

2011

For the Fiscal Year Ended June 30, 2011

State of Rhode Island and Providence Plantations Comprehensive Annual Financial Report



Lincoln D. Chafee, Governor

Prepared by:

Department of Administration

Richard A. Licht, Director of Administration

Office of Accounts and Control

Marc A. Leonetti, CPA, State Controller

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Introductory Section



Block Island Northern Light

An amazing lighthouse on Sandy Point at the northern tip of the island



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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December 22, 2011

To the Citizens, Governor and Members of the General Assembly of the State of Rhode Island:

In accordance with Section 35-6-1 of the General Laws, we are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the State of Rhode Island and Providence Plantations for the fiscal year ended June 30, 2011.

INTRODUCTION TO REPORT

Responsibility: This report was prepared by the State's Department of Administration - Office of Accounts and Control. Responsibility for the accuracy, completeness and fairness of the presentation rests with management. To the best of our knowledge and belief, the enclosed data accurately presents the State's financial position and results of operations in all material respects in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board. Furthermore, we believe this report includes all disclosures necessary to enable the reader to gain an understanding of the State's financial activities.

Independent Auditors: The State's basic financial statements have been audited by the Office of 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.

Internal Control Structure: 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 is compiled to allow for preparation of financial statements in conformity with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. Managers in all branches and components of government are required to maintain comprehensive internal control systems, to regularly evaluate the effectiveness and adequacy of these systems by internal reviews, and to submit an annual report on these internal controls to the Governor in accordance with the 1986 Financial Integrity and Accountability Act.

Financial Reporting Entity: The funds and component units included in the CAFR are those for which the State is accountable, based on criteria for defining the reporting entity as prescribed by GAAP. 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.

Sections: The CAFR 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): The MD&A is part of the RSI, which immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A also includes information on a number of important factors that are expected to affect future operations of our State. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Government Structure: As shown in the organizational chart on page 7, State government is divided into three separate branches: legislative, executive and judicial. The duties of each branch are outlined in the State's Constitution, which can be amended only by a majority vote of the State's citizens and in the Rhode Island General Laws, which can be amended only by the General Assembly. State government services provided to citizens include building and maintaining roads; providing public safety, health and environmental protection services to protect the general welfare of the State's citizens; helping adults, children and families through difficult times resulting from abuse, neglect, illness or unemployment; promoting an attractive business climate to encourage economic development; and protecting natural resources for conservation and recreational activities. The State also provides significant support to its three institutions of higher education and to the public schools within the State.

Budgetary Information: Preparation and submission of the budget is governed by both the State's Constitution and 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 a stable and accurate method of financial planning and budgeting 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.

In addition, a State Budget Reserve Account (Reserve) is maintained within the General Fund. In FY2011, according to the State's Constitution, general revenue appropriations in the General Fund could not exceed 97.4% of available general revenue sources, which consist of the current fiscal year's general revenue plus the General Fund undesignated fund balance from the prior fiscal year. Excess revenue is transferred to the Reserve. If the balance in the Reserve exceeds 4.2% of the total general revenues and opening surplus, the excess is transferred to the RI Capital Plan Fund to be used for capital projects. Incremental changes in the percentage allocations 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.

Economic Conditions and Outlook: The unemployment rate for the State of Rhode Island was 10.5 percent in November 2011, which is a decrease from October 2010's rate of 11.5 percent. The State's unemployment rate continues to lag the U.S. unemployment rate of 9.0 percent, though the gap has narrowed in calendar year 2011. In their November 2011 forecast, Moody's Economy.com noted that public sector employment has been the primary drag in 2011, while retail, leisure and hospitality employment has been the largest source of job growth in the State. It was also noted that the State's manufacturers have added jobs faster than other industries, a trend similar to that at the national level.

In their November 2011 forecast, Moody's Economy.com noted that the housing market in Rhode Island has shown little sign of recovery as house prices continued to fall through the second quarter of 2011. Single family permits remain at roughly one-third of their peak levels. Retail sales have stabilized but remain low relative to pre-recession totals. Moody's Economy.com has pushed back the timeline of Rhode Island's recovery, which should gain momentum by the end of the year, although employment growth will lag the U.S. over the course of the recovery.

Major Initiatives: Fiscal year 2012 will focus on implementing a number of initiatives to set the State on a sustainable budget path while making critical investments needed in Rhode Island's public schools, institutions of higher education, roads, and communities. Key initiatives include:

- Creating a healthy pension system that is affordable, sustainable and secure for retirees, employees and taxpayers.
- Establishing a sustainable funding structure for transportation, reducing the need to rely on bond funding.
- Increasing the financial stability of the Employment Insurance Fund, thereby reducing borrowing from the Federal government.
- Protecting the State's third largest revenue source, gaming revenue, by asking voters to approve casino gaming at Twin River.

ACKNOWLEDGMENTS

We wish to express our sincere appreciation to the many individuals who assisted and contributed to the timely 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,

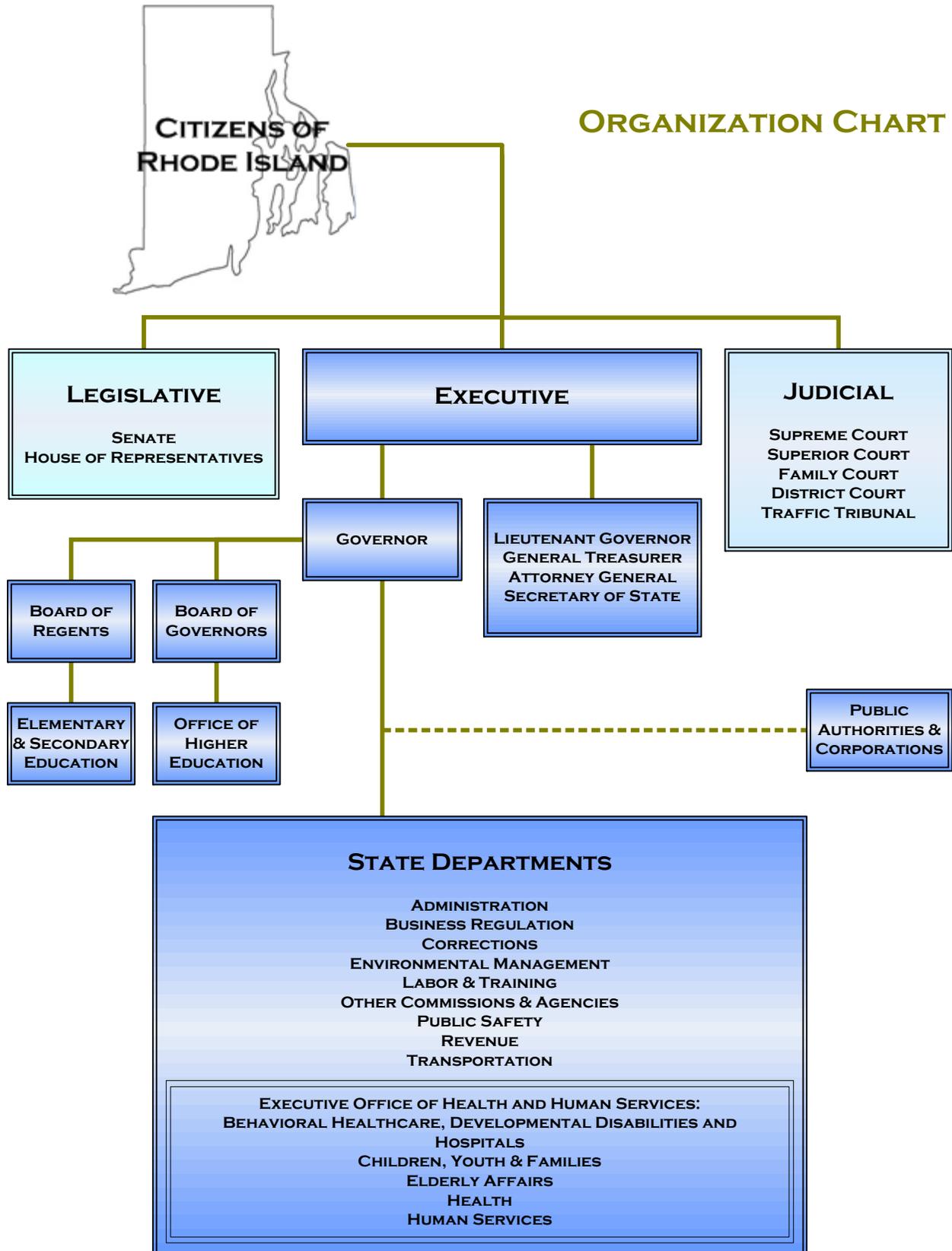


Richard A. Licht, Director



Marc A. Leonetti, CPA, State Controller

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

OFFICIALS OF STATE GOVERNMENT

EXECUTIVE BRANCH

Governor

Lincoln D. Chafee

Lieutenant Governor

Elizabeth H. Roberts

Secretary of State

A. Ralph Mollis

General Treasurer

Gina M. Raimondo

Attorney General

Peter F. Kilmartin

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

2011

Financial Section



Point Judith Light

Point Judith Light along the Rhode Island
shoreline



DENNIS E. HOYLE, CPA
ACTING AUDITOR GENERAL
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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
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, 2011, which collectively comprise the State's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- certain component units which represent 2% of the assets and 1% of the revenues of the governmental activities and 1% of the assets and 2% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 68% of the assets and 2% 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 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

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

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 previously 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, 2011, 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 1(R), the State implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As disclosed in Note 6(J), the State has borrowed \$222 million from the federal Unemployment Insurance Trust Fund to fund benefits paid from the Employment Security Fund, a major fund, to eligible unemployed individuals. The Employment Security Fund had a deficit net asset balance of \$153 million at June 30, 2011.

As disclosed in Note 18, the State enacted comprehensive pension reform legislation in November 2011 affecting the majority of members of the plans included within the Employees' Retirement System.

As disclosed in Note 12, unions representing State employees and teachers have filed suit against the State challenging legislative changes made in 2009 and 2010 to pension benefit provisions. Similar legal challenges from unions representing State employees and teachers are anticipated for pension reform measures more recently enacted in November 2011.

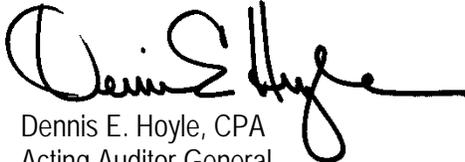
In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 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 Management's Discussion and Analysis, on pages 12 through 28, the Budgetary Comparison Schedules on pages 112 through 115, and the Schedules of Funding Progress on pages 116 through 117 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.

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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 non-major discretely presented component unit financial statements, 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 non-major discretely presented component unit financial statements 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.



Dennis E. Hoyle, CPA
Acting Auditor General

December 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Rhode Island (State) for the fiscal year ended June 30, 2011. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

Financial Highlights – Primary Government

Government-wide Financial Statements

- **Net Assets:** The total assets of the State exceeded total liabilities on June 30, 2011 by \$926.9 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$1,598.7) million was reported as unrestricted net assets (deficit), \$473.8 million as restricted net assets, and \$2,051.8 million as invested in capital assets, net of related debt.
- **Changes in Net Assets:** In the Statement of Activities, the State's total net assets increased by \$140.5 million in fiscal year 2011. Net assets of governmental activities increased by \$180.4 million, primarily due to increases in tax revenue due to the gradually improving economy and reductions in general government expenditures which resulted from careful management of expenses. Net assets of the business-type activities decreased by \$39.9 million due primarily to the operating loss of the Employment Security Fund. This fund continues to be adversely impacted by the higher than normal unemployment rate in the State.

Fund Financial Statements

Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$796.0 million, a decrease of \$88.3 million in comparison with the previous fiscal year, primarily as a result of expenditure of bond and note proceeds in certain special revenue and capital projects funds.
- As of June 30, 2011, the State's General Fund reported an ending fund balance of \$270.9 million, an increase of \$85.5 million as compared to the prior year. This change resulted from increases in general revenue in fiscal year 2011 and the implementation of a number of measures to enhance controls over expenditures.
- As of June 30, 2011, the State's Intermodal Surface Transportation Fund reported an ending fund balance of \$131.8 million, a decrease of \$69.4 million as compared to the prior year.

Proprietary Funds

- The Rhode Island State Lottery transferred \$354.9 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$10.2 million in comparison with the previous fiscal year. This was primarily due to an increase in revenue from video lottery games.
- The Employment Security Fund ended the fiscal year with a fund deficit of (\$153.1) million, as compared with a fund deficit of (\$116.2) million at the end of fiscal year 2010. This change was

primarily attributable to the level of unemployment benefits paid as a result of the high unemployment rate in the State.

- The R.I. Convention Center Authority ended the fiscal year with a net asset deficiency of (\$50.9) million, a deficit increase of \$3.6 million compared with the prior year. The Authority 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 longer 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
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 assist 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.
- **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 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(C). The Intermodal Surface Transportation Fund is also a major fund. Each of the major funds is presented in a separate column in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column on these financial statements. Individual fund data for each of these nonmajor governmental funds can be found in the supplementary information section of the State's Comprehensive Annual Financial Report (CAFR).

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds; enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds, the Lottery Fund, Convention Center Authority (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 and other post-employment benefits trusts, 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.

Discretely Presented Component Units

Discretely presented component units 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. The State distinguishes between major and nonmajor component units. The criteria for distinguishing between major and nonmajor component units are detailed in Note 1 (B).

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. These funds are grouped by fund type and presented in single columns in the basic financial statements, internal service funds, fiduciary funds 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 \$926.9 million at the end of fiscal year 2011, compared to \$801.1 million at the end of the prior fiscal year before restatement. Governmental activities reported unrestricted net assets (deficit) of (\$1,439.3) million.

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

Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

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

State of Rhode Island's Net Assets as of June 30, 2011
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,608,885	\$ 1,674,250	\$ 116,487	\$ 150,798	\$ 1,725,372	\$ 1,825,048
Capital assets	3,130,020	3,033,583	187,120	196,283	3,317,140	3,229,866
Total assets	4,738,905	4,707,833	303,607	347,081	5,042,512	5,054,914
Long-term liabilities outstanding	2,683,490	2,848,899	470,452	482,646	3,153,942	3,331,545
Other liabilities	916,985	900,878	44,663	36,035	961,648	936,913
Total liabilities	3,600,475	3,749,777	515,115	518,681	4,115,590	4,268,458
Net assets:						
Invested in capital assets, net of related debt	2,115,001	2,064,231	(63,156)	(61,806)	2,051,845	2,002,425
Restricted	462,751	483,931	11,036	13,161	473,787	497,092
Unrestricted	(1,439,322)	(1,590,106)	(159,388)	(122,955)	(1,598,710)	(1,713,061)
Total net assets (as restated)	\$ 1,138,430	\$ 958,056	\$ (211,508)	\$ (171,600)	\$ 926,922	\$ 786,456

Certain amounts have been reclassified or restated to conform to current year presentation. For further information please see Note 17 (F) to the financial statements.

As indicated above, the State reported a balance in unrestricted net assets (deficit) of (\$1,598.7) million on June 30, 2011 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 other than the primary government's direct capital purposes. 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 the financial statements of 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 ensure that open space is preserved;
- Historical preservation initiatives designed to protect and preserve historical buildings as well as to provide funding for cultural facilities;
- Capital improvements for privately-owned and operated group homes for developmentally disabled citizens of the State as well as children who are dependent on the State for care.

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

Changes in Net Assets

The State's net assets increased by \$140.5 million during the current fiscal year. Total revenues of \$7,144.5 million were more than expenses of \$7,004.1 million. Approximately 37.3% of the State's total revenue came from taxes, while 40.7% resulted from grants and contributions (including federal financial aid). Charges for various goods and services provided 20.6% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services, 43.0%, and education, 19.0%. In fiscal year 2011, governmental activity expenses exceeded program revenues by \$2,924.0 million, with excess expenses being funded through general revenues. Net program revenues from business-type activities in fiscal year 2011 exceeded expenses by \$296.7 million.

State of Rhode Island's Changes in Net Assets
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 482,652	\$ 462,226	\$ 985,556	\$ 947,826	\$ 1,468,208	\$ 1,410,052
Operating grants and contributions	2,387,540	2,361,446	358,932	418,270	2,746,472	2,779,716
Capital grants and contributions	162,032	162,090			162,032	162,090
General revenues:						
Taxes	2,665,169	2,577,519			2,665,169	2,577,519
Interest and investment earnings	5,561	4,309	79	164	5,640	4,473
Miscellaneous	102,478	91,110	(5,454)	20,224	97,024	111,334
Payments from component units		7,228				7,228
Total revenues	<u>5,805,432</u>	<u>5,665,928</u>	<u>1,339,113</u>	<u>1,386,484</u>	<u>7,144,545</u>	<u>7,052,412</u>
Program expenses:						
General government	644,194	741,329			644,194	741,329
Human services	3,013,081	2,900,673			3,013,081	2,900,673
Education	1,332,453	1,273,985			1,332,453	1,273,985
Public safety	436,940	418,485			436,940	418,485
Natural resources	80,360	73,551			80,360	73,551
Transportation	300,366	305,460			300,366	305,460
Interest	148,850	142,924			148,850	142,924
Lottery			368,870	358,128	368,870	358,128
Convention Center			32,986	50,732	32,986	50,732
Employment insurance			645,979	783,878	645,979	783,878
Total expenses	<u>5,956,244</u>	<u>5,856,407</u>	<u>1,047,835</u>	<u>1,192,738</u>	<u>7,004,079</u>	<u>7,049,145</u>
Change in net assets before transfers	(150,812)	(190,479)	291,278	193,746	140,466	3,267
Transfers	331,186	318,772	(331,186)	(318,772)		
Change in net assets	<u>180,374</u>	<u>128,293</u>	<u>(39,908)</u>	<u>(125,026)</u>	<u>140,466</u>	<u>3,267</u>
Net assets - Beginning	972,714	844,421	(171,600)	(46,574)	801,114	797,847
Cumulative effect of prior period adjustments	(14,658)				(14,658)	
Net assets - Beginning, as restated	<u>958,056</u>	<u>844,421</u>	<u>(171,600)</u>	<u>(46,574)</u>	<u>786,456</u>	<u>797,847</u>
Net assets - Ending	<u>\$ 1,138,430</u>	<u>\$ 972,714</u>	<u>\$ (211,508)</u>	<u>\$ (171,600)</u>	<u>\$ 926,922</u>	<u>\$ 801,114</u>

Certain amounts have been reclassified or restated to conform to current year presentation. For further information please see Note 1 (S) and Note 17 (F) to the financial statements.

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2011.

Chart 1 - Revenues and Transfers - Governmental Activities

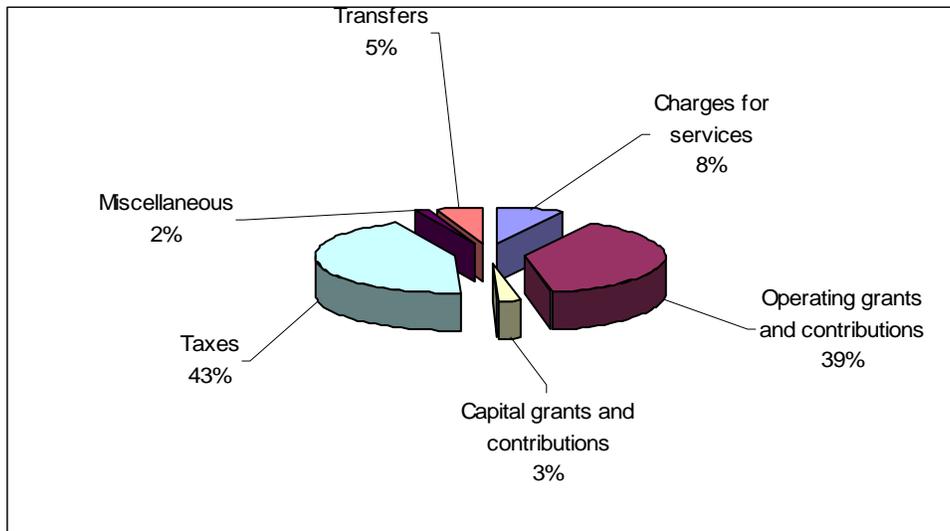
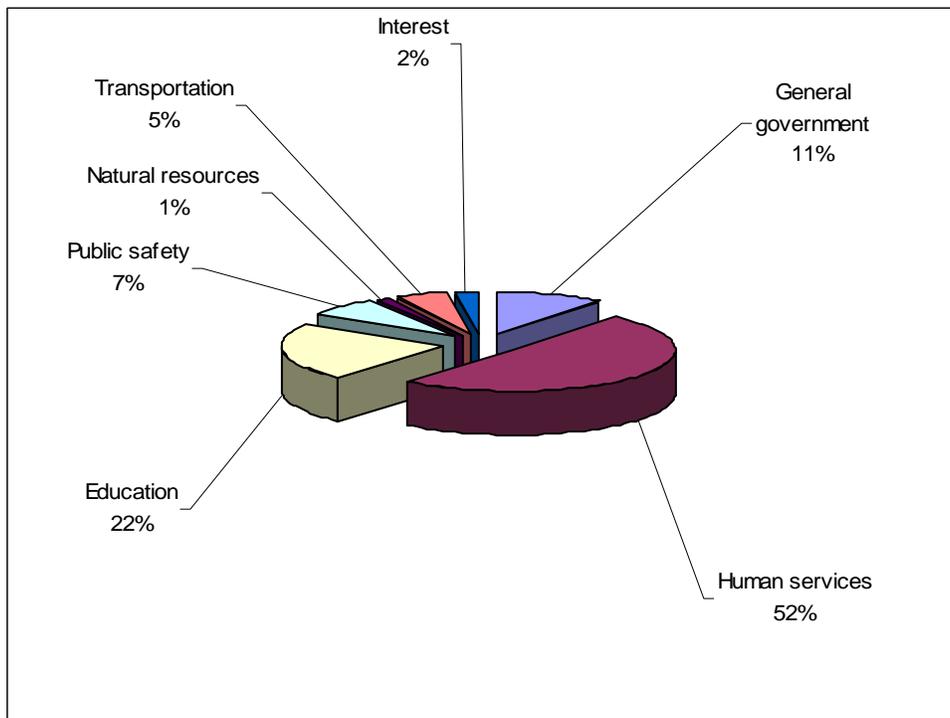


Chart 2 depicts the purposes that program expenses related to Governmental Activities were expended for during the fiscal year ended June 30, 2011.

Chart 2 - Program Expenses - Governmental Activities



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. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$796.0 million, a decrease of \$88.3 million from June 30, 2010. A breakdown of the components follows (expressed in thousands):

	2011	2010	Change	Percent
Governmental Funds				
Nonspendable	\$ 53,527	\$ 49,476	\$ 4,051	8.19%
Restricted	726,136	843,686	(117,550)	-13.93%
Unrestricted				
Committed	7,404	7,651	(247)	-3.23%
Assigned	8,709	19,704	(10,995)	-55.80%
Unassigned (deficit)	238	(36,201)	36,439	100.66%
Total	<u>\$ 796,014</u>	<u>\$ 884,316</u>	<u>\$ (88,302)</u>	-9.99%

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned primarily based on the extent to which the State is bound to honor constraints on how specific amounts can be spent. More information about each category is presented below:

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by constitutional provisions, as is the case for the Budget Reserve and Cash Stabilization Account, or by law through enabling legislation enacted by the General Assembly.
- Committed fund balance – amounts that can only be used for specific purposes determined by the enactment of legislation by the General Assembly, and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- Assigned fund balance – amounts that are constrained by the State's intent to be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor. This is also the classification for residual funds in the State's special revenue funds.
- Unassigned fund balance – the residual classification for the State's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The decrease in restricted fund balances of \$117.6 million is primarily a result of expenditure of bond and note proceeds in certain special revenue and capital projects funds.

The major governmental funds of the primary government are:

General Fund

The General Fund is the chief operating fund of the State. The fund balance of the General Fund consisted of the following (expressed in thousands):

	2011	2010	Change	Percent
Nonspendable	\$ 53,353	\$ 49,302	\$ 4,051	8.22%
Restricted	197,885	161,904	35,981	22.22%
Unrestricted				
Committed	5,956	4,285	1,671	39.00%
Assigned	8,425		8,425	0.00%
Unassigned (deficit)	5,281	(30,041)	35,322	117.58%
Total	<u>\$ 270,900</u>	<u>\$ 185,450</u>	<u>\$ 85,450</u>	46.08%

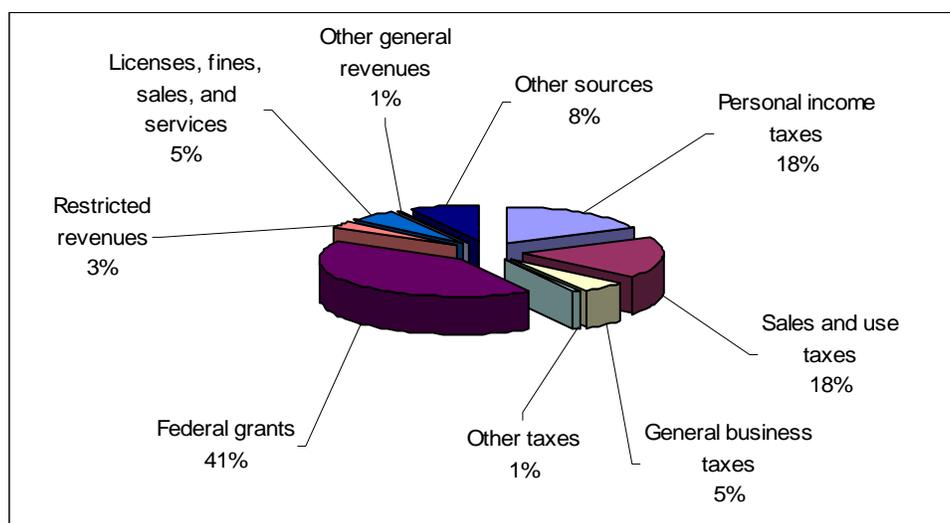
Revenues and other sources of the General Fund totaled \$5,637.9 million in fiscal year 2011, an increase of \$128.0 million, 2.32%, from the previous year. The revenues from various sources and the change from the previous year are shown in the following tabulation (expressed in thousands):

	2011	2010	Increase (decrease) from 2010	
			Amount	Percent
Taxes:				
Personal income	\$ 1,014,617	\$ 879,007	\$ 135,610	15.43%
Sales and use	1,007,460	1,002,233	5,227	0.52%
General business	286,564	355,664	(69,100)	-19.43%
Other	54,551	37,543	17,008	45.30%
Subtotal	<u>2,363,192</u>	<u>2,274,447</u>	<u>88,745</u>	<u>3.90%</u>
Federal grants	2,314,100	2,275,606	38,494	1.69%
Restricted revenues	174,192	149,638	24,554	16.41%
Licenses, fines, sales, and services	309,687	310,505	(818)	-0.26%
Other general revenues	34,651	27,351	7,300	26.69%
Subtotal	<u>2,832,630</u>	<u>2,763,100</u>	<u>69,530</u>	<u>2.52%</u>
Total revenues	<u>5,195,822</u>	<u>5,037,547</u>	<u>158,275</u>	<u>3.14%</u>
Other sources	<u>442,116</u>	<u>472,355</u>	<u>(30,239)</u>	<u>-6.40%</u>
Total revenue and other sources	<u>\$ 5,637,938</u>	<u>\$ 5,509,902</u>	<u>\$ 128,036</u>	<u>2.32%</u>

Personal Income Taxes increased significantly between FY 2010 and FY 2011 due to a decline in refunds paid of approximately 10.0 percent, an increase in final payments of 19.4 percent and an improvement in withholding tax payments of 4.9 percent. The decline in refunds paid and the increase in final payments received are attributable in part to the fact that the 2009 General Assembly changed the law and began taxing capital gains income at the same rates as all other income effective January 1, 2010. The increase in withholding tax payments in FY 2011 compared to FY 2010 is due to the State's improving economy and perhaps, to a lesser extent, the change in the withholding tables issued by the Division of Taxation effective January 1, 2011 to reflect the reformed personal income tax structure enacted by the General Assembly in June 2010.

Chart 3 depicts the General Fund's revenues and other sources for the fiscal year ended June 30, 2011.

Chart 3 – Revenues and Other Sources – General Fund



Expenditures and other uses totaled \$5,552.5 million in fiscal year 2011, an increase of \$160.7 million, or 2.98%, from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (expressed in thousands):

	2011	2010	Increase (decrease) from 2010	
			Amount	Percent
General government	\$ 458,222	\$ 552,229	\$ (94,007)	-17.02%
Human services	3,009,097	2,884,419	124,678	4.32%
Education	1,287,549	1,239,074	48,475	3.91%
Public safety	428,687	394,860	33,827	8.57%
Natural resources	71,812	67,427	4,385	6.50%
Debt Service:				
Principal	106,961	115,395	(8,434)	-7.31%
Interest	75,634	73,960	1,674	2.26%
Total expenditures	5,437,962	5,327,364	110,598	2.08%
Other uses	114,526	64,448	50,078	77.70%
Total expenditures and other uses	\$ 5,552,488	\$ 5,391,812	\$ 160,676	2.98%

The decrease from the prior year in the General Government function is primarily attributable to a restructuring of the Motor Vehicle Excise Tax Phase-out program, under which cities and towns are reimbursed for a portion of taxes on motor vehicles that are exempt under state law.

The increase in the Human Services function expenditures is attributable to an increase in federal funds for the Supplemental Nutrition Assistance Program (SNAP) of about \$38 million and a net increase in all funds for Medicaid of approximately \$82 million. The increase in Medicaid costs is due to a shift of former fee-for-service populations to managed care, particularly in the Rhody Health program, which yielded significant year-over-year caseload increases. In addition, average capitation rates also increased in FY 2011 compared to FY 2010 in both the Rite Care and Rhody Health programs.

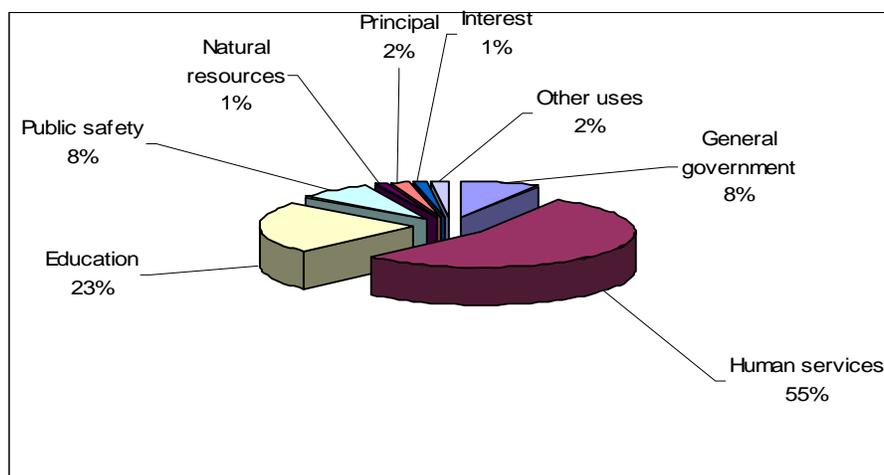
The increase in the Education function expenditures is primarily in the Department of Elementary and Secondary Education and is attributable to increases in aid to charter schools (\$6.5 million); school

construction aid (\$9.7 million); statewide transportation (\$5.9 million) and additional federal funds under the Education Jobs Fund (\$14.4 million) and Race to the Top (\$1.6 million).

The increase in the Public Safety function is attributable to three primary areas. First, resolution of a new contract with the RI Brotherhood of Correctional Officers resulted in increased personnel costs in the Department of Corrections. This new contract included cost of living adjustments retroactively to FY 2007, which resulted in the salary base in FY 2011 increasing by 15.3 percent over the prior year or approximately \$8.6 million in increased costs including associated benefits. Second, within the Department of Public Safety, payroll costs, primarily in the State Police program, increased in FY 2011 compared to FY 2010 due to several factors. A new contract with the RI Troopers Association resulted in retroactive payments of approximately \$0.5 million; pay as you go pensions increased by approximately \$0.6 million; annualized cost for a new Trooper class totaled about \$1.5 million; overtime expenses increased by approximately \$1.8 million and retiree health rates for Troopers increased from 14.62 percent in FY 2010 to 25.67 percent in FY 2011 for an additional cost of \$2.2 million. Finally, the RI Emergency Management agency received additional federal funds of approximately \$11.3 million, of which \$8.3 million was the FEMA 90% share of costs associated with the 2010 Floods.

Chart 4 depicts the General Fund's Expenditures and Other Uses for the fiscal year ended June 30, 2011.

Chart 4 – Expenditures and Other Uses – General Fund



Intermodal Surface Transportation Fund

The Intermodal Surface Transportation Fund (IST) 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. It also 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 components of fund balance of the IST fund are as follows (expressed in thousands):

	2011	2010	Change	Percent
Restricted	\$ 135,310	\$ 203,858	\$ (68,548)	-33.63%
Unrestricted				
Committed	1,448	3,366	(1,918)	-56.98%
Assigned	85	85		0.00%
Unassigned (deficit)	(5,043)	(6,160)	1,117	18.13%
Total	\$ 131,800	\$ 201,149	\$ (69,349)	-34.48%

General Fund Budgetary Highlights – General Revenue Sources

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. These sources 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 State Budget Reserve Account. If the balance in the Reserve exceeded three percent of the total general revenues and opening surplus, the excess was transferred to the R.I. Capital Plan Fund to be used for capital projects. In FY2009, the spending cap decreased by .2% and Reserve limitation increased by .4%. For FY2011 and subsequent years the spending cap decreases by .2% and the reserve limitation increases 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 an increase of \$70.3 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$32.1 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights General Revenue Sources

	Original Budget	Final Budget	Actual	Variance
Revenues and sources:				
Taxes:				
Personal income	\$ 937,900	\$ 1,003,600	\$ 1,021,339	\$ 17,739
General business	361,250	310,800	294,032	(16,768)
Sales and use	982,200	1,011,800	1,007,460	(4,340)
Other taxes	35,800	57,400	54,550	(2,850)
Departmental revenue	345,227	334,116	332,715	(1,401)
Other sources:				
Miscellaneous	5,331	13,130	11,116	(2,014)
Lottery transfer	346,939	353,037	354,861	1,824
Unclaimed property	6,000	7,100	7,640	540
Total revenues and other sources	<u>3,020,647</u>	<u>3,090,983</u>	<u>3,083,713</u>	<u>(7,270)</u>
Expenditures and other uses:				
General government	434,602	443,251	434,618	8,633
Human services	1,074,919	1,107,527	1,096,983	10,544
Education	1,031,328	1,020,451	1,022,170	(1,719)
Public safety	363,512	365,365	365,120	245
Natural resources	37,758	37,610	37,262	348
Total expenditures and other uses	<u>2,942,119</u>	<u>2,974,204</u>	<u>2,956,153</u>	<u>18,051</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 78,528</u>	<u>\$ 116,779</u>	<u>\$ 127,560</u>	<u>\$ 10,781</u>

The positive variance from the FY 2011 Original and Final Budgets to the FY 2011 Actual for Personal Income Taxes is due to a significant downward trend in refunds paid and a sharp increase in withholding tax payments received. The downward trend in refunds paid was based on actual collections in FY 2010 which were nearly \$18.0 million less than the FY 2010 Final Budget and the actual refunds paid throughout FY 2011. The increase in withholding tax payments received was due to the improved State

and regional economies between June 2010 and June 2011. The increase in Sales and Use Taxes between the FY 2011 Original and Final Budget is primarily due to an increase in actual sales and use tax collections (versus other excise tax collections). The FY 2011 Final Budget was revised based on actual collections.

The positive variance in the General Government function of approximately \$8.6 million for expenditures was primarily in two agencies, Administration and the Legislature. Within Administration, the majority of the positive variance was in the Facilities Management program due to lower electricity and natural gas rates and/or usage, as well as lower costs for sewer and water charges. Savings from vacant positions also contributed to the positive variance. In the Legislature's budget, the positive variance was primarily in the grants category, a major portion of which being due to a delay in work on redistricting, which had an appropriation of \$1.5 million, against which no expenditures were incurred.

The positive variance in the Human Services function of approximately \$6.2 million for expenditures was due to a positive variance in the Department of Human Services (DHS) of \$10.1 million, offset by negative variances in the Department of Children, Youth and Families (DCYF) of \$3.2 million and the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) of \$1.6 million. The DHS positive variance was primarily in the Medicaid program due to final caseloads being lower than estimated by the Caseload Estimating Conference in May 2011. The DCYF negative variance was primarily attributable to delays in the implementation of the new System of Care Transformation initiative that was intended to achieve savings from a shift to more community based services. The BHDDH negative variance was primarily in the Developmental Disabilities program and is mainly attributable to additional overtime resulting from higher than expected staff vacancy rates.

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, 2011, amounts to \$3,317.1 million, net of accumulated depreciation of \$2,037.7 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 approximately 2.7% of net book value. This increase is primarily caused by the construction and rehabilitation of highways and other infrastructure as well as a number of significant building projects, as discussed in the second paragraph below.

Actual expenditures to purchase or construct capital assets were \$236.4 million for the year. Of this amount, \$142.0 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$146.8 million.

State of Rhode Island's Capital Assets as of June 30, 2011
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital assets not being depreciated						
Land	\$ 351,873	\$ 349,811	\$ 45,558	\$ 45,558	\$ 397,431	\$ 395,369
Works of Art	1,283	422			1,283	422
Intangibles	155,206	151,076			155,206	151,076
Construction in progress	427,459	463,964	154	649	427,613	464,613
Total capital assets not being depreciated	935,821	965,273	45,712	46,207	981,533	1,011,480
Capital assets being depreciated						
Land improvements	3,700	3,700			3,700	3,700
Buildings	644,386	587,448	234,130	234,086	878,516	821,534
Building improvements	260,066	210,608			260,066	210,608
Equipment	242,348	235,227	24,956	22,943	267,304	258,170
Intangibles	14,049	11,986			14,049	11,986
Infrastructure	2,949,715	2,811,359			2,949,715	2,811,359
	4,114,264	3,860,328	259,086	257,029	4,373,350	4,117,357
Less: Accumulated depreciation	1,920,065	1,792,020	117,678	106,953	2,037,743	1,898,973
Total capital assets being depreciated	2,194,199	2,068,308	141,408	150,076	2,335,607	2,218,384
Total capital assets (net)	\$ 3,130,020	\$ 3,033,581	\$ 187,120	\$ 196,283	\$ 3,317,140	\$ 3,229,864

Certain amounts have been reclassified or restated to conform to current year presentation. For further information please see Note 17 (F) to the financial statements.

In fiscal year 2011, the State completed a number of significant capital projects, including new office facilities for the Division of Motor Vehicles, a new facility for the School for the Deaf, and the new headquarters for use by the R.I. State Police. Also, the State is investing in new technology to significantly enhance the operations of the Division of Motor Vehicles. In addition, a number of significant highway and bridge improvement projects are underway, including construction of a new Sakonnet River Bridge in Tiverton and a new Blackstone River Bridge on Route I-95 in Pawtucket. Finally, the State has made a significant investment in commuter rail service by expanding service from Providence to Warwick's T.F. Green Airport and plans to further expand service to Wickford Station in Washington County.

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 \$2,411.8 million of which \$1,049.4 million is general obligation debt, \$567.2 million is special obligation debt and \$795.2 million is debt of the blended component units. Additionally, accreted interest of \$14.3 million has been recognized for debt of one blended component unit, which will not be paid until 2052. The State's total bonded debt decreased by \$127.2 million during the current fiscal year. This decrease consists of a \$68.6 million decrease in general obligation debt, a decrease of \$46.1 million in special obligation debt, and a decrease of \$12.5 million in the blended component units' debt. The general obligation debt is supported by the full faith and credit of the State. Other obligations subject to annual appropriation by the R.I. General Assembly totaled \$358.0 million and are discussed in Note 6.

The State's assigned general obligation bond ratings at June 30, 2011 were as follows: AA by Standard & Poor's Investor Services (S&P), Aa2 (with a negative outlook) by Moody's Investor Service, Inc. and AA by Fitch Investor Service. 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 \$262.0 million; other obligations that are authorized but unissued totaled \$382.9 million and are described in Note 6. 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

Fiscal Year 2012 Budget

The first quarter report for FY 2012 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the first quarter of FY 2012, as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 2011 Caseload and Revenue Estimating Conferences. The FY 2012 balance, based upon these assumptions, is estimated to reflect a \$2.1 million deficit.

The Budget Office continues to review department and agency FY 2012 expenditure plans in conjunction with the FY 2013 budget process. Any changes recommended by the Governor to the FY 2012 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations bill, which under current law must be submitted to the General Assembly no later than January 19, 2012.

The November Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the current economic forecast. On the revenue side, general revenue receipts are expected to be \$19.4 million more than enacted for FY 2012. Taxes are expected to exceed enacted estimates by \$10.0 million, while departmental revenues and other sources, including lottery revenues, are also expected to exceed enacted estimates by \$9.4 million. The November Revenue Estimating Conference estimates that revenues will be \$3,195.4 million as compared with the enacted estimate of \$3,176.0 million for FY 2012.

Lottery Revenue

The General Fund derives more than 11% of general revenue from the Rhode Island Lottery.

Revenues overall are down at many gaming venues throughout New England due to current economic conditions. Competition among gaming venues has increased, resulting in more promotional allowances, player reward incentives being offered and increased marketing efforts.

The Lottery's video lottery operations currently compete with casinos in nearby Connecticut. In addition, Massachusetts in November 2011 enacted legislation to allow three casinos and one slot parlor in

that state. It is anticipated that there could be an adverse effect on the amount of revenue derived from video lottery facilities in Rhode Island. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

Recently enacted legislation has authorized a statewide ballot referendum in November 2012 that allows the voters of Rhode Island to approve the expansion of gaming at the Twin River video lottery facility located in Lincoln, RI. The expansion would allow Twin River to offer casino style gaming (i.e., table games) to the public subject to the operational control by the Lottery and/or Department of Business Regulation. This referendum is also subject to local (Town of Lincoln) voter approval.

Pension Benefits

During Fiscal 2012, the General Treasurer and Governor undertook a comprehensive pension reform initiative with the goal of improving the funded status of the plans within the System, reducing required employer contributions, and ensuring the long-term viability of the Employees' Retirement System. The General Assembly convened a special legislative session to solely address pension reform measures which were enacted on November 18, 2011.

The pension reform measures make significant changes to member benefit provisions including retirement eligibility age and service credit accrual factors. Additionally, cost of living allowances are generally suspended until the funded status of the plans improves and is now linked to performance of the System's investments. A defined contribution plan will be implemented for most active employees to supplement the reduced benefits provided through the defined benefit plans. The restated unfunded liability of the plans is reamortized over a 25 year period.

Other Post Employment Benefits

Pursuant to legislation enacted by the General Assembly, the State has established a trust in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with its OPEB plans. In addition, effective in fiscal year 2011, all participating employers are required by law to fully fund the actuarially determined annual required contribution.

In accordance with GASB Statement No. 45, the State began accounting for retiree health care benefits on an actuarial basis in fiscal year 2008. The most recent actuarial study completed as of June 30, 2009 has determined the State's unfunded actuarial liability for all six plans included in the Rhode Island State Employees' and Electing Teachers OPEB System to be approximately \$822.4 million. Based on a discount rate of 5.0%, the State and other participating employers' annual required contribution was determined to be \$53.0 million. For fiscal year 2011, the State funded the retiree health care program in accordance with law by contributing the actuarially determined contribution.

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. Future changes in healthcare costs, as well as investment returns and other assumptions, could significantly affect the level of contributions required of the State.

Federal Debt Limit and Potential Federal Spending Cuts

On August 2, 2011, the President signed a bill into law raising the national debt limit and providing for substantial reductions in federal spending over the next decade. It is not known what impact, if any, these reductions may have on the State. It is possible that certain federal aid and other federal payments to the State, as well as to other states and municipalities, could be significantly reduced or otherwise affected. The budget and financial health of the State could be materially adversely affected by any material disruption or change in the flow of anticipated federal assistance to the State.

Transportation Funding Initiatives

The Blue Ribbon Panel for Transportation Funding (Panel), formed by the Governor, concluded in a report issued in December 2008, that the State faced a potential annual funding gap of \$285 million. The Panel also provided a variety of recommendations ranging from the implementation of tolls on cars and trucks entering the State, tolls on all State bridges, raising vehicle registration fees, raising the gasoline tax, and other tax and fee alternatives. In fiscal 2011, the State enacted legislation to establish the Rhode Island Highway Maintenance Trust Fund (Trust). The purpose of the Trust is to provide stable financing for the State's Transportation Improvement Program. The Trust will be financed through surcharges on vehicle registrations that will begin in fiscal 2014 and be phased-in over a three year period.

Unemployment Insurance Program

The State has borrowed from the Federal Unemployment Trust Fund to continue to pay benefits to unemployed individuals. Borrowings through September 2011 totaled approximately \$216 million. It is expected that additional borrowings will be needed in the balance of fiscal year 2012. Effective January 1, 2011, the Job Development assessment rate was increased from .21% to .51% to accumulate funds to begin to repay the balance borrowed.

Local Government Financial Matters

A number of local governments in the State continue to experience financial difficulties involving cumulative deficits, budgetary imbalances, unfunded pension and OPEB obligations, and rating agency downgrades. Most notably, the City of Central Falls was under the control of a State appointed receiver at June 30, 2011 and subsequently filed for federal bankruptcy protection in August 2011.

The State has certain oversight responsibilities with respect to municipalities which are outlined in the General Laws and carried out by the Department of Revenue – Division of Municipal Finance and the Office of the Auditor General. The General Laws give the State, acting through the Department of Revenue, the power to effect three levels of oversight and control: fiscal overseer, budget commission, and state receiver. A State fiscal overseer was appointed for the City of East Providence in November 2011. Subsequently, a budget commission was appointed in December 2011.

Many of the locally-administered pension plans are poorly funded with a collective unfunded liability of \$2.1 billion and funded ratio of approximately 40%. Additionally, locally-administered OPEB plans have a collective unfunded liability of \$3.5 billion and funded ratio of just 1%. Recently enacted pension reform measures for state-administered pension plans did not address the locally-administered pension plans; however, efforts to improve the funded status of those plans while recognizing the inherent resource limitations of the sponsoring municipalities will continue.

The State is continually monitoring the financial status of all municipalities to forestall the need for more intensive intervention.

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 Peter.Keenan@doa.ri.gov. 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 to the entities as listed in Note 1 of the financial statements.

BASIC FINANCIAL STATEMENTS

State of Rhode Island and Providence Plantations

Statement of Net Assets

June 30, 2011

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 557,299	\$ 24,561	\$ 581,860	\$ 291,325
Funds on deposit with fiscal agent	149,178	1,517	150,695	
Investments				25,193
Receivables (net)	547,566	72,107	619,673	160,364
Restricted assets:				
Cash and cash equivalents		11,035	11,035	528,824
Investments	71,642		71,642	272,528
Receivables (net)				14
Other assets				91,390
Due from primary government				8,147
Due from component units	2,271		2,271	227
Internal balances	(51)	51		
Due from other governments and agencies	144,978	1,828	146,806	2,144
Inventories	1,719	992	2,711	10,712
Other assets	60,277	488	60,765	40,329
Total current assets	<u>1,534,879</u>	<u>112,579</u>	<u>1,647,458</u>	<u>1,431,197</u>
Noncurrent assets:				
Investments				156,019
Receivables (net)	15,192		15,192	962,254
Due from other governments and agencies	5,120		5,120	
Restricted assets:				
Cash and cash equivalents				115,561
Investments				227,994
Other assets				2,524,740
Due from component units	35,421		35,421	2,837
Capital assets - nondepreciable	935,821	45,712	981,533	445,149
Capital assets - depreciable (net)	2,194,199	141,408	2,335,607	1,874,570
Other assets	18,273	3,908	22,181	176,306
Total noncurrent assets	<u>3,204,026</u>	<u>191,028</u>	<u>3,395,054</u>	<u>6,485,430</u>
Total assets	<u>4,738,905</u>	<u>303,607</u>	<u>5,042,512</u>	<u>7,916,627</u>
Liabilities				
Current Liabilities:				
Cash overdraft				242
Accounts payable	511,043	15,708	526,751	102,107
Due to primary government				2,271
Due to component units	8,147		8,147	227
Due to other governments and agencies		7,638	7,638	36,030
Accrued expenses		3,230	3,230	67
Deferred revenue	73,173	226	73,399	39,923
Other current liabilities	107,923	3,605	111,528	329,980
Current portion of long-term debt	216,699	9,298	225,997	218,593
Obligation for unpaid prize awards		4,958	4,958	
Total current liabilities	<u>916,985</u>	<u>44,663</u>	<u>961,648</u>	<u>729,440</u>
Noncurrent Liabilities:				
Due to primary government				35,421
Due to other governments and agencies		222,352	222,352	322,540
Net OPEB obligation	13,257		13,257	28,496
Deferred revenue		6,875	6,875	8,246
Due to component units				2,837
Notes payable	8,175	419	8,594	17,549
Loans payable				275,919
Obligations under capital leases	207,581		207,581	10,189
Compensated absences	24,081	247	24,328	22,710
Bonds payable	2,357,592	240,559	2,598,151	3,685,238
Other liabilities	72,804		72,804	121,222
Total noncurrent liabilities	<u>2,683,490</u>	<u>470,452</u>	<u>3,153,942</u>	<u>4,530,367</u>
Total liabilities	<u>3,600,475</u>	<u>515,115</u>	<u>4,115,590</u>	<u>5,259,807</u>
Net Assets				
Invested in capital assets, net of related debt	2,115,001	(63,156)	2,051,845	1,313,794
Restricted for:				
Budget reserve	130,293		130,293	
Transportation	1,425		1,425	
Debt	84,758	11,036	95,794	351,406
Assistance to other entities	21,697		21,697	
Temporary disability insurance program	150,914		150,914	
Other	73,490		73,490	538,700
Nonexpendable	174		174	97,102
Unrestricted	(1,439,322)	(159,388)	(1,598,710)	355,818
Total net assets	<u>\$ 1,138,430</u>	<u>\$ (211,508)</u>	<u>\$ 926,922</u>	<u>\$ 2,656,820</u>

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 Fiscal Year Ended June 30, 2011
(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			
					Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 644,194	\$ 185,918	\$ 113,749	\$ 897	\$ (343,630)	\$	\$ (343,630)	\$
Human services	3,013,081	210,905	1,862,016	947	(939,213)		(939,213)	
Education	1,332,453	22,022	264,736	50	(1,045,645)		(1,045,645)	
Public safety	436,940	34,389	46,057	3,086	(353,408)		(353,408)	
Natural resources	80,360	29,046	20,049	4,139	(27,126)		(27,126)	
Transportation	300,366	372	80,933	152,913	(66,148)		(66,148)	
Interest and other charges	148,850				(148,850)		(148,850)	
Total governmental activities	<u>5,956,244</u>	<u>482,652</u>	<u>2,387,540</u>	<u>162,032</u>	<u>(2,924,020)</u>		<u>(2,924,020)</u>	
Business-type activities:								
State lottery	368,870	723,187				354,317	354,317	
Convention center	32,986	22,005				(10,981)	(10,981)	
Employment security	645,979	240,364	358,932			(46,683)	(46,683)	
Total business-type activities	<u>1,047,835</u>	<u>985,556</u>	<u>358,932</u>			<u>296,653</u>	<u>296,653</u>	
Total primary government	<u>\$ 7,004,079</u>	<u>\$ 1,468,208</u>	<u>\$ 2,746,472</u>	<u>\$ 162,032</u>	<u>(2,924,020)</u>	<u>296,653</u>	<u>(2,627,367)</u>	
Component units:	<u>\$ 1,213,159</u>	<u>\$ 1,011,808</u>	<u>\$ 82,572</u>	<u>\$ 95,465</u>				(23,314)
General Revenues:								
Taxes:								
Personal income					1,014,528		1,014,528	
General business					287,573		287,573	
Sales and use					1,007,145		1,007,145	
Gasoline					136,811		136,811	
Other					219,112		219,112	
Interest and investment earnings					5,561	79	5,640	24,223
Miscellaneous revenue (expense)					102,478	(5,454)	97,024	35,560
Gain (loss) on sale of capital assets								(10,356)
Transfers (net)					331,186	(331,186)		
Payments from primary government								202,374
Total general revenues and transfers					<u>3,104,394</u>	<u>(336,561)</u>	<u>2,767,833</u>	<u>251,801</u>
Change in net assets					180,374	(39,908)	140,466	228,487
Net assets - beginning as restated					958,056	(171,600)	786,456	2,428,333
Net assets - ending					<u>\$ 1,138,430</u>	<u>\$ (211,508)</u>	<u>\$ 926,922</u>	<u>\$ 2,656,820</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. It also 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.

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 Fund – 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, 2011
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 188,547	\$ 22,887	\$ 307,149	\$ 518,583
Funds on deposit with fiscal agent		105,101	44,077	149,178
Restricted investments			71,642	71,642
Receivables (net)	499,262	13,457	45,085	557,804
Due from other funds	32,519	586	2,774	35,879
Due from component units	55			55
Due from other governments and agencies	99,096	41,038		140,134
Loans to other funds	15,937			15,937
Other assets	53,538			53,538
Total assets	\$ 888,954	\$ 183,069	\$ 470,727	\$ 1,542,750
Liabilities and Fund Balances				
Liabilities				
Accounts payable	443,728	21,077	28,649	493,454
Due to other funds			34,439	34,439
Due to component units	3,323	4,368	688	8,379
Loans from other funds			13,227	13,227
Deferred revenue	88,365	20,782		109,147
Other liabilities	82,638	5,042	410	88,090
Total liabilities	618,054	51,269	77,413	746,736
Fund Balances				
Nonspendable	53,353		174	53,527
Restricted	197,885	135,310	392,941	726,136
Unrestricted				
Committed	5,956	1,448		7,404
Assigned	8,425	85	199	8,709
Unassigned	5,281	(5,043)		238
Total fund balances	270,900	131,800	393,314	796,014
Total liabilities and fund balances	\$ 888,954	\$ 183,069	\$ 470,727	\$ 1,542,750

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
June 30, 2011
(Expressed in Thousands)

Fund balance - total governmental funds \$ 796,014

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	5,043,811	
Accumulated depreciation	(1,916,359)	
		3,127,452

Bonds, 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	(87,311)	
Bonds payable	(2,463,461)	
Net premium/discount and deferred amount on refunding	(22,235)	
Refunding costs	6,744	
Cost of issuance	10,922	
Obligations under capital leases	(224,045)	
Premium	(5,051)	
Refunding costs	1,200	
Cost of issuance	2,076	
Interest payable	(24,445)	
Other liabilities	(99,161)	
		(2,904,767)

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

Receivables	9,954	
Due from component units	37,595	
Other assets	5,104	
Deferred revenue	35,974	
		88,627

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.

31,104

Net assets - total governmental activities		\$ 1,138,430
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The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,363,192	\$ 136,811	\$ 164,417	\$ 2,664,420
Licenses, fines, sales, and services	309,687		(1,123)	308,564
Departmental restricted revenue	174,192	371		174,563
Federal grants	2,314,100	227,235		2,541,335
Income from investments	57	755	4,725	5,537
Other revenues	34,594	2,296	45,812	82,702
Total revenues	5,195,822	367,468	213,831	5,777,121
Expenditures:				
Current:				
General government	458,222		161,888	620,110
Human services	3,009,097			3,009,097
Education	1,287,549		184	1,287,733
Public safety	428,687			428,687
Natural resources	71,812		6	71,818
Transportation		365,726	1,770	367,496
Capital outlays			138,843	138,843
Debt service:				
Principal	106,961	33,546	13,968	154,475
Interest and other charges	75,634	23,954	38,478	138,066
Total expenditures	5,437,962	423,226	355,137	6,216,325
Excess (deficiency) of revenues over (under) expenditures	(242,140)	(55,758)	(141,306)	(439,204)
Other financing sources (uses):				
Operating transfers in	424,654	32,150	88,425	545,229
Other	17,462			17,462
Operating transfers out	(114,526)	(45,741)	(51,522)	(211,789)
Total other financing sources (uses)	327,590	(13,591)	36,903	350,902
Net change in fund balances	85,450	(69,349)	(104,403)	(88,302)
Fund balances - beginning (as restated)	185,450	201,149	497,717	884,316
Fund balances - ending	\$ 270,900	\$ 131,800	\$ 393,314	\$ 796,014

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 the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (88,302)

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	230,746	
Depreciation expense	(135,746)	
		95,000

Bond, note, and certificate 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.

Principal paid on debt	154,475	
Accrued interest and other charges	(16,267)	
Amortization of premium/discount	8,113	
Deferral of issuance costs	413	
Amortization of issuance costs	(1,928)	
Amortization of refunding costs	(775)	
		144,031

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	(8,555)	
Program expenses	18,186	
Program revenue	(477)	
Capital grant revenue	8,239	
General revenue - taxes	746	
General revenue-miscellaneous	2,353	
		20,492

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.

Change in net assets - total governmental activities \$ 180,374

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, 2011
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 18,229	\$ 3,031	\$ 3,301	\$ 24,561	\$ 38,716
Restricted cash and cash equivalents		11,035		11,035	
Funds on deposit with fiscal agent			1,517	1,517	
Receivables (net)	4,125	829	67,153	72,107	4,954
Due from other funds			3,118	3,118	412
Due from other governments and agencies			1,828	1,828	
Inventories	992			992	1,719
Other assets	51	437		488	6,914
Total current assets	<u>23,397</u>	<u>15,332</u>	<u>76,917</u>	<u>115,646</u>	<u>52,715</u>
Noncurrent assets:					
Capital assets - nondepreciable		45,712		45,712	
Capital assets - depreciable (net)	469	140,939		141,408	2,568
Other assets		3,908		3,908	
Total noncurrent assets	<u>469</u>	<u>190,559</u>		<u>191,028</u>	<u>2,568</u>
Total assets	<u>23,866</u>	<u>205,891</u>	<u>76,917</u>	<u>306,674</u>	<u>55,283</u>
Liabilities					
Current Liabilities:					
Accounts payable	11,951	3,757		15,708	17,608
Due to other funds	3,067			3,067	1,903
Due to other governments and agencies			7,638	7,638	
Loans from other funds					2,710
Accrued expenses	3,230			3,230	
Deferred revenue	226			226	
Other current liabilities	812	2,793		3,605	1,958
Notes payable		188		188	
Bonds payable		9,110		9,110	
Obligation for unpaid prize awards	4,958			4,958	
Total current liabilities	<u>24,244</u>	<u>15,848</u>	<u>7,638</u>	<u>47,730</u>	<u>24,179</u>
Noncurrent Liabilities:					
Due to other governments and agencies			222,352	222,352	
Deferred revenue	6,875			6,875	
Notes payable		419		419	
Bonds payable		240,559		240,559	
Compensated absences	247			247	
Total noncurrent liabilities	<u>7,122</u>	<u>240,978</u>	<u>222,352</u>	<u>470,452</u>	
Total liabilities	<u>31,366</u>	<u>256,826</u>	<u>229,990</u>	<u>518,182</u>	<u>24,179</u>
Net Assets					
Invested in capital assets, net of related debt	469	(63,625)		(63,156)	2,568
Restricted for:					
Debt		11,036		11,036	
Unrestricted	(7,969)	1,654	(153,073)	(159,388)	28,536
Total net assets	<u>\$ (7,500)</u>	<u>\$ (50,935)</u>	<u>\$ (153,073)</u>	<u>\$ (211,508)</u>	<u>\$ 31,104</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 Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Operating revenues:					
Charges for services	\$	\$ 21,635	\$ 240,364	\$ 261,999	\$ 273,385
Lottery sales	230,593			230,593	
Video lottery, net	492,594			492,594	
Federal grants			358,932	358,932	
Miscellaneous		370		370	
Total operating revenues	<u>723,187</u>	<u>22,005</u>	<u>599,296</u>	<u>1,344,488</u>	<u>273,385</u>
Operating expenses:					
Personal services	4,826	13,407		18,233	11,889
Supplies, materials, and services	223,855	8,879		232,734	244,744
Prize awards, net of prize recoveries	139,955			139,955	
Depreciation and amortization	234	10,700		10,934	261
Benefits paid			645,979	645,979	
Total operating expenses	<u>368,870</u>	<u>32,986</u>	<u>645,979</u>	<u>1,047,835</u>	<u>256,894</u>
Operating income (loss)	354,317	(10,981)	(46,683)	296,653	16,491
Nonoperating revenues (expenses):					
Interest revenue	77	2		79	24
Other nonoperating revenue	1,092		24,347	25,439	(4)
Interest expense		(15,794)	(4,699)	(20,493)	
Other nonoperating expenses			(10,400)	(10,400)	
Total nonoperating revenue (expenses)	<u>1,169</u>	<u>(15,792)</u>	<u>9,248</u>	<u>(5,375)</u>	<u>20</u>
Income (loss) before transfers	355,486	(26,773)	(37,435)	291,278	16,511
Transfers in		23,130	6,953	30,083	
Transfers out	<u>(354,861)</u>		<u>(6,408)</u>	<u>(361,269)</u>	<u>(7,358)</u>
Change in net assets	625	(3,643)	(36,890)	(39,908)	9,153
Total net assets - beginning	<u>(8,125)</u>	<u>(47,292)</u>	<u>(116,183)</u>	<u>(171,600)</u>	<u>21,951</u>
Total net assets - ending	<u>\$ (7,500)</u>	<u>\$ (50,935)</u>	<u>\$ (153,073)</u>	<u>\$ (211,508)</u>	<u>\$ 31,104</u>

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 Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security	Internal Service Funds
			Totals	
Cash flows from operating activities:				
Cash received from customers	\$ 233,199	\$ 23,301	\$ 240,574	\$ 274,676
Cash received from video lottery operations, net	492,594		492,594	
Cash received from grants			360,081	
Cash payments to suppliers for goods and services	(3,927)	(8,932)	(12,859)	(248,675)
Cash payments to employees for services	(4,867)	(13,682)	(18,549)	(11,477)
Cash payments to prize winners	(143,485)		(143,485)	
Cash payments for commissions	(216,017)		(216,017)	
Cash payments for benefits			(645,979)	
Other operating revenue (expense)			161	(78)
Net cash provided by (used for) operating activities	<u>357,497</u>	<u>687</u>	<u>(45,163)</u>	<u>14,446</u>
Cash flows from noncapital financing activities:				
Loan from federal government			89,908	
Loans from other funds				895
Loans to other funds				(1,025)
Repayment of loans to other funds				2,000
Repayment of loans from other funds				(645)
Operating transfers in		23,130	2,636	25,766
Operating transfers out	(353,775)		(6,408)	(7,358)
Net transfers from (to) fiscal agent			(40,270)	
Net cash provided by (used for) noncapital financing activities	<u>(353,775)</u>	<u>23,130</u>	<u>45,866</u>	<u>(6,133)</u>
Cash flows from capital and related financing activities:				
Principal paid on capital obligations		(8,848)		(8,848)
Interest paid on capital obligations		(14,541)		(14,541)
Acquisition of capital assets	(13)	(1,724)		(1,737)
Net cash provided by (used for) capital and related financing activities	<u>(13)</u>	<u>(25,113)</u>		<u>(25,126)</u>
Cash flows from investing activities:				
Interest on investments	77	2		79
Net cash provided by investing activities	<u>77</u>	<u>2</u>		<u>79</u>
Net increase (decrease) in cash and cash equivalents	3,786	(1,294)	703	3,195
Cash and cash equivalents, July 1	14,443	15,360	2,598	30,436
Cash and cash equivalents, June 30	<u>\$ 18,229</u>	<u>\$ 14,066</u>	<u>\$ 3,301</u>	<u>\$ 35,596</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	354,317	(10,981)	(46,683)	296,653
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	234	10,700		10,934
Other revenue (expense) and operating transfer in (out)	467			467
Net changes in assets and liabilities:				
Receivables, net	(1,352)	539	1,520	707
Inventory	100			100
Prepaid items		154		154
Other assets	199			199
Due to / due from transactions	210			210
Accounts and other payables	1,488	(481)		1,007
Accrued expenses	2,006			2,006
Deferred revenue	65	756		821
Prize awards payable	(237)			(237)
Total adjustments	<u>3,180</u>	<u>11,668</u>	<u>1,520</u>	<u>16,368</u>
Net cash provided by (used for) operating activities	<u>\$ 357,497</u>	<u>\$ 687</u>	<u>\$ (45,163)</u>	<u>\$ 14,446</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 and Other Postemployment Benefits 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 and other postemployment benefit 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, 2011
(Expressed in Thousands)

	Pension and Other Postemployment Benefit Trusts	Private Purpose Touro Jewish Synagogue	Agency
Assets			
Cash and cash equivalents	\$ 6,006	\$	\$ 14,501
Deposits held as security for entities doing business in the State			85,841
Advance held by claims processing agent	1,171		
Receivables			
Contributions	29,997		
Due from state for teachers	13,959		
Miscellaneous	2,693		1,517
Total receivables	46,649		1,517
Investments, at fair value			
Equity in Pooled Trust	7,462,527		
Other investments		2,114	
Total investments	7,462,527	2,114	
Property and equipment, at cost, net of accumulated depreciation	2,262		
Total assets	7,518,615	2,114	101,859
Liabilities			
Accounts payable	4,800		3,486
Incurred but not reported claims	3,740		
Deferred revenue	6,065		
Other	170		
Deposits held for others			98,373
Total liabilities	14,775		\$ 101,859
Net assets			
Held in trust for:			
Pension benefits	7,488,903		
Other postemployment benefits	14,937		
Other		2,114	
Total net assets	\$ 7,503,840	\$ 2,114	

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 Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Pension and Other Postemployment Benefit Trusts	Private Purpose Touro Jewish Synagogue
Additions		
Contributions		
Member contributions	\$ 192,353	\$
Employer contributions	329,359	
State contributions for teachers	70,286	
Interest on service credits purchased	1,163	
Total contributions	<u>593,161</u>	
Other income	<u>1,875</u>	
Investment income		
Net appreciation in fair value of investments	1,169,409	343
Interest	84,476	
Dividends	2,841	37
Other investment income	15,446	1
	<u>1,272,172</u>	<u>381</u>
Less investment expense	15,092	
Net income from investing activities	<u>1,257,080</u>	<u>381</u>
Total additions	<u>1,852,116</u>	<u>381</u>
Deductions		
Benefits		
Retirement benefits	634,632	
Cost of living adjustment	180,213	
SRA Plus Option	26,689	
Supplemental benefits	1,089	
Death benefits	3,336	
OPEB benefits	59,663	
Total benefits	<u>905,622</u>	
Refund of contributions	11,243	
Administrative expense	8,548	
Distribution		88
Total deductions	<u>925,413</u>	<u>88</u>
Change in net assets held in trust for:		
Pension benefits	911,766	
Other postemployment benefits	14,937	
Other		293
Net assets - beginning	<u>6,577,137</u>	<u>1,821</u>
Net assets - ending	<u>\$ 7,503,840</u>	<u>\$ 2,114</u>

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

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2011
(Expressed in Thousands)

	<u>RIHMFC</u>	<u>RIEDC</u>	<u>RIRRC</u>	<u>RIPTA</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,332	\$ 55,390	\$ 21,823	\$ 5,936
Investments				4,059
Receivables (net)	2,829	8,024	7,520	3,350
Restricted assets:				
Cash and cash equivalents	227,866	26,614		
Investments	102,710			
Receivables (net)				
Other assets	29,901	7,798		
Due from primary government		292		5,979
Due from other governments		553		
Due from other component units		38		
Inventories			3,475	2,880
Other assets	2,205	1,858	2,872	111
Total current assets	<u>366,843</u>	<u>100,567</u>	<u>35,690</u>	<u>22,315</u>
Noncurrent Assets:				
Investments	9,435			
Receivables (net)		5,303		
Restricted assets:				
Cash and cash equivalents		59,140	741	
Investments	167,217	953	1,645	
Other assets	1,579,483	30,546	83,057	
Capital assets - nondepreciable		106,365	25,302	6,040
Capital assets - depreciable (net)		557,633	20,096	151,588
Due from other component units		697		
Other assets, net of amortization	131,269	5,223	11,519	
Total noncurrent assets	<u>1,887,404</u>	<u>765,860</u>	<u>142,360</u>	<u>157,628</u>
Total assets	<u>2,254,247</u>	<u>866,427</u>	<u>178,050</u>	<u>179,943</u>
Liabilities				
Current liabilities:				
Cash overdraft				
Accounts payable	485	30,212	7,976	6,320
Due to primary government				618
Due to other component units				
Due to other governments				
Accrued liabilities				
Deferred revenue		8,172		114
Other liabilities	292,827			5,422
Current portion of long-term debt	115,193	11,519	8,400	
Total current liabilities	<u>408,505</u>	<u>49,903</u>	<u>16,376</u>	<u>12,474</u>
Noncurrent liabilities:				
Due to primary government		6,790		12,266
Due to other governments				
Due to other component units				
Deferred revenue	6,581	593		
Notes payable	14,557	1,434		
Loans payable		23,838		
Obligations under capital leases		64		
Net OPEB obligation	2,756	1,766	315	23,659
Other liabilities	3,259		81,376	8,028
Compensated absences	1,314			
Bonds payable	1,526,932	333,569	11,942	
Total noncurrent liabilities	<u>1,555,399</u>	<u>368,054</u>	<u>93,633</u>	<u>43,953</u>
Total liabilities	<u>1,963,904</u>	<u>417,957</u>	<u>110,009</u>	<u>56,427</u>
Net assets				
Invested in capital assets, net of related debt	9,144	345,769	39,887	144,743
Restricted for:				
Debt	231,845			
Other		48,033	3,761	
Other nonexpendable	2,505			
Unrestricted	46,849	54,668	24,393	(21,227)
Total net assets	<u>\$ 290,343</u>	<u>\$ 448,470</u>	<u>\$ 68,041</u>	<u>\$ 123,516</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2011
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets					
Current Assets:					
Cash and cash equivalents	\$ 95,136	\$ 22,406	\$ 26,114	\$ 63,188	\$ 291,325
Investments				21,134	25,193
Receivables (net)	34,318	4,830	4,175	95,318	160,364
Restricted assets:					
Cash and cash equivalents	1,741			272,603	528,824
Investments				169,818	272,528
Receivables (net)			14		14
Other assets	525			53,166	91,390
Due from primary government		1,876			8,147
Due from other governments				1,591	2,144
Due from other component units				189	227
Inventories	2,856	657	722	122	10,712
Other assets	451		195	32,637	40,329
Total current assets	<u>135,027</u>	<u>29,769</u>	<u>31,220</u>	<u>709,766</u>	<u>1,431,197</u>
Noncurrent Assets:					
Investments	122,076		2,081	22,427	156,019
Receivables (net)	16,850	4,251	24	935,826	962,254
Restricted assets:					
Cash and cash equivalents	57	137	2,971	52,515	115,561
Investments		21,013		37,166	227,994
Other assets	74,901	10,606	778	745,369	2,524,740
Capital assets - nondepreciable	59,409	6,583	9,069	232,381	445,149
Capital assets - depreciable (net)	438,197	90,404	40,871	575,781	1,874,570
Due from other component units				2,140	2,837
Other assets, net of amortization	10,705	25		17,565	176,306
Total noncurrent assets	<u>722,195</u>	<u>133,019</u>	<u>55,794</u>	<u>2,621,170</u>	<u>6,485,430</u>
Total assets	<u>857,222</u>	<u>162,788</u>	<u>87,014</u>	<u>3,330,936</u>	<u>7,916,627</u>
Liabilities					
Current liabilities:					
Cash overdraft				242	242
Accounts payable	27,145	7,559	8,423	13,987	102,107
Due to primary government		1,556		97	2,271
Due to other component units				227	227
Due to other governments				36,030	36,030
Accrued liabilities				67	67
Deferred revenue	15,278	1,873	2,929	11,557	39,923
Other liabilities	845	5,025	1,251	24,610	329,980
Current portion of long-term debt	9,478	4,605	4,424	64,974	218,593
Total current liabilities	<u>52,746</u>	<u>20,618</u>	<u>17,027</u>	<u>151,791</u>	<u>729,440</u>
Noncurrent liabilities:					
Due to primary government		16,365			35,421
Due to other governments				322,540	322,540
Due to other component units				2,837	2,837
Deferred revenue				1,072	8,246
Notes payable		1,531	27		17,549
Loans payable	1,325			250,756	275,919
Obligations under capital leases	8,570		1,428	127	10,189
Net OPEB obligation					28,496
Other liabilities	12,793	3,962		11,804	121,222
Compensated absences	18,191	2,076	644	485	22,710
Bonds payable	245,801	19,618	1,964	1,545,412	3,685,238
Total noncurrent liabilities	<u>286,680</u>	<u>43,552</u>	<u>4,063</u>	<u>2,135,033</u>	<u>4,530,367</u>
Total liabilities	<u>339,426</u>	<u>64,170</u>	<u>21,090</u>	<u>2,286,824</u>	<u>5,259,807</u>
Net assets					
Invested in capital assets, net of related debt	312,789	67,036	43,632	350,794	1,313,794
Restricted for:					
Debt					
Other	50,131	4,227	3,195	429,353	538,700
Other nonexpendable	79,323	15,274			97,102
Unrestricted	75,553	12,081	19,097	144,404	355,818
Total net assets	<u>\$ 517,796</u>	<u>\$ 98,618</u>	<u>\$ 65,924</u>	<u>\$ 1,044,112</u>	<u>\$ 2,656,820</u>

(Concluded)

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

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>RIHMFC</u>	<u>RIEDC</u>	<u>RIRRC</u>	<u>RIPTA</u>
Operating revenues:				
Charges for services	\$ 10,183	\$ 59,224	\$ 49,165	\$ 29,499
Interest income on loans	84,825	657		
Investment income (net)	11,292			
Other operating income		2,884	2,757	1,590
Total operating revenues	<u>106,300</u>	<u>62,765</u>	<u>51,922</u>	<u>31,089</u>
Operating expenses:				
Personal services	14,699	23,367	12,217	73,396
Supplies, materials, and services	4,383	14,790	17,115	23,609
Interest expense	65,386			
Grants, scholarships and contract programs	8,499	1,797	1,969	
Depreciation, depletion and amortization	2,526	21,170	10,400	12,674
Other operating expenses	6,105	2,602	1,111	5,149
Total operating expenses	<u>101,598</u>	<u>63,726</u>	<u>42,812</u>	<u>114,828</u>
Operating income (loss)	<u>4,702</u>	<u>(961)</u>	<u>9,110</u>	<u>(83,739)</u>
Nonoperating revenues (expenses):				
Interest revenue		4,023	1,040	55
Grants		6,429		24,373
Payments (to) from primary government		16,501		41,025
Gain (loss) on sale of property		62	(10,564)	(5)
Interest expense		(16,440)	(685)	(483)
Investment income (net)				
Other nonoperating revenue (expenses)		(10,497)		3,341
Total nonoperating revenue (expenses)		<u>78</u>	<u>(10,209)</u>	<u>68,306</u>
Income (loss) before contributions	<u>4,702</u>	<u>(883)</u>	<u>(1,099)</u>	<u>(15,433)</u>
Capital contributions		1,090		50,812
Change in net assets	<u>4,702</u>	<u>207</u>	<u>(1,099)</u>	<u>35,379</u>
Total net assets - beginning as restated	<u>285,641</u>	<u>448,263</u>	<u>69,140</u>	<u>88,137</u>
Total net assets - ending	<u>\$ 290,343</u>	<u>\$ 448,470</u>	<u>\$ 68,041</u>	<u>\$ 123,516</u>

(continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Operating revenues:					
Charges for services	\$ 281,600	\$ 66,406	\$ 31,357	\$ 118,686	\$ 646,120
Interest income on loans				56,905	142,387
Investment income (net)				7,353	18,645
Other operating income	110,814	28,172	41,590	16,849	204,656
Total operating revenues	<u>392,414</u>	<u>94,578</u>	<u>72,947</u>	<u>199,793</u>	<u>1,011,808</u>
Operating expenses:					
Personal services	265,222	93,440	91,656	35,026	609,023
Supplies, materials, and services	120,252	23,241	10,295	32,792	246,477
Interest expense				47,387	112,773
Grants, scholarships and contract programs	29,119	6,792	6,489	15,979	70,644
Depreciation, depletion and amortization	23,447	6,103	3,481	16,750	96,551
Other operating expenses	7,376		105	14,625	37,073
Total operating expenses	<u>445,416</u>	<u>129,576</u>	<u>112,026</u>	<u>162,559</u>	<u>1,172,541</u>
Operating income (loss)	<u>(53,002)</u>	<u>(34,998)</u>	<u>(39,079)</u>	<u>37,234</u>	<u>(160,733)</u>
Nonoperating revenues (expenses):					
Interest revenue				1,414	6,532
Grants		2,427		49,343	82,572
Payments (to) from primary government	56,619	37,568	42,884	7,777	202,374
Gain (loss) on sale of property				151	(10,356)
Interest expense	(8,559)	(1,790)	(180)	(12,481)	(40,618)
Investment income (net)	13,631	3,573	486	1	17,691
Other nonoperating revenue (expenses)	18,623	3,537	1,669	18,887	35,560
Total nonoperating revenue (expenses)	<u>80,314</u>	<u>45,315</u>	<u>44,859</u>	<u>65,092</u>	<u>293,755</u>
Income (loss) before contributions	<u>27,312</u>	<u>10,317</u>	<u>5,780</u>	<u>102,326</u>	<u>133,022</u>
Capital contributions	31,061	3,878	4,581	4,043	95,465
Change in net assets	<u>58,373</u>	<u>14,195</u>	<u>10,361</u>	<u>106,369</u>	<u>228,487</u>
Total net assets - beginning as restated	<u>459,423</u>	<u>84,423</u>	<u>55,563</u>	<u>937,743</u>	<u>2,428,333</u>
Total net assets - ending	<u>\$ 517,796</u>	<u>\$ 98,618</u>	<u>\$ 65,924</u>	<u>\$ 1,044,112</u>	<u>\$ 2,656,820</u>

(Concluded)

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

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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 a) legally separate entities for which a primary government (such as the State) is financially accountable, or b) legally separate entities for which a primary government is not financially accountable but whose exclusion from the State's financial statements would cause said 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 either a) the ability of the State to impose its will on that entity or b) the potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State. The State has considered all agencies, boards, commissions, public benefit authorities and corporations, and the State university and colleges to be potential component units. Audited financial statements of the individual component units can be obtained from their respective administrative offices. Those entities that were deemed to be component units were included as such because of the fact that the State appoints a voting majority of the entity's governing body or because of the entity's potential to provide specific financial benefits to, or to 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, 3rd Floor, 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 rail operations in the State. Separately issued financial statements are not available for the RIPRC.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column in the government-wide 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. The State distinguishes between major and nonmajor component units based upon several quantitative and qualitative factors including the total assets, net assets and revenues of each component unit as well as the significance of transactions between the component unit and the primary government. Discretely presented component units, grouped by major and nonmajor categories, are as follows:

Major Component Units

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. The financial statements can also be viewed at www.ribghe.org.

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, or at www.rhodeislandhousing.org.

Rhode Island Public Transit Authority (RIPTA)

This authority was established in 1964 to acquire any mass motor bus transportation system that has filed a petition to discontinue its service, provided that the Authority has determined it to be in the public interest to continue such service. Revenues of RIPTA include operating assistance grants from the State and federal 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, or at www.ripta.com.

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, so as to 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, or at www.riedc.com.

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, or at www.rirrc.org.

Nonmajor Component Units

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, or at www.risla.com.

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.

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. 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, or at www.narrabay.com.

Rhode Island Health and Educational Building Corporation (RIHEBC)

This corporation has the following purposes: (1) to assist in providing financing for education facilities 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 that are payable from revenues derived from the projects financed or other monies 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 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, or at www.riheaa.org.

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, or at www.riedc.com.

Rhode Island Clean Water Finance Agency (RICWFA)

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

Rhode Island Industrial-Recreational Building Authority (RIIRBA)

This authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State. 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, or at www.riedc.com.

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 to 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, 235 Promenade Street, 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, or at www.ripbs.org.

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 College Crusade of Rhode Island, The 134 Center, Suite 111, 134 Thurbers Avenue, Providence, RI 02905.

Related Organization

Central Falls School District

The Central Falls School District ("District") is governed by a seven member board of trustees that is appointed by the State's Board of Regents for Elementary and Secondary Education ("Board"). In addition, the Commissioner of Education and the Board also have authority over the development and approval of the District's operating budget. The District is considered legally part of the City of Central Falls and is included in the City's financial statements.

C. Financial Statement Presentation

Government-wide Financial Statements

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

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

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

Restricted net assets – This category represents the portion of net assets whose use is subject to constraints that are either a) imposed externally by creditors, grantors or contributors, or b) 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. The use of unrestricted net assets is often subject to constraints imposed by management, but such 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 specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The State includes certain centralized services charged through internal service funds as direct expenses by charging these amounts directly to departments and programs. The State does not allocate indirect costs amongst the functional expenditure categories.

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.

Fund Financial Statements

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.

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 resources 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.

Enterprise Funds - These funds may be used to report any activity for which a fee is charged to external users for goods and services.

Fiduciary Fund Types

Pension and Other Post Employment Benefit Trust Funds

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.

Other Post Employment Benefit (OPEB) Trust Funds - These funds account for the activities of the Rhode Island State Employees' and Electing Teachers OPEB System, which accumulate resources for other post employment 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, assets pledged to the State as required by statute, and health insurance for certain retirees.

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.

Major Funds

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. It also 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.

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 Veterans' Memorial Auditorium Arts and Cultural Center located in Providence.

Employment Security Fund

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

D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available, i.e., earned and collected within the next 12 months. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 other 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.

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 these definitions 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, generally the State uses restricted resources first, then unrestricted resources as they are needed.

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, as opposed to a forced or liquidation sale. Short-term investments are stated at amortized cost, which approximates fair value.

H. Receivables

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

I. Due From Other Governments and Agencies

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

J. Interfund Activity

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

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, intangible assets not being amortized, 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. Intangible assets not being amortized consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

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

Asset Category	Capitalization	
	Thresholds	Estimated Useful Lives
Capital Assets (Depreciable)		
Land improvements	\$ 1 million	20 years
Buildings	\$ 1 million	20 - 50 years
Building Improvements	\$ 1 million	10 - 20 years
Furniture and equipment	\$5 thousand	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 asset 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 and amortization are recorded in the government-wide financial statements, proprietary funds, fiduciary 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. In the government-wide financial statements bond discounts, premiