets as of June 30, 2009  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008	2009	2008*
Capital assets not being depreciated						
Land	\$ 344,442	\$ 342,307	\$ 45,558	\$ 45,558	\$ 390,000	\$ 387,865
Works of Art	314	239			314	239
Intangibles	145,180	136,510			145,180	136,510
Construction in progress	494,250	834,460	412	1,567	494,662	836,027
Total capital assets not being depreciated	<u>984,186</u>	<u>1,313,516</u>	<u>45,970</u>	<u>47,125</u>	<u>1,030,156</u>	<u>1,360,641</u>
Capital assets being depreciated						
Land improvements	3,700	3,700			3,700	3,700
Buildings	577,823	517,249	233,047	163,303	810,870	680,552
Building improvements	208,342	208,342			208,342	208,342
Equipment	230,558	224,926	22,407	83,395	252,965	308,321
Intangibles	8,428	8,428			8,428	8,428
Infrastructure	2,509,729	2,064,005			2,509,729	2,064,005
	<u>3,538,580</u>	<u>3,026,650</u>	<u>255,454</u>	<u>246,698</u>	<u>3,794,034</u>	<u>3,273,348</u>
Less: Accumulated depreciation	1,667,238	1,556,140	96,142	85,228	1,763,380	1,641,368
Total capital assets being depreciated	<u>1,871,342</u>	<u>1,470,510</u>	<u>159,312</u>	<u>161,470</u>	<u>2,030,654</u>	<u>1,631,980</u>
Total capital assets (net) *	<u>\$ 2,855,528</u>	<u>\$ 2,784,026</u>	<u>\$ 205,282</u>	<u>\$ 208,595</u>	<u>\$ 3,060,810</u>	<u>\$ 2,992,621</u>

\* - As restated

The State has a number of significant capital projects in process including the modernization of IT systems and office facilities for the Division of Motor Vehicles, construction of a new facility for the School for the Deaf, construction of a new facility for the College of Pharmacy at the University of Rhode Island and construction of a new headquarters/training facility for use by the R.I. State Police. In addition, a number of significant highway and bridge improvement projects are underway, including relocation of a major portion of Interstate I-195 and construction of a new Sakonnet River Bridge. Finally, the State is making a significant investment in commuter rail service by expanding service from Providence to Warwick's T.F. Green Airport and Wickford Station in Washington County.

## Management Discussion and Analysis

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

### Debt Administration

Under the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50,000 without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. At the end of the current fiscal year, the State's governmental activities had total bonded debt outstanding of \$2,523.1 million of which \$1,036.2 million is general obligation debt, \$658.5 million is special obligation debt and \$828.4 million is debt of the blended component units. Additionally, accreted interest of \$23.9 million has been recognized for debt on one blended component unit, which will not be paid until 2052. The State's total bonded debt increased by \$300.2 million during the current fiscal year. This increase is the net of \$39.1 million increase in general obligation debt, an increase of \$300.4 million in special obligation debt and a decrease of \$39.3 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 \$107.8 million of general obligation bonds of which \$12.4 million were refunding bonds used to refund \$12.6 million of outstanding bonds and \$331.8 million of special obligation bonds. The special obligation bonds include \$150 million of revenue bonds issued on behalf of the State under the Historic Structures Tax Credit Financing Program. The special obligation bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The State is obligated under a Payment Agreement with RIEDC to make payments to the trustee. This obligation is subject to annual appropriation by the General Assembly. The proceeds of the Bonds are being used to provide funds for redemption of Historic Structures Tax Credits redeemed in FY2009 and the following two fiscal years.

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 \$269.4 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

At the November 2009 Revenue Estimating Conference (REC) the enacted FY 2010 estimate of general revenues was revised downward by \$130.4 million. Of the 19 general revenue sources that are estimated at the REC, 12 were revised downward from enacted estimates including the three largest tax sources of general revenue; Personal Income Tax, Sales and Use Tax, and Business Corporation Tax. The estimated Lottery Transfer to the general fund and Departmental Receipts were revised upward. The revised FY 2010 estimate of total general revenues is \$2.946.4 billion, a 4.2 percent decrease from the enacted FY 2010 estimate.

In addition, the first quarter report for FY 2010 prepared by the Budget Office and issued on November 13, 2009 projects that expenditures will exceed appropriations for a number of programs by \$34.6 million. Also, the estimated opening deficit of \$61.8 million for FY 2010

## Management Discussion and Analysis

contributes to the total general revenue deficit for FY 2010. In total, the general revenue deficit for FY 2010 is projected to be \$219.8 million according to Budget Office's first quarter report.

On December 15, 2009 the Governor announced a supplemental budget proposal for FY 2010. This proposal includes a number of measures designed to eliminate the FY 2010 budget deficit discussed above. Among the measures in the supplemental budget proposal are expenditure reductions totaling \$155.2 million and non-recurring revenues and transfers totaling \$38.1 million.

The Lottery's largest video lottery facility, Twin River, commenced a bankruptcy proceeding in June 2009. A reorganization plan is pending before the bankruptcy court whereby the lenders shall become the new owners of the facility and search for a new operator to replace the debtors. Twin River has continued to remain open and the State's share of revenue has been remitted. Various legislative proposals are pending regarding operation of the facility, the State's investment in marketing and management of the facility, as well as proposing the voters consider an expansion of the facility's gaming options.

In accordance with GASB Statement No.45 the State began accounting for retiree health care benefits on an actuarial basis in fiscal year 2008. An actuarial study completed as of June 30, 2007 has determined the State's unfunded actuarial liability to be approximately \$788.2 million. Based on a discount rate of 3.566% the State and other participating employers' annual required contribution was determined to be \$42.1 million and the net OPEB obligation as of June 30, 2009 was \$20.8 million. The State is currently funding the retiree health care program on a pay as you go basis. The Governor's budget for FY2011 proposes that the program be funded on an actuarial basis beginning in FY2011.

A number of unions representing state employees and teachers reportedly plan to file a lawsuit challenging the recently enacted pension reforms. If successful, these challenges could impact some or all of the estimated pension reform savings.

The State sold \$350 million of General Obligation Tax Anticipation Notes in August 2009. The notes bear interest at 2.5% and are due on June 30, 2010. The proceeds from these Notes were used to provide working capital. In addition, the General Fund borrows from the R.I. Capital Plan Fund and the R.I. Temporary Disability Insurance Fund to provide short term working capital. The State is continuing to carefully monitor cash flow in order to insure that there are sufficient resources available to retire these Notes at their maturity date. In addition, the State has undertaken a series of measures to improve the timing of receipts and disbursements and to reduce the level of short-term borrowing. These measures include accelerating the collection of certain taxes and the partial restructuring of the State's disbursement pattern.

The State's unemployment rate is 12.7% which continues to negatively impact the State's overall economic environment and tax collections. The State has borrowed from the Federal Unemployment Trust Fund to continue benefits to unemployed individuals. Borrowings through March 2010 totaled nearly \$204 million and further borrowings are anticipated.

Beginning in FY2009, the State received additional federal grant revenue from the federal American Reinvestment and Recovery Act (ARRA). For certain programs where costs are

## Management Discussion and Analysis

shared by the federal and state government (e.g., Medicaid), the state share of program costs was temporarily decreased. Such funding has partly mitigated the impact of general revenue shortfalls, which are expected to continue through fiscal years 2010 and 2011.

### Economic Factors

The unemployment rate for the State of Rhode Island was 12.5 percent in the fourth quarter of 2009, which is an increase from the rate of 9.0 percent during the fourth quarter of 2008. The State's unemployment rate increased slightly to 12.7 percent in January 2010. The state's unemployment rate compares unfavorably with the U.S. unemployment rate of 9.7 percent as of February 2010. The state's high rate of unemployment is due to at least three factors: the prominent role of the housing sector in the state's economy; the high concentration of blue collar workers as a percent of the state's total labor force; and the small size of the state's economy relative to those of Connecticut, Massachusetts and the country as a whole.

In its February 2010 forecast, Moody's Economy.com noted that despite the "deplorable conditions" of the state's labor market, economic indicators outside the labor market have begun to improve. These economic indicators include residential construction which "has been on a slight upward trend for all of 2009" and industrial production which "has increased since mid-year." Average household income resumed positive growth in the second quarter of 2009 although the rate of growth is sluggish and trails the rate of inflation. The state's economy is expected to hit bottom in 2010 with a real recovery commencing in 2011. The recovery is expected to be slow due to the state's labor market situation with the state not regaining "its peak employment level until 2014, well after the U.S."

Rhode Island's economy faces long-term challenges. The state is ranked among the bottom 10 states for its business tax climate. The total state and local tax burden has diminished but is still higher than the U.S. average and one of the highest in New England. The state has high energy costs and relatively low household incomes vis-à-vis home prices.

### Requests for Information

This report is designed to provide a general overview of the State's finances and accountability for all of the State's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be sent to [finreport@mail.state.ri.us](mailto:finreport@mail.state.ri.us). 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.

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**BASIC FINANCIAL  
STATEMENTS**

**State of Rhode Island and Providence Plantations**

**Statement of Net Assets**

**June 30, 2009**

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 336,108	\$ 15,221	\$ 351,329	\$ 266,909
Funds on deposit with fiscal agent	426,313	17,772	444,085	
Investments	177		177	45,297
Receivables (net)	432,452	64,267	496,719	237,471
Restricted assets:				
Cash and cash equivalents	7,537	13,363	20,900	264,539
Investments	73,247		73,247	285,417
Receivables (net)				22,472
Other assets				11,669
Due from primary government		1,050	1,050	50,815
Due from component units	4,416		4,416	232
Internal balances	1,087	(1,087)		
Due from other governments and agencies	211,772	3,212	214,984	346
Loans to other funds	1,082		1,082	
Inventories	1,660	738	2,398	7,393
Other assets	65,067	934	66,001	12,095
Total current assets	1,560,918	115,470	1,676,388	1,204,655
Noncurrent assets:				
Investments				111,373
Receivables (net)	8,261		8,261	1,827,955
Restricted assets:				
Cash and cash equivalents				131,976
Investments				111,040
Receivables (net)				1,543,838
Other assets				160,698
Due from component units	25,413		25,413	
Capital assets - nondepreciable	984,186	45,970	1,030,156	669,796
Capital assets - depreciable (net)	1,871,342	159,312	2,030,654	1,409,636
Other assets	16,136	4,616	20,752	75,513
Total noncurrent assets	2,905,338	209,898	3,115,236	6,041,825
Total assets	4,466,256	325,368	4,791,624	7,246,480
<b>Liabilities</b>				
Current Liabilities:				
Cash overdraft	1,600		1,600	
Accounts payable	439,709	12,475	452,184	118,385
Due to primary government				4,416
Due to component units	50,815		50,815	98
Due to other governments and agencies		4,063	4,063	22,381
Deferred revenue	10,966	3,797	14,763	32,680
Other current liabilities	112,135	2,257	114,392	258,149
Current portion of long-term debt	219,340	7,765	227,105	189,701
Obligation for unpaid prize awards		6,037	6,037	
Total current liabilities	834,565	36,394	870,959	625,810
Noncurrent Liabilities:				
Due to primary government				25,413
Due to other governments and agencies		70,271	70,271	3,752
Net OPEB obligation	20,725	75	20,800	22,688
Deferred revenue		8,233	8,233	7,065
Due to component units				696
Notes payable				3,744
Loans payable				621,145
Obligations under capital leases	250,158		250,158	13,751
Compensated absences	3,524		3,524	19,804
Bonds payable	2,458,057	256,969	2,715,026	3,518,168
Other liabilities	63,592		63,592	130,917
Total noncurrent liabilities	2,796,056	335,548	3,131,604	4,367,143
Total liabilities	3,630,621	371,942	4,002,563	4,992,953
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,959,118	(59,453)	1,899,665	1,130,528
Restricted for:				
Budget reserve	80,145		80,145	
Transportation	1,410		1,410	
Debt	90,704	13,363	104,067	633,706
Assistance to Other Entities	47,102		47,102	
Employment insurance program	148,382	6,767	155,149	
Other	51,103		51,103	141,985
Nonexpendable-education	1,369		1,369	95,611
Unrestricted	(1,543,698)	(7,251)	(1,550,949)	251,697
Total net assets	\$ 835,635	\$ (46,574)	\$ 789,061	\$ 2,253,527

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, 2009**  
**(Expressed in Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government		Totals	
					Governmental activities	Business-type activities		
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 754,386	\$ 168,210	\$ 83,143	\$ 628	\$ (502,405)		\$ (502,405)	\$
Human services	2,719,346	187,973	1,617,233	3,648	(910,492)		(910,492)	
Education	1,287,577	8,335	217,799	167	(1,061,276)		(1,061,276)	
Public safety	414,830	32,770	55,214	2,730	(324,116)		(324,116)	
Natural resources	75,103	31,385	15,132	5,934	(22,652)		(22,652)	
Transportation	324,007	181	126,300	90,408	(107,118)		(107,118)	
Interest and other charges	136,737				(136,737)		(136,737)	
Total governmental activities	<u>5,711,986</u>	<u>428,854</u>	<u>2,114,821</u>	<u>103,515</u>	<u>(3,064,796)</u>		<u>(3,064,796)</u>	
Business-type activities:								
State lottery	2,215,602	2,558,930				343,328	343,328	
Convention center	48,764	21,340				(27,424)	(27,424)	
Employment security	573,288	192,619	194,857			(185,812)	(185,812)	
Total business-type activities	<u>2,837,654</u>	<u>2,772,889</u>	<u>194,857</u>			<u>130,092</u>	<u>130,092</u>	
Total primary government	<u>\$ 8,549,640</u>	<u>\$ 3,201,743</u>	<u>\$ 2,309,678</u>	<u>\$ 103,515</u>	<u>(3,064,796)</u>	<u>130,092</u>	<u>(2,934,704)</u>	
<b>Component units:</b>	<u>\$ 1,235,448</u>	<u>\$ 915,127</u>	<u>\$ 40,267</u>	<u>\$ 157,775</u>				<u>(122,279)</u>
<b>General Revenues:</b>								
Taxes					2,588,417		2,588,417	
Interest and investment earnings					9,435	4,279	13,714	8,853
Miscellaneous					95,758	11,782	107,540	15,973
Gain on sale of capital assets					1,656		1,656	
Transfers (net)					315,408	(315,408)		
Payments from component units					13,569		13,569	
Payments from primary government								247,492
Total general revenues and transfers					<u>3,024,243</u>	<u>(299,347)</u>	<u>2,724,896</u>	<u>272,318</u>
Change in net assets					(40,553)	(169,255)	(209,808)	150,039
Net assets - beginning as restated					876,188	122,681	998,869	2,103,488
Net assets - ending					<u>\$ 835,635</u>	<u>\$ (46,574)</u>	<u>\$ 789,061</u>	<u>\$ 2,253,527</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.

**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. RICCA is responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veteran's Memorial Auditorium Arts and Cultural Center located in Providence.

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

**State of Rhode Island and Providence Plantations**

**Balance Sheet**

**Governmental Funds**

**June 30, 2009**

**(Expressed in Thousands)**

	<b>General</b>	<b>Intermodal Surface Transportation</b>	<b>GARVEE</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 88,002	\$ 26,495	\$	\$ 180,816	\$ 295,313
Restricted cash and cash equivalents				7,537	7,537
Funds on deposit with fiscal agent			275,335	150,977	426,312
Investments				177	177
Restricted investments				73,247	73,247
Receivables (net)	363,793	12,470		50,217	426,480
Due from other funds	2,183	12,714		1,687	16,584
Due from component units	3,088				3,088
Due from other governments and agencies	148,687	63,087			211,774
Loans to other funds	11,003			101,948	112,951
Other assets	58,251			32	58,283
<b>Total assets</b>	<b>\$ 675,007</b>	<b>\$ 114,766</b>	<b>\$ 275,335</b>	<b>\$ 566,638</b>	<b>\$ 1,631,746</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Cash overdraft				1,600	1,600
Accounts payable	388,303	21,150	5,437	15,721	430,611
Due to other funds			573	15,593	16,166
Due to component units	2,779	37,925		9,973	50,677
Loans from other funds	101,948			6,743	108,691
Deferred revenue	26,766	19,722			46,488
Other liabilities	85,252	569	1,261	1,123	88,205
<b>Total liabilities</b>	<b>605,048</b>	<b>79,366</b>	<b>7,271</b>	<b>50,753</b>	<b>742,438</b>
<b>Fund Balances</b>					
<b>Reserved for:</b>					
Budget reserve	80,145				80,145
Appropriations carried forward	52,100				52,100
Debt			15,560	75,028	90,588
Transportation capital projects		35,228			35,228
Employment insurance programs				148,364	148,364
<b>Unreserved, reported in:</b>					
General fund	(62,286)				(62,286)
Special revenue funds		172		93,326	93,498
Capital projects funds			252,504	197,799	450,303
Permanent fund				1,368	1,368
<b>Total fund balances</b>	<b>69,959</b>	<b>35,400</b>	<b>268,064</b>	<b>515,885</b>	<b>889,308</b>
<b>Total liabilities and fund balances</b>	<b>\$ 675,007</b>	<b>\$ 114,766</b>	<b>\$ 275,335</b>	<b>\$ 566,638</b>	<b>\$ 1,631,746</b>

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, 2009  
(Expressed in Thousands)

Fund balance - total governmental funds \$ 889,308

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	4,516,608	
Accumulated depreciation	(1,663,984)	
		2,852,624

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	(61,373)	
Bonds payable	(2,547,097)	
Net premium/discount and deferred amount on refunding	(25,689)	
Cost of issuance	13,302	
Obligations under capital leases	(269,340)	
Premium	(5,353)	
Cost of issuance	2,836	
Interest payable	(25,295)	
Other liabilities	(94,025)	
		(3,012,034)

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

Receivables	10,635	
Due from component units	26,576	
Deferred revenue	35,522	
		72,733

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.

33,004

Net assets - total governmental activities \$ 835,635

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, 2009**  
**(Expressed in Thousands)**

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 2,278,969	\$ 129,831	\$	\$ 180,951	\$ 2,589,751
Licenses, fines, sales, and services	295,069			593	295,662
Departmental restricted revenue	133,872	157			134,029
Federal grants	2,001,605	217,211			2,218,816
Income from investments	313	316	1,646	6,739	9,014
Other revenues	29,994	3,258		58,030	91,282
<b>Total revenues</b>	<b>4,739,822</b>	<b>350,773</b>	<b>1,646</b>	<b>246,313</b>	<b>5,338,554</b>
<b>Expenditures:</b>					
Current:					
General government	586,628			168,738	755,366
Human services	2,711,167				2,711,167
Education	1,217,271			8,123	1,225,394
Public safety	401,976				401,976
Natural resources	68,932			9	68,941
Transportation		299,841		40	299,881
Capital outlays			73,642	141,958	215,600
Debt service:					
Principal	102,683	2,714	31,320	21,100	157,817
Interest and other charges	67,273	252	22,435	42,853	132,813
<b>Total expenditures</b>	<b>5,155,930</b>	<b>302,807</b>	<b>127,397</b>	<b>382,821</b>	<b>5,968,955</b>
Excess (deficiency) of revenues over (under) expenditures	(416,108)	47,966	(125,751)	(136,508)	(630,401)
<b>Other financing sources (uses):</b>					
Bonds and notes issued			181,805	245,375	427,180
Refunding bonds issued				12,445	12,445
Proceeds from the sale of Certificates of Participation				54,610	54,610
Premium and accrued interest			6,991	1,109	8,100
Operating transfers in	451,575	40,937	52,302	77,398	622,212
Payments from component units	13,558	10			13,568
Other	13,383				13,383
Payment to refunded bonds escrow agent				(12,697)	(12,697)
Discount on issuance of debt				(66)	(66)
Operating transfers out	(99,104)	(101,944)		(103,303)	(304,351)
<b>Total other financing sources (uses)</b>	<b>379,412</b>	<b>(60,997)</b>	<b>241,098</b>	<b>274,871</b>	<b>834,384</b>
<b>Net change in fund balances</b>	<b>(36,696)</b>	<b>(13,031)</b>	<b>115,347</b>	<b>138,363</b>	<b>203,983</b>
Fund balances - beginning (as restated)	106,655	48,431	152,717	377,522	685,325
<b>Fund balances - ending</b>	<b>\$ 69,959</b>	<b>\$ 35,400</b>	<b>\$ 268,064</b>	<b>\$ 515,885</b>	<b>\$ 889,308</b>

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, 2009  
 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 203,983

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	185,636	
Depreciation expense	(113,973)	
	<u>71,663</u>	71,663

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	157,817	
Debt defeased in refunding	12,565	
Interest and other charges	(14,663)	
Proceeds from sale of debt	(494,235)	
Deferral of premium/discount	(8,036)	
Amortization of premium/discount	6,214	
Deferral of issuance costs	5,940	
Amortization of issuance costs	(1,282)	
	<u>(335,680)</u>	(335,680)

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	5,195	
Program expenses	1,549	
Program revenue	(835)	
Capital grant revenue	(480)	
General revenue - taxes	(1,334)	
General revenue-misc	(6,877)	
	<u>(2,782)</u>	(2,782)

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. 22,263

Change in net assets - total governmental activities \$ (40,553)

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, 2009**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 11,613	\$ 2,555	\$ 1,053	\$ 15,221	\$ 40,791
Restricted cash and cash equivalents		13,363		13,363	
Funds on deposit with fiscal agent			17,772	17,772	
Receivables (net)	4,692	1,114	58,461	64,267	3,600
Due from primary government		1,050		1,050	
Loans to other funds					1,732
Due from other funds	10		603	613	2,663
Due from other governments and agencies			3,212	3,212	
Inventories	738			738	1,660
Other assets	404	530		934	6,948
Total current assets	<u>17,457</u>	<u>18,612</u>	<u>81,101</u>	<u>117,170</u>	<u>57,394</u>
Noncurrent assets:					
Capital assets - nondepreciable		45,970		45,970	
Capital assets - depreciable (net)	808	158,504		159,312	2,905
Other assets		4,616		4,616	
Total noncurrent assets	<u>808</u>	<u>209,090</u>		<u>209,898</u>	<u>2,905</u>
Total assets	<u>18,265</u>	<u>227,702</u>	<u>81,101</u>	<u>327,068</u>	<u>60,299</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	8,768	3,707		12,475	19,101
Due to other funds	1,700			1,700	1,994
Due to other governments and agencies			4,063	4,063	
Loans from other funds					4,910
Deferred revenue	938	2,859		3,797	
Other current liabilities	1,372	885		2,257	1,188
Bonds payable		7,765		7,765	
Obligation for unpaid prize awards	6,037			6,037	
Total current liabilities	<u>18,815</u>	<u>15,216</u>	<u>4,063</u>	<u>38,094</u>	<u>27,193</u>
Noncurrent Liabilities:					
Due to other governments and agencies			70,271	70,271	
Deferred revenue	8,125	108		8,233	
Bonds payable		256,969		256,969	
Net OPEB obligation	75			75	102
Total noncurrent liabilities	<u>8,200</u>	<u>257,077</u>	<u>70,271</u>	<u>335,548</u>	<u>102</u>
Total liabilities	<u>27,015</u>	<u>272,293</u>	<u>74,334</u>	<u>373,642</u>	<u>27,295</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	808	(60,261)		(59,453)	2,905
Restricted for:					
Debt		13,363		13,363	
Employment insurance programs			6,767	6,767	
Unrestricted	(9,558)	2,307		(7,251)	30,099
Total net assets	<u>\$ (8,750)</u>	<u>\$ (44,591)</u>	<u>\$ 6,767</u>	<u>\$ (46,574)</u>	<u>\$ 33,004</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, 2009**  
**(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	\$ 2,558,930	\$ 21,043	\$ 192,619	\$ 2,772,592	\$ 338,029
Grants			194,857	194,857	
Miscellaneous		297		297	
Total operating revenues	2,558,930	21,340	387,476	2,967,746	338,029
Operating expenses:					
Personal services	4,764	13,486		18,250	8,647
Supplies, materials, and services	209,384	8,754		218,138	304,794
Prize awards	2,001,214			2,001,214	
Depreciation and amortization	240	11,117		11,357	313
Benefits paid			561,151	561,151	
Total operating expenses	2,215,602	33,357	561,151	2,810,110	313,754
Operating income (loss)	343,328	(12,017)	(173,675)	157,636	24,275
Nonoperating revenues (expenses):					
Interest revenue	664	253	3,362	4,279	422
Other nonoperating revenue	925		10,857	11,782	
Interest expense		(15,407)		(15,407)	
Other nonoperating expenses			(12,137)	(12,137)	19
Total nonoperating revenue (expenses)	1,589	(15,154)	2,082	(11,483)	441
Income (loss) before transfers	344,917	(27,171)	(171,593)	146,153	24,716
Transfers in		28,513	1,856	30,369	
Transfers out	(344,292)		(1,485)	(345,777)	(2,453)
Change in net assets	625	1,342	(171,222)	(169,255)	22,263
Total net assets - beginning	(9,375)	(45,933)	177,989	122,681	10,741
Total net assets - ending	\$ (8,750)	\$ (44,591)	\$ 6,767	\$ (46,574)	\$ 33,004

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, 2009**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 2,569,426	\$ 21,646	\$ 184,010	\$ 2,775,082	\$ 339,920
Cash received from grants			194,857	194,857	
Cash payments to suppliers for goods and services	(4,552)	(9,411)		(13,963)	(307,371)
Cash payments to employees for services	(4,634)	(13,518)		(18,152)	(14,939)
Cash payments to prize winners	(2,010,904)			(2,010,904)	
Cash payments for commissions	(206,351)			(206,351)	
Cash payments for benefits			(561,139)	(561,139)	
Other operating revenue (expense)			761	761	19
Net cash provided by (used for) operating activities	<u>342,985</u>	<u>(1,283)</u>	<u>(181,511)</u>	<u>160,191</u>	<u>17,629</u>
<b>Cash flows from noncapital financing activities:</b>					
Loan from federal government			70,271	70,271	
Loans from other funds					14,112
Loans to other funds					(6,000)
Repayment of loans to other funds					(19,002)
Repayment of loans from other funds					8,450
Operating transfers in		25,965		25,965	
Operating transfers out	(344,415)		(332)	(344,747)	(3,792)
Net transfers from (to) fiscal agent			111,030	111,030	
Net cash provided by (used for) noncapital financing activities	<u>(344,415)</u>	<u>25,965</u>	<u>180,969</u>	<u>(137,481)</u>	<u>(6,232)</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital obligations		(76,470)		(76,470)	
Interest paid on capital obligations		(14,622)		(14,622)	
Acquisition of capital assets	(146)	(10,821)		(10,967)	(70)
Proceeds from bonds		69,275		69,275	
Net cash provided by (used for) capital and related financing activities	<u>(146)</u>	<u>(32,638)</u>		<u>(32,784)</u>	<u>(70)</u>
<b>Cash flows from investing activities:</b>					
Proceeds from sale and maturity of investments					
Interest on investments	445	284		729	422
Net cash provided by (used for) investing activities	<u>445</u>	<u>284</u>		<u>729</u>	<u>422</u>
Net increase (decrease) in cash and cash equivalents	(1,131)	(7,672)	(542)	(9,345)	11,749
Cash and cash equivalents, July 1	12,744	23,590	1,595	37,929	29,042
Cash and cash equivalents, June 30	<u>\$ 11,613</u>	<u>\$ 15,918</u>	<u>\$ 1,053</u>	<u>\$ 28,584</u>	<u>\$ 40,791</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	343,328	(12,017)	(173,675)	157,636	24,275
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	240	11,117		11,357	313
Other revenue (expense) and operating transfer in (out)	525		773	1,298	19
Net changes in assets and liabilities:					
Receivables, net	(187)	(229)	(8,609)	(9,025)	532
Inventory	(53)			(53)	967
Prepaid items		121		121	476
Other assets	(10)			(10)	
Due to / due from transactions	138			138	
Accounts and other payables	(1,321)	(810)		(2,131)	(2,662)
Accrued expenses	(98)			(98)	(6,291)
Deferred revenue	18	535		553	
Prize awards payable	405			405	
Total adjustments	<u>(343)</u>	<u>10,734</u>	<u>(7,836)</u>	<u>2,555</u>	<u>(6,646)</u>
Net cash provided by (used for) operating activities	<u>\$ 342,985</u>	<u>\$ (1,283)</u>	<u>\$ (181,511)</u>	<u>\$ 160,191</u>	<u>\$ 17,629</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, 2009**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Private Purpose</b>	
		<b>Touro Jewish Synagogue</b>	<b>Agency</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,313	\$	\$ 73,930
Deposits held as security for entities doing business in the State			83,861
Receivables			
Contributions	63,669		
Due from state for teachers	15,969		
Due from other plans	34		
Miscellaneous	462		2,371
Total receivables	<u>80,134</u>		<u>2,371</u>
Investments, at fair value			
Equity in Short-Term Investment Fund	2,866		
Equity in Pooled Trust	5,980,801		
Other investments		1,678	
Total investments	<u>5,983,667</u>	<u>1,678</u>	
Property and equipment, at cost, net of accumulated depreciation			
	<u>5,897</u>		
Total assets	<u>6,073,011</u>	<u>1,678</u>	<u>160,162</u>
<b>Liabilities</b>			
Accounts payable	3,886		2,718
Due to other plans	34		
Net OPEB liability	65		
Deposits held for others			157,444
Total liabilities	<u>3,985</u>		<u>160,162</u>
Net assets held in trust for pension and other benefits			
	<u>\$ 6,069,026</u>	<u>\$ 1,678</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, 2009**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Private Purpose Touro Jewish Synagogue</b>
<b>Additions</b>		
Contributions		
Member contributions	\$ 170,609	\$
Employer contributions	281,895	
State contributions for teachers	73,600	
Interest on service credits purchased	2,396	
Service credit transfer payments	72	
Total contributions	528,572	
Investment income		
Net appreciation (depreciation) in fair value of investments	(1,671,410)	(496)
Interest	82,125	
Dividends	53,502	45
Other investment income	3,968	4
	(1,531,815)	(447)
Less investment expense	20,313	
Net income (loss) from investing activities	(1,552,128)	(447)
Securities Lending		
Securities lending income	15,390	
Less securities lending expense	9,121	
Net securities lending income	6,269	
Total net investment income (loss)	(1,545,859)	(447)
Total additions	(1,017,287)	(447)
<b>Deductions</b>		
Benefits		
Retirement benefits	584,858	
Cost of living adjustment	150,172	
SRA Plus Option	31,788	
Supplemental benefits	1,099	
Death benefits	2,863	
Total benefits	770,780	
Refund of contributions	10,879	
Administrative expense	8,582	
Service credit transfer payments	72	
Distribution		50
Total deductions	790,313	50
Change in net assets	(1,807,600)	(497)
Net assets held in trust for pension benefits		
Net assets - beginning	7,876,626	2,175
Net assets - ending	\$ 6,069,026	\$ 1,678

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

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**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

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**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

**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 responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veteran's Memorial Auditorium Arts and Cultural Center located in 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, 3<sup>rd</sup> Floor, Providence, RI 02903.

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

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

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.

**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.

**Rhode Island Public Rail Corporation (RIPRC)** – This corporation was created and established for the purpose of enhancing and preserving the viability of commuter transit operations in the State.

**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.

**Central Falls School District** - The Rhode Island General Assembly passed an act which established the Central Falls School District. This act provided for the State to assume administrative responsibility for the School District effective July 1, 1991. Chapter 16-2 of the R.I. General Laws established a seven member Board of Trustees, which governs the School District and has the powers and duties of a School Committee. The District's purpose

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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 four subsidiary corporations. The R. I. Airport Corporation manages the State's six airports. The Quonset Development Corporation oversees the Quonset Point/Davisville Industrial Park. In addition, the RIEDC operates the Small Business Loan Fund Corporation and the R.I. Economic Policy Council. 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.

**Rhode Island Health and Educational Building Corporation (RIHEBC)** - This Corporation has the following purposes: (1) to assist in providing financing for education

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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,

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

sewer commissions and waste water management districts in the State for the construction or upgrading of water pollution abatement projects. RICWFA receives capital grants from the State and federal governments and is authorized to issue revenue bonds and notes. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Clean Water Finance Agency, 235 Promenade Street, Suite 119, Providence, RI 02908.

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

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

collectible within the current period or soon enough thereafter to pay liabilities of the current period. Significant sources of tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and business corporation taxes), as sales are made (sales and use taxes) and as the taxable events occur (miscellaneous taxes), net of estimated tax refunds. 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.

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 and workers' compensation for State employees, 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.

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

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 governmental 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.

**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 responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veteran's Memorial Auditorium Arts and Cultural Center located in Providence.

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

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

benefits to qualified unemployed persons. Funds are also provided by the federal government and interest income.

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

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

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.

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

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

**G. Investments**

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

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**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.

**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.

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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:

<b>Asset Category</b>	<b>Capitalization Thresholds</b>	<b>Estimated Useful Lives</b>
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 government-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.

The State has recorded its investment in intangible assets which includes certain land rights such as conservation and agricultural easements as well as certain rights of way obtained by the State. These easements tend to be of a perpetual nature and thus are not amortized by the State. Intangible assets also include the State's capitalization of internally developed or substantially customized computer software which is amortized over a 5-year period. The State has included its investment in intangible assets within Note 5, Capital Assets.

**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 units, bond discounts, premiums, discounts, and issuance costs are generally deferred and amortized over the term of the bonds using the

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straight-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 office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds and notes issued 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. In addition, in fiscal year 2009, an additional category of leave obligation was established as a result of a pay reduction taken by certain classes of employees. 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 proprietary 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**

During the fiscal year ended June 30, 2009, the State adopted the following new accounting standards issued by GASB:

GASB Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*. See Note 6 for more information.

GASB Statement No. 52 – *Land and Other Real Estate Held as Investments by Endowments*.

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The State will adopt the following new pronouncements in the fiscal year ending June 30, 2010:

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, effective for the State’s fiscal year ending June 30, 2010.

GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*, effective for the State’s fiscal year ending June 30, 2010.

The impact on the State’s financial statements of the pronouncements to be implemented in the future has not been determined.

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

Primary Government-Governmental and Business Type Activities

**Cash**

At June 30, 2009, the carrying amount of the State’s cash deposits was \$158,212,000 and the bank balance was \$247,025,000. The bank balances include demand deposit accounts, interest-bearing deposit accounts, and certificates of deposit. 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 State’s name.

All of the financial institution’s holding the State’s deposits have elected to participate in the Federal Deposit Insurance Corporation’s Temporary Liquidity Guarantee Program which fully guarantees non-interest bearing transaction accounts and certain other accounts which bear interest of less than 50 basis points. Other deposit balances are insured up to \$250,000 for each official custodian by institution.

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, 2009 pursuant to this statutory provision. However, the Office of the General Treasurer instituted a collateralization requirement for institutions holding the State’s deposits during fiscal 2009. Financial institutions were required to pledge collateral equal to the balance of uninsured deposits. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments are required to be collateralized at 102% of the outstanding balance.

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The following summarizes the State's exposure to custodial credit risk (expressed in thousands) for deposits at June 30, 2009 within the governmental and business type activities:

Bank balance	\$ 247,025
Bank balance insured by federal depository insurance	110,111
Uninsured balance	<u>136,914</u>
Collateralized – collateral held by third party custodian in the State's name	<u>89,461</u>
Uninsured or collateralized with securities held by the pledging institution or the pledging institution's trust department or agent but not in the State's name	<u>\$ 47,453</u>

**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 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.

The R.I. Public Rail Corporation, a non-major governmental fund, has \$7,537,000 of restricted cash. Of the State's investments equaling \$73,424,000 the Tobacco Settlement Financing Corporation, a non-major governmental fund, has restricted investments totaling \$73,247,000.

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. Pursuant to guidelines established by the SIC, securities purchased or underlying collateral, are required to be delivered to an independent third party custodian.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Based on SIC policy, the State's short-term investment portfolio is structured to minimize interest rate risk, by matching the maturities of investments with the requirements for funds disbursement.

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The State's investments (expressed in thousands) at June 30, 2009 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	\$ 213,755	\$ 213,755	\$ 0	\$ 0	\$ 0
Commercial Paper	72,005	72,005	0	0	0
Repurchase Agreements	1,679	1,679	0	0	0
	<u>287,439</u>	<u>\$ 287,439</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	(177)	Investments			
	(73,247)	Restricted investments			
	<u>214,015</u>	Cash equivalents			
	158,214	Cash			
	<u>\$ 372,229</u>	Total cash and cash equivalents			
		Statement of Net Assets			
	\$ 351,329	Cash and cash equivalents			
	20,900	Restricted cash and cash equivalents			
	<u>\$ 372,229</u>	Total cash and cash equivalents			

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 requirements and maximum participation by any one issuer is limited to 35% of the total portfolio. Credit risk policies have been developed for investments in commercial paper.

As of June 30, 2009, information about the State's exposure to credit risk for investments (expressed in thousands) is as follows:

Issuer	Fair Value	S & P Rating	Average Maturities Days
<b>MONEY MARKET</b>			
BlackRock Fed Fund Inst Shares	\$ 5,304	AAAm	30
Fidelity FIMM Funds: Gov Port Class I	128,186	AAAm	50
Federated Government Obligation Fund Inst Shares	64,468	AAAm	47
Wells Fargo Advantage Government Money Market Fund	306	AAAm	28
Dreyfus Gov Cash Mgt Fund	14,037	AAAm	51
Goldman Sachs Treasury Investment	1,009	AAAm-G	57
Wells Fargo Advantage 100% Treasury Plus Fund	411	AAAm-G	57
First American Treasury Obl. Class A	34	AAAm	46
<b>COMMERCIAL PAPER</b>			
FCAR Owner Trust	52,493	A-1+	
HSBC Finance Corp	19,512	A-1+	
TOTAL	<u>\$ 285,760</u>		

**Funds on Deposit with Fiscal Agent**

Investments within the category – Funds on deposit with fiscal agent – are governed by specific trust agreements entered into at the time of the issuance of the debt. The trust

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agreements outline the specific permitted investments including any limitations on credit quality and concentrations of credit risk.

The State's funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2009 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	\$ 117,518	\$ 52,618	\$ 64,900	\$ 0	\$ 0
Money Market Mutual Funds	304,388	304,388	0	0	0
Investment Contracts	4,407	4,407	0	0	0
Funds on deposit with fiscal agent	<u>\$ 426,313</u>	<u>\$ 361,413</u>	<u>\$ 64,900</u>	<u>\$ 0</u>	<u>\$ 0</u>

The above funds on deposit with fiscal agent (expressed in thousands) consist of the following:

Issuer	Fair Value	S & P Rating	Average Maturities Days
<b>MONEY MARKET</b>			
Federated Govt Obligation Tax Mgt Fund	\$ 38,317	AAAm	46
First American Treasury Obl. Fund	1,611	AAAm	46
J P Morgan US Govt. Money Market Agency Class	2,459	AAAm	49
J P Morgan US Treasury Securities Money Market Fund Agency Class	1	AAAm-G	41
Wells Fargo Advantage 100% Treasury Money Market Fund	5,520	AAAm-G	55
Dreyfus Treasury Prime Cash Mgt Fund	95,485	AAAm-G	51
US Bank Money Market Account	2		
Fidelity Inst MM Funds: Gov Port Class III	160,994	AAAm	50
<b>INVESTMENT CONTRACTS</b>			
FSA Capital Management GIC	4,407		
<b>U.S. GOVERNMENT AGENCIES</b>			
Federal Home Loan Mortgage Corporation	33,066	AAA	
Federal Home Loan Bank	61,515	AAA	
Federal National Mortgage Association	22,937	AAA	
TOTAL	<u>\$ 426,313</u>		

During the fiscal year \$1,102,000 consisting primarily of income from investments held in the Bond Capital Fund, was transferred to the General Fund for debt service payments.

Concentration of Credit Risk

The SIC has adopted limitations as to the maximum percentages of the State's total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities.

The combined portfolio concentrations for cash equivalents, investments and funds in trust by issuer (expressed in thousands) that are greater than 5% are as follows.

Type	Issuer	Amount	Percentage
Commercial Paper	FCAR Owner Trust	\$ 52,493	7.35%
US Government Agencies	Federal Home Loan Bank	61,515	8.62%

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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 (JRBT).

**Cash Deposits and Cash Equivalents**

At June 30, 2009, the carrying amount of the ERS cash deposits was \$3,305,000 and the bank balance was \$3,449,000. The bank and book balances represent the plans' deposits in short-term trust accounts which include demand deposit accounts and interest-bearing, collateralized bank deposit accounts. Of the bank balance, the entire amount is covered by federal depository insurance and \$2,757,377 is also fully collateralized. The collateralized time deposits are collateralized at a minimum of 102%. Cash equivalent type investments consist of money market mutual funds totaling \$6,946. The money market mutual fund (Federated Government Obligations Fund – Institutional Shares) is invested in a portfolio of short-term U.S. Treasury and government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The fund was rated AAAM by Standard & Poors and had an average maturity of 47 days at June 30, 2009.

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, 2009.

**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

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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 Trust and the Pooled Trust at the end of each month.

The following table presents the fair value of investments by type at June 30, 2009 (expressed in thousands):

Investment Type	Fair Value
Cash Deposits	\$ 14,700
Money Market Mutual Fund	262,263
Foreign Currencies	1,093
U.S. Government Securities	410,780
U.S. Government Agency Securities	542,090
Collateralized Mortgage Obligations	13,276
Corporate Bonds	497,644
Domestic Equity Securities	114,614
International Equity Securities	21,622
Commingled Funds - Domestic Equity	2,241,402
Commingled Funds - International Equity	1,084,260
Private Equity	571,147
Real Estate	
Limited Partnership	123,660
Commingled Funds	100,328
Real Estate Investment Trusts	20,236
	<u>\$ 6,019,115</u>
Net investment receivable (payable)	<u>(35,448)</u>
Total	<u>\$ 5,983,667</u>

Consistent with an target asset allocation model adopted by the State Investment Commission, 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.

Specific manager performance objectives are outlined, generally stated in relation to a benchmark or relevant index. These guidelines also include prohibited investments, limitations on maximum exposure to a single industry or single issuer, a minimum number of holdings within the manager's portfolio and, for fixed income managers, minimum credit quality ratings and duration/maturity targets.

### **Interest Rate Risk**

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

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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:

- Citigroup Broad Investment Grade Bond Index
- Barclays MBS Index
- Barclays Credit Index
- Credit Suisse First Boston Global Hi Yield Index
- Barclays US Tips Index

At June 30, 2009, no fixed income manager was outside of the policy guidelines.

The following table shows the ERS's fixed income investments by type, fair value and the effective duration at June 30, 2009 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 410,780	5.78
U.S. Government Agency Securities	542,090	2.71
Collateralized Mortgage Obligations	13,276	1.87
Corporate Bonds	497,644	5.73
Total Fixed Income	<u>\$ 1,463,790</u>	4.60

The ERS also invested in a short-term money market mutual fund (State Street Bank Institutional Liquid Reserves) that held investments with an average maturity of 55 days.

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 strips (PO) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments 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.

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**Credit Risk**

The ERS manages exposure to credit risk generally by instructing fixed income managers to adhere to an overall target weighted average credit quality for the portfolio and by establishing limits on the percentage of the portfolio that is invested in non-investment grade securities.

The ERS's exposure to credit risk as of June 30, 2009 is as follows (expressed in thousands):

Quality Rating *	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds
Aaa	\$ 7,659	\$ 542,090	\$ 51,693
Aa	511		19,009
A	673		139,398
Baa	2,879		164,590
Ba	713		48,812
B	63		48,738
Caa			9,341
Ca			2,752
C			880
D			1,248
Not rated	778		11,183
Fair Value	<u>\$ 13,276</u>	<u>\$ 542,090</u>	<u>\$ 497,644</u>

\* Moody's Investors Service

The ERS's investment in a short-term money market mutual fund (State Street Bank Institutional Liquid Reserves) was rated AAAM by Standard & Poors Investors Service.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a 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.

**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, 2009 all securities were registered in the name of the ERS (or in the nominee name of its custodial agent) and were held in the possession of the ERS's custodial bank, State Street Bank and Trust.

**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

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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 at June 30, 2009, was as follows:

Currency	Currency	Equities	Private Equity	Total
Canadian Dollar	\$ 5	\$ 733	\$ 14,081	\$ 14,819
Euro Currency		4	75,793	75,797
Hong Kong Dollar	42	13,760		13,802
Indonesian Rupiah		460		460
Japanese Yen	1,045	5,721		6,766
Pound Sterling		944		944
South Korean Won	1		543	544
Total	<u>\$ 1,093</u>	<u>\$ 21,622</u>	<u>\$ 90,417</u>	<u>\$ 113,132</u>

The ERS also had exposure to foreign currency risk though its investment in international equity commingled funds which totaled \$1,084,259,535.

### **Derivatives and Other Similar Investments**

Certain of the ERS's investment managers are allowed to invest in derivative type transactions consistent with the terms and limitations governing their investment objective and related contract specifications. Derivatives and other similar investments are financial contracts whose value depends on one or more underlying assets, reference rates, or financial indexes.

The ERS's derivative investments include forward foreign currency transactions, futures contracts, options, securities purchased prior to issuance, and short sales. The ERS enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain exposure to a specific market, or mitigate specific risks. 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. A currency forward is a contractual agreement to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. These contracts involve risk in excess of the amount reflected 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. 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 domestic and international equity, money market, and bond markets and the fluctuations in interest rates and currency values. Futures are also used to obtain target market exposures in a cost effective manner and to narrow the gap between the ERS's

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actual physical exposures and the target policy exposures. Using futures contracts in this fashion is designed to reduce (or hedge) the risk of the actual plan portfolio deviating from the policy portfolio more efficiently than by using physical securities. The program is only used to manage intended exposures and asset allocation rebalancing.

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 and if there is an illiquid secondary market for the contracts.

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

The ERS invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities in Note 3(b). These securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities. Additional information regarding interest rate risks for these investments is included in Note 3(c) *Interest Rate Risk*.

Mortgage backed securities of U.S. Government Agencies are also bought and sold in the "to be announced" or TBA market, which performs as a forward or delayed delivery market. The ERS will enter into a forward contract to buy (or sell) mortgage backed securities in the TBA market, promising to purchase (or deliver) mortgage backed securities on a settlement date sometime in the future. The actual security that will be dealt to fulfill a TBA trade is not designated at the time the trade is originated.

The ERS may sell a security in anticipation of a decline in the fair value of that security or to lessen the portfolio allocation of an asset class. 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 obligated to deliver the security in order to cover the position.

The following summarize the ERS's exposure to specific derivative investments at June 30, 2009.

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Fixed Income Futures

Contract	2009 Expiration	Position	Close Price (local)	Quantity	Multiplier	Notional (Base)
U.S. 2-year Treasury Notes	September	Short	\$ 108.109375	48	2,000	\$ (10,378,500)
U.S. 10-year Treasury Notes	September	Short	116.265625	31	1,000	(3,604,234)
U.S. 30-year Treasury Bonds	September	Short	118.359375	25	1,000	(2,958,984)
U.S. 5-year Treasury Notes	September	Short	114.718750	48	1,000	(5,506,500)
						\$ (22,448,219)

International Equity Index Futures

Contract	2009 Expiration	Close Price (local)	Position	Quantity	Multiplier	FX Rate	Notional (Base)
CAC 40	July	\$ 3,136.00	Long	120	10	1.40265	\$ 5,278,452
DAX	September	4,819.50	Long	23	25	1.40265	3,887,041
DJ EURO STOXX	September	2,398.00	Long	422	10	1.40265	14,194,201
FTSE 100	September	4,218.00	Long	188	10	1.64685	13,059,257
HANG SENG	July	18,420.00	Long	16	50	0.12903	1,901,407
IBEX 35	July	9,717.00	Long	15	10	1.40265	2,044,433
FTSE MIB	September	19,088.00	Long	14	5	1.40265	1,874,165
TOPIX	September	924.50	Long	156	10,000	0.01036	14,947,601
S&P TSE 60	September	627.10	Long	60	200	0.86107	6,479,700
ASX SPI 200	September	3,901.00	Long	57	25	0.80845	4,494,113
						\$ 68,160,370	

US Equity Index Futures

Contract	2009 Expiration	Close Price (local)	Position	Quantity	Multiplier	Notional (Base)
Russell 2000 Mini Index	September	\$ 507.20	Short	1	100	\$ (50,720)
S&p 500 Index	September	915.50	Short	7	250	(1,602,125)
						\$ (1,652,845)

Foreign Currency Forward Contracts

Pending receivable	\$ 200,775,743
Pending payable	(200,947,757)
Foreign currency forward contract asset (liability)	\$ (172,014)

The notional values associated with these derivative instruments are generally not recorded on the financial statements; however, amounts for the exposure (unrealized gains/losses) on these instruments are recorded. The aggregate gain (loss) of all index futures at June 30, 2009 is (\$71,695) which is reflected within the Statements of Changes in Fiduciary Net Assets at June 30, 2009. The aggregate gain (loss) on pending foreign currency forward contracts is (\$172,014) which is also included in the Statements of Changes in Fiduciary Net Assets at June 30, 2009.

### Securities Lending

Policies of the State Investment Commission permit the ERS to enter into securities lending transactions. During fiscal 2009, the ERS had contracted with State Street Bank &

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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. Effective March 2009, the State Investment Commission withdrew participation in the securities lending program. At June 30, 2009 one security remained on loan with a fair value of \$4,162. Collateral received for the security on loan was \$16,650 (fair value). At June 30, 2009, no other directly held ERS securities were on loan.

While participating in the securities lending program, securities on loan were collateralized at 102%. There were no restrictions on the amount of loans that could be made. The contract with the lending agent required them to indemnify the ERS if the borrowers failed to return the securities. Either the ERS or the borrower could terminate all securities loans on demand. The cash collateral received on security loans was invested in the lending agent's short-term investment pool. The ERS was not permitted to pledge or sell collateral securities received unless the borrower defaulted. There were no losses during the fiscal year resulting from default of the borrowers or lending agent.

At June 30, 2009, the ERS had indirect exposure to securities lending activity through participation in a commingled fund. The commingled fund participates in a securities lending program administered by a related party of the manager of the commingled fund. During fiscal 2009, the commingled fund manager imposed withdrawal restrictions from the commingled fund due to market conditions which adversely impacted its securities lending collateral pool. The restrictions generally limit withdrawals from the lending fund to no more than 4% of the participant balance per month. The State Investment Commission has authorized withdrawals from the lending commingled fund to be reinvested in a similar non-lending commingled fund consistent with the limitations imposed by the commingled fund manager. The ERS's investment at June 30, 2009 in the commingled fund which participates in securities lending activity was \$983,621,923.

Private Purpose Trust

The private purpose trust (Touro Jewish Synagogue) had investments of \$1,678,000 in the Fidelity Balanced Fund.

Agency Funds

At June 30, 2009, the carrying amount of the State's cash deposits within the agency funds was \$39,927,000 and the bank balance was \$16,926,000. The bank balances include demand deposit accounts and interest-bearing deposit accounts. 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 State's name.

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All of the financial institution's holding the State's deposits have elected to participate in the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program which fully guarantees non-interest bearing transaction accounts and certain other accounts which bear interest of less than 50 basis points. Other deposit balances are insured up to \$250,000 for each official custodian by institution.

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, 2009 pursuant to this statutory provision. However, the Office of the General Treasurer instituted a collateralization requirement for institutions holding the State's deposits during fiscal 2009. Financial institutions were required to pledge collateral equal to the balance of uninsured deposits. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments are required to be collateralized at 102% of the outstanding balance.

The following summarizes the State's exposure to custodial credit risk for deposits at June 30, 2009 within the agency funds (in thousands):

Bank balance	\$ 16,926
Bank balance insured by federal depository insurance	10,051
Uninsured balance	6,875
Collateralized-collateral held by third party custodian in State's name	<u>64</u>
Uninsured or collateralized with securities held by the pledging institution or the pledging institution's trust department or agent but not in the State's name	<u>\$ 6,811</u>

Investments (classified as cash equivalents) within the agency funds totaled \$34,004,000 and consisted of a money market fund – Federated–Government Obligations Fund rated AAAM by Standard and Poors Investors Service with an average maturity of 47 days.

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**Note 3. Receivables**

Receivables at June 30, 2009 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Allowance for Uncollectibles	Total Receivables
Governmental Activities:						
General	\$ 278,478	\$ 247,872	\$	\$	\$ (151,924)	\$ 374,426
Intermodal Surface Transportation	11,470			1,000		12,470
Other governmental	51,332	786			(1,901)	50,217
Internal Service		3,600				3,600
Total - governmental activities	<u>\$ 341,280</u>	<u>\$ 252,258</u>	<u>\$</u>	<u>\$ 1,000</u>	<u>\$ (153,825)</u>	<u>\$ 440,713</u>
Amounts not expected to be collected in the subsequent year and recorded as deferred revenue						
General	<u>\$ 8,645</u>	<u>\$ 7,206</u>				
Business-type activities:						
State Lottery	\$	\$ 4,826	\$	\$	\$ (134)	\$ 4,692
Convention Center		1,594			(480)	1,114
Employment Security	58,574	11,146			(11,259)	58,461
Total - business-type activities	<u>\$ 58,574</u>	<u>\$ 17,566</u>	<u>\$</u>	<u>\$</u>	<u>\$ (11,873)</u>	<u>\$ 64,267</u>
Component Units	<u>\$</u>	<u>\$ 101,455</u>	<u>\$ 7,624</u>	<u>\$ 3,619,295</u>	<u>\$ (96,638)</u>	<u>\$ 3,631,736</u>

**Component Units**

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

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**Note 4. Intra-Entity Receivables and Payables**

Intra-entity receivables and payables as of June 30, 2009, are the result of ongoing operations and are expected to be reimbursed within the subsequent fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable
<b>Governmental Funds</b>		
<b>Major Funds</b>		
General	\$ 2,183	\$
Intermodal Surface Transportation	12,714	
GARVEE		573
<b>Other</b>		
Coastal Resources Management Council Dredge		2
RI Temporary Disability Insurance		1,080
RI Public Rail Corporation		7,537
Bond Capital		6,964
RI Capital Plan	1,671	
Certificates of Participation	16	
Permanent School		10
Total Other	1,687	15,593
Total Governmental	16,584	16,166
<b>Proprietary Funds</b>		
<b>Enterprise</b>		
RI Lottery	10	1,700
Employment Security Trust	603	
Total Enterprise	613	1,700
<b>Internal Service</b>		
Assessed Fringe Benefits		371
Central Utilities		1,026
Central Mail	10	
State Telecommunications	971	
Central Pharmacy		24
Central Laundry	265	
Automotive Maintenance		61
Central Warehouse		27
Correctional Industries	105	
Records Center		10
Health Insurance Active	183	
Health Insurance Retiree-State		475
Health Insurance Retiree-Teachers	605	
Vehicle Replacement Revolving Loan	379	
Capitol Police	145	
Total Internal Service	2,663	1,994
<b>Totals</b>	<b>\$ 19,860</b>	<b>\$ 19,860</b>

In addition, at June 30, 2009 the Employer Pension Contribution Fund (an Agency Fund) had \$60,385,553 classified as deposits held for others, representing employer and employee retirement contributions deposited in the fund pursuant to law. This amount was paid to the Employees' Retirement System in July 2009.

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**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 *	\$ 342,307	\$ 2,237	\$ (102)	\$ 344,442
Works of Art	239	75		314
Intangibles	136,510	8,670		145,180
Construction in progress *	834,460	175,690	(515,900)	494,250
Total capital assets not being depreciated	<u>1,313,516</u>	<u>186,672</u>	<u>(516,002)</u>	<u>984,186</u>
Capital assets being depreciated:				
Land improvements	3,700			3,700
Buildings	517,249	62,170	(1,596)	577,823
Building Improvements	208,342			208,342
Furniture and equipment	224,926	7,922	(2,290)	230,558
Intangibles	8,428			8,428
Infrastructure	2,064,005	453,882	(8,158)	2,509,729
Total capital assets being depreciated	<u>3,026,650</u>	<u>523,974</u>	<u>(12,044)</u>	<u>3,538,580</u>
Less accumulated depreciation for:				
Land improvements	2,892	185		3,077
Buildings	185,926	18,790	(1,247)	203,469
Building Improvements	126,361			126,361
Furniture and equipment	172,018	18,195	(1,941)	188,272
Intangibles	3,231	1,552		4,783
Infrastructure	1,065,712	75,564		1,141,276
Total accumulated depreciation	<u>1,556,140</u>	<u>114,286</u>	<u>(3,188)</u>	<u>1,667,238</u>
Total capital assets being depreciated, net	<u>1,470,510</u>	<u>409,688</u>	<u>(8,856)</u>	<u>1,871,342</u>
Governmental activities capital assets, net	<u>\$ 2,784,026</u>	<u>\$ 596,360</u>	<u>\$ (524,858)</u>	<u>\$ 2,855,528</u>

\* 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	\$ 8,566
Human services	7,418
Education	2,869
Public safety	11,892
Natural resources	3,671
Transportation	79,870
Total depreciation expense - governmental activities	<u>\$ 114,286</u>

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**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 45,558	\$	\$	\$ 45,558
Construction in progress	1,567	7,020	(8,175)	412
Total capital assets not being depreciated	47,125	7,020	(8,175)	45,970
Capital assets being depreciated:				
Buildings *	227,079	5,968		233,047
Machinery and equipment *	19,619	2,942	(154)	22,407
Total capital assets being depreciated	246,698	8,910	(154)	255,454
Less accumulated depreciation	85,228	11,062	(148)	96,142
Total capital assets being depreciated, net	161,470	(2,152)	(6)	159,312
Business-type activities capital assets, net	\$ 208,595	\$ 4,868	\$ (8,181)	\$ 205,282

**Discretely Presented Component Units**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 102,361	\$ 6,171	\$ (750)	\$ 107,782
Construction in progress	527,125	201,803	(167,164)	561,764
Other		250		250
Total capital assets not being depreciated	629,486	208,224	(167,914)	669,796
Capital assets being depreciated:				
Buildings	1,344,008	149,020	(515)	1,492,513
Land improvements	166,587	11,943		178,530
Machinery and equipment	295,170	18,882	(10,181)	303,871
Intangibles	4,100			4,100
Infrastructure	367,243	7,951		375,194
Total capital assets being depreciated	2,177,108	187,796	(10,696)	2,354,208
Less accumulated depreciation for:				
Buildings *	507,026	48,317	(4,656)	550,687
Land improvements	95,140	7,269		102,409
Machinery and equipment	184,641	16,866	(5,345)	196,162
Intangibles	615	820		1,435
Infrastructure *	86,134	7,745		93,879
Total accumulated depreciation	873,556	81,017	(10,001)	944,572
Total capital assets being depreciated, net	1,303,552	106,779	(695)	1,409,636
Total capital assets, net	\$ 1,933,038	\$ 315,003	\$ (168,609)	\$ 2,079,432

\* Certain beginning balances have been restated, due to asset category reclassifications.

The State has considered the impact of GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and has determined its impact on reported capital asset amounts to be immaterial.

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**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, 2009, 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		
2010	\$ 114,729	\$ 121,104	\$ 7,530	\$ 14,853	\$ 163,163	\$ 150,951
2011	110,860	116,435	8,660	14,470	107,505	147,044
2012	125,405	111,278	9,110	14,030	102,809	142,706
2013	135,865	105,001	9,570	13,565	123,723	138,140
2014	131,930	98,638	10,060	13,075	112,489	133,120
2015 - 2019	636,690	395,391	58,365	56,993	624,457	587,561
2020 - 2024	423,485	254,708	74,745	40,438	643,164	434,444
2025 - 2029	107,290	177,693	63,875	18,943	572,840	293,340
2030 - 2034	168,260	141,921	27,385	7,147	575,985	178,644
2035 - 2039		116,156	6,510	395	688,870	80,105
2040 - 2044	371,700	69,694			170,830	26,220
2045 - 2049					148,045	8,077
2050 - 2054	197,006	2,834,180 *			880	24
	<u>\$ 2,523,220</u>	<u>\$ 4,542,199</u>	<u>\$ 275,810</u>	<u>\$ 193,909</u>	<u>\$ 4,034,760</u>	<u>\$ 2,320,376</u>

\* Accreted interest on capital appreciation bonds of the Tobacco Settlement Financing Corporation.

**Primary Government**

**Governmental Activities**

Current interest bonds of the State are serial bonds with interest payable semi-annually. Additionally, the Tobacco Settlement Financing Corporation (a blended component unit) has issued capital appreciation bonds.

In December 2008, the State issued \$12,445,000 Consolidated Capital Development Loan of 2008, Refunding Series D, with interest rates ranging from 3.00% to 5.25%, maturing from 2011 through 2018. The proceeds were used to effect a current refunding of the \$12,565,000 Variable Rate Multi-Modal Series 2000B. 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 refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Statement of Net Assets. Assuming an interest rate of 4.000% on the refunded bonds, the refunding decreases related debt service payments by approximately \$2,220,000. Since this was a conversion of variable rate debt to fixed rate there was no economic gain/(loss).

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Also, in December 2008, the State issued \$86,875,000 Consolidated Capital Development Loan of 2008, Series B, with interest rates ranging from 3.00% to 6.00%, maturing from 2010 through 2024 and \$8,500,000 Capital Development Loan of 2008, Series C, with interest rates ranging from 5.17% to 6.66%, maturing from 2010 through 2014. The Series C bonds are federally taxable.

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle 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 Vehicle 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.

In addition, in FY2009 the RIEDC, on behalf of the State, issued \$150,000,000 of revenue bonds under the Historic Structures Tax Credit Financing Program. 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 State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriation by the General Assembly. The proceeds of the Bonds are being used to provide funds for redemption of Historic Structures Tax Credits redeemed in FY2009 and the following two fiscal years.

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.

The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued \$882,395,742 of Tobacco Asset Backed 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. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC and 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. The TSFC 2007 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. 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. During the year ended June 30, 2009, TSFC

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utilized \$21,100,000 of excess collections to early redeem an equal amount of outstanding bonds

At June 30, 2009, general obligation bonds authorized by the voters and unissued amounted to \$269,400,000. 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.

#### Business Type Activities

##### **R.I. Convention Center Authority**

The R.I. Convention Center Authority (RICCA) is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2009, outstanding bond and note indebtedness totaled \$276,840,000.

Revenue bonds of 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. In addition, outstanding indebtedness is insured under certain financial insurance policies.

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.

During March 2009, RICCA issued Refunding Revenue Bonds 2009 Series A, in an aggregate principal amount of \$70,735,000 for the purpose of (i) redeeming the outstanding \$59,210,000, 2001 Series A Bonds, (ii) financing the payment to UBSAG in termination of the Swap Agreement, (iii) purchasing debt service reserve insurance and bond insurance under a financial guaranty policy, and (iv) paying the costs of issuance. The bonds mature between 2011 and 2027 and bear interest at rates ranging from 3.00% to 5.50%. Additionally, during March 2009, RICCA issued Refunding Revenue Bonds, 2009 Series B (federally taxable), in an aggregate principal amount of \$485,000 for the purpose of (i)

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purchasing debt service reserve insurance and (ii) paying the costs of issuance. The bonds mature in 2014 and bear interest at 7.49%.

Concurrent with the issuance of the 2009 Series A Bonds, a financial insurance policy was issued by Assured Guaranty Corp (AGC). The policy provides maximum coverage for principal and interest payments on the 2009 Series A Bonds of \$127,472,366. Coverage under the policy expires on May 15, 2027. In August 2009, AGC was rated by Moody's, S&P, and Fitch as A2, A and AA, respectively.

Simultaneous with the issuance of the 2009 Series A and Series B Bonds (2009 Series Bonds), a Debt Service Reserve Fund Facility was issued by Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides a maximum coverage of \$16,230,945. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the 2009 Series Bonds are no longer outstanding. FSA was rated by Moody's as A3 on July 24, 2009, as A on August 26, 2009, and Fitch as AA on August 10, 2009.

In March 2009, utilizing the proceeds of the 2009 Refunding Revenue Bonds, RICCA insubstance defeased \$59,210,000 of its 2001 Series A Refunding Revenue Bonds. The bonds were subsequently called and retired during May 2009. Thus, there were no amounts outstanding from this issue as of June 30, 2009.

Concurrent with the issuance of its 2001 Series A Refunding Revenue Bonds, the RICCA entered into an interest rate swap agreement (the Swap Agreement) with UBSAG. By entering into the Swap Agreement, the RICCA converted variable rate bonds to fixed rate bonds to minimize interest rate fluctuation risk. The 2001 Series A bonds bore interest at Daily Rates, Weekly Rates, or Term Rates, as defined in the Bond Resolution, for periods selected from time to time by the RICCA and determined by UBS Painewebber, Inc. (UBS), as Remarketing Agent. In addition, the RICCA had the right to convert these bonds to fixed rate bonds. The bonds initially bore interest at the weekly rate as determined by UBS and were payable in monthly installments. Total interest paid to the bondholders for the year ended June 30, 2009 was \$2,461,033.

Under the terms of the Swap Agreement, the RICCA agreed 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 agreed to pay to the RICCA interest at the Weekly Rate on a monthly basis through May 15, 2027. The Swap Agreement contained a barrier option early termination date of November 15, 2006 and every fixed rate payment due date thereafter. In addition, UBSAG had 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 did not require the consent of the RICCA and no fees, payments or other amounts were payable by either party in respect of this termination. Total interest paid by the RICCA to UBSAG for the year ended June 30, 2009 under the Swap Agreement was \$1,161,700. Total interest received by the RICCA from UBSAG for the years ended June 30, 2009 under the Swap Agreement was \$780,987.

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In March 2009, concurrent with the refunding of the 2001 Series A Bonds, the Swap Agreement was terminated for a fee of \$7,980,000. This loss has been deferred and is being amortized as a component of interest expense over eighteen years using the effective interest method.

Additionally, the RICCA entered into a standby bond purchase agreement with Dexia Credit Local (Dexia) in conjunction with the issuance of the 2001 Refunding Bonds. Under the terms of the standby bond purchase agreement, Dexia agreed to purchase bonds from the RICCA that bore interest at variable rates. The purchase price would not exceed the aggregate amount of principal and interest outstanding on said bonds at the time of purchase. During FY09, substantially all of the outstanding 2001 Series A Refunding Revenue Bonds were tendered to Dexia pursuant to the standby bond purchase agreement. RICCA was obligated to pay a fee equal to .165% per annum of the outstanding bond principal and interest. The standby bond purchase agreement was terminated in May 2009 upon retirement of the 2001 Series A Bonds.

Each of the RICCA's Bond Resolutions contains certain restrictive covenants. The RICCA was unable to fund the Operating Reserve, Debt Service Reserve and 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 made during Fiscal 2009.

### **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.

In November 2008, the University of Rhode Island (URI) issued \$34,105,000 of Series 2008 A Rhode Island Educational and General Revenue Issue. These bonds were used to refund the \$33,000,000 outstanding from Series 2004 B Bonds. The proceeds from the issuance were deposited into the Series 2004 B Redemption Account and were used to pay principal and interest on the Series 2004 B bonds through their redemption date, at a price of 100%. URI also issued the University of Rhode Island Auxiliary Enterprise Revenue Issue Series 2008 B, par amount of \$3,830,000 to pay expenses relating to the 2004 B swap termination.

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The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,105,000. This difference, reported in the accompanying financial statements as an increase in bonds payable and is being amortized through the year 2034. There was an economic gain (difference between the present value of the old and new debt service payments) of approximately \$2,617,133.

On June 18, 2009, the Rhode Island Health and Education Building Corporation (RIHEBC) issued the University of Rhode Island Educational and General Revenue Issue, Series 2009 A with a par amount of \$10,315,000. The proceeds of the Series 2009 A Bonds will be used to finance site and utility infrastructure relating to the "North District" of the Kingston Campus. RIHEBC also issued the University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2009 B with a par amount of \$18,205,000. The proceeds of the Series 2009 B Bonds will be used to finance fire protection and life safety improvements.

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).

Per its Master Indenture of Trust and Supplemental Indentures, the R.I. Airport Corporation (RIAC), has pledged net revenues derived from the operation by RIAC of the Airport and Certain Outlying Airports to repay \$278,975,000 in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture, including pledged passenger facility charges, were approximately \$33,578,000 and \$36,492,000 for the years ended June 30, 2009 and June 30, 2008, respectively. Principal and interest payments for the years ended June 30, 2009 and June 30, 2008 were approximately \$21,703,000 and \$18,819,000, respectively.

RIAC has pledged facility revenues related to the intermodal facility, net of specified operating expenses, to repay \$48,765,000 in First Lien Special Facility Bonds. Proceeds from the bonds are being used for the construction of the intermodal facility. Facility revenues,

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including customer facility charges, were \$5,194,000 and \$6,211,000 for the years ended June 30, 2009 and June 30, 2008, respectively. Interest paid for the years ended June 30, 2009 and June 30, 2008 were approximately \$2,418,000 for each year. Principal payments commence on July 1, 2011.

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 through fiscal year 2011. 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, 2009, RIAC had \$83,000 in borrowings under this agreement.

On July 17, 2008, the Narragansett Bay Commission (NBC) issued \$66,360,000 in Wastewater System Revenue Refunding Bonds to refund on a current basis, \$65,765,000 of the outstanding Wastewater System Revenue Bonds, 2004 Series A and to pay the costs of issuance associated therewith. The reacquisition price exceeded the net carrying amount of the old debt by \$627,767. This amount is being netted against the new debt and amortized over the new debt's life.

The Bonds were issued under a Trust Indenture dated as of April 15, 2004 between NBC and Wells Fargo Bank, N.A., as Trustee and a Ninth Supplemental Indenture dated as of July 1, 2008 between NBC and the Trustee.

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 2009 ranged from .25% to 6.5%. The Bonds shall be repaid from Revenues, as defined in the Indenture of the Commission pledged under the Indenture and funds drawn under an irrevocable direct pay letter of credit issued by RBS Citizens National Association. Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of required documentation, the amount necessary to pay the principal and purchase price of and interest on the Bonds of up to 60 days at the maximum rate of 10% on the Bonds. The Letter of Credit provides that it will expire on July 16, 2010.

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.

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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 \$20,000,000 of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority (RIIRBA) are limited by mortgage balances that it has insured which are guaranteed by the State. At June 30, 2009 RIIRBA had no outstanding commitments. (See Note 18B).

**B. Notes Payable**

Notes payable (expressed in thousands) at June 30, 2009 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.	\$ 1,775
R.I. Housing and Mortgage Finance Corporation bank notes, 2.46% to 5.275% interest, payable through 2027.	33,065
R.I. Economic Development Corporation (Masonic Temple Hotel) semi-annual installments of principal and interest through FY 2010 bearing interest at 6.10%.	5,030
R.I. Student Loan Authority note to National Education Loan Network (Nelnet) annual payments of \$683,333 plus interest of 8.25% with option to pay off the balance at any time, matures September 27, 2011	2,731
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 4.15% interest, payable through 2015	619
R.I. Resource Recovery Corporation notes due in installments through 2010, 5 % interest.	625
	<hr/>
	43,845
Less: current payable	(40,101)
	<hr/>
	<u>\$ 3,744</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 \$271,381,000.

**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, 2009 consists of the present value of future minimum lease payments less any funds available in debt service reserve funds.

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

In June 2009, the State entered into the following capital leases.

\$12,380,000 Series 2009A, Information Technology Project, with maturities from FY2010 to FY2016 and interest rates between 2.000% and 4.000%

\$11,805,000 Series 2009B, Energy Conservation Project, with maturities from FY2010 to FY2019 and interest rates between 2.000% and 4.625%

\$30,425,000 Series 2009C, School for the Deaf Project, with maturities from FY2010 to FY2029 and interest rates between 2.000% and 5.625%

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, 2009.

Fiscal Year Ending June 30	COPS
2010	\$ 35,931
2011	31,774
2012	30,525
2013	29,465
2014	27,827
2015 - 2019	113,557
2020 - 2024	76,107
2025 - 2029	18,304
Total future minimum lease payments	<u>363,490</u>
Amount representing interest	(94,150)
Present value of future minimum lease payments	<u><u>\$ 269,340</u></u>

**E. Compensated Absences**

State employees are granted vacation and sick leave in varying amounts based upon years of service. Additionally, in FY 2009, the State deferred payment of certain compensation to employees. 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.

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**F. Other Long-Term Liabilities**

Items in this category principally include, but are not limited to:

- Special obligation notes payable to the Rhode Island Housing and Mortgage Finance Corporation to provide financing for various affordable housing initiatives.
- The State's liability for 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 issuance date of the bonds.
- Refunds payable related to tax carry-forward credits for taxpayers not expected to be paid in the subsequent fiscal period.
- The State's liability to the R.I. Economic Development Corporation (RIEDC) relating to \$14,280,000 of financing obtained by the RIEDC to provide funds to extinguish historic structure tax credits for the Masonic Temple hotel project through a long term loan to the developer. With the transaction the State retired approximately \$21 million of unused historic tax credit obligations resulting in a net benefit to the State of approximately \$7 million. The term of the RIEDC's borrowing is 3 years. The rate on the loan is a function of the 6 month LIBOR rate. To obtain a fixed rate on the obligation, the RIEDC entered into a floating to fixed interest rate swap, whereby the counterparty agrees to pay RIEDC the 6 month LIBOR and EDC agrees to pay the counterparty 6.10%. The RIEDC's note payable is secured by an assignment of a payment agreement between the State and RIEDC reflecting legislative approval of the RIEDC executing this debt and the State's obligation to appropriate to RIEDC funds sufficient to repay the debt. The State will provide semi-annual appropriations and payments to the RIEDC through FY 2010 to pay the debt service on the loan.
- The liability for the expected payment to be made to settle the Station fire litigation as more fully discussed in Note 12.
- The ISTEА and GARVEE fund liabilities consist primarily of retainage related infrastructure construction projects. These amounts are considered long-term liabilities since the related construction projects are not expected to be completed in the subsequent fiscal period. In addition, certain other long-term payables are included in this category.
- The liability for pollution remediation as more fully discussed below.

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**Pollution Remediation Liabilities**

GASB Statement No. 49 establishes the guidance reporting entities are to use in estimating and reporting potential costs which may be incurred for pollution remediation liabilities. GASB 49 requires the State to reasonably estimate and report a remediation liability when one of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the State is compelled to take action.
- The State is in violation of a pollution related permit or license.
- The State is named or has evidence it will be named as a responsible party by a regulator.
- The State is named or has evidence it will be named in a lawsuit to enforce a cleanup.
- The State commences or legally obligates itself to conduct remediation activities.

The State has remediation activities underway and these are in stages including site investigation, planning and design, clean up and site monitoring. Several agencies within state government have as part of their mission the responsibility to investigate possible pollution sites and oversee the remediation of those sites. These agencies have the expertise to estimate the remediation obligations presented herein based on prior experience in identifying and funding similar remediation activities. The remediation liabilities reported have been calculated using the expected cash flow technique. Situations posing potential liabilities, for which a reasonable estimate could not be made, have not been included.

The remediation obligation estimates presented are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes in laws or regulations and other factors that could result in revision to the estimates. Recoveries from responsible parties may reduce the State's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

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

During the fiscal year ended June 30, 2009, the following changes (expressed in thousands) occurred in long-term debt:

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**Primary Government**

	Balance July 1	Additions	Reductions	Balance June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities						
General obligation bonds payable:						
Current interest bonds	\$ 997,079	\$ 1,07,820	\$ (68,710)	\$ 1,036,189	\$ 63,494	\$ 972,695
Capital appreciation bonds	9		(9)			
Accreted interest on capital appreciation bonds	310		(310)			
Premium and deferred amount on refunding	31,121	1,011	(3,637)	28,495		28,495
	<u>1,028,519</u>	<u>1,08,831</u>	<u>(72,666)</u>	<u>1,064,684</u>	<u>63,494</u>	<u>1,001,190</u>
RIEDC Grant Anticipation Bonds	285,505	169,395	(27,475)	427,425	26,910	400,515
Premium	17,236	6,786	(3,235)	20,787		20,787
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	72,560	12,410	(3,845)	81,125	3,480	77,645
Premium	1,377	204	(121)	1,460		1,460
Revenue bonds - RIRBA	24,235		(18,195)	6,040	6,040	
Net premium/discount and deferred amount on refunding	(286)		197	(89)		(89)
Tobacco Settlement Asset-Backed Bonds	843,541		(21,100)	822,441		822,441
Accreted interest on TSFC bonds	11,153	12,724		23,877		23,877
Net premium/discount	(26,329)		1,365	(24,964)		(24,964)
Historic Tax Credit Bonds		150,000		150,000	14,805	135,195
Bonds payable	<u>2,257,511</u>	<u>460,350</u>	<u>(145,075)</u>	<u>2,572,786</u>	<u>114,729</u>	<u>2,458,057</u>
Certificates of Participation (COP)	236,060	54,610	(21,330)	269,340	24,535	244,805
Net premium/discount	6,101	35	(783)	5,353		5,353
Obligations under capital leases	242,161	54,645	(22,113)	274,693	24,535	250,158
Compensated absences	67,436	57,024	(62,456)	62,004	58,480	3,524
Net OPEB Obligation	16,112	4,613		20,725		20,725
Notes Payable	2,276		(2,276)			
Other long-term liabilities						
Special obligation notes	18,152		(4,973)	13,179	4,729	8,450
Arbitrage rebate	6,167		(2,769)	3,398		3,398
Tax refunds payable	17,905			17,905		17,905
Masonic Temple Tax Credit	9,775		(4,745)	5,030	5,030	
Station Fire Settlement	10,000			10,000	10,000	
Other General Fund liabilities	2,248		(1,077)	1,171		1,171
ISTEA Fund liabilities	17,844		(2,387)	15,457		15,457
GARVEE Fund liabilities	908	937		1,845		1,845
Pollution Remediation	11,201	5,930		17,131	1,786	15,345
Other	140		(68)	72	51	21
Other long-term liabilities	<u>94,340</u>	<u>6,867</u>	<u>(16,019)</u>	<u>85,188</u>	<u>21,596</u>	<u>63,592</u>
	<u>\$ 2,679,836</u>	<u>\$ 583,499</u>	<u>\$ (247,939)</u>	<u>\$ 3,015,396</u>	<u>\$ 219,340</u>	<u>\$ 2,796,056</u>
Business type activities						
Revenue bonds	\$ 270,960	\$ 71,220	\$ (66,370)	\$ 275,810	\$ 7,530	\$ 268,280
Add: bond premium	3,905		(356)	3,549		3,549
Less: issuance discounts	(633)	(1,945)	241	(2,337)		(2,337)
Deferred amounts on refunding	(5,907)	(11,031)	3,620	(13,318)		(13,318)
Bonds payable	<u>268,325</u>	<u>58,244</u>	<u>(62,865)</u>	<u>263,704</u>	<u>7,530</u>	<u>256,174</u>
Other long-term liabilities	1,171		(141)	1,030	235	795
	<u>\$ 269,496</u>	<u>\$ 58,244</u>	<u>\$ (63,006)</u>	<u>\$ 264,734</u>	<u>\$ 7,765</u>	<u>\$ 256,969</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, 2009, the following bonds outstanding (expressed in thousands) are considered defeased:

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	Amount
Primary government:	
General Obligation Bonds	\$ 194,899
Certificates of Participation	20,045
R.I. Convention Center Authority	33,375
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	264,955
R.I. Economic Development Corporation	61,320
R.I. Turnpike and Bridge Authority	32,300

**I. Conduit Debt**

The R.I. Industrial Facilities Corporation, the R.I. Health and Educational Building Corporation and the R.I. Economic Development Corporation issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2009 was \$102,000,000, \$2,600,179,582 and \$1,169,000,000 respectively. Certain issues of conduit debt are moral obligations of the State and the current amounts outstanding are disclosed in Note 12.

**J. Short term borrowing**

The table below summarizes General Fund short-term borrowing (expressed in thousands) for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
General Obligation Tax Anticipation Notes	\$ 0	\$ 350,000	\$ 350,000	\$ 0
RI Temporary Disability Insurance Fund	0	25,000	25,000	0
RI Capital Plan Fund	63,721	83,500	45,273	101,948
Total Short Term Borrowing	\$ 63,721	\$ 458,500	\$ 420,273	\$ 101,948

All of the borrowings were used to provide short term working capital.

In addition, R.I. Housing & Mortgage Corporation had outstanding balances of \$37,000,000 on two lines of credit that are payable on demand and accrue interest at rates ranging from .48875% to 2.06813%.

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**Note 7. Net Assets/Fund Balances**

**Governmental Activities**

**Restricted Net Assets**

The Statement of Net Assets reflects \$420,215,000 of restricted net assets, of which \$199,485,000 is restricted by enabling legislation. The restricted net assets that are restricted by enabling legislation are included in the Employment Insurance Program and Other categories on the Statement of Net Assets. The principal components of the remaining balance of the restricted net assets relate to the Budget Reserve and Cash Stabilization Account and unexpended bond proceeds.

**Unrestricted Net Assets**

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

	Governmental Activities
Deficit	\$ (1,574,795)
General Revenue	
Appropriations carried forward	998
Internal Service Funds	30,099
Unrestricted Net Assets	\$ (1,543,698)

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 \$1,635,680,000 of such debt, which contributes to 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	\$ 102,869	\$ 66,094	\$ (88,818)	\$ 80,145
Appropriations carried forward				
General revenue	1,739	998	(1,739)	998
Departmental restricted revenue	42,413	49,543	(42,413)	49,543
Other	2,584	1,559	(2,584)	1,559
Total	\$ 149,605	\$ 118,194	\$ (135,554)	\$ 132,245

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The State maintains a State Budget Reserve and Cash Stabilization Account in the general fund. For fiscal year 2009, 2.20% of general revenues and opening surplus are set aside in this account. Amounts in excess of 3.40% of the total general revenues and opening surplus are transferred to the R.I. Capital Plan 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. In fiscal year 2009 the reductions from the State Budget Reserve and Cash Stabilization Account included an appropriation of \$22,000,000.

**Note 8. Taxes**

Tax revenue reported on the Statement of Activities is reported net of the allowance for uncollectible amounts and net of estimated refunds. Tax revenue on the Statement of Revenues, Expenditures and Changes in 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	\$ 897,305	\$ 898,002
General Business Taxes:		
Business Corporations	103,181	103,104
Public Utilities Gross Earnings	126,665	126,309
Financial Institutions	2,372	2,544
Insurance Companies	65,741	65,674
Bank Deposits	1,803	1,801
Health Care Provider Assessment	46,030	44,339
Sub-total - General Business Taxes	<u>345,792</u>	<u>343,771</u>
Sales and Use Taxes:		
Sales and Use	807,947	808,166
Motor Vehicle	47,926	47,922
Motor Fuel	1,325	1,296
Cigarettes	130,503	130,464
Alcoholic	10,812	10,812
Sub-total - Sales and Use Taxes	<u>998,513</u>	<u>998,660</u>
Other Taxes:		
Inheritance and Gift	28,097	27,940
Racing and Athletics	2,451	2,451
Realty Transfer	6,811	6,811
Sub-total - Other Taxes	<u>37,359</u>	<u>37,202</u>
Total - General Fund	<u>2,278,969</u>	<u>2,277,635</u>
Intermodal Surface Transportation Fund		
Gasoline	129,831	129,831
Other Governmental Funds	180,951	180,951
Total Taxes	<u>\$ 2,589,751</u>	<u>\$ 2,588,417</u>

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**Note 9. Operating Transfers**

Operating transfers for the fiscal year ended June 30, 2009 are presented below (expressed in thousands):

	Transfers	Description
Governmental activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 49,642	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,287	Administrative cost reimbursement
Historic Tax Credit	59,727	Reimbursement for tax credits claimed
RI Public Rail Corporation	37	Interest earnings transfer
Bond Capital	1,278	Interest earnings transfer
RI Capital Plan	2	Transfer of remaining appropriations to RICAP Fund
RI Refunding Bond Authority	5	Current year excess income
Business-Type Activities		
Lottery	337,515	Net income transfer
Employment Security	1,485	Administrative cost reimbursement
Internal Service		
Assessed Fringe Benefits	100	Charges for Information Technology Services
Central Mail	112	Charges for Information Technology Services
State Telecommunications	84	Charges for Information Technology Services
Automotive Maintenance	301	Charges for Information Technology Services
ISTEA		
Bond Capital	40,937	Infrastructure funding
GARVEE		
Intermodal Surface Transportation	52,302	Debt Service
Nonmajor Fund		
RI Capital Plan		
General	66,818	Transfer statutory excess in budget reserve
Bond Capital	30	RICAP residual balance
Historic Tax Credit		
General	3,773	Application fees for tax credits
Permanent School		
Lottery	6,777	Support of education
Total Governmental Activities	622,212	
Business-Type Activities		
Convention Center		
General	28,513	Debt service
Employment Security		
Assessed Fringe Benefits	1,856	Reimbursement for State employee's unemployment compensation
Total operating transfers	\$ 652,581	

**Note 10. Operating Lease Commitments**

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$12,081,000 for the fiscal year ended June 30, 2009.

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

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The following is a summary of material future minimum rental payments (expressed in thousands) required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2009:

Fiscal Year Ending June 30		
2010	\$	11,388
2011		10,105
2012		8,277
2013		7,146
2014		6,973
2015 - 2019		17,802
Total	\$	<u>61,691</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, 2009 are listed below (expressed in thousands).

Major funds		
General	\$	8,651
ISTEA		294,749
GARVEE		225,264
Total major funds		<u>528,664</u>
Other governmental funds		
		13,617
Total encumbrances outstanding	\$	<u>542,281</u>

The primary government is committed at June 30, 2009 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, 2009 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 the developer of the Providence Place Mall. The agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements. 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

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equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) \$3,680,000 in the first five years and \$3,560,000 in years 6 through 20. In the year ended June 30, 2009 \$3,560,000 was paid to the developer.

The Lottery in May 2003 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.

As consideration for this exclusive right, the gaming systems provider paid the Lottery \$12.5 million. In the event that the contract term is not fulfilled, the Lottery will be obligated to refund a pro-rata share of this amount to the gaming systems provider.

Additionally, GTECH was obligated to invest \$100 million in connection with the construction of a new corporate headquarters and expansion of its manufacturing operations in the State. The gaming system contractor is also required to employ no less than 1,000 full time active employees during the term of the agreement.

The contract mandates commission percentages as detailed in the following chart.

Commission Percentages	
On-Line and Instant Tickets	
Total Lottery Sales in the Year	Percent Thereof
\$0 - \$275 Million	5.00%
Over \$275 Million - \$400 Million	1.00%
Over \$400 Million	5.00%
Video Lottery Central System	
Total Net Terminal Income for the Year	Percent Thereof
\$0 - \$500 Million	2.50%
Over \$500 Million - \$1 Billion	1.00%
Over \$1 Billion	2.50%

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)

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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.

### **Component Units**

#### **R.I. Airport Corporation**

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 \$12,340,000 which is expected to be funded from current available resources and future operations. As of June 30, 2009, RIAC was also obligated for completion of the Warwick Intermodal Facility under commitments of approximately \$141,922,000.

#### **Narragansett Bay Commission**

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 \$19,720,000 at June 30, 2009.

#### **R.I. Resource Recovery Corporation**

Landfill closure and post-closure:

The EPA established closure and post-closure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. In 2004, the Corporation reviewed and revised its estimates relating to methane gas monitoring as required by the EPA and leachate pretreatment costs and flows. While Phase IV is still accepting waste, portions of Phase IV have been capped with final capping expected during fiscal year 2012. In 2005, the Corporation began landfilling in Phase V. The Corporation has further revised its estimates relating to capping, maintenance, leachate flow costs and gas collecting

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system costs of Phases IV and V. The total estimated current cost of future landfill closure and post-closure care costs totaled approximately \$92,035,000 as of June 30, 2009.

A liability for closure and post-closure care as of June 30, 2009 of \$71,161,699 has been recorded in the accompanying statements of net assets, as noted below, with approximately \$20,873,000 in additional costs to be recognized in future years.

	June 30, 2009
Phase I	\$ 22,166,547
Phase II and III	5,896,391
Phase IV	12,208,054
Phase V	30,890,707
	\$ 71,161,699

The Corporation expects to record an estimated additional \$78,000,000 of closure and post-closure care costs based upon current costs over the anticipated life of Phase VI, once it is permitted and begins to accept solid waste.

Amounts provided for closure and post-closure care are based on current costs. These costs may be adjusted each year due to changes in the closure and post-closure 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 held in trust in the accompanying statements of net assets as of June 30, 2009 is \$40,118,931 placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV and V. The Corporation plans to make additional trust fund contributions each year to enable it to satisfy these and future costs.

**Pollution remediation obligations:**

Amounts provided for pollution remediation obligations are based on current costs. These costs may be adjusted each year due to changes in the remediation 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.

**Superfund site:**

In prior years, the EPA issued administrative orders requiring the Corporation to conduct environmental studies of the Central Landfill and undertake various plans of action. Additionally, in 1986, the Central Landfill was named to the EPA's Superfund National Priorities List.

During 1996, the Corporation entered into a Consent Decree with the EPA concerning remedial actions taken by the Corporation for groundwater contamination. The Consent

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Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The following is a summary of the activity in the trust fund for the year ended June 30, 2009 which includes additional amounts to meet the financial requirements of post-closure care related to Phase I of the landfill:

	Year ended June 30, 2009
Fair value, beginning of period	\$ 40,279,407
Earnings	856,748
Change in market value	(60,919)
Disbursements for remediation expenses trustee management fees	(136,752)
Fair value, end of period	\$ 40,938,484

A fiduciary fund is a fund used to report assets held in a trustee or agency capacity for others, and consequently, such assets cannot be used to support a government's own programs. The trust fund established pursuant to the Consent Decree was established to accumulate and hold in trust resources to be used by the Corporation to fund the Corporation's remedial actions. Accordingly, the trust fund has not been reported as a separate fiduciary fund in the accompanying basic financial statements; instead, assets held in trust have been included in restricted assets held in trust in the accompanying statements of net assets.

In 2004, the Corporation began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. The Corporation has recorded a liability for future remediation costs of approximately \$18,817,000 as of June 30, 2009.

Other pollution remediation obligations:

The Corporation is the owner of several properties adjacent to its landfill operations classified as land held for development. The Corporation is obligated to remediate one of these parcels. During fiscal year 2008, the Corporation recorded a liability for the estimated cost for remediation in the amount of \$1,000,000, which is included as a liability as of June 30, 2009.

Environmental concerns:

In August 1996, the Corporation entered into a Consent Agreement (the Agreement) with RIDEM concerning action to be taken by the Corporation regarding the restoration of certain wetlands. Projects included the relocation of Cedar Swamp Brook, creation of a three acre wetland, and the implementation of a soil and erosion plan. The Agreement also called for the establishment of an escrow account for wetlands replacement. Annual

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deposits of \$100,000 were made by the Corporation during fiscal years 1997 through 2002, as required by RIDEM. During 2004, RIDEM released from the escrow approximately \$543,000 to the Corporation. As of June 30, 2009 the escrow account totaled approximately \$156,000.

The Corporation submitted a comprehensive plan to RIDEM which was approved by RIDEM in April 1998. The Corporation had until 2001 to complete the restoration. Phase I of the Cedar Swamp Brook relocation was substantially completed by November 1998. The cost of these projects totaled approximately \$6,328,000 through June 30, 2009. The wetlands restoration work was completed in the spring of 1999 and is awaiting RIDEM approval.

A wetland alteration application was submitted to RIDEM in July 2001. The alteration application entailed relocating the second phase of Cedar Swamp Brook, completing its separation from Sedimentation Pond 2, to the south of the landfill Phase V. Phase II of the relocation of Cedar Swamp Brook began in August 2002. The Corporation has incurred approximately \$8,760,000 of engineering and subcontracting costs for this project through June 30, 2009. The project was substantially complete as of June 30, 2007 and is awaiting RIDEM approval.

**R.I. Turnpike and Bridge Authority**

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2009 remaining commitments on these contracts approximated \$4,170,000.

**R.I. Public Transit Authority**

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$34,545,047 at June 30, 2009.

**R.I. Higher Education Assistance Authority**

Under an agreement with AllianceBernstein L.P., the R.I. Higher Education Assistance Authority (RIHEAA) receives account maintenance, direct commission and other fees derived principally from non-Rhode Island participants in CollegeBound*fund*®, Rhode Island's IRS section 529 college savings program. During FY 2009, these revenues totaled approximately \$6,500,000.. In addition, RIHEAA receives \$250,000 annually (in quarterly installments) directly from AllianceBernstein. During FY 2002, RIHEAA established two scholarship and grant programs which are funded with the revenues generated from CollegeBound*fund*®. Those programs are:

The Academic Promise Scholarship Program: approximately \$1,000,000 is available annually through RIHEAA 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.

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The CollegeBoundfund® Matching Grant Program: up to \$500,000 may be made available annually by the Authority to invest through RIHEEA in CollegeBoundfund® as matching contribution accounts for individuals' accounts established for the benefit of income-qualifying students and their families..

During FY 2009, RIHEEA provided \$2,675,000 to be used for Academic Promise Scholarship Program recipients. In addition, RIHEEA provided over \$3,800,000 in supplemental funding for the State Scholarship/Grant Program.

**Note 12. Contingencies**

**Primary Government**

The State, its officers and employees are defendants in numerous lawsuits. With respect to any such litigation, State officials are of the opinion that the lawsuits are not likely to result either individually or in the aggregate in final judgments against the State that would materially affect its financial position.

Litigation was 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 200 people. Numerous suits have been served upon the State and its Fire Marshal. The State has entered into a settlement for \$10,000,000; payment is expected to be made in the near future. A liability has been accrued in the State's financial statements as of June 30, 2009 for this settlement.

The State has been sued by a contractor via a third party complaint relating to the construction of the I-Way Bridge spanning the Providence River (I-195). A subcontractor hired by the contractor to, among other things, drill and install twenty-one shafts to allow for the placement and construction of the I-Way Bridge. The subcontractor claims that it is entitled to compensation for extra work performed and alleged unforeseen conditions encountered during its work. The subcontractor alleges that it incurred approximately \$14.5 million to complete its work on the project. The litigation is still in the discovery phase, no trial date has been set and management cannot estimate the likelihood of loss to the State, if any.

Separate claims have been made against the Rhode Island Department of Education by the Cranston School Department and the Chariho Regional School Committee alleging that they are owed reimbursement for certain expenses incurred by them in the operation of their respective area vocational-technical career centers. The Cranston School Department claims it is owed \$7,166,656 for the amounts it paid for salaries of directors and guidance counselors from 1990 to the present and for the costs of building repairs from 1999 to the present at the Cranston Area Vocational Technical Center. The Chariho Regional School Committee claims it is owed \$4,142,893 for amounts it paid for salaries of directors and guidance counselors from 1990 to the present at the Chariho Career and Technical Center. None of the other six (6) school districts that operate regional vocational technical centers in the state have raised similar claims to date. The claims were assigned to a hearing

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officer at the Department of Education. On August 26, 2009 counsel for the Department filed a preliminary motion to dismiss on several legal grounds. That motion was granted and both claims were dismissed by the Commissioner on January 21, 2010. Both parties have appealed to the Board of Regents and their appeals are currently pending. Cranston and Charho filed their briefs with the Board of Regents on February 17, 2010. The Department of Education will be submitting a reply brief in this matter.

The Department of Elementary and Secondary Education issued a final program review determination letter notifying the City of Providence of substantial overpayments in housing aid reimbursements as a result of incorrect or incomplete information provided by the City of Providence at the time that housing aid was being calculated. The City of Providence requested a hearing and disputes the findings of the Department. Based on settlement discussions with the City of Providence, the amount due is \$9,450,266. The General Assembly enacted legislation in the 2009 session (G.L. 16-7-44.2) that calls for the repayment to be spread over a number of years calculated by dividing the total amount of the overpayment by the total amount of revenues and deducted the calculated amount from Providence's FY 2009 general education aid. The calculation results in Providence's overpayment being spread over 7 years, or \$1,350,038 per year. This reduction will continue through FY 2015.

In September 2008, Rhode Island Council 94 and certain members of the union filed an action in the State Superior Court. Rhode Island Council 94 requested the Court declare that the new laws relative to retiree health coverage, effective October 1, 2008, are unconstitutional and violate State collective bargaining laws. The changes in the laws with respect to retiree health coverage were adopted in order to reduce costs to the State for retiree health benefits by approximately \$9.8 million. The Court has denied the motion made by the Rhode Island Council 94 for a temporary restraining order against the implementation of such new laws. The State intends to vigorously contest the lawsuit.

In November 2004, a labor arbitrator ordered payment to deputy sheriffs for missed overtime opportunities. The state appealed and the Superior Court vacated the arbitration award. The union appealed that ruling and the Supreme Court re-instated the arbitration award. The arbitrator then ruled that the number of hours of missed overtime to be reimbursed to union members may be as much as 12,000 hours. The parties disagree about the number of deputies who are eligible to share in the payments and that issue is still pending before the arbitrator. The union has presented the testimony of approximately 90 deputies who claim to have been qualified to work the overtime at issue. The employer believes that about a third of those actually were qualified. However, the arbitrator has not yet ruled on who is entitled to share in the remedy, and he may take a more expansive view of qualifications, in which case more deputies will share in the payment. It is not possible to estimate the state's exposure until the arbitrator rules on the number of deputies to be paid. After that, the calculations are complicated because the period of time for which each deputy will be paid is different, and each one had different overtime rates of pay at different times within their remedy periods.

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**Tobacco Settlement Financing Corporation**

In 2005 and 2006, several states sued Participating Manufacturers (PM's) in their state courts seeking orders that the states diligently enforced the Master Settlement Agreement (MSA) and related statutes. All of the state courts denied the states' actions and ordered those states to arbitrate the 2003 Non-Participating Manufacturers (NPMs) Adjustment, including whether the state diligently enforced the MSA and related statutes.

Although Rhode Island did not sue the PM's, in 2006, the PM's filed a Motion to Compel the State to Arbitrate the 2003 NPM Adjustment in Rhode Island Superior Court, which the State opposed. In 2007, the Court granted the Motion to Compel Arbitration, which the State moved for reconsideration. The Court denied the State's Motion to Reconsider. The State appealed the Court's orders. In 2008, the Supreme Court of Rhode Island remanded the case for the Superior Court to rule on a Motion for a Stay. The Superior Court denied the stay and the case was returned to the Supreme Court of Rhode Island. During the appeal, the PM's and Rhode Island entered into an agreement, whereby Rhode Island would join nationwide arbitration and the PM's would release funds from the disputed account attributable to the 2005 NPM Adjustment and an automatic reduction by 10% in the event that the PMs prevail. Rhode Island received \$3,866,925 on February 26, 2009, which flowed to the TSFC.

The arbitration of the 2003 NPM Adjustment dispute has commenced. To date the Participating Manufactures and the States have selected arbitrators who are developing lists for the selection of the third neutral arbitrator. The arbitration of the 2003 NPM Adjustment is expected to last into FY 2011.

In addition to NPM adjustment litigation, 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, and 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. Several 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. In April 2005, 2006, 2007, and 2008 many of the tobacco manufacturers participating in the MSA either withheld all or portions of their payments due, or remitted their payments to an escrow account, disputing the calculations of amounts due under the agreement. These Participating Manufacturers assert that the calculations of the amounts due failed to recognize a prescribed adjustment for Non-Participating Manufacturers. 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 Corporation and the other affected parties are taking actions permitted by the MSA to arrive at a resolution of these matters.

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**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.

In March 2008, UTGR, Inc., the owner and operator of Twin River, one of the two licensed video lottery facilities of the State, defaulted on loan payments to its lenders who provided a \$565.0 million loan package to UTGR, Inc. and its parent companies to buy and expand the Twin River facility. As a result of defaulting on loan payments, UTGR entered into a forbearance agreement with its lenders. In September 2008, both Standard & Poor's and Moody's Investors Service downgraded their rating of the company that owns Twin River, and Moody's issued a statement warning of a "high probability of bankruptcy". The forbearance agreement expired on January 31, 2009 and was not extended.

In June 2009, UTGR, Inc. d/b/a Twin River, BLB Management Services, Inc, and BLB Worldwide Holdings, Inc. (collectively, the "Debtors") commenced a Chapter 11 bankruptcy proceeding by filing voluntary petitions for relief in the United States Bankruptcy Court for the District of Rhode Island. The filing was made when – after months of discussions and negotiations - the Debtors, their lenders and the State reached an agreement in principle with respect to a consensual reorganization plan, which plan is subject to approval of the Bankruptcy Court. The consensual plan contemplates, among other things, that the lenders will remove approximately \$290.0 million of the approximately \$590.0 million of debt on the balance sheet of the facility and, subject to the State's regulatory approval process, the lenders shall become the new owners of the facility and search for a new operator for the facility to replace the Debtors. The State is represented in the bankruptcy proceedings by outside legal counsel. Progress has been made toward a successful restructuring of the companies. Since the filing, the Debtors have continued in the management and operation of the business as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code and Twin River has continued to remain open as usual.

In January 2010 the debtors filed their Second Amended Disclosure Statement and Second Amended Plan with respect to the reorganization, which has the support of the key stakeholders. The debtors have already received approval of their Second Amended Disclosure Statement. In addition, the debtors have been granted the authority to begin soliciting votes on the Second Amended Plan. Although the plan provides for the State to make additional investments in the marketing and management for the facility, it is not anticipated that the bankruptcy will have a significant impact on the lottery revenues the State expects to continue to receive from the facility. The lenders and/or debtors intend to have legislation introduced to statutorily achieve certain requirements of the restructuring, including but not limited to, the elimination of the requirement that the debtors offer live greyhound racing as a condition for operating video lottery terminals at the facility. The Rhode Island Lottery continues to control and regulate the video lottery operations at the facility, including cash receipts, cash transfers and cash deposits. The cash management

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process continues to be carried out with a high degree of physical security and financial integrity.

The Department of Revenue, Division of Lotteries, and the Department of Business Regulation continue to closely monitor the situation. Any proposal to have a new operator of the facility and/or any proposal to transfer ownership of the facility would need regulatory approval. Certain applications for licensure have been submitted by the lenders to the Department of Business Regulation and these applications are currently under review. It should also be noted that the possible opening of new gaming sites in Massachusetts may significantly reduce revenues of Twin River since such sites are likely to reduce the number of out-of-state patrons visiting Twin River.

### **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.

The Single Audit for the State of Rhode Island for the fiscal year ended June 30, 2008 was issued in June 2009. That report identified approximately \$14.2 million in questioned costs relating to the primary government. In addition, a number of findings had potentially significant but unknown or unquantifiable questioned costs. The ultimate disposition of these findings rests with the federal grantor agencies and in most cases, resolution is still in progress. Adjustments are made to the financial statements when costs have been specifically disallowed by the federal government or sanctions have been imposed upon the State and the issue is not being appealed or the right of appeal has been exhausted. The fiscal 2009 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit. The State's management believes that any disallowances of federal funding received by the State will not have a material impact on the State's financial statements.

### **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, 2009 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$285,257,986 and \$39,907,829 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

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anticipates paying approximately \$3,201,500 of the debt on the related economic development revenue bonds in fiscal year 2010.

**Component Units**

**R.I. Student Loan Authority**

The R.I. Student Loan Authority maintains Letters of Credit in the original stated amount of \$104,888,356 on its November 2008 Series B Weekly Adjustable Interest Rate Bonds and the original stated amount of \$104,888,356 on its August 2008 Series C-1, C-2 and C-3 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 as contemplated by the indenture.

The Letters of Credit will expire on the earliest to occur: (a) June 30, 2012, for the August 2008 and November 2008 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, (f) when no amount becomes available to the Trustee under the Letter of Credit.

**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, 2009.

**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 plus 1.5% for the fiscal year ended June 30, 2009. There was an outstanding balance of \$310,000 as of June 30, 2009.

**R.I. Housing and Mortgage Finance Corporation**

As of June 30, 2009, the Corporation may borrow up to a maximum of \$30,000,000 under one revolving loan agreement expiring in October 2009 and up to a maximum of \$19,500,000 under an additional revolving loan agreement expiring in May 2011. At June 30, 2009 \$37 million was outstanding under these revolving loan agreements.

**Community College of R.I.**

On November 2, 2007, an arbitrator awarded two contractors involved in the construction of the Newport campus a total of \$3,321,208 in damages and penalties. The Community College has appealed the arbitration award to the Rhode Island Superior Court. The court

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rendered a decision on June 29, 2009, partially vacating the original arbitration award and a final court order is pending. The Community College believes that the judgment will be appealed. In the interim, the Community College has maintained a liability and related additions to capital costs for \$3,321,208.

**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 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 consistent with changes in the underlying exchange rates.

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**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.

Short-term investments are generally carried at cost which approximates fair value.

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services.

Commingled funds consist of institutional domestic equity index, international equity index, and real estate funds as well as a commingled fund which holds fixed income securities and domestic equity index futures with the objective of outperforming the S&P 500 index by 75 basis points. The fair value of the commingled funds is based on the reported net asset value (NAV) of the respective fund based upon the fair value of the underlying securities or assets held in the commingled fund.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

The System also trades in foreign exchange contracts to manage exposure to foreign currency risks. Such contracts are used to purchase and sell foreign currency at a guaranteed future price. The change in the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity and real estate investments) are generally valued based on audited December 31 net asset values adjusted for (1) cash flows for the period January 1 to June 30 (which principally include additional investments and partnership distributions), and (2) significant changes in fair value as determined or estimated by the general partners as of June 30. The general partners estimate the fair value of the underlying investments held by the partnership periodically. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner. Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, requires private equity and real estate limited partnership general partners to value nonpublicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information. ERS management considers the fair values reported by the general partners at June 30 in addition to the audited net asset values at December 31 adjusted for cash flows for the period January 1 to June 30 in determining the fair value of private equity and real estate investments on the financial statements of ERS.

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Private equity and real estate investments represented 9.5% and 4.1%, respectively of the total reported fair value of all ERS investments at June 30, 2009. Of the underlying holdings within private equity investments, approximately 6% were valued based on quoted market prices. The remaining underlying assets were valued generally following the objectives outlined above. Because these fair values were not determined based on quoted market prices, the fair values may differ from the values that would have been determined had a ready market for these investments existed.

**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.

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	21.64%	26.03%	24.06%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	7.75% and 8.18%		
Annual pension cost	\$199,898	\$3,341	\$1,700
Contributions made - state employees	\$126,298	\$3,341	\$1,700
Contributions made - teachers	\$73,600		
Actuarial valuation date	June 30, 2006	June 30, 2006	June 30, 2006
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	23 years	23 years	23 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 9.00%	4.50% to 12.50%	4.50%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	Schd. A 3% compounded Schd. B 2.5% compounded	\$1,500 per annum	3.0%
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	6/30/07	188,832	100%	\$ 0
	6/30/08	214,016	100%	0
	6/30/09	199,898	100%	0
State Police Retirement Benefits Trust	6/30/07	4,039	100%	0
	6/30/08	3,720	100%	0
	6/30/09	3,341	100%	0
Judicial Retirement Benefits Trust	6/30/07	2,363	100%	0
	6/30/08	2,128	100%	0
	6/30/09	1,700	100%	0

The table below displays the funded status of each plan for the year ended June 30, 2008, the most recent actuarial valuation date:

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	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)
ERS						
State Employees	\$2,700,368,568	\$4,371,829,709	\$1,671,461,141	61.80%	\$587,500,000	284.50%
Teachers	\$4,044,954,378	\$6,705,498,005	\$2,660,543,627	60.30%	\$985,898,174	269.90%
SPRBT	\$54,927,390	\$69,029,513	\$14,102,123	79.60%	\$16,698,764	84.50%
JRBT	\$34,670,394	\$42,455,456	\$7,785,062	81.70%	\$6,601,889	117.90%

The schedules of funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities (AAL) for benefits.

Additional information as of the June 30, 2008 actuarial valuation:

	ERS		SPRBT	JRBT
	State Employees	Teachers		
Valuation Date	6/30/08	6/30/08	6/30/08	6/30/08
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll – Closed			
Equivalent Single Remaining Amortization Period	21 years	21 years	21 years	21 years
Asset Valuation Method	5 Year Smoothed Market			
Actuarial Assumptions				
Investment Rate of Return	8.25%	8.25%	8.25%	8.25%
Projected Salary Increases	4.50% to 9.00%	4.50% to 13.25%	4.50% to 12.50%	4.50%
Inflation	3.00%	3.00%	3.00%	3.00%

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Cost of Living Adjustments	Schedule A members eligible at 9/30/09 - 3.0% compounded  members not eligible at 9/30/09 - 2.5% compounded  Schedule B members - 2.5% compounded	Schedule A members eligible at 9/30/09 - 3.0% compounded  members not eligible at 9/30/09 - 2.5% compounded  Schedule B members - 2.5% compounded	\$1,500 per annum	3.0% see Note 1(b) to the Employees' Retirement System financial statements
<p>Schedule A - ERS members are those with 10 years or more of contributory service on or before July 1, 2005.</p> <p>Schedule B - ERS members are those with less than 10 years of contributory service on or before July 1, 2005.</p> <p><b>Note 1</b> - Cost of Living Adjustments (COLA) are based on the actual Consumer Price Index or 3%, whichever is lower. For actuarial purposes, the actuary assumes a 2.5% COLA increase.</p>				

**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 approximately \$14,471,000 during the year ended June 30, 2009.

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 2009 totaled \$7,238,060. At January 1, 2009, the most recent valuation date, the total actuarial accrued liability was \$75,703,397 and the actuarial

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value of assets was \$43,731,766. The Authority contributed 100.00% of its annual pension cost for fiscal year 2009 and had a net pension obligation of \$1,799,084 at June 30, 2009.

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 Descriptions**

The State administers four defined benefit post-employment health care plans collectively known as the Rhode Island Retiree Health Care Benefit Plan (RIRHCBP).

Members of the Employees' Retirement System (ERS), including State employees, legislators, judges, State Police Officers, certified public school teachers and employees of certain component units, if they meet certain eligibility requirements, are eligible to receive some form of State sponsored retiree health care benefits. A summary of the principal plan provisions follows:

	State Employees and Teachers	Judges	State Police	Legislators
Plan type	Agent Multiple Employer	Sole employer	Sole employer	Sole employer
Eligibility	Members of ERS meeting eligibility criteria	Retired judges	Retired members of the State Police	Retired legislators
Plan benefits	Retiree plan for members until Medicare eligible; subsequently eligible for Medicare supplement	May purchase active employee plan for member and spouse for life	Active employee plan for member, spouse and dependents until age 65; at age 65 coverage ceases if Medicare eligible	May purchase active employee plan for member and spouse for life
Other	Retired teachers can purchase coverage for themselves and dependents at active or early retirement rate, as applicable. Members can purchase coverage for dependants at active or early retirement rate, as applicable.			

RIGL Sections 36-10-2, 36-12.1, 36-12.2.2 and 36-12-4 govern the provisions of the RIRHCBP and they may be amended in the future by action of the General Assembly.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree member contributions to the Plans. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the Plans. 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

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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 Plans. For the year ended June 30, 2009 the Plans operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to RIRHCBP members.

**Funding Policy**

RIGL Sections 36-10-2, 36-12.1, 36-12.2.2 and 36-12-4 govern the provisions of the RIRHCBP. The contribution requirements of plan members, the State and other participating employers are established and may be amended by the General Assembly.

For those who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy 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.

For those who retired on or before September 30, 2008 the fiscal 2009 contributions are as follows:

<b>Retiree Age</b>	<b>Years of Service</b>	<b>Amount of Cost Paid by Retiree</b>
<b>Below 60: (1)</b>		
	28-34	10%
	35+	0%
<b>Retiree Age from 60 to 65: (2)</b>		
	10 – 15	50%
	16 – 22	30%
	23 – 27	20%
	28+	0%
<b>Retiree Age Greater than 65: (3)</b>		
	10 – 15	50%
	16 – 19	30%
	20 – 27	10%
	28+	0%

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- (1) The monthly premium rate is \$789.76 for the individual plan. The retiree's cost is then calculated based on a maximum of \$481.28 (the active plan rate).
- (2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.
- (3) The monthly premium rate for the Medicare Supplemental plan is \$201.16 for the individual plan, and the monthly premium for the Medicare HMO plan was \$107 for the first six months of fiscal year 2009 and \$115 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated based on their years-of-service subsidy above.

For anyone who retired on or after October 1, 2008, age 59 through 64, with a minimum of 20 years of service, the State will pay 80% of the actual cost of health care coverage. The State contributed \$631.81 per month for these retirees during fiscal 2009. For eligible retirees ages 65 or older, the State pays 80% of the cost of the Medicare supplement products as described in note (3) above.

In fiscal year 2009 the State and other participating employers were not required to fund the Plans other than the pay-as-you-go amount necessary to provide current benefits to retirees and administrative costs. For the fiscal year ended June 30, 2009 the State and other participating employers paid \$37,856,000 into the Plans.

**Annual OPEB Cost and Net OPEB Obligation**

As required by GASB Statement 45, the participating employers recognized an expense equal to; a.) the annual required contribution of the employer (ARC), which was actuarially determined, plus b.) interest on the net OPEB obligation at the beginning of the fiscal year, and less c.) the ARC adjustment (discounted present value of the OPEB liability at the beginning of the fiscal year). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost for the year, the amount actually paid on behalf of the Plans and the changes in the net OPEB obligation are as follows (dollar amounts in thousands):

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	State Employees 06/30/05	Teachers 06/30/05	Judges 06/30/07	State Police 06/30/05	Legislators 06/30/05
Date of Actuarial Valuation					
Annual required contribution as a percent of payroll	6.01%	N/A	11.64%	30.27%	18.63%
Annual required contribution	\$ 34,657	\$ 2,180	\$ 1,105	\$ 4,602	\$ 297
Plus: Interest on net OPEB obligation at beginning of year	\$ 476	\$ NA	\$ 33	\$ 116	\$ 8
Less: Adjustment to ARC	\$ 450	\$ NA	\$ 30	\$ 110	\$ 8
Annual OPEB cost	\$ 34,683	\$ 2,180	\$ 1,109	\$ 4,609	\$ 298
Participating State and/or other employer contributions	\$ 33,355	\$ 2,180	\$ 170	\$ 2,007	\$ 144
Increase in OPEB obligation	\$ 1,328	\$ 0	\$ 935	\$ 2,595	\$ 153
Net OPEB obligation at beginning of year	\$ 13,349	\$ 0	\$ 918	\$ 3,255	\$ 225
Net OPEB obligation at end of year	\$ 14,677	\$ 0	\$ 1,853	\$ 5,850	\$ 378

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2009 and 2008 (the first year of GASB 45 implementation) was as follows (dollar amounts in thousands):

Plan	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees	2008	\$ 38,203	65.06%	\$ 13,349
	2009	34,683	96.17%	14,677
Teachers	2008	1,428	100.00%	-
	2009	2,180	100.00%	-
Judges	2008	1,382	33.57%	918
	2009	1,109	15.34%	1,853
State Police	2008	4,827	32.57%	3,255
	2009	4,609	43.55%	5,850
Legislators	2008	285	21.05%	225
	2009	298	48.40%	378

The table below displays the funded status of each plan for the year ended June 30, 2007, the most recent actuarial valuation date (in thousands):

	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)
RIRHCBP - State Employees	\$ -	\$ 679,538	\$ 679,538	0.0%	\$ 626,145	108.5%
RIRHCBP - Teachers	\$ -	\$ 10,243	\$ 10,243	0.0%	n/a	n/a
RIRHCBP - Judges	\$ -	\$ 14,024	\$ 14,024	0.0%	\$ 9,888	141.8%
RIRHCBP - State Police	\$ -	\$ 54,620	\$ 54,620	0.0%	\$ 15,977	341.9%
RIRHCBP - Legislators	\$ -	\$ 29,764	\$ 29,764	0.0%	\$ 1,592	1869.6%

There were changes in actuarial assumptions in the June 30, 2007 valuation. These include changes in demographic assumptions adopted in the June 30, 2006 valuations for the Employees' Retirement System of Rhode Island, the State Police Retirement Benefits and

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Trust, and the Judicial Retirement Benefits Trust, based on experience studies performed by the actuary for those systems. The Medicare election assumption for Judges changed from 100% electing Medicare at age 65 to 100% not electing Medicare at age 65 and for Legislators from 100% electing Medicare at age 65 to 75% not electing Medicare at age 65. In addition, in anticipation of the retirements occurring before October 1, 2008, the election percentage for State employees was increased to 90% and the retiree liability was adjusted to 110%.

Further for teachers, the required contribution for teachers is not presented as a percentage of payroll since the required contribution by the State is for the Tier I subsidy for teachers who have elected to participate in the State's Retiree Health Care Benefit Plan. The June 30, 2007 actuarial valuation will be used to determine the annual required contribution for fiscal 2010.

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

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of June 30, 2005 with results projected to July 1, 2007 for the fiscal years ended June 30, 2008 and 2009. The annual required contribution was determined using the individual entry age actuarial cost method. The unfunded actuarial accrued liability as of the June 30, 2005 transition date is amortized over a period of 30 years using the level (principal and interest combined) percent of payroll contribution amortization method.

Plan changes effective for employees retiring on or after October 1, 2008 have been reflected in the actuarial valuation performed as of June 30, 2005. The estimated impact of retirements prior to October 1, 2008 and the resulting decrease in the workforce in conjunction with the plan changes has been reflected in the actuarial valuation performed as of June 30, 2005. The actual impact of retirements prior to October 1, 2008 and the resulting decrease in the workforce in conjunction with the plan changes will be reflected in the June 30, 2009 valuation.

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The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.566% discount rate; an annual healthcare cost trend rate of 12% progressively declining to 4.5% after 10 years; and a salary growth rate ranging from 8.25% in year 1 to 4.75% in year 15 and beyond. The discount rate was calculated based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the State's General Fund.

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

The RIRHCBP does not issue a stand-alone financial report.

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island are covered by the Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Program. The Program offers a self-insured health care plan for pre-65 and post-65 retirees or a fully insured Medicare HMO plan for post-65 retirees. For the year ended June 30, 2009, the Program operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. The University and colleges have recognized the annual required contribution (OPEB cost) as determined by an actuarial valuation performed as of June 30, 2007. For fiscal 2009, annual OPEB cost for the university and colleges was \$4,562,422 and actual contributions made were \$2,433,613. The financial activity for the Program is accounted for in an agency fund which is included in the accompanying financial statements. Additional disclosures regarding the Program are detailed in the financial statements for each institution.

**Note 15. Deferred Compensation**

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 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.

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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, 2009 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30</u>
Health Insurance Funds				
Liability for unpaid claims	\$ 20,650	\$ 221,882	\$ 224,726	\$ 17,806

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.

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**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:

	RIHMFC	RISLA	RITBA	RIEDC	NBC
Condensed statement of net assets:					
Other assets	\$ 2,085,147	\$ 1,169,170	\$ 29,695	\$ 250,577	\$ 88,388
Capital assets - nondepreciable			3,117	161,532	433,998
Capital assets - depreciable (net)		2,764	85,096	415,920	222,570
Due from primary government				35,244	
Total assets	2,085,147	1,171,934	117,908	863,273	744,956
Long term debt	1,583,919	1,048,888	23,684	374,030	427,984
Other liabilities	225,212	47,205	4,121	60,303	12,046
Due to primary government					
Total liabilities	1,809,131	1,096,093	27,805	434,333	440,030
Net assets:					
Invested in capital assets, net of related debt	9,138	33	62,835	298,360	240,724
Restricted					
Debt service	214,214	74,334	8,219		
Other				80,164	157
Other nonexpendable	2,412				
Unrestricted	50,252	1,474	19,049	50,416	64,045
Total net assets	276,016	75,841	90,103	428,940	304,926
Condensed statement of activities:					
Program expenses					
Personal services	12,586	3,299	2,548	25,219	17,833
Supplies, materials, and services	5,136	6,368	5,672	19,028	14,206
Interest expense	72,044	31,458			
Depreciation, depletion, and amortization	2,598	1,242	3,419	19,774	7,302
Other program expenses	12,957	4,946	1,145	26,275	13,651
Total program expenses	105,321	47,313	12,784	90,296	52,992
Program revenue					
Charges for services	97,397	44,381	13,289	61,535	70,544
Operating grants and contributions				6,881	34
Capital grants and contributions				77,768	
Net program (expense) revenue	(7,924)	(2,932)	505	55,888	17,586
Interest and investment earnings	11,554	1,452	1,502	4,961	420
Miscellaneous			62	(2,813)	170
Payments from primary government				22,954	
Change in net assets	3,630	(1,480)	2,069	80,990	18,176
Beginning net assets as restated	272,386	77,321	88,034	347,950	286,750
Ending net assets	276,016	75,841	90,103	428,940	304,926

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	RIHEBC	RIRRC	RIHEAA	RIPTA	RIIFC
Condensed statement of net assets:					
Other assets	\$ 9,593	\$ 115,007	\$ 24,493	\$ 16,822	\$ 1,169
Capital assets - nondepreciable		15,159	194	24,048	
Capital assets - depreciable (net)	45	44,944	1,255	70,875	
Due from primary government				3,751	
Total assets	9,638	175,110	25,942	115,496	1,169
Long term debt		15,210	303		
Other liabilities	126	97,625	1,911	33,017	853
Due to primary government		3,000		7,939	
Total liabilities	126	115,835	2,214	40,956	853
Net assets:					
Invested in capital assets, net of related debt	45	52,380	1,450	86,983	
Restricted					
Debt service					
Other		284	22,278		
Other nonexpendable					
Unrestricted	9,467	6,611		(12,443)	316
Total net assets	9,512	59,275	23,728	74,540	316
Condensed statement of activities:					
Program expenses					
Personal services		12,466	2,971	70,049	
Supplies, materials, and services		18,583	10,443	20,794	97
Interest expense					
Depreciation, depletion, and amortization	12	10,408	244	9,814	
Other program expenses	2,443	2,040	12,237	5,120	17
Total program expenses	2,455	43,497	25,895	105,777	114
Program revenue					
Charges for services	2,212	45,526	14,986	34,010	77
Operating grants and contributions			574	21,181	
Capital grants and contributions				20,657	
Net program (expense) revenue	(243)	2,029	(10,335)	(29,929)	(37)
Interest and investment earnings	51	1,628	559	104	5
Miscellaneous	(3)	1,026	133	3,078	(125)
Payments from primary government		(7,500)	7,284	33,613	
Change in net assets	(195)	(2,817)	(2,359)	6,866	(157)
Beginning net assets as restated	9,707	62,092	26,087	67,674	473
Ending net assets	9,512	59,275	23,728	74,540	316

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

	RICWFA	RIIRBA	RIWRBC	RIPTCA	TCCRI
Condensed statement of net assets:					
Other assets	\$ 991,518	\$ 3,953	\$ 3,685	\$ 997	\$ 5,334
Capital assets - nondepreciable		181		1,354	
Capital assets - depreciable (net)	37	339		5,423	9
Due from primary government					
Total assets	991,555	4,473	3,685	7,774	5,343
Long term debt	619,218		6,714	222	
Other liabilities	12,086	842	401	510	1,110
Due to primary government				232	
Total liabilities	631,304	842	7,115	964	1,110
Net assets:					
Invested in capital assets, net of related debt	37	520		6,777	9
Restricted					
Debt service	336,939				
Other			(3,502)	889	1,747
Other nonexpendable					
Unrestricted	23,275	3,111	72	(856)	2,477
Total net assets	360,251	3,631	(3,430)	6,810	4,233
Condensed statement of activities:					
Program expenses					
Personal services	583			3,505	2,190
Supplies, materials, and services		119	27	141	41
Interest expense	27,651				5
Depreciation, depletion, and amortization	423	14	104	968	16
Other program expenses	3,204	21	298	1,556	1,634
Total program expenses	31,861	154	429	6,170	3,886
Program revenue					
Charges for services	22,877	784	1,097	4,045	3,328
Operating grants and contributions	8,186				
Capital grants and contributions					
Net program (expense) revenue	(798)	630	668	(2,125)	(558)
Interest and investment earnings	9,630	41	70	(125)	(757)
Miscellaneous			3	53	
Payments from primary government				2,018	528
Change in net assets	8,832	671	741	(179)	(787)
Beginning net assets as restated	351,419	2,960	(4,171)	6,989	5,020
Ending net assets	360,251	3,631	(3,430)	6,810	4,233

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

	URI	RIC	CCRI	CFSD	Totals
Condensed statement of net assets:					
Other assets	\$ 245,659	\$ 45,789	\$ 25,244	\$ 3,994	\$ 5,116,234
Capital assets - nondepreciable	13,503	11,750	4,960		669,796
Capital assets - depreciable (net)	435,647	79,859	41,592	3,261	1,409,636
Due from primary government	5,747	1,294	2,016	2,763	50,815
Total assets	700,556	138,692	73,812	10,018	7,246,481
Long term debt	237,989	17,933	8,586	1,633	4,366,313
Other liabilities	59,605	19,452	11,770	8,616	596,811
Due to primary government		18,637		21	29,829
Total liabilities	297,594	56,022	20,356	10,270	4,992,953
Net assets:					
Invested in capital assets, net of related debt	268,682	60,246	39,100	3,209	1,130,528
Restricted					
Debt service					633,706
Other	30,597	3,805	5,349	217	141,985
Other nonexpendable	78,022	15,177			95,611
Unrestricted	25,661	3,441	9,007	(3,678)	251,697
Total net assets	402,962	82,669	53,456	(252)	2,253,527
Condensed statement of activities:					
Program expenses					
Personal services	252,676	87,383	73,393	44,002	610,703
Supplies, materials, and services	116,579	25,107	27,349	11,492	281,182
Interest expense					131,158
Depreciation, depletion, and amortization	21,204	5,106	3,089	260	85,997
Other program expenses	27,911	7,294	3,651	8	126,408
Total program expenses	418,370	124,890	107,482	55,762	1,235,448
Program revenue					
Charges for services	343,431	80,457	62,257	12,894	915,127
Operating grants and contributions		2,591	820		40,267
Capital grants and contributions	48,267	9,861	1,222		157,775
Net program (expense) revenue	(26,672)	(31,981)	(43,183)	(42,868)	(122,279)
Interest and investment earnings	(18,839)	(3,350)	(64)	11	8,853
Miscellaneous	14,372	17			15,973
Payments from primary government	62,319	39,895	44,809	41,572	247,492
Change in net assets	31,180	4,581	1,562	(1,285)	150,039
Beginning net assets as restated	371,782	78,088	51,894	1,033	2,103,488
Ending net assets	402,962	82,669	53,456	(252)	2,253,527

Significant transactions between primary government and component units

	(Revenue) Expense	Description
Governmental activities		
General		
R.I. Higher Education Assistance Authority	\$ 7,284	Operating assistance
R.I. Economic Development Corporation	13,085	Operating and capital assistance
University of Rhode Island	62,290	Operating assistance
Rhode Island College	40,068	Operating assistance
Community College of Rhode Island	45,177	Operating assistance
Central Falls School District	40,884	Operating assistance
R.I. Public Transit Authority	9,277	Operating assistance
R.I. Resource Recovery Corporation	(7,600)	Surplus remitted pursuant to law
ISTEA		
R.I. Public Transit Authority	34,545	Operating assistance
RI Economic Development Corporation	34,812	Capital assistance-primarily Intermodal train station
Bond Capital		
RI Economic Development Corporation	7,905	Construction, improvements primarily at Quonset
University of Rhode Island	27,410	Construction, improvement or purchase of assets
Rhode Island College	5,497	Construction, improvement or purchase of assets
Certificates of Participation		
University of Rhode Island	8,412	Construction, improvement or purchase of assets
R. I. Capital Plan		
University of Rhode Island	12,250	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 341,296</u>	

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
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**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
<b>Assets</b>					
Due from other funds	\$ 16,584	\$ 2,663	\$ 19,247	\$ (18,160)	\$ 1,087
Loans to other funds	112,951	1,732	114,683	(113,601)	1,082
<b>Total assets</b>	<b>\$ 129,535</b>	<b>\$ 4,395</b>	<b>\$ 133,930</b>	<b>\$ (131,761)</b>	<b>\$ 2,169</b>
<b>Liabilities</b>					
Due to other funds	\$ 16,166	\$ 1,994	\$ 18,160	\$ (18,160)	\$
Loans from other funds	108,691	4,910	113,601	(113,601)	
<b>Total liabilities</b>	<b>\$ 124,857</b>	<b>\$ 6,904</b>	<b>\$ 131,761</b>	<b>\$ (131,761)</b>	<b>\$</b>
<b>Program revenue</b>					
General government	\$ 29	\$ 317,439	\$ 317,468	\$ (317,468)	
Human services		6,570	6,570	(6,570)	
Public safety		14,022	14,022	(14,022)	
<b>Expenses</b>					
General government	29	317,852	317,881	(317,881)	
Human services		6,996	6,996	(6,996)	
Public safety		13,183	13,183	(13,183)	
<b>Net revenue (expenses)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Transfers</b>					
Operating transfers in	\$ 622,212	\$	\$ 622,212	\$ (306,804)	\$ 315,408
Operating transfers out	(304,351)	(2,453)	(306,804)	306,804	
<b>Net transfers</b>	<b>\$ 317,861</b>	<b>\$ (2,453)</b>	<b>\$ 315,408</b>	<b>\$</b>	<b>\$ 315,408</b>
<b>Total Business-type Activities</b>					
			<b>Total</b>	<b>Eliminations</b>	<b>Internal Balances</b>
<b>Assets</b>					
Due from other funds	\$ 613	\$	\$ 613	\$ (613)	\$
	\$ 613	\$	\$ 613	\$ (613)	\$
<b>Liabilities</b>					
Due to other funds	\$ 1,700	\$	\$ 1,700	\$ (613)	\$ 1,087
	\$ 1,700	\$	\$ 1,700	\$ (613)	\$ 1,087
<b>Transfers</b>					
Operating transfers in	\$ 30,369	\$	\$ 30,369	\$ (30,369)	\$
Operating transfers out	(345,777)		(345,777)	30,369	(315,408)
<b>Net transfers</b>	<b>\$ (315,408)</b>	<b>\$</b>	<b>\$ (315,408)</b>	<b>\$</b>	<b>\$ (315,408)</b>

**B. Related Party Transactions**

The R.I. Public Rail Corporation received \$7,500,000 from the State of Rhode Island to fund an indemnity reserve which was required by a multi-party agreement in relation to the Intermodal Transportation Facility Project in Warwick Rhode Island. The project, which involves bringing rail service to the T.F. Green Airport in Warwick, Rhode Island, is being constructed by the Rhode Island Airport Corporation with funding through the federal and state governments. Insurance requirements mandated by the project participants included the funding of an indemnity reserve in the amount of \$7,500,000. The indemnity reserve

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was funded with the proceeds from the State until such time as a letter of credit could be obtained to meet the indemnity reserve requirement. The funds obtained from the State to fund the indemnity reserve are due to the State (primary government) upon satisfaction of the indemnity requirement or upon obtaining a letter of credit to meet such requirement.

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. In the event RIAC does not have sufficient funds to make the required lease payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no rights to terminate the agreement as long as there are bonds and subordinate indebtedness outstanding.

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, 2009 were as follows:

Guaranteed loans outstanding at June 30, 2009	\$664,795,000
Loans guaranteed during the year	301,412,000
Guarantee claims paid during the year	18,967,000

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 transfers totaling \$39,485,000 made during the years ended June 30, 1998 through 2009 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 (RIC). Of this amount, \$20 million will be repaid to the State. The residence hall was

**State of Rhode Island and Providence Plantations**  
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finished and in service by September 2007 at which time RIC began collecting revenues to pay for its share of the debt service. Debt service obligation is to be split two-thirds to RIC, one-third to the State for all payments after September 2007. RIC will repay the State for the debt service paid on its behalf on a straight-line basis amortized over the remaining life of the bonds, which carry rates ranging from 3-5% and a life of nineteen years beginning in fiscal year 2009. RIC recognized \$20 million as a liability to the State for its two-thirds of the debt service as a result of these issuances. Additionally, RIC has recorded \$10 million of contributed capital by the State.

The Narragansett Bay Commission has approximately \$269,000,000 of loans payable to the R.I. Clean Water Finance Agency.

**C. Restatements, Reclassifications and Other Changes in Presentation**

	Governmental Activities	Discretely Presented Component Units	Governmental Funds
June 30, 2008			
Net assets as previously reported	\$ 829,461	\$ 2,116,645	
Fund balance as previously reported			\$ 685,191
Correction of errors	57,394	(13,157)	
GASB pronouncement - Pollution Remediation	(11,201)		
New component unit	534		134
June 30, 2008 net assets/fund balance as restated	<u>\$ 876,188</u>	<u>\$ 2,103,488</u>	<u>\$ 685,325</u>

The beginning net assets of Governmental Activities within the government-wide financial statements increased by \$57,394,000 due to an error in the recording of infrastructure and decreased by (\$11,201,000) due to the implementation of GASB 49- *Accounting and Financial Reporting for Pollution Remediation Obligations*. Also, the beginning net assets of Governmental Activities within the government-wide financial statements and beginning fund balance of the Statement of Revenues, Expenditures, and Changes in Fund Balances in the fund financial statements were increased by \$534,000 and \$134,000, respectively. This increase is the result of the R.I. Public Rail Corporation being added as a blended component unit for the fiscal year ended June 30, 2009.

The beginning net assets of certain discretely presented component units decreased by an aggregate amount of approximately \$13,000,000 to correct errors in prior periods. This decrease primarily consists of a \$7.8 million decrease in net assets for the R.I. Resource Recovery Corporation due to the implementation of GASB 49- *Accounting and Financial Reporting for Pollution Remediation Obligations* and a decrease in net assets of the R. I. Public Transit Authority of \$5.4 million due to a correction in the calculation of the casualty reserve and a change in accounting for debt service owed to the State.

**State of Rhode Island and Providence Plantations**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

**D. Budgeting, Budgetary Control, and Legal Compliance**

**Budget Preparation**

An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget encompasses the General Fund and certain special revenue funds. Preparation and submission of the budget is governed by the State Constitution and the Rhode Island General Laws. The budget, as enacted, contains a complete plan of proposed expenditures from all sources of funds (general, federal, restricted, and transfers in). Revenues upon which the budget plan is based are determined as part of the State's Revenue Estimating Conference. The Conference, held twice each year, results in a consensus estimate of revenues for the next fiscal year and an update of prior revenue estimates for the current fiscal year.

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.8 percent of estimated general revenues. The remaining 2.2 percent is contributed to the Budget Reserve Account until such account equals 3.4 percent of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

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 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.

**Budgetary Controls**

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.

Budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations, accounting system controls to limit expenditures in excess of authorized amounts, and budgetary monitoring controls.

**Budgetary Compliance**

The General Fund ended fiscal 2009 with an operating deficit of \$36.7 million resulting from a shortfall in anticipated tax revenues. Actual general revenues were \$63.3 million less than budget and actual general revenue expenditures were \$74 thousand less than the final budget. An appropriation of \$22 million was made from the Budget Reserve and Cash Stabilization Account to reduce the anticipated deficit.

**State of Rhode Island and Providence Plantations**  
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**E. Individual Fund Deficits**

The following Internal Service Funds had cumulative fund deficits at June 30, 2009:

- Assessed Fringe Benefits Fund (\$206,000)
- Central Utilities (\$90,000)
- State Telecommunications (\$429,000)
- Central Pharmacy (\$2,000)
- Records Center (\$83,000)
- Health Insurance – Teacher Retirees (\$38,000)
- Capitol Police (\$1,000)

The deficits will be eliminated through charges for services in fiscal year 2010.

**Note 19. Subsequent Events**

**Primary Government**

The State sold \$350 million of General Obligation Tax Anticipation Notes in August 2009. The notes bear interest at 2.5% and are due on June 30, 2010.

Subsequent to June 30, 2009, the R.I. Public Rail Corporation (RIPRC) obtained a letter of credit in the amount of \$7.5 million with a bank. Upon obtaining the letter of credit, RIPRC returned the \$7.5 million that had been advanced by the State to fund an indemnity reserve account.

As of March 26, 2010 the State had borrowed \$203.6 million from the Federal Unemployment Trust Fund to partially fund unemployment insurance benefits paid under the Rhode Island unemployment insurance program.

The General Laws were amended to increase the debt authorization limit for the Rhode Island Industrial Recreational Building Authority from \$20 million to \$60 million.

In response to a request by the Governor, Rhode Island was declared a major disaster area in March 2010 because of severe storms and flooding. Numerous residents and businesses were impacted by the flooding as well as governmental infrastructure (roads, dams, and bridges) in affected areas. Damage estimates have not been accumulated. Additional federal assistance is expected to assist in the clean-up and economic recovery.

**Component Units**

On July 7, 2009, the R.I. Student Loan Authority (RISLA) issued \$25.6 million in Tax-Exempt Fixed Rate 2009 Senior Series A Student Loan Program Revenue Bonds. The proceeds from the 2009 Senior Series A will be used to finance student loans.

**State of Rhode Island and Providence Plantations**  
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In September 2009, the RISLA refinanced approximately \$70 million in Stafford and PLUS loans that were funded by the Loan Participation Program created under the Ensuring Continued Access to Student Loans Act (ECASLA). RISLA plans to finance loans with the Straight A Funding asset backed commercial paper conduit authorized under ECASLA. The Straight A Funding Conduit issues commercial paper and the proceeds are used to purchase eligible student loans at a pre-arranged price. Under this program, the Department of Education provides liquidity to the facility by entering into forward purchase commitments with eligible lenders. The program is set to expire in January 2014.

Subsequent to June 30, 2009 RISLA has purchased on various dates from certain holders of its auction rate bonds debt amounting to \$34,900,000. The bonds had various original maturity dates ranging from December 1, 2030 to December 1, 2040. RISLA retired that debt immediately after the purchase.

On October 1, 2009 R.I. Housing and Mortgage Finance Corporation (RIHMFC) instructed its trustees to redeem the Homeownership Opportunity Bonds in the amount of \$3.2 million.

On November 25, 2009, RIHMFC issued three series of bonds: \$30 million Series 1-A, \$45 million Series 1-B and \$83 million Series 2. The Series 1 and 2 bonds were issued to make funds available to purchase Program Loans to finance the ownership or improvement of single family housing. Series B Bond proceeds will be held in escrow as security for the Series 2 Bonds only.

On December 9, 2009, RIHMFC issued \$65.1 million of Multi-Family Funding Bonds, Series 2009A (Escrow Bonds).

Subsequent to June 30, 2009 the Rhode Island Clean Water Finance Agency had the following significant transactions:

- On July 23, 2009 the agency issued \$15 million in short term notes.
- On October 1, 2009 the agency retired \$29.9 million of bonded debt.
- On October 6, 2009 the agency sold \$41.6 of bonds.
- On October 27, 2009 the agency issued \$4.0 million in short term notes.
- On November 19, 2009 the agency sold \$9.9 million of bonds.

Subsequent to June 30, 2009 the Community College of Rhode Island (CCRI) reached a settlement with one of the two contractors involved in the contingency referred to in Note 12 above. The settlement was in the amount of \$155,000. Therefore, the remaining \$3,166,208 is still recognized as a liability by CCRI pending final settlement.

Subsequent to June 30, 2009 the R.I. Health & Educational Building Corporation issued on behalf of Rhode Island College Higher Education Facility Revenue Bonds in the amount of \$10,280,000.

Subsequent to June 30, 2009 the R.I. Health & Educational Building Corporation issued on behalf of the University of Rhode Island Higher Education Facility Revenue Bonds in the amount of \$13,725,000.

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On September 29, 2009 Rhode Island Resource Recovery Corporation sold approximately 5.38 acres of land located in the industrial park for \$1,150,000.

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, 2009**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,124,235	\$ 970,600	\$ 940,514	\$ (30,086)
General Business Taxes:				
Business Corporations	161,000	112,000	104,437	(7,563)
Public Utilities Gross Earnings	100,000	115,000	126,665	11,665
Financial Institutions	1,100	4,130	5,359	1,229
Insurance Companies	77,824	80,400	78,017	(2,383)
Bank Deposits	1,700	1,700	1,803	103
Health Care Provider Assessment	47,432	48,400	46,030	(2,370)
Sales and Use Taxes:				
Sales and Use	863,100	823,200	807,947	(15,253)
Motor Vehicle	45,668	50,800	47,926	(2,874)
Motor Fuel	1,200	1,000	1,325	325
Cigarettes	114,500	131,000	130,503	(497)
Alcohol	11,100	10,800	10,812	12
Other Taxes:				
Inheritance and Gift	38,000	30,200	28,097	(2,103)
Racing and Athletics	2,600	2,500	2,451	(49)
Realty Transfer Tax	10,900	7,500	6,811	(689)
Total Taxes	<u>2,600,359</u>	<u>2,389,230</u>	<u>2,338,697</u>	<u>(50,533)</u>
Departmental Revenue	<u>347,628</u>	<u>330,151</u>	<u>318,804</u>	<u>(11,347)</u>
Total Taxes and Departmental Revenue	<u>2,947,987</u>	<u>2,719,381</u>	<u>2,657,501</u>	<u>(61,880)</u>
Other Sources				
Gas Tax Transfer	4,630	4,400	4,328	(72)
Other Miscellaneous	19,400	18,400	17,813	(587)
Lottery	365,500	338,100	337,515	(585)
Unclaimed Property	9,200	8,200	8,044	(156)
Total Other Sources	<u>398,730</u>	<u>369,100</u>	<u>367,700</u>	<u>(1,400)</u>
Total General Revenues	<u>3,346,717</u>	<u>3,088,481</u>	<u>3,025,201</u>	<u>(63,280)</u>
Federal Revenues	1,721,939	2,110,349	2,001,605	(108,744)
Restricted Revenues	150,414	152,892	133,872	(19,020)
Other Revenues	36,776	61,915	57,660	(4,255)
Total Revenues	<u>5,255,846</u>	<u>5,413,637</u>	<u>5,218,338</u>	<u>(195,299)</u>
Expenditures:				
General government	742,355	811,550	768,576	42,974
Human services	2,606,913	2,695,673	2,711,957	(16,284)
Education	1,329,713	1,298,936	1,235,480	63,456
Public safety	413,489	431,746	403,109	28,637
Natural resources	91,637	88,509	69,094	19,415
Total Expenditures	<u>5,184,107</u>	<u>5,326,414</u>	<u>5,188,216</u>	<u>138,198</u>
Transfer of Excess Budget Reserve to RI Capital Fund			66,818	
Total Expenditures	<u>5,184,107</u>	<u>5,326,414</u>	<u>5,255,034</u>	
Change in Fund Balance			(36,696)	
Fund balance - beginning			106,655	
Fund balance - ending			<u>\$ 69,959</u>	

**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, 2009**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Expenditures by Source:</b>				
General Revenues	\$ 3,274,978	\$ 3,001,258	\$ 3,001,184	\$ 74
Federal Funds	1,721,939	2,110,349	2,002,158	108,191
Restricted Receipts	150,414	152,892	126,742	26,150
Other Funds	36,776	61,915	58,132	3,783
	<u>\$ 5,184,107</u>	<u>\$ 5,326,414</u>	<u>\$ 5,188,216</u>	<u>\$ 138,198</u>

**Reconciliation of General Revenue Budget Variance to Unreserved Fund Balance in General Fund**

General Revenue Expenditures - Variance - Final Budget to Actual	\$ 74
General Revenue - Variance - Final Budget to Actual	(63,280)
Change in Appropriations Carried Forward - Restricted & Other	6,105
Budget Reserve Appropriation	22,000
Other Adjustments	<u>(1,595)</u>
Net Change in Fund Balance - for the fiscal year ended June 30, 2009	(36,696)
Fund Balance - beginning	<u>106,655</u>
Fund Balance - ending	<u>\$ 69,959</u>

**Debt service expenditures are included in the above respective categories:**

General government	\$ 149,662
Human services	791
Education	18,209
Public safety	1,133
Natural resources	161
	<u>\$ 169,956</u>

**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, 2009**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 138,900	\$ 132,000	\$ 129,831	\$ (2,169)
Departmental restricted revenue	1,447	1,450	157	(1,293)
Federal grants	263,437	286,069	217,211	(68,858)
Other revenues	8,321	4,338	3,573	(765)
Total revenues	<u>412,105</u>	<u>423,857</u>	<u>350,772</u>	<u>(73,085)</u>
Other financing sources:				
Operating transfers in			40,937	40,937
Payments from component units			10	10
Total revenues and other financing sources	<u>412,105</u>	<u>423,857</u>	<u>391,719</u>	<u>(32,138)</u>
<b>Expenditures:</b>				
Central Management				
Gasoline Tax	1,916	1,911	1,766	145
Federal Funds	17,372	12,706	3,040	9,666
Total - Central Management	<u>19,288</u>	<u>14,617</u>	<u>4,806</u>	<u>9,811</u>
Management and Budget				
Gasoline Tax	2,162	1,352	173	1,179
Total - Management and Budget	<u>2,162</u>	<u>1,352</u>	<u>173</u>	<u>1,179</u>
Infrastructure - Engineering				
Gasoline Tax	46,425	46,620	43,701	2,919
State Infrastructure Bank	1,344	1,388		1,388
Land Sale Revenue	5,598	2,000	1,332	668
Highway Logo Program	100	100		100
Federal Funds	246,066	273,364	214,223	59,141
Restricted Receipts	1,447	1,450	370	1,080
Subtotal - Infrastructure - Engineering	<u>300,980</u>	<u>324,922</u>	<u>259,626</u>	<u>65,296</u>
State Match - FHWA			45,337	(45,337)
Total - Infrastructure - Engineering	<u>300,980</u>	<u>324,922</u>	<u>304,963</u>	<u>19,959</u>
Infrastructure - Maintenance				
Gasoline Tax	39,336	42,901	45,293	(2,392)
Outdoor Advertising	264	500	313	187
Utility Permit Applications	1,000			
Radio System Upgrade		335	329	6
Nonland Surplus	15	15		15
Total - Infrastructure - Maintenance	<u>40,615</u>	<u>43,751</u>	<u>45,935</u>	<u>(2,184)</u>
Total Expenditures	<u>363,045</u>	<u>384,642</u>	<u>355,877</u>	<u>28,765</u>
<b>Other financing uses:</b>				
Transfers to other funds				
Gas tax			46,331	
USTF fee			2,238	
Other			304	
Total expenditures and other financing uses			<u>404,750</u>	
Net change in fund balance			<u>(13,031)</u>	
Fund balance - beginning			<u>48,431</u>	
Fund balance - ending			<u>\$ 35,400</u>	

State of Rhode Island and Providence Plantations  
Required Supplementary Information  
Schedules of Funding Progress  
June 30, 2009  
(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)
06/30/2008	6,745,323	11,077,328	4,332,005	60.9%	1,573,398	275.3%
06/30/2007	6,231,410	11,083,014	4,851,604	56.2%	1,619,417	299.6%
06/30/2006	5,651,066	10,575,851	4,924,786	53.4%	1,559,966	315.7%

**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)
06/30/2008	54,927	69,030	14,102	79.6%	16,699	84.5%
06/30/2007	45,997	60,428	14,431	76.1%	15,836	91.1%
06/30/2006	36,315	42,216	5,901	86.0%	13,475	43.8%

**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)
06/30/2008	34,670	42,455	7,785	81.7%	6,602	117.9%
06/30/2007	29,631	35,355	5,725	83.8%	6,452	88.7%
06/30/2006	23,873	27,504	3,631	86.8%	6,313	57.4%

State of Rhode Island and Providence Plantations  
 Required Supplementary Information  
 Schedules of Funding Progress  
 June 30, 2009  
 (Expressed in thousands)

**Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-State Employees**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	679,538	679,538	0%	626,145	108.5%
06/30/2005	0	580,041	580,041	0%	575,613	100.8%

**Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-Teachers**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	10,243	10,243	0%	NA	NA
06/30/2005	0	8,477	8,477	0%	NA	NA

**Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-Judges**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	14,024	14,024	0%	9,888	141.8%
06/30/2005	0	76	76	0%	5,685	1.3%

**Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-State Police**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	54,620	54,620	0%	15,977	341.9%
06/30/2005	0	51,037	51,037	0%	13,821	369.3%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedules of Funding Progress**  
**June 30, 2009**  
**(Expressed in thousands)**

**Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-Legislators**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL)  ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll (( b - a ) / c)
06/30/2007	0	29,764	29,764	0%	1,592	1869.6%
06/30/2005	0	3,919	3,919	0%	1,509	259.7%

**State of Rhode Island and Providence Plantations**  
**Notes to Required Supplementary Information**  
**June 30, 2009**

**Budget and Actual**

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.

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, and any unexpended balances designated by the General Assembly.

A more detailed budgetary comparison is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>.

**Schedules of Funding Progress-Other Postemployment Benefits**

The June 30, 2005 actuarial valuation for the Rhode Island Retiree Health Care Benefits Plans was restated to reflect the changes in the plan provisions due to the enactment of Public Law 2008-09. Those changes in plan provisions became effective for employees retiring on or after October 1, 2008.

**State of Rhode Island and Providence Plantations**  
**Notes to Required Supplementary Information**  
**June 30, 2009**

The June 30, 2007 actuarial valuation reflects clarification of employees eligible for retiree health care within the judges and legislators plans as well as the benefits received upon attainment of Medicare eligibility. Further for teachers, the required contribution for teachers is not presented as a percentage of payroll since the required contribution by the State is for the Tier I subsidy for teachers who have elected to participate in the State's Retiree Health Care Benefit Plan.

**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.

**Coastal Resources Management Council Dredge Fund** – accounts for fees in excess of the base rate per cubic yard for the disposal of dredge materials. These funds must be used to create additional dredging and disposal options.

**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.

**Historic Tax Credit** - accounts for proceeds from the issuance of Revenue Bonds under the Historic Structures Tax Credit Financing Program as well as related expenditures and transfers.

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

**R.I. Public Rail Corporation** - accounts for activity of this entity which includes state appropriations, insurance and other administrative expenses and property rental related activities.

**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. Capital Plan** – accounts for the portion of the payment into the budget reserve account that causes the balance in the budget reserve account to be in excess of the legal requirement and proceeds as designated by statute. The fund is to be used solely for funding capital projects.

**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, 2009**  
**(Expressed in Thousands)**

	Special Revenue					Total Special Revenue Funds
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	Tobacco Settlement Financing Corporation	R.I. Public Rail Corporation	
<b>Assets</b>						
Cash and cash equivalents	\$ 79	\$ 100,893	\$	\$	\$ 88	\$ 101,060
Restricted cash and cash equivalents					7,537	7,537
Funds on deposit with fiscal agent			93,132			93,132
Investments				177		177
Restricted investments				73,247		73,247
Receivables (net)		50,217				50,217
Due from other funds						
Loans to other funds						
Other assets					30	30
Total assets	<u>79</u>	<u>\$ 151,110</u>	<u>\$ 93,132</u>	<u>\$ 73,424</u>	<u>\$ 7,655</u>	<u>\$ 325,400</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Cash overdraft		1,600				1,600
Accounts payable	1	66				67
Due to other funds	2	1,080			7,537	8,619
Due to component units						
Loans from other funds						
Other liabilities						
Total liabilities	<u>3</u>	<u>2,746</u>			<u>7,537</u>	<u>10,286</u>
<b>Fund balances</b>						
Reserved for:						
Debt				73,424		73,424
Employment Insurance Programs		148,364				148,364
Unreserved						
Special revenue	76		93,132		118	93,326
Capital projects						
Permanent fund						
Total fund balances	<u>76</u>	<u>148,364</u>	<u>93,132</u>	<u>73,424</u>	<u>118</u>	<u>315,114</u>
Total Liabilities and fund balances	<u>\$ 79</u>	<u>\$ 151,110</u>	<u>\$ 93,132</u>	<u>\$ 73,424</u>	<u>\$ 7,655</u>	<u>\$ 325,400</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**  
**(Expressed in Thousands)**

	<u>Capital Project</u>					<u>Total Capital Project Funds</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Bond Capital</u>	<u>R.I. Capital Plan</u>	<u>R.I. Clean Water Act Environmental Trust</u>	<u>R.I. Refunding Bond Authority</u>	<u>Certificates of Participation</u>		<u>Permanent School</u>	
<b>Assets</b>								
Cash and cash equivalents	\$ 73,905	\$ 84	\$ 3,878	\$ 34	\$	\$ 77,901	\$ 1,855	\$ 180,816
Restricted cash and cash equivalents								7,537
Funds on deposit with fiscal agent					57,845	57,845		150,977
Investments								177
Restricted investments								73,247
Receivables (net)								50,217
Due from other funds		1,671			16	1,687		1,687
Loans to other funds		101,948				101,948		101,948
Other assets				2		2		32
<b>Total assets</b>	<b>\$ 73,905</b>	<b>\$ 103,703</b>	<b>\$ 3,878</b>	<b>\$ 36</b>	<b>\$ 57,861</b>	<b>\$ 239,383</b>	<b>\$ 1,855</b>	<b>\$ 566,638</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Cash overdraft								1,600
Accounts payable	2,243	6,021	82	1	6,830	15,177	477	15,721
Due to other funds	6,964					6,964	10	15,593
Due to component units	519	9,454				9,973		9,973
Loans from other funds					6,743	6,743		6,743
Other liabilities	645	444		34		1,123		1,123
<b>Total liabilities</b>	<b>10,371</b>	<b>15,919</b>	<b>82</b>	<b>35</b>	<b>13,573</b>	<b>39,980</b>	<b>487</b>	<b>50,753</b>
<b>Fund balances</b>								
Reserved for:								
Debt					1,604	1,604		75,028
Employment Insurance Programs								148,364
Unreserved								
Special revenue								93,326
Capital projects	63,534	87,784	3,796	1	42,684	197,799		197,799
Permanent fund							1,368	1,368
<b>Total fund balances</b>	<b>63,534</b>	<b>87,784</b>	<b>3,796</b>	<b>1</b>	<b>44,288</b>	<b>199,403</b>	<b>1,368</b>	<b>515,885</b>
<b>Total Liabilities and fund balances</b>	<b>\$ 73,905</b>	<b>\$ 103,703</b>	<b>\$ 3,878</b>	<b>\$ 36</b>	<b>\$ 57,861</b>	<b>\$ 239,383</b>	<b>\$ 1,855</b>	<b>\$ 566,638</b>

(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, 2009**  
**(Expressed in Thousands)**

	Special Revenue					Total Special Revenue Funds
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit	Tobacco Settlement Financing Corporation	R.I. Public Rail Corporation	
<b>Revenues:</b>						
Taxes	\$	\$ 180,951	\$	\$	\$	\$ 180,951
Licenses, fines, sales, and services	18				24	42
Income from investments		1,203		3,995	37	5,235
Other revenues		(9)		58,039		58,030
Total revenues	18	182,145		62,034	61	244,258
<b>Expenditures:</b>						
Current:						
General government		168,639		99		168,738
Education						
Natural resources	9					9
Transportation					40	40
Capital outlays						
Debt service:						
Principal				21,100		21,100
Interest and other charges			914	39,932		40,846
Total expenditures	9	168,639	914	61,131	40	230,733
Excess (deficiency) of revenues over (under) expenditures	9	13,506	(914)	903	21	13,525
<b>Other financing sources (uses)</b>						
Bonds and notes issued			150,000			150,000
Refunding bonds issued						
Proceeds from the sale of Certificates of Participation						
Premium and accrued interest						
Operating transfers in			3,773			3,773
Payment to refunded bonds escrow agent						
Discount on issuance of debt						
Operating transfers out		(1,287)	(59,727)		(37)	(61,051)
Total other financing sources (uses)		(1,287)	94,046		(37)	92,722
Net change in fund balances	9	12,219	93,132	903	(16)	106,247
Fund balances - beginning (as restated)	67	136,145		72,521	134	208,867
Fund balances - ending	\$ 76	\$ 148,364	\$ 93,132	\$ 73,424	\$ 118	\$ 315,114

(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, 2009**  
**(Expressed in Thousands)**

	<u>Capital Projects</u>					<u>Total Capital Project Funds</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Bond Capital</u>	<u>R.I. Capital Plan</u>	<u>R.I. Clean Water Act Environmental Trust</u>	<u>R.I. Refunding Bond Authority</u>	<u>Certificates of Participation</u>		<u>Permanent School</u>	
<b>Revenues:</b>								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$ 180,951
Licenses, fines, sales, and services				29		29	522	593
Income from investments	1,102	112	47		224	1,485	19	6,739
Other revenues								58,030
<b>Total revenues</b>	<b>1,102</b>	<b>112</b>	<b>47</b>	<b>29</b>	<b>224</b>	<b>1,514</b>	<b>541</b>	<b>246,313</b>
<b>Expenditures:</b>								
Current:								
General government								168,738
Education							8,123	8,123
Natural resources								9
Transportation								40
Capital outlays	69,085	48,216	497	24	24,136	141,958		141,958
Debt service:								
Principal								21,100
Interest and other charges	940		2		1,065	2,007		42,853
<b>Total expenditures</b>	<b>70,025</b>	<b>48,216</b>	<b>499</b>	<b>24</b>	<b>25,201</b>	<b>143,965</b>	<b>8,123</b>	<b>382,821</b>
Excess (deficiency) of revenues over (under) expenditures	(68,923)	(48,104)	(452)	5	(24,977)	(142,451)	(7,582)	(136,508)
<b>Other financing sources (uses)</b>								
Bonds and notes issued	94,675		700			95,375		245,375
Refunding bonds issued	12,445					12,445		12,445
Proceeds from the sale of Certificates of Participation					54,610	54,610		54,610
Premium and accrued interest	1,009				100	1,109		1,109
Operating transfers in		66,848				66,848	6,777	77,398
Payment to refunded bonds escrow agent	(12,697)					(12,697)		(12,697)
Discount on issuance of debt					(66)	(66)		(66)
Operating transfers out	(42,245)	(2)		(5)		(42,252)		(103,303)
<b>Total other financing sources (uses)</b>	<b>53,187</b>	<b>66,846</b>	<b>700</b>	<b>(5)</b>	<b>54,644</b>	<b>175,372</b>	<b>6,777</b>	<b>274,871</b>
<b>Net change in fund balances</b>	<b>(15,736)</b>	<b>18,742</b>	<b>248</b>		<b>29,667</b>	<b>32,921</b>	<b>(805)</b>	<b>138,363</b>
Fund balances - beginning (as restated)	79,270	69,042	3,548	1	14,621	166,482	2,173	377,522
Fund balances - ending	<b>\$ 63,534</b>	<b>\$ 87,784</b>	<b>\$ 3,796</b>	<b>\$ 1</b>	<b>\$ 44,288</b>	<b>\$ 199,403</b>	<b>\$ 1,368</b>	<b>\$ 515,885</b>

(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, 2009**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
<b>* Revenues:</b>				
Taxes	\$ 180,951	\$ 180,951	\$ 180,951	\$
Other Revenues	1,194	1,194	1,194	
Total Revenues	<u>182,145</u>	<u>182,145</u>	<u>182,145</u>	
<b>Expenditures:</b>				
Department of Labor and Training				
Income Support	177,617	174,440	169,767	4,673
Treasury Department	253	196	159	37
Total Expenditures	<u>177,870</u>	<u>174,636</u>	<u>169,926</u>	<u>4,710</u>
Net change in fund balance			12,219	
* Fund balance - beginning			136,145	
Fund balance - ending			<u>\$ 148,364</u>	

\* Revenues 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.

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

**Health Insurance-Active** – pays active employee health benefits.

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

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

**Vehicle Replacement Revolving Loan** – this fund was seeded with \$6,500,000 to purchase State vehicles, with the intent of not needing to issue debt for the purchase of vehicles.

**Capitol Police** - provides security for certain State buildings.

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2009**  
(Expressed in Thousands)

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Energy Revolving</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Central Pharmacy</b>	<b>Central Laundry</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>
<b>Assets:</b>									
Current assets:									
Cash and cash equivalents	\$ 1,698	\$ 1,851	\$	\$	\$	\$ 24	\$	\$ 699	\$ 871
Receivables (net)				721	122			705	81
Due from other funds				10	971		265		
Inventories				126			134	287	595
Loans to other funds									
Other assets	22								
Total current assets	<u>1,720</u>	<u>1,851</u>		<u>857</u>	<u>1,093</u>	<u>24</u>	<u>399</u>	<u>1,691</u>	<u>1,547</u>
Noncurrent assets:									
Capital assets (net)				94	47			90	2,408
Total noncurrent assets				<u>94</u>	<u>47</u>			<u>90</u>	<u>2,408</u>
Total assets	<u>1,720</u>	<u>1,851</u>		<u>951</u>	<u>1,140</u>	<u>24</u>	<u>399</u>	<u>1,781</u>	<u>3,955</u>
<b>Liabilities:</b>									
Current liabilities:									
Accounts payable	29			42	65	1	10	504	315
Due to other funds	371	1,026				24		61	27
Loans from other funds	800	896		527	1,447		180		
Other liabilities	702	10		89	52	1	67	32	52
Total current liabilities	<u>1,902</u>	<u>1,932</u>		<u>658</u>	<u>1,564</u>	<u>26</u>	<u>257</u>	<u>597</u>	<u>394</u>
Noncurrent liabilities:									
Net OPEB obligation	24	9		9	5		10	8	12
Total noncurrent liabilities	<u>24</u>	<u>9</u>		<u>9</u>	<u>5</u>		<u>10</u>	<u>8</u>	<u>12</u>
Total liabilities	<u>1,926</u>	<u>1,941</u>		<u>667</u>	<u>1,569</u>	<u>26</u>	<u>267</u>	<u>605</u>	<u>406</u>
<b>Net Assets:</b>									
Invested in capital assets, net of related debt				94	47			90	2,408
Unrestricted	(206)	(90)		190	(476)	(2)	132	1,086	1,141
Total net assets	<u>\$ (206)</u>	<u>\$ (90)</u>	<u>\$</u>	<u>\$ 284</u>	<u>\$ (429)</u>	<u>\$ (2)</u>	<u>\$ 132</u>	<u>\$ 1,176</u>	<u>\$ 3,549</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2009**  
**(Expressed in Thousands)**

	Correctional Industries	Surplus Property	Records Center	Health Insurance			Vehicle Replacement Revolving Loan	Capitol Police	Total
				Active	State Retirees	Teacher Retirees			
<b>Assets:</b>									
Current assets:									
Cash and cash equivalents	\$ 1,525	\$ 79	\$ 205	\$ 19,642	\$ 8,457	\$ 589	\$ 5,151	\$	\$ 40,791
Receivables (net)	1,897		74						3,600
Due from other funds	105			183		605	379	145	2,663
Inventories	518								1,660
Loans to other funds				650			1,082		1,732
Other assets				6,925			1		6,948
<b>Total current assets</b>	<b>4,045</b>	<b>79</b>	<b>279</b>	<b>27,400</b>	<b>8,457</b>	<b>1,194</b>	<b>6,613</b>	<b>145</b>	<b>57,394</b>
Noncurrent assets:									
Capital assets (net)	265	1							2,905
<b>Total noncurrent assets</b>	<b>265</b>	<b>1</b>							<b>2,905</b>
<b>Total assets</b>	<b>4,310</b>	<b>80</b>	<b>279</b>	<b>27,400</b>	<b>8,457</b>	<b>1,194</b>	<b>6,613</b>	<b>145</b>	<b>60,299</b>
<b>Liabilities:</b>									
Current liabilities:									
Accounts payable	302		27	13,940	3,284	582			19,101
Due to other funds			10		475				1,994
Loans from other funds			300			650		110	4,910
Other liabilities	125		20		2			36	1,188
<b>Total current liabilities</b>	<b>427</b>		<b>357</b>	<b>13,940</b>	<b>3,761</b>	<b>1,232</b>		<b>146</b>	<b>27,193</b>
Noncurrent liabilities:									
Net OPEB obligation	20		5						102
<b>Total noncurrent liabilities</b>	<b>20</b>		<b>5</b>						<b>102</b>
<b>Total liabilities</b>	<b>447</b>		<b>362</b>	<b>13,940</b>	<b>3,761</b>	<b>1,232</b>		<b>146</b>	<b>27,295</b>
<b>Net Assets:</b>									
Invested in capital assets, net of related debt	265	1							2,905
Unrestricted	3,598	79	(83)	13,460	4,696	(38)	6,613	(1)	30,099
<b>Total net assets</b>	<b>\$ 3,863</b>	<b>\$ 80</b>	<b>\$ (83)</b>	<b>\$ 13,460</b>	<b>\$ 4,696</b>	<b>\$ (38)</b>	<b>\$ 6,613</b>	<b>\$ (1)</b>	<b>\$ 33,004</b>

(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, 2009**  
**(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>	<u>Central Warehouse</u>
<b>Operating revenues:</b>									
Charges for services	\$ 42,998	\$ 17,196	\$	\$ 4,919	\$ 3,672	\$ 5,119	\$ 1,450	\$ 11,318	\$ 6,753
Total operating revenues	<u>42,998</u>	<u>17,196</u>		<u>4,919</u>	<u>3,672</u>	<u>5,119</u>	<u>1,450</u>	<u>11,318</u>	<u>6,753</u>
<b>Operating expenses:</b>									
Personal services	2,212	189		660	574	23	780	530	801
Supplies, materials, and services	33,440	18,027		4,163	2,072	5,266	355	10,445	5,319
Depreciation				38	24		46	25	89
Total operating expenses	<u>35,652</u>	<u>18,216</u>		<u>4,861</u>	<u>2,670</u>	<u>5,289</u>	<u>1,181</u>	<u>11,000</u>	<u>6,209</u>
Operating income (loss)	<u>7,346</u>	<u>(1,020)</u>		<u>58</u>	<u>1,002</u>	<u>(170)</u>	<u>269</u>	<u>318</u>	<u>544</u>
<b>Nonoperating revenues (expenses):</b>									
Interest revenue	48							5	
Other nonoperating revenues and (expenses)	15							5	
Income (loss) before transfers	<u>7,409</u>	<u>(1,020)</u>		<u>58</u>	<u>1,002</u>	<u>(170)</u>	<u>269</u>	<u>328</u>	<u>544</u>
Operating transfers in									
Operating transfers (out)	<u>(1,956)</u>			<u>(112)</u>	<u>(84)</u>			<u>(301)</u>	
Change in net assets	5,453	(1,020)		(54)	918	(170)	269	27	544
Total net assets - beginning	<u>(5,659)</u>	<u>930</u>		<u>338</u>	<u>(1,347)</u>	<u>168</u>	<u>(137)</u>	<u>1,149</u>	<u>3,005</u>
Total net assets - ending	<u>\$ (206)</u>	<u>\$ (90)</u>	<u>\$</u>	<u>\$ 284</u>	<u>\$ (429)</u>	<u>\$ (2)</u>	<u>\$ 132</u>	<u>\$ 1,176</u>	<u>\$ 3,549</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, 2009**  
**(Expressed in Thousands)**

	Correctional Industries	Surplus Property	Records Center	Health Insurance			Vehicle Replacement Revolving Loan	Capitol Police	Total
				Active	State Retirees	Teacher Retirees			
<b>Operating revenues:</b>									
Charges for services	\$ 6,573	\$	\$ 761	\$ 180,587	\$ 48,141	\$ 7,726	\$ 120	\$ 696	\$ 338,029
Total operating revenues	6,573		761	180,587	48,141	7,726	120	696	338,029
<b>Operating expenses:</b>									
Personal services	1,780		401					697	8,647
Supplies, materials, and services	3,462	2	361	170,485	43,626	7,771			304,794
Depreciation	88	3							313
Total operating expenses	5,330	5	762	170,485	43,626	7,771		697	313,754
Operating income (loss)	1,243	(5)	(1)	10,102	4,515	(45)	120	(1)	24,275
<b>Nonoperating revenues (expenses):</b>									
Interest revenue	1			207	62	7	92		422
Other nonoperating revenues and (expenses)	(1)								19
Income (loss) before transfers	1,243	(5)	(1)	10,309	4,577	(38)	212	(1)	24,716
Operating transfers in									
Operating transfers (out)									(2,453)
Change in net assets	1,243	(5)	(1)	10,309	4,577	(38)	212	(1)	22,263
Total net assets - beginning	2,620	85	(82)	3,151	119		6,401		10,741
Total net assets - ending	\$ 3,863	\$ 80	\$ (83)	\$ 13,460	\$ 4,696	\$ (38)	\$ 6,613	\$ (1)	\$ 33,004

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flow**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(Expressed in Thousands)**

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Energy Revolving</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Central Pharmacy</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 42,808	\$ 18,535	\$	\$ 4,655	\$ 2,688	\$ 6,483
Cash payments to suppliers for goods and services	(33,458)	(18,027)		(3,915)	(2,120)	(5,079)
Cash payments to employees for services	(8,398)	(215)		(669)	(566)	(89)
Other operating revenue (expense)	15					
Net cash provided by (used for) operating activities	<u>967</u>	<u>293</u>		<u>71</u>	<u>2</u>	<u>1,315</u>
<b>Cash flows from noncapital financing activities:</b>						
Loans from other funds	9,338	1,660		527	1,447	
Loans to other funds						
Repayment of loans to other funds	(8,538)	(7,964)				
Repayment of loans from other funds						
Operating transfers out	(1,956)		(1,339)	(112)	(84)	
Net cash provided by (used for) noncapital financing activities	<u>(1,156)</u>	<u>(6,304)</u>	<u>(1,339)</u>	<u>415</u>	<u>1,363</u>	
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets						
Net cash provided by (used for) capital and related financing activities						
<b>Cash flows from investing activities:</b>						
Interest on investments	48					
Net cash provided by (used for) investing activities	<u>48</u>					
Net increase (decrease) in cash and cash equivalents	(141)	(6,011)	(1,339)	486	1,365	1,315
Cash and cash equivalents - July 1	1,839	7,862	1,339	(486)	(1,365)	(1,291)
Cash and cash equivalents - June 30	<u>\$ 1,698</u>	<u>\$ 1,851</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 24</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flow**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(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>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 7,346	\$ (1,020)	\$	\$ 58	\$ 1,002	\$ (170)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	\$	\$	\$	\$ 38	\$ 24	\$
Other revenue (expense) and operating transfer in (out)	15					
(Increase) decrease in assets:						
Receivables		313		(264)	(984)	1,363
Inventory				278		222
Prepaid items	(22)					503
Increase (decrease) in liabilities:						
Accounts payable	(187)	1,026		(30)	(48)	(537)
Accrued expenses	(6,185)	(26)		(9)	8	(66)
Total adjustments	<u>(6,379)</u>	<u>1,313</u>		<u>13</u>	<u>(1,000)</u>	<u>1,485</u>
Net cash provided by (used for) operating activities	<u>\$ 967</u>	<u>\$ 293</u>	<u>\$</u>	<u>\$ 71</u>	<u>\$ 2</u>	<u>\$ 1,315</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flow**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(Expressed in Thousands)**

	<b>Central Laundry</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>	<b>Correctional Industries</b>	<b>Surplus Property</b>	<b>Records Center</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 1,360	\$ 11,386	\$ 6,724	\$ 5,371	\$	\$ 768
Cash payments to suppliers for goods and services	(223)	(10,124)	(5,304)	(3,252)	(2)	(385)
Cash payments to employees for services	(775)	(561)	(812)	(1,793)		(400)
Other operating revenue (expense)		5		(1)		
Net cash provided by (used for) operating activities	<u>362</u>	<u>706</u>	<u>608</u>	<u>325</u>	<u>(2)</u>	<u>(17)</u>
<b>Cash flows from noncapital financing activities:</b>						
Loans from other funds	180					100
Loans to other funds						
Repayment of loans to other funds						(300)
Repayment of loans from other funds						
Operating transfers out		(301)				
Net cash provided by (used for) noncapital financing activities	<u>180</u>	<u>(301)</u>				<u>(200)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets		(28)		(42)		
Net cash provided by (used for) capital and related financing activities		<u>(28)</u>		<u>(42)</u>		
<b>Cash flows from investing activities:</b>						
Interest on investments		5		1		
Net cash provided by (used for) investing activities		<u>5</u>		<u>1</u>		
Net increase (decrease) in cash and cash equivalents	542	382	608	284	(2)	(217)
Cash and cash equivalents - July 1	(542)	317	263	1,241	81	422
Cash and cash equivalents - June 30	<u>\$</u>	<u>\$ 699</u>	<u>\$ 871</u>	<u>\$ 1,525</u>	<u>\$ 79</u>	<u>\$ 205</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flow**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(Expressed in Thousands)**

	<u>Central Laundry</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>	<u>Records Center</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 269	\$ 318	\$ 544	\$ 1,243	\$ (5)	\$ (1)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	\$ 46	\$ 25	\$ 89	\$ 88	\$ 3	\$
Other revenue (expense) and operating transfer in (out)		5		(1)		
(Increase) decrease in assets:						
Receivables	(90)	131	(18)	(1,201)		5
Inventory	(17)	171	125	188		
Prepaid items	155					
Increase (decrease) in liabilities:						
Accounts payable	(6)	87	(121)	21		(22)
Accrued expenses	5	(31)	(11)	(13)		1
Total adjustments	<u>93</u>	<u>388</u>	<u>64</u>	<u>(918)</u>	<u>3</u>	<u>(16)</u>
Net cash provided by (used for) operating activities	<u>\$ 362</u>	<u>\$ 706</u>	<u>\$ 608</u>	<u>\$ 325</u>	<u>\$ (2)</u>	<u>\$ (17)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flow**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(Expressed in Thousands)**

	<b>Health Insurance</b>			<b>Vehicle Replacement Revolving Loan</b>	<b>Capitol Police</b>	<b>Total</b>
	<b>Active</b>	<b>State Retirees</b>	<b>Teacher Retirees</b>			
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 180,443	\$ 51,006	\$ 7,121	\$ 21	\$ 551	\$ 339,920
Cash payments to suppliers for goods and services	(173,323)	(44,375)	(7,189)	(595)		(307,371)
Cash payments to employees for services					(661)	(14,939)
Other operating revenue (expense)						19
Net cash provided by (used for) operating activities	<u>7,120</u>	<u>6,631</u>	<u>(68)</u>	<u>(574)</u>	<u>(110)</u>	<u>17,629</u>
<b>Cash flows from noncapital financing activities:</b>						
Loans from other funds		100	650		110	14,112
Loans to other funds	(6,000)					(6,000)
Repayment of loans to other funds		(2,200)				(19,002)
Repayment of loans from other funds	8,450					8,450
Operating transfers out						(3,792)
Net cash provided by (used for) noncapital financing activities	<u>2,450</u>	<u>(2,100)</u>	<u>650</u>		<u>110</u>	<u>(6,232)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets						(70)
Net cash provided by (used for) capital and related financing activities						<u>(70)</u>
<b>Cash flows from investing activities:</b>						
Interest on investments	207	62	7	92		422
Net cash provided by (used for) investing activities	<u>207</u>	<u>62</u>	<u>7</u>	<u>92</u>		<u>422</u>
Net increase (decrease) in cash and cash equivalents	9,777	4,593	589	(482)		11,749
Cash and cash equivalents - July 1	9,865	3,864		5,633		29,042
Cash and cash equivalents - June 30	<u>\$ 19,642</u>	<u>\$ 8,457</u>	<u>\$ 589</u>	<u>\$ 5,151</u>	<u>\$</u>	<u>\$ 40,791</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flow**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(Expressed in Thousands)**

	<u>Health Insurance</u>			<u>Vehicle Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
	<u>Active</u>	<u>State Retirees</u>	<u>Teacher Retirees</u>			
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 10,102	\$ 4,515	\$ (45)	\$ 120	\$ (1)	\$ 24,275
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	\$	\$	\$	\$	\$	\$ 313
Other revenue (expense) and operating transfer in (out)						19
(Increase) decrease in assets:						
Receivables	(144)	2,865	(605)	(694)	(145)	532
Inventory						967
Prepaid items	(160)					476
Increase (decrease) in liabilities:						
Accounts payable	(2,678)	(749)	582			(2,662)
Accrued expenses					36	(6,291)
Total adjustments	<u>(2,982)</u>	<u>2,116</u>	<u>(23)</u>	<u>(694)</u>	<u>(109)</u>	<u>(6,646)</u>
Net cash provided by (used for) operating activities	<u>\$ 7,120</u>	<u>\$ 6,631</u>	<u>\$ (68)</u>	<u>\$ (574)</u>	<u>\$ (110)</u>	<u>\$ 17,629</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, 2009**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,444	\$ 805	\$ 63	\$ 1	\$ 3,313
Receivables					
Contributions	58,982	3,478	912	297	63,669
Due from state for teachers	15,969				15,969
Due from other plans	34				34
Miscellaneous	446	16			462
Total receivables	<u>75,431</u>	<u>3,494</u>	<u>912</u>	<u>297</u>	<u>80,134</u>
Investments, at fair value					
Equity in Short-Term Investment Fund		2,866			2,866
Equity in Pooled Trust	5,023,799	884,802	44,771	27,429	5,980,801
Total investments	<u>5,023,799</u>	<u>887,668</u>	<u>44,771</u>	<u>27,429</u>	<u>5,983,667</u>
Property and equipment, at cost, net of accumulated depreciation	5,119	755	14	9	5,897
Total assets	<u>5,106,793</u>	<u>892,722</u>	<u>45,760</u>	<u>27,736</u>	<u>6,073,011</u>
<b>Liabilities</b>					
Accounts payable	3,355	511	13	7	3,886
Due to other plans		34			34
Net OPEB liability	56	9			65
Total liabilities	<u>3,411</u>	<u>554</u>	<u>13</u>	<u>7</u>	<u>3,985</u>
Net assets held in trust for pension benefits	<u>\$ 5,103,382</u>	<u>\$ 892,168</u>	<u>\$ 45,747</u>	<u>\$ 27,729</u>	<u>\$ 6,069,026</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, 2009**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Totals</b>
<b>Additions</b>					
Contributions					
Member contributions	\$ 145,664	\$ 23,205	\$ 1,123	\$ 617	\$ 170,609
Employer contributions	243,339	33,515	3,341	1,700	281,895
State contributions for teachers	73,600				73,600
Interest on service credits purchased	2,085	311			2,396
Service credit transfer payments	53	19			72
Total contributions	<u>464,741</u>	<u>57,050</u>	<u>4,464</u>	<u>2,317</u>	<u>528,572</u>
Investment income					
Net appreciation (depreciation) in fair value of investments	(1,415,268)	(237,954)	(11,139)	(7,049)	(1,671,410)
Interest	69,389	11,816	566	354	82,125
Dividends	45,213	7,686	371	232	53,502
Other investment income	3,358	567	26	17	3,968
	<u>(1,297,308)</u>	<u>(217,885)</u>	<u>(10,176)</u>	<u>(6,446)</u>	<u>(1,531,815)</u>
Less investment expense	17,152	2,929	143	89	20,313
Net income (loss) from investing activities	<u>(1,314,460)</u>	<u>(220,814)</u>	<u>(10,319)</u>	<u>(6,535)</u>	<u>(1,552,128)</u>
Securities Lending					
Securities lending income	12,932	2,274	114	70	15,390
Less securities lending expense	7,662	1,349	68	42	9,121
Net securities lending income	<u>5,270</u>	<u>925</u>	<u>46</u>	<u>28</u>	<u>6,269</u>
Total net investment income (loss)	<u>(1,309,190)</u>	<u>(219,889)</u>	<u>(10,273)</u>	<u>(6,507)</u>	<u>(1,545,859)</u>
Total additions	<u>(844,449)</u>	<u>(162,839)</u>	<u>(5,809)</u>	<u>(4,190)</u>	<u>(1,017,287)</u>
<b>Deductions</b>					
Benefits					
Retirement benefits	534,194	49,621	235	808	584,858
Cost of living adjustment	141,669	8,462	13	28	150,172
SRA Plus (option)	29,562	2,226			31,788
Supplemental benefits	1,099				1,099
Death benefits	2,271	592			2,863
Total benefits	<u>708,795</u>	<u>60,901</u>	<u>248</u>	<u>836</u>	<u>770,780</u>
Refund of contributions	8,941	1,902	36		10,879
Administrative expense	7,332	1,178	44	28	8,582
Service credit transfer payments	19	53			72
Total deductions	<u>725,087</u>	<u>64,034</u>	<u>328</u>	<u>864</u>	<u>790,313</u>
Change in net assets	<u>(1,569,536)</u>	<u>(226,873)</u>	<u>(6,137)</u>	<u>(5,054)</u>	<u>(1,807,600)</u>
Net assets held in trust for pension benefits					
Net assets - beginning	6,672,918	1,119,041	51,884	32,783	7,876,626
Net assets - ending	<u>\$ 5,103,382</u>	<u>\$ 892,168</u>	<u>\$ 45,747</u>	<u>\$ 27,729</u>	<u>\$ 6,069,026</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.

**Employer Pension Contribution** - established by act of the legislature to temporarily account for the State share of contributions to the Employees' Retirement System for state employees and public school teachers.

**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, 2009**  
**(Expressed in Thousands)**

**BOG Retiree Health Fund**

<b>Assets</b>	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
Cash and cash equivalents	\$ 822	\$	\$ 431	\$ 391
Receivables	242	413		655
<b>Total assets</b>	<b>\$ 1,064</b>	<b>\$ 413</b>	<b>\$ 431</b>	<b>\$ 1,046</b>
<b>Liabilities</b>				
Deposits held for others	\$ 356	\$ 429	\$	\$ 785
Accounts payable	708		447	261
<b>Total liabilities</b>	<b>\$ 1,064</b>	<b>\$ 429</b>	<b>\$ 447</b>	<b>\$ 1,046</b>

**RIPTA Health Fund**

<b>Assets</b>	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
Cash and cash equivalents	\$ 1,234	\$	\$ 388	\$ 846
Receivables	1,933		217	1,716
<b>Total assets</b>	<b>\$ 3,167</b>	<b>\$</b>	<b>\$ 605</b>	<b>\$ 2,562</b>
<b>Liabilities</b>				
Deposits held for others	\$ 57	\$ 48	\$	\$ 105
Accounts payable	3,110		653	2,457
<b>Total liabilities</b>	<b>\$ 3,167</b>	<b>\$ 48</b>	<b>\$ 653</b>	<b>\$ 2,562</b>

**Employer Pension Contribution**

<b>Assets</b>	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
Cash and cash equivalents	\$	\$ 62,741	\$	\$ 62,741
<b>Total assets</b>	<b>\$</b>	<b>\$ 62,741</b>	<b>\$</b>	<b>\$ 62,741</b>
<b>Liabilities</b>				
Deposits held for others	\$	\$ 62,741	\$	\$ 62,741
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 62,741</b>	<b>\$</b>	<b>\$ 62,741</b>

(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, 2009**  
**(Expressed in Thousands)**

**Statutory Deposits**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,761	\$	\$ 10,761	\$
Deposits held as security for entities doing business in the State	77,016	6,845		83,861
<b>Total assets</b>	<b>\$ 87,777</b>	<b>\$ 6,845</b>	<b>\$ 10,761</b>	<b>\$ 83,861</b>
<b>Liabilities</b>				
Deposits held for others	\$ 87,777	\$	\$ 3,916	\$ 83,861
<b>Total liabilities</b>	<b>\$ 87,777</b>	<b>\$</b>	<b>\$ 3,916</b>	<b>\$ 83,861</b>

**Court Deposits**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 12,833	\$	\$ 2,881	\$ 9,952
<b>Total assets</b>	<b>\$ 12,833</b>	<b>\$</b>	<b>\$ 2,881</b>	<b>\$ 9,952</b>
<b>Liabilities</b>				
Deposits held for others	\$ 12,833	\$	\$ 2,881	\$ 9,952
<b>Total liabilities</b>	<b>\$ 12,833</b>	<b>\$</b>	<b>\$ 2,881</b>	<b>\$ 9,952</b>

**Total - All Agency Funds**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 25,650	\$ 62,741	\$ 14,461	\$ 73,930
Deposits held as security for entities doing business in the State	77,016	6,845		83,861
Receivables	2,175	413	217	2,371
<b>Total assets</b>	<b>\$ 104,841</b>	<b>\$ 69,999</b>	<b>\$ 14,678</b>	<b>\$ 160,162</b>
<b>Liabilities</b>				
Deposits held for others	\$ 101,023	\$ 63,218	\$ 6,797	\$ 157,444
Accounts payable	3,818		1,100	2,718
<b>Total liabilities</b>	<b>\$ 104,841</b>	<b>\$ 63,218</b>	<b>\$ 7,897</b>	<b>\$ 160,162</b>

(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.

**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.

## **Discretely Presented Component Units**

**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, 2009**  
**(Expressed in Thousands)**

	<u>RIHMFC</u>	<u>RISLA</u>	<u>RITBA</u>	<u>RIEDC</u>	<u>NBC</u>	<u>RIHEBC</u>	<u>RIRRC</u>
<b>Assets</b>							
Current Assets:							
Cash and cash equivalents	\$ 2,640	\$ 2,484	\$ 5,043	\$ 33,347	\$ 13,302	\$ 391	\$ 5,332
Investments				10,000		5,852	
Receivables (net)	935	97,799	1	7,556	22,674	1,230	6,059
Restricted assets:							
Cash and cash equivalents	178,354	29,109	4,958	38,759			
Investments	111,211	13,828	3,617				
Receivables (net)	20,654			1,818			
Other assets	6,651		265	4,751			
Due from primary government				35,244			
Due from other governments							
Due from other component units							
Inventories			413				4,127
Other assets	1,893	1,438	117	1,489	232	39	781
Total current assets	<u>322,338</u>	<u>144,658</u>	<u>14,414</u>	<u>132,964</u>	<u>36,208</u>	<u>7,512</u>	<u>16,299</u>
Noncurrent Assets:							
Investments			15,153				
Receivables (net)	91,226	1,019,273		12,335		2,081	
Restricted assets:							
Cash and cash equivalents				81,799	46,953		575
Investments	92,572			16,823			1,645
Receivables (net)	1,543,465			373			
Other assets	13,834			32,819			81,057
Capital assets - nondepreciable			3,117	161,532	433,998		15,159
Capital assets - depreciable (net)		2,764	85,096	415,920	222,570	45	44,944
Other assets, net of amortization	21,712	5,239	128	8,708	5,227		15,431
Total noncurrent assets	<u>1,762,809</u>	<u>1,027,276</u>	<u>103,494</u>	<u>730,309</u>	<u>708,748</u>	<u>2,126</u>	<u>158,811</u>
Total assets	<u>2,085,147</u>	<u>1,171,934</u>	<u>117,908</u>	<u>863,273</u>	<u>744,956</u>	<u>9,638</u>	<u>175,110</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable		941	2,139	44,410	5,314		6,646
Due to primary government							3,000
Due to other component units		3					
Due to other governments		22,351					
Deferred revenue		7,660	1,509	5,197	280		
Other liabilities	216,769	3,536	473	5,601	6,337	126	3,378
Current portion of long-term debt	103,804	7,728	2,180	7,260	18,331		1,480
Total current liabilities	<u>320,573</u>	<u>42,219</u>	<u>6,301</u>	<u>62,468</u>	<u>30,262</u>	<u>126</u>	<u>14,504</u>
Noncurrent liabilities:							
Due to primary government							
Due to other governments							
Due to other component units							
Deferred revenue	6,385			239			
Notes payable		2,048					
Loans payable				365,227	254,797		
Obligations under capital leases				1,543	259		
Net OPEB obligation	2,058				115		
Other liabilities		12,714		4,856			87,601
Compensated absences					73		
Bonds payable	1,480,115	1,039,112	21,504		154,524		13,730
Total noncurrent liabilities	<u>1,488,558</u>	<u>1,053,874</u>	<u>21,504</u>	<u>371,865</u>	<u>409,768</u>		<u>101,331</u>
Total liabilities	<u>1,809,131</u>	<u>1,096,093</u>	<u>27,805</u>	<u>434,333</u>	<u>440,030</u>	<u>126</u>	<u>115,835</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	9,138	33	62,835	298,360	240,724	45	52,380
Restricted for:							
Debt	214,214	74,334	8,219				
Other				80,164	157		284
Other nonexpendable	2,412						
Unrestricted	50,252	1,474	19,049	50,416	64,045	9,467	6,611
Total net assets	<u>\$ 276,016</u>	<u>\$ 75,841</u>	<u>\$ 90,103</u>	<u>\$ 428,940</u>	<u>\$ 304,926</u>	<u>\$ 9,512</u>	<u>\$ 59,275</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2009**  
**(Expressed in Thousands)**

	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$ 4,153	\$ 5,305	\$ 465	\$ 72,970	\$ 3,252	\$ 837	\$ 305	\$ 192
Investments	11,481	3,291		11,868			1	2,804
Receivables (net)	715	5,262	1	54,810	4	1,286	584	558
Restricted assets:								
Cash and cash equivalents				11,572				76
Investments				155,092				1,669
Receivables (net)								
Other assets								2
Due from primary government		3,751						
Due from other governments	344							
Due from other component units			7					
Inventories		2,834					19	
Other assets	193	130		153		35	32	18
Total current assets	<u>16,886</u>	<u>20,573</u>	<u>473</u>	<u>306,465</u>	<u>3,256</u>	<u>2,158</u>	<u>941</u>	<u>5,319</u>
Noncurrent Assets:								
Investments	5,629					1,433		
Receivables (net)	1,357			678,949				
Restricted assets:								
Cash and cash equivalents	621		696					
Investments								
Receivables (net)								
Other assets								
Capital assets - nondepreciable	194	24,048			181		1,354	
Capital assets - depreciable (net)	1,255	70,875		37	339		5,423	9
Other assets, net of amortization				6,104	697	94	56	15
Total noncurrent assets	<u>9,056</u>	<u>94,923</u>	<u>696</u>	<u>685,090</u>	<u>1,217</u>	<u>1,527</u>	<u>6,833</u>	<u>24</u>
Total assets	<u>25,942</u>	<u>115,496</u>	<u>1,169</u>	<u>991,555</u>	<u>4,473</u>	<u>3,685</u>	<u>7,774</u>	<u>5,343</u>
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	718	7,421		272	2	16	299	156
Due to primary government		447					232	
Due to other component units			44		51			
Due to other governments	30							
Deferred revenue		1	113		93	295	99	75
Other liabilities	507	6,292		7,227		90	82	879
Current portion of long-term debt	91			30,000		1,734		
Total current liabilities	<u>1,346</u>	<u>14,161</u>	<u>157</u>	<u>37,499</u>	<u>146</u>	<u>2,135</u>	<u>712</u>	<u>1,110</u>
Noncurrent liabilities:								
Due to primary government		7,492						
Due to other governments								
Due to other component units			696					
Deferred revenue	441							
Notes payable								
Loans payable								
Obligations under capital leases								
Net OPEB obligation		12,067					30	
Other liabilities	215	7,236		4,587	696			
Compensated absences	212						222	
Bonds payable				589,218		4,980		
Total noncurrent liabilities	<u>868</u>	<u>26,795</u>	<u>696</u>	<u>593,805</u>	<u>696</u>	<u>4,980</u>	<u>252</u>	
Total liabilities	<u>2,214</u>	<u>40,956</u>	<u>853</u>	<u>631,304</u>	<u>842</u>	<u>7,115</u>	<u>964</u>	<u>1,110</u>
<b>Net assets</b>								
Invested in capital assets, net of related debt	1,450	86,983		37	520		6,777	9
Restricted for:								
Debt				336,939				
Other	22,278					(3,502)	889	1,747
Other nonexpendable								
Unrestricted		(12,443)	316	23,275	3,111	72	(856)	2,477
Total net assets	<u>\$ 23,728</u>	<u>\$ 74,540</u>	<u>\$ 316</u>	<u>\$ 360,251</u>	<u>\$ 3,631</u>	<u>\$ (3,430)</u>	<u>\$ 6,810</u>	<u>\$ 4,233</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2009**  
**(Expressed in Thousands)**

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 76,587	\$ 18,805	\$ 17,822	\$ 3,677	\$ 266,909
Investments					45,297
Receivables (net)	30,238	4,569	3,100	90	237,471
Restricted assets:					
Cash and cash equivalents	1,556		155		264,539
Investments					285,417
Receivables (net)					22,472
Other assets					11,669
Due from primary government	5,747	1,294	2,016	2,763	50,815
Due from other governments				2	346
Due from other component units				225	232
Inventories					7,393
Other assets	4,061	777	707		12,095
Total current assets	<u>118,189</u>	<u>25,445</u>	<u>23,800</u>	<u>6,757</u>	<u>1,204,655</u>
Noncurrent Assets:					
Investments	71,346	16,367	1,445		111,373
Receivables (net)	18,244	4,397	93		1,827,955
Restricted assets:					
Cash and cash equivalents	5	168	1,159		131,976
Investments					111,040
Receivables (net)					1,543,838
Other assets	31,536	689	763		160,698
Capital assets - nondepreciable	13,503	11,750	4,960		669,796
Capital assets - depreciable (net)	435,647	79,859	41,592	3,261	1,409,636
Other assets, net of amortization	12,086	16			75,513
Total noncurrent assets	<u>582,367</u>	<u>113,246</u>	<u>50,012</u>	<u>3,261</u>	<u>6,041,825</u>
Total assets	<u>700,556</u>	<u>138,691</u>	<u>73,812</u>	<u>10,018</u>	<u>7,246,480</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	30,657	6,960	7,497	4,937	118,385
Due to primary government		716		21	4,416
Due to other component units					98
Due to other governments					22,381
Deferred revenue	12,906	2,101	2,351		32,680
Other liabilities	1,257	4,819	776		258,149
Current portion of long-term debt	8,054	4,229	4,666	144	189,701
Total current liabilities	<u>52,874</u>	<u>18,825</u>	<u>15,290</u>	<u>5,102</u>	<u>625,810</u>
Noncurrent liabilities:					
Due to primary government		17,921			25,413
Due to other governments		3,752			3,752
Due to other component units					696
Deferred revenue					7,065
Notes payable		1,696			3,744
Loans payable	1,121				621,145
Obligations under capital leases	10,312		1,610	27	13,751
Net OPEB obligation	2,073	1,558	1,108	3,679	22,688
Other liabilities	12,712	262	38		130,917
Compensated absences	16,245	1,516	74	1,462	19,804
Bonds payable	202,257	10,492	2,236		3,518,168
Total noncurrent liabilities	<u>244,720</u>	<u>37,197</u>	<u>5,066</u>	<u>5,168</u>	<u>4,367,143</u>
Total liabilities	<u>297,594</u>	<u>56,022</u>	<u>20,356</u>	<u>10,270</u>	<u>4,992,953</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	268,682	60,246	39,100	3,209	1,130,528
Restricted for:					
Debt					633,706
Other	30,597	3,805	5,349	217	141,985
Other nonexpendable	78,022	15,177			95,611
Unrestricted	25,661	3,441	9,007	(3,678)	251,697
Total net assets	<u>\$ 402,962</u>	<u>\$ 82,669</u>	<u>\$ 53,456</u>	<u>\$ (252)</u>	<u>\$ 2,253,527</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, 2009**  
**(Expressed in Thousands)**

	<b>RIHMFC</b>	<b>RISLA</b>	<b>RITBA</b>	<b>RIEDC</b>	<b>NBC</b>
<b>Operating revenues:</b>					
Charges for services	\$ 5,976	\$	\$ 12,547	\$ 60,654	\$ 70,525
Interest income on loans	91,421	43,333		681	
Investment income (net)	11,554	1,452			
Other operating income		1,048	742	200	19
Total operating revenues	<u>108,951</u>	<u>45,833</u>	<u>13,289</u>	<u>61,535</u>	<u>70,544</u>
<b>Operating expenses:</b>					
Personal services	12,586	3,299	2,548	25,219	17,833
Supplies, materials, and services	5,136	6,368	5,672	19,028	14,206
Interest expense	72,044	31,458			
Grants, scholarships and contract programs	8,622			328	
Depreciation, depletion and amortization	2,598	1,242	3,419	19,774	7,302
Other operating expenses	4,335	4,946		8,356	1,638
Total operating expenses	<u>105,321</u>	<u>47,313</u>	<u>11,639</u>	<u>72,705</u>	<u>40,979</u>
Operating income (loss)	<u>3,630</u>	<u>(1,480)</u>	<u>1,650</u>	<u>(11,170)</u>	<u>29,565</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue			1,001	4,961	420
Grants				6,881	34
Payments (to) from primary government				22,954	
Gain (loss) on sale of property				256	
Interest expense			(1,145)	(17,591)	(12,013)
Investment income (net)			501		
Other nonoperating revenue (expenses)			62	(3,069)	170
Total nonoperating revenue (expenses)			<u>419</u>	<u>14,392</u>	<u>(11,389)</u>
Income (loss) before contributions	3,630	(1,480)	2,069	3,222	18,176
Capital contributions				77,768	
Change in net assets	<u>3,630</u>	<u>(1,480)</u>	<u>2,069</u>	<u>80,990</u>	<u>18,176</u>
Total net assets - beginning as restated	272,386	77,321	88,034	347,950	286,750
Total net assets - ending	<u>\$ 276,016</u>	<u>\$ 75,841</u>	<u>\$ 90,103</u>	<u>\$ 428,940</u>	<u>\$ 304,926</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, 2009**  
**(Expressed in Thousands)**

	<b>RIHEBC</b>	<b>RIRRC</b>	<b>RIHEAA</b>	<b>RIPTA</b>	<b>RIIFC</b>
<b>Operating revenues:</b>					
Charges for services	\$ 2,058	\$ 41,533	\$ 14,956	\$ 32,043	\$ 73
Interest income on loans	154				
Investment income (net)					
Other operating income		3,993	30	1,967	4
Total operating revenues	<u>2,212</u>	<u>45,526</u>	<u>14,986</u>	<u>34,010</u>	<u>77</u>
<b>Operating expenses:</b>					
Personal services		12,466	2,971	70,049	
Supplies, materials, and services		18,583	10,443	20,794	97
Interest expense					
Grants, scholarships and contract programs		1,040	12,237		
Depreciation, depletion and amortization	12	10,408	244	9,814	
Other operating expenses	2,443	221		4,427	17
Total operating expenses	<u>2,455</u>	<u>42,718</u>	<u>25,895</u>	<u>105,084</u>	<u>114</u>
Operating income (loss)	<u>(243)</u>	<u>2,808</u>	<u>(10,909)</u>	<u>(71,074)</u>	<u>(37)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	76	1,628	559	104	5
Grants			574	21,181	
Payments (to) from primary government		(7,500)	7,284	33,613	
Gain (loss) on sale of property	(3)	26		(398)	
Interest expense		(779)		(693)	
Investment income (net)	(25)				
Other nonoperating revenue (expenses)		1,000	133	3,476	(125)
Total nonoperating revenue (expenses)	<u>48</u>	<u>(5,625)</u>	<u>8,550</u>	<u>57,283</u>	<u>(120)</u>
Income (loss) before contributions	(195)	(2,817)	(2,359)	(13,791)	(157)
Capital contributions				20,657	
Change in net assets	<u>(195)</u>	<u>(2,817)</u>	<u>(2,359)</u>	<u>6,866</u>	<u>(157)</u>
Total net assets - beginning as restated	9,707	62,092	26,087	67,674	473
Total net assets - ending	<u>\$ 9,512</u>	<u>\$ 59,275</u>	<u>\$ 23,728</u>	<u>\$ 74,540</u>	<u>\$ 316</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, 2009**  
**(Expressed in Thousands)**

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>
<b>Operating revenues:</b>					
Charges for services	\$	\$ 784	\$ 1,097	\$ 1,960	\$
Interest income on loans	16,365				
Investment income (net)	9,630				(757)
Other operating income	6,512			2,085	3,328
Total operating revenues	<u>32,507</u>	<u>784</u>	<u>1,097</u>	<u>4,045</u>	<u>2,571</u>
<b>Operating expenses:</b>					
Personal services	583			3,505	2,190
Supplies, materials, and services		119	27	141	41
Interest expense	27,651				5
Grants, scholarships and contract programs					1,239
Depreciation, depletion and amortization	423	14	104	968	16
Other operating expenses	3,204	21		1,542	395
Total operating expenses	<u>31,861</u>	<u>154</u>	<u>131</u>	<u>6,156</u>	<u>3,886</u>
Operating income (loss)	<u>646</u>	<u>630</u>	<u>966</u>	<u>(2,111)</u>	<u>(1,315)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue		41	70	18	
Grants	8,186				
Payments (to) from primary government				2,018	528
Gain (loss) on sale of property					
Interest expense			(298)	(14)	
Investment income (net)				(143)	
Other nonoperating revenue (expenses)			3	53	
Total nonoperating revenue (expenses)	<u>8,186</u>	<u>41</u>	<u>(225)</u>	<u>1,932</u>	<u>528</u>
Income (loss) before contributions	8,832	671	741	(179)	(787)
Capital contributions					
Change in net assets	<u>8,832</u>	<u>671</u>	<u>741</u>	<u>(179)</u>	<u>(787)</u>
Total net assets - beginning as restated	351,419	2,960	(4,171)	6,989	5,020
Total net assets - ending	<u>\$ 360,251</u>	<u>\$ 3,631</u>	<u>\$ (3,430)</u>	<u>\$ 6,810</u>	<u>\$ 4,233</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, 2009**  
**(Expressed in Thousands)**

	<b>URI</b>	<b>RIC</b>	<b>CCRI</b>	<b>CFSD</b>	<b>Totals</b>
<b>Operating revenues:</b>					
Charges for services	\$ 239,096	\$ 61,106	\$ 35,098	\$ 1,277	\$ 580,783
Interest income on loans					151,954
Investment income (net)					21,879
Other operating income	104,335	19,351	27,159	11,617	182,390
Total operating revenues	<u>343,431</u>	<u>80,457</u>	<u>62,257</u>	<u>12,894</u>	<u>937,006</u>
<b>Operating expenses:</b>					
Personal services	252,676	87,383	73,393	44,002	610,703
Supplies, materials, and services	116,579	25,107	27,349	11,492	281,182
Interest expense					131,158
Grants, scholarships and contract programs	18,975	5,738	3,380	4	51,563
Depreciation, depletion and amortization	21,204	5,106	3,089	260	85,997
Other operating expenses			144		31,689
Total operating expenses	<u>409,434</u>	<u>123,334</u>	<u>107,355</u>	<u>55,758</u>	<u>1,192,292</u>
Operating income (loss)	<u>(66,003)</u>	<u>(42,877)</u>	<u>(45,098)</u>	<u>(42,864)</u>	<u>(255,286)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue				11	8,894
Grants		2,591	820		40,267
Payments (to) from primary government	62,319	39,895	44,809	41,572	247,492
Gain (loss) on sale of property					(119)
Interest expense	(8,936)	(1,556)	(127)	(4)	(43,156)
Investment income (net)	(18,839)	(3,350)	(64)		(21,920)
Other nonoperating revenue (expenses)	14,372	17			16,092
Total nonoperating revenue (expenses)	<u>48,916</u>	<u>37,597</u>	<u>45,438</u>	<u>41,579</u>	<u>247,550</u>
Income (loss) before contributions	(17,087)	(5,280)	340	(1,285)	(7,736)
Capital contributions	48,267	9,861	1,222		157,775
Change in net assets	<u>31,180</u>	<u>4,581</u>	<u>1,562</u>	<u>(1,285)</u>	<u>150,039</u>
Total net assets - beginning as restated	371,782	78,088	51,894	1,033	2,103,488
Total net assets - ending	<u>\$ 402,962</u>	<u>\$ 82,669</u>	<u>\$ 53,456</u>	<u>\$ (252)</u>	<u>\$ 2,253,527</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.

	<u>Page</u>
Contents	
Financial Trends	162
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
Revenue Capacity	168
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity	175
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.	
Demographic and Economic Information	177
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
Operating Information	179
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.	

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 Eight Fiscal Years**  
(accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year							
	2009	2008*	2007	2006	2005	2004	2003	2002
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 1,959,118	\$ 1,877,872	\$ 1,691,793	\$ 1,591,074	\$ 816,578	\$ 675,696	\$ 481,460	\$ 371,614
Restricted	420,215	427,588	373,788	369,137	315,370	301,346	273,559	196,913
Unrestricted	(1,543,698)	(1,429,272)	(1,082,664)	(929,476)	(936,437)	(981,605)	(860,310)	(124,431)
<b>Total governmental activities net assets (as restated)</b>	<b>\$ 835,635</b>	<b>\$ 876,188</b>	<b>\$ 982,917</b>	<b>\$ 1,030,735</b>	<b>\$ 195,511</b>	<b>\$ (4,563)</b>	<b>\$ (105,291)</b>	<b>\$ 444,096</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ (59,453)	\$ (60,902)	\$ (109,435)	\$ (131,941)	\$ (71,413)	\$ (84,910)	\$ (83,896)	\$ (84,909)
Restricted	20,130	198,928	294,395	302,689	233,476	251,596	283,944	340,512
Unrestricted	(7,251)	(15,345)	(16,616)	(10,691)	(10,183)	(14,351)	(12,455)	1,650
<b>Total business-type activities net assets</b>	<b>\$ (46,574)</b>	<b>\$ 122,681</b>	<b>\$ 168,344</b>	<b>\$ 160,057</b>	<b>\$ 151,880</b>	<b>\$ 152,335</b>	<b>\$ 187,593</b>	<b>\$ 257,253</b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$ 1,899,665	\$ 1,816,970	\$ 1,582,358	\$ 1,459,133	\$ 745,165	\$ 590,786	\$ 397,564	\$ 286,705
Restricted	440,345	626,516	668,183	671,826	548,846	552,942	557,503	537,425
Unrestricted	(1,550,949)	(1,444,617)	(1,099,280)	(940,167)	(946,620)	(995,956)	(872,765)	(122,781)
<b>Total primary government net assets (as restated)</b>	<b>\$ 789,061</b>	<b>\$ 998,869</b>	<b>\$ 1,151,261</b>	<b>\$ 1,190,792</b>	<b>\$ 347,391</b>	<b>\$ 147,772</b>	<b>\$ 82,302</b>	<b>\$ 701,349</b>

- ( 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.

\* - Restated

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>								
Governmental activities:								
General government	\$ 754,386	\$ 894,766	\$ 858,729	\$ 527,841	\$ 503,659	\$ 474,640	\$ 459,989	\$ 455,489
Human services	2,719,346	2,736,956	2,519,745	2,622,935	2,512,628	2,420,998	2,244,980	2,115,220
Education	1,287,577	1,361,310	1,320,384	287,119	264,385	75,654	103,476	339,455
Public safety	414,830	428,351	391,354	370,706	336,069	321,015	309,569	288,291
Natural resources	75,103	90,087	91,758	74,695	65,913	61,839	67,597	138,287
Transportation	324,007	240,644	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	136,737	133,298	107,211	92,121	116,171	104,760	98,831	79,381
Total governmental activities	<u>5,711,986</u>	<u>5,885,412</u>	<u>5,570,699</u>	<u>5,511,984</u>	<u>5,152,850</u>	<u>4,979,759</u>	<u>4,693,524</u>	<u>4,505,746</u>
Business-type activities:								
Lottery	2,215,602	2,042,722	1,487,239	1,409,134	1,330,298	1,200,059	1,054,764	958,626
Convention Center	48,764	41,007	42,859	37,862	35,746	62,622	59,372	57,900
Employment insurance	573,288	259,246	210,060	197,724	209,018	238,220	262,585	231,665
Total business-type activities	<u>2,837,654</u>	<u>2,342,975</u>	<u>1,740,158</u>	<u>1,644,720</u>	<u>1,575,062</u>	<u>1,500,901</u>	<u>1,376,721</u>	<u>1,248,191</u>
Total Primary government expenses	<u>\$ 8,549,640</u>	<u>\$ 8,228,387</u>	<u>\$ 7,310,857</u>	<u>\$ 7,156,704</u>	<u>\$ 6,727,912</u>	<u>\$ 6,480,660</u>	<u>\$ 6,070,245</u>	<u>\$ 5,753,937</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	\$ 168,210	\$ 178,590	\$ 132,152	\$ 146,575	\$ 141,290	\$ 137,913	\$ 108,369	\$ 140,869
Human services	187,973	167,241	125,901	127,738	122,212	124,716	113,247	98,789
Education	8,335	36,241	11,180	5,638	3,469	3,320	2,877	2,744
Public safety	32,770	36,194	49,821	53,851	46,216	43,487	60,341	30,230
Natural resources	31,385	31,753	31,932	27,487	30,340	31,191	25,807	30,573
Transportation	181	(207)	875	(561)	8,257	1,739	3,092	2,802
Operating grants and contributions	2,114,821	1,827,704	1,716,318	1,821,134	1,794,965	1,703,526	1,452,834	1,315,974
Capital grants and contributions	103,515	112,712	151,528	156,828	97,681	156,372	191,993	176,071
Total governmental activities program revenues	<u>2,647,190</u>	<u>2,390,228</u>	<u>2,219,707</u>	<u>2,338,690</u>	<u>2,244,430</u>	<u>2,202,264</u>	<u>1,958,560</u>	<u>1,798,052</u>
Business-type activities:								
Charges for services	2,772,889	2,601,083	2,028,470	1,947,732	1,835,511	1,684,585	1,473,723	1,345,922
Operating grants and contributions	194,857	3,285	4,607	2,342	2,633	29,492	45,712	50,656
Total business-type activities program revenues	<u>2,967,746</u>	<u>2,604,368</u>	<u>2,033,077</u>	<u>1,950,074</u>	<u>1,838,144</u>	<u>1,714,077</u>	<u>1,519,435</u>	<u>1,396,578</u>

(Continued)

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Total primary government program revenues	\$ 5,614,936	\$ 4,994,596	\$ 4,252,784	\$ 4,288,764	\$ 4,082,574	\$ 3,916,341	\$ 3,477,995	\$ 3,194,630
<b>Net (Expenses)/Revenues</b>								
Governmental activities	(3,064,796)	(3,495,184)	(3,350,992)	(3,173,294)	(2,908,420)	(2,777,495)	(2,734,964)	(2,707,694)
Business-type activities	130,092	261,393	292,919	305,354	263,082	213,176	142,714	148,387
Total primary government net expenses	\$ (2,934,704)	\$ (3,233,791)	\$ (3,058,073)	\$ (2,867,940)	\$ (2,645,338)	\$ (2,564,319)	\$ (2,592,250)	\$ (2,559,307)
<b>General Revenue and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes	\$ 2,588,417	\$ 2,820,709	\$ 2,842,828	\$ 2,794,230	\$ 2,687,684	\$ 2,477,453	\$ 2,335,329	\$ 2,187,342
Interest and investment earnings	9,435	32,466	37,539	25,644	14,443	9,812	7,668	10,005
Miscellaneous	95,758	121,273	106,543	114,362	104,411	136,122	160,547	153,947
Gain on sale of capital assets	1,656	3,026			853			
Special items							1,511	525,276
Transfers	315,408	324,928	304,906	312,755	293,993	266,886	235,064	198,969
Payments from component units	13,569	39,284	10,108	14,715	18,503			
Total governmental activities	3,024,243	3,341,686	3,301,924	3,261,706	3,119,887	2,890,273	2,740,119	3,075,539
Business-type activities:								
Interest and investment earnings	4,279	9,531	12,137	8,826	10,875	12,884	17,336	21,134
Miscellaneous	11,782	8,341	8,137	6,752	7,633	5,568	5,354	7,615
Special items					11,948			
Transfers	(315,408)	(324,928)	(304,906)	(312,755)	(293,993)	(266,886)	(235,064)	(198,969)
Total business-type activities	(299,347)	(307,056)	(284,632)	(297,177)	(263,537)	(248,434)	(212,374)	(170,220)
Total primary government	2,724,896	3,034,630	3,017,292	2,964,529	2,856,350	2,641,839	2,527,745	2,905,319
<b>Changes in Net Assets</b>								
Governmental activities	(40,553)	(153,498)	(49,068)	88,412	211,467	112,778	5,155	367,845
Business-type activities	(169,255)	(45,663)	8,287	8,177	(455)	(35,258)	(69,660)	(21,833)
Total primary government	\$ (209,808)	\$ (199,161)	\$ (40,781)	\$ 96,589	\$ 211,012	\$ 77,520	\$ (64,505)	\$ 346,012

(Concluded)

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

	Fiscal Year							
	2009	2008*	2007	2006	2005	2004	2003	2002
General Fund								
Reserved	\$ 132,245	\$ 149,605	\$ 144,166	\$ 164,866	\$ 146,103	\$ 131,843	\$ 129,205	\$ 132,761
Unreserved	(62,286)	(42,950)	-	38,331	38,699	24,451	42,634	31,039
Total General Fund	<u>\$ 69,959</u>	<u>\$ 106,655</u>	<u>\$ 144,166</u>	<u>\$ 203,197</u>	<u>\$ 184,802</u>	<u>\$ 156,294</u>	<u>\$ 171,839</u>	<u>\$ 163,800</u>
All Other Governmental Funds								
Reserved	\$ 274,180	\$ 264,727	\$ 260,607	\$ 220,612	\$ 224,483	\$ 217,048	\$ 189,911	\$ 20,887
Unreserved, reported in:								
Special Revenue Funds	93,498	7,805	155,482	22,759	32,588	36,458	25,403	241,461
Permanent Funds	1,368	2,173	1,186	988	917	875	837	786
Capital Projects Funds	450,303	303,965	360,026	469,018	388,829	298,920	70,153	87,130
Total All Other Governmental Funds	<u>\$ 819,349</u>	<u>\$ 578,670</u>	<u>\$ 777,301</u>	<u>\$ 713,377</u>	<u>\$ 646,817</u>	<u>\$ 553,301</u>	<u>\$ 286,304</u>	<u>\$ 350,264</u>

\* - Restated

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>								
Taxes	\$ 2,589,751	\$ 2,818,085	\$ 2,848,284	\$ 2,792,961	\$ 2,687,482	\$ 2,477,878	\$ 2,330,076	\$ 2,181,956
Licenses, fines, sales, and services	295,662	323,329	242,743	253,857	238,344	242,280	230,917	198,737
Departmental restricted revenue	134,029	125,883	110,059	105,181	113,589	107,407	78,126	79,840
Federal grants	2,218,816	1,936,610	1,869,336	1,962,375	1,884,104	1,847,200	1,597,545	1,487,126
Income from investments	9,014	31,522	36,068	24,941	13,770	10,310	7,808	9,632
Net increase in the fair value of investments								182
Other revenues	91,282	96,401	84,664	79,162	80,872	93,051	123,637	60,688
<b>Total operating revenues</b>	<b>5,338,554</b>	<b>5,331,830</b>	<b>5,191,154</b>	<b>5,218,477</b>	<b>5,018,161</b>	<b>4,778,126</b>	<b>4,368,109</b>	<b>4,018,161</b>
<b>Expenditures:</b>								
Current:								
General government	755,366	803,561	806,865	515,677	512,896	461,741	445,497	428,884
Human services	2,711,167	2,727,534	2,512,286	2,616,608	2,506,929	2,409,774	2,232,252	2,103,198
Education	1,225,394	1,289,687	1,267,255	284,294	265,001	72,838	101,270	92,035
Public safety	401,976	410,605	396,029	361,647	328,839	311,701	297,070	288,363
Natural resources	68,941	72,984	81,518	71,539	64,138	59,678	53,207	64,568
Transportation	299,881	244,638	310,019	247,248	209,470	161,974	143,635	122,208
Capital outlays	215,600	264,713	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	157,817	143,368	115,752	117,663	116,322	75,892	58,161	91,576
Interest and other charges	132,813	131,575	128,527	105,264	110,243	107,720	100,628	74,084
<b>Total operating expenditures</b>	<b>5,968,955</b>	<b>6,088,665</b>	<b>5,887,801</b>	<b>5,833,394</b>	<b>5,482,640</b>	<b>4,915,880</b>	<b>4,575,122</b>	<b>4,365,445</b>
Excess (deficiency) of revenues over (under) expenditures	(630,401)	(756,835)	(696,647)	(614,917)	(464,479)	(137,754)	(207,013)	(347,284)

(Continued)

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Other financing sources (uses):</b>								
Bonds and notes issued	427,180	131,755	314,852	320,820	87,095	415,435	139,905	175,205
Refunding bonds issued	12,445	46,570	74,835		117,010			
Proceeds from the sale of Certificates of Participation	54,610	59,185	45,325	6,000	139,410		3,890	
Premium and accrued interest	8,100	7,241	9,930	16,298	17,602	30,097	10,881	6,115
Operating transfers in	622,212	724,428	828,885	593,902	537,618	513,356	625,085	569,602
Payments from component units	13,568	39,284	10,108	14,715	18,503	15,568	18,770	26,721
Other	13,383	26,322	18,435	28,313	35,083	25,391	8,990	83,142
Payment to refunded bonds escrow agent	(12,697)	(111,253)	(78,198)		(123,300)	(72,160)	(85,358)	(335,539)
Discount on issuance of debt	(66)	(4)						
Operating transfers out	(304,351)	(403,012)	(522,631)	(280,176)	(242,515)	(245,246)	(388,351)	(360,543)
Operating transfers out to component units						(293,236)	(291,208)	(402,509)
<b>Total other financing sources (uses)</b>	<b>834,384</b>	<b>520,516</b>	<b>701,541</b>	<b>699,872</b>	<b>586,506</b>	<b>389,205</b>	<b>42,604</b>	<b>(237,806)</b>
Special items							1,510	544,238
<b>Net change in fund balances</b>	<b>\$ 203,983</b>	<b>\$ (236,319)</b>	<b>\$ 4,894</b>	<b>\$ 84,955</b>	<b>\$ 122,027</b>	<b>\$ 251,451</b>	<b>\$ (162,899)</b>	<b>\$ (40,852)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	5.3%	5.0%	4.5%	4.2%	4.5%	4.1%	3.8%	4.1%

(Concluded)

**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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Grocery, Food Stores, Delis, Bakeries	\$ 1,080.13	\$ 1,073.75	\$ 1,052.45	\$ 1,065.10	\$ 879.14	\$ 818.60	\$ 708.51	\$ 710.82	\$ 679.48	\$ 471.14
Restaurants and Bars	1,860.96	1,912.54	1,803.19	1,651.39	1,616.72	1,425.54	1,363.23	1,251.22	1,181.70	1,067.59
Room Rentals - Motels, Hotels	587.55	574.25	450.46	412.93	345.85	280.21	311.45	331.33	319.21	275.71
Utilities - Telephone, Electric, Gas, Water	641.09	636.72	668.28	549.40	582.11	570.53	553.80	788.43	759.32	590.38
<b>Total</b>	<b>\$ 4,169.73</b>	<b>\$ 4,197.26</b>	<b>\$ 3,974.38</b>	<b>\$ 3,678.82</b>	<b>\$ 3,423.82</b>	<b>\$ 3,094.89</b>	<b>\$ 2,936.99</b>	<b>\$ 3,081.79</b>	<b>\$ 2,939.71</b>	<b>\$ 2,404.82</b>
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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Farm Earnings	\$ 15	\$ 15	\$ 18	\$ 21	\$ 20	\$ 18	\$ 17	\$ 15	\$ 16	\$ 16
Forestry, Fishing and Other	32	49	54	49	53	51	51	8	126	116
Mining	29	29	27	24	19	18	15	1	13	14
Construction	1,539	1,675	1,708	1,591	1,488	1,423	1,123	1,215	1,142	1,072
Manufacturing	3,266	2,425	3,358	3,310	3,264	3,171	3,222	3,326	3,486	3,455
Wholesale Trade	1,373	1,385	1,295	1,238	1,136	1,093	1,044	998	1,155	1,003
Retail Trade	1,750	1,827	1,781	1,736	1,733	1,682	1,597	1,482	2,107	1,859
Transportation and Warehousing	493	497	481	447	446	436	838	765	1,134	1,019
Utilities (a)	312	286	288	276	273	276	N/A	N/A	N/A	N/A
Information	957	881	938	958	887	799	772	776	N/A	N/A
Finance, Insurance and Real Estate	2,348	2,217	2,067	2,029	2,508	2,339	2,162	2,090	1,820	1,658
Services	10,322	9,974	10,851	9,945	9,409	8,854	8,206	7,746	6,466	6,092
Federal/Civilian	1,063	1,058	962	952	936	864	849	798	776	715
Military	586	535	497	508	485	473	431	401	385	359
State and Local	3,768	3,609	3,478	3,434	3,228	3,089	2,922	2,755	2,645	2,448
<b>Total Personal Income</b>	<b>\$ 27,853</b>	<b>\$ 26,462</b>	<b>\$ 27,803</b>	<b>\$ 26,518</b>	<b>\$ 25,885</b>	<b>\$ 24,586</b>	<b>\$ 23,249</b>	<b>\$ 22,376</b>	<b>\$ 21,271</b>	<b>\$ 19,826</b>

N/A=not available

**Source** : 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Personal Income Tax Revenue	\$ 1,074	\$ 1,065	\$ 997	\$ 979	\$ 870	\$ 813	\$ 808	\$ 914	\$ 817	\$ 758
Personal Income	42,666	41,108	38,811	37,381	35,896	34,246	32,996	31,747	29,639	28,020
Average Effective Tax Rate	2.517%	2.591%	2.569%	2.619%	2.424%	2.374%	2.449%	2.879%	2.757%	2.705%

*Source: State Budget Office*

**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				
<b>Tax Year 2008</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 32,550	\$ 32,500 - 78,850	\$ 78,850 - 164,550	\$ 164,550 - 357,700	over \$ 357,700
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 54,400	\$ 54,400 - 131,450	\$ 131,450 - 200,300	\$ 200,150 - 357,700	over \$ 357,700
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 27,200	\$ 27,200 - 65,725	\$ 65,725 - 100,150	\$ 100,150 - 178,850	over \$ 178,850
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 43,650	\$ 43,650 - 112,650	\$ 112,650 - 182,400	\$ 182,400 - 357,700	over \$ 357,700
<b>Tax Year 2007</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 31,850	\$ 31,850 - 77,100	\$ 77,100 - 160,850	\$ 160,850 - 349,700	over \$ 349,700
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 53,150	\$ 53,150 - 128,500	\$ 128,500 - 195,850	\$ 195,850 - 349,700	over \$ 349,700
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 26,575	\$ 26,575 - 64,250	\$ 64,250 - 97,925	\$ 97,925 - 174,850	over \$ 174,850
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 42,650	\$ 42,650 - 110,100	\$ 110,100 - 178,350	\$ 178,350 - 349,700	over \$ 349,700
<b>Tax Year 2006</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 30,650	\$ 30,650 - 74,200	\$ 74,200 - 154,800	\$ 154,800 - 336,550	over \$ 336,550
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 51,200	\$ 51,200 - 123,700	\$ 123,700 - 188,450	\$ 188,450 - 336,550	over \$ 336,550
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 25,600	\$ 25,600 - 61,850	\$ 61,850 - 94,225	\$ 94,225 - 168,275	over \$ 168,275
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 41,050	\$ 41,050 - 106,000	\$ 106,000 - 171,650	\$ 171,650 - 336,550	over \$ 336,550
<b>Tax Year 2005</b>						
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
<b>Tax Year 2004</b>						
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

Tax Year 2000		
Percentage of Federal Tax Liability	Tax Rate	26.000%

Tax Year 1999		
Percentage of Federal Tax Liability	Tax Rate	26.500%

(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 2008

<u>Tax Year 2008</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	181,203	38.51%	\$ 21,745,670	2.36%
\$25,001 - \$50,000	113,942	24.22%	89,681,972	9.73%
\$50,001 - \$75,000	67,994	14.45%	113,636,913	12.33%
\$75,001 - \$100,000	43,135	9.17%	112,257,494	12.18%
\$100,001 - \$200,000	51,738	11.00%	262,885,354	28.53%
\$200,001 - \$500,000	10,362	2.20%	157,222,123	17.06%
\$500,001 - \$1,000,000	1,471	0.31%	60,830,316	6.60%
\$1,000,001 and greater	639	0.14%	103,054,792	11.19%
	<u>470,484</u>	<u>100.00%</u>	<u>\$ 921,314,634</u>	<u>100.00%</u>

<u>Tax Year 2007</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	188,813	39.06%	\$ 23,474,554	2.31%
\$25,001 - \$50,000	117,159	24.23%	93,066,232	9.14%
\$50,001 - \$75,000	69,086	14.29%	115,072,079	11.30%
\$75,001 - \$100,000	43,392	8.98%	113,148,145	11.11%
\$100,001 - \$200,000	51,045	10.56%	257,934,287	25.33%
\$200,001 - \$500,000	11,187	2.31%	169,393,520	16.64%
\$500,001 - \$1,000,000	1,769	0.37%	72,958,570	7.17%
\$1,000,001 and greater	981	0.20%	173,123,590	17.00%
	<u>483,432</u>	<u>100.00%</u>	<u>\$ 1,018,170,977</u>	<u>100.00%</u>

<u>Tax Year 2006</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	186,777	39.29%	\$ 24,824,956	2.41%
\$25,001 - \$50,000	117,943	24.81%	95,815,612	9.30%
\$50,001 - \$75,000	68,647	14.44%	115,882,393	11.25%
\$75,001 - \$100,000	42,285	8.90%	112,897,362	10.96%
\$100,001 - \$200,000	46,714	9.83%	242,469,428	23.54%
\$200,001 - \$500,000	10,339	2.17%	163,620,232	15.89%
\$500,001 - \$1,000,000	1,735	0.36%	77,989,258	7.57%
\$1,000,001 and greater	917	0.19%	196,446,444	19.07%
	<u>475,357</u>	<u>100.00%</u>	<u>\$ 1,029,945,685</u>	<u>100.00%</u>

<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>

**State of Rhode Island and Providence Plantations**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
Tax Years 2002 through 2008

<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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Governmental Activities</b>										
General obligation bonds	\$ 997,398	\$ 916,531	\$ 848,666	\$ 810,485	\$ 770,070	\$ 728,644	\$ 687,455	\$ 888,014	\$ 917,404	\$ 824,646
Revenue bonds (blended component units)(b)	867,776	902,871	729,695	749,445	766,410	786,095	818,495	147,385	161,210	174,315
Capital leases (c)	236,060	256,865	226,755	232,464	102,885	113,446	116,929	442,275	424,943	426,530
Special purpose bonds (a)	358,065	390,110	418,300	228,305	264,210					
<b>Total governmental activities</b>	<u>2,459,299</u>	<u>2,466,377</u>	<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>
<b>Business-type Activities</b>										
Revenue bonds (d)	270,960	279,935	287,185	202,855	302,320	310,005	319,435			
Bonds Payable (d)					153	153	1,153			
<b>Total business-type activities</b>	<u>270,960</u>	<u>279,935</u>	<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>
<b>Total primary government</b>	<u>\$ 2,730,259</u>	<u>\$ 2,746,312</u>	<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>
Debt as a Percentage of Personal Income	6.9%	6.2%	6.3%	5.9%	6.0%	5.7%	5.9%	4.6%	4.9%	4.9%
Amount of Debt Per Capita	\$ 3	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1

**Source:** Financials/notes

(a) Special purpose bonds were sold in 2004

(b) Tobacco Settlement revenue bonds were first 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 Years**  
(expressed in thousands)

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenue Bonds-Refunding Bond Authority</b>										
Revenue -lease and rental payments (a)	\$ 24	\$ 31	\$ 37	\$ 34	\$ 30	\$ 2,919	\$ 7,184	\$ 8,474	\$ 9,178	\$ 9,074
Less: operating expenses	24	31	37	34	31	2,921	8,219	8,123	8,217	9,940
Net available revenue	<u>\$ 0</u>	<u>\$ 0</u>	<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>
Debt service										
Principal	\$ 18,475	\$ 18,475	\$ 17,610	\$ 14,295	\$ 10,115	\$ 15,975	\$ 15,115	\$ 14,280	\$ 13,825	\$ 13,105
Interest	1,742	1,742	2,785	3,562	3,981	4,415	6,838	7,545	8,221	9,952
Coverage (b)	0.00%	0.00%	0.00%	0.00%	-0.01%	-0.01%	-4.71%	1.61%	4.36%	-3.76%
<b>Revenue Bonds-Tobacco Settlement Finance Corporation</b>										
Revenue - Tobacco Settlement Revenue	\$ 58,039	\$ 53,247	\$ 44,025	\$ 41,546	\$ 45,831	\$ 45,644	\$ 52,749	\$	\$	\$
Less: operating expenses	99	33	54	40	65	80	32			
Net available revenue	<u>\$ 57,940</u>	<u>\$ 53,214</u>	<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>
Debt service										
Principal	\$ 16,620	\$ 16,620	\$	\$	\$	\$	\$	\$	\$	\$
Interest	40,918	40,918	41,287	41,609	42,015	42,234				
Coverage (b)	100.70%	92.48%	106.50%	99.75%	108.93%	107.88%				
<b>Revenue Bonds-GARVEE (Federal Highway)</b>										
Revenue - federal FHWA participation	\$ 43,646	\$ 44,147	\$ 44,182	\$ 41,801	\$ 41,809	\$	\$	\$	\$	\$
Less: operating expenses (c)										
Net available revenue	<u>\$ 43,646</u>	<u>\$ 44,147</u>	<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>
Debt service										
Principal	\$ 28,315	\$ 28,315	\$ 24,560	\$ 32,290	\$ 30,755	\$	\$	\$	\$	\$
Interest	15,895	15,895	19,650	9,517	11,054	6,141				
Coverage (b)	98.72%	99.86%	0.99937	0.99986	1	0				
<b>Revenue Bonds-GARVEE (Gas Tax)</b>										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,656	\$ 9,028	\$ 9,409	\$ 9,496	\$ 9,513	\$ 9,499	\$	\$	\$	\$
Less: operating expenses (c)										
Net available revenue	<u>\$ 8,656</u>	<u>\$ 9,028</u>	<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>
Debt service										
Principal	\$ 3,730	\$ 3,730	\$ 3,630	\$ 5,150	\$ 5,150	\$ 5,625	\$	\$	\$	\$
Interest	3,241	3,241	3,335	2,105	1,653	981				
Coverage (b)	124.17%	129.51%	135.09%	130.89%	139.84%	143.79%				

(a) The debt service is supported by lease payment:

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**

	<b>Personal Income</b>				<b>Per Capita Personal Income</b>			
	<i>(in billions)</i>				<i>(in dollars)</i>			
	<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>
<b>2008</b>	\$ 12,086.5	3.8%	\$ 43.1	3.2%	\$ 39,751	2.9%	\$ 41,008	3.8%
<b>2007</b>	11,645.9	6.2%	41.7	4.6%	38,611	4.9%	39,463	4.9%
<b>2006</b>	10,968.4	7.3%	39.8	4.8%	36,714	6.0%	37,523	6.1%
<b>2005</b>	10,224.8	5.4%	37.9	2.7%	34,495	4.4%	35,219	3.0%
<b>2004</b>	9,702.5	5.5%	36.9	8.5%	33,041	4.5%	34,180	7.1%
<b>2003</b>	9,199.0	3.4%	34.0	3.0%	31,632	2.3%	31,916	3.4%
<b>2002</b>	8,900.0	2.6%	33.0	2.8%	30,906	1.6%	30,859	2.0%
<b>2001</b>	8,677.5	4.4%	32.1	4.9%	30,413	3.3%	30,256	3.8%
<b>2000</b>	8,312.3	6.8%	30.6	5.2%	29,451	3.2%	29,158	-0.7%
<b>1999</b>	7,783.1	5.4%	29.1	5.1%	28,542	4.5%	29,377	4.9%

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

	<b>Civilian Labor Force</b>		<b>Unemployment Rate</b>		<b>Home Sales</b>	
	<i>(in thousands)</i>					
	<b>Number in Labor Force</b>	<b>Percent Change</b>	<b>Rate</b>	<b>Percent Change</b>	<b>Number of Sales</b>	<b>Percent Change</b>
<b>2008</b>	570	-0.5%	7.6%	46.2%	N/A	
<b>2007</b>	573	0.4%	5.2%	2.0%	16,600	-10.3%
<b>2006</b>	571	2.1%	5.1%	-8.0%	18,500	-6.6%
<b>2005</b>	569	1.2%	5.0%	-3.8%	19,800	4.2%
<b>2004</b>	562	-1.9%	5.2%	-3.7%	19,000	13.1%
<b>2003</b>	573	3.1%	5.4%	5.9%	16,800	-2.3%
<b>2002</b>	556	10.3%	5.1%	8.5%	17,200	-5.0%
<b>2001</b>	504	-0.2%	4.7%	14.6%	18,100	5.8%
<b>2000</b>	505	0.2%	4.1%	0.0%	17,100	-5.5%
<b>1999</b>	504	1.2%	4.1%	-16.3%	18,100	7.1%

**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**

<b>2008</b>			<b>1999</b>		
<b>Rank</b>	<b>Employer</b>	<b>Employed</b>	<b>Rank</b>	<b>Employer</b>	<b>Employed</b>
1	Lifespan	11,772	1	Lifespan	10,302
2	Care New England	6,193	2	Care New England	4,791
3	CVS Corporation	5,954	3	CVS Corporation	3,623
4	Citizen's Financial Group (Royal Bank of Scotland)	5,500	4	Brown University	3,355
5	Brown University	4,877	5	Citizen's Financial Group (Royal Bank of Scotland)	2,868
6	Stop & Shop Supermarket Co	4,385	6	Fleet Financial Corp	2,872
7	Bank of America	4,000	7	Metropolitan Life Insurance Company	2,200
8	Fidelity Investments	2,300	8	BankBoston Corporation	2,160
9	General Dynamics Corp	2,143	9	Saint Joseph Health Services	1,969
10	The Jan Company	2,050	10	Shaws Super Market	1,780

*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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b><u>Full-time Employees</u></b>										
General Government	2,474	2,508	2,479	2,480	2,531	2,528	2,639	2,784	2,553	2,576
Human Services	3,164	3,671	4,144	4,370	4,176	4,269	4,425	4,571	4,600	4,594
Education	343	365	373	373	364	364	368	383	380	378
Public Safety	2,684	2,865	2,952	2,939	2,953	2,851	2,866	2,929	3,077	3,160
Natural Resources	890	905	978	1,015	963	957	928	990	944	946
Transportation	708	719	767	828	813	826	861	890	884	890
<b>State Total</b>	<b>10,263</b>	<b>11,033</b>	<b>11,693</b>	<b>12,005</b>	<b>11,800</b>	<b>11,795</b>	<b>12,087</b>	<b>12,547</b>	<b>12,438</b>	<b>12,544</b>

*Source: Department of Administration*

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b><u>General Government</u></b>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,049,159	\$2,047,671	\$1,920,770	\$1,810,045	\$1,672,875	\$1,523,094	\$1,386,651	\$1,299,485	\$1,099,262	\$925,401
Number of business transactions electronically	782,659	767,971	719,800	661,209	622,115	548,073	520,643	477,523	410,225	371,154
Personal Income Tax returns filed electronically -Tax Year	349,211	289,346	246,230	217,524	185,154	128,763	92,721	59,024	48,581	35,451
Department of Labor and Training										
Labor force total (in thousands)	568	577	575	565	533	538	528	521	521	519
Unemployment rate (percentage)	7.8	5.0	5.1	5.1	5.2	5.4	5.1	4.5	4.2	4.2
<b><u>Human Services</u></b>										
Department of Children, Youth and Families										
Average number of foster children	2,729	2,436	2,517	2,346	2,331	2,227	2,210	2,192	2,230	2,230
Department of Human Services										
FIP(AFDC) recipients expenditures (state share in millions)	\$10.3	\$16.1	\$13.3	\$14.8	\$19.0	\$14.0	\$17.8	\$18.8	\$38.5	\$39.1
Health Department										
Diagnosed AIDS cases	56	69	89	105	139	98	99	99	88	96
Number of births (in thousands)	13	14	13	13	14	14	14	13	13	13
<b><u>Education</u></b>										
Enrollment	42,601	41,503	40,374	40,008	39,920	39,937	38,867	39,149	38,458	38,650
Number of certificates and degrees awarded	5,754	5,518	5,418	5,404	5,567	5,330	5,453	5,240	5,142	5,309
<b><u>Public Safety</u></b>										
Department of Corrections										
Incarcerated offenders (male)	3,567	3,542	3,518	3,175	3,354	3,329	3,179	3,133	2,992	3,165
Incarcerated offenders (female)	204	231	242	186	200	208	208	215	212	219
<b><u>Natural Resources</u></b>										
Department of Environmental Management										
Hatchery fish raised and restocked (approx.in thousands)	148	140	140	140	140	140	140	140	130	130
Park visitations (in thousands)	5,174	5,928	6,135	6,010	5,861	5,976	7,499	6,990	6,399	n/a
Recreational registrations (boats)	42,999	44,000	41,933	41,366	42,759	41,696	41,024	40,432	35,614	35,133
<b><u>Transportation</u></b>										
Department of Transportation										
Vehicle miles traveled (in millions)	8,188	8,679	8,300	8,299	8,472	8,365	8,142	7,991	8,359	8,283

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b><u>General Government</u></b>								
Buildings	14	15	15	17	17	17	17	17
Vehicles	271	263	238	104	95	88	n/a	n/a
<b><u>Human Services</u></b>								
Buildings	200	199	198	197	197	197	195	195
Vehicles	365	360	353	335	320	326	n/a	n/a
<b><u>Education</u></b>								
Buildings	10	12	12	13	13	13	12	12
Vehicles	20	20	19	23	26	31	n/a	n/a
<b><u>Public Safety</u></b>								
Buildings	52	52	53	54	54	54	54	54
Vehicles	614	644	580	604	586	574	n/a	n/a
<b><u>Natural Resources</u></b>								
Buildings	45	44	44	43	41	37	36	33
Vehicles	423	414	417	431	398	412	n/a	n/a
Number of state parks, beaches, bike paths	21	21	21	21	21	21	21	21
Area of state parks, beaches (acres)	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289
<b><u>Transportation</u></b>								
Building	19	19	19	23	22	21	21	21
Vehicles	628	635	708	676	733	742	n/a	n/a
Miles of state highway	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100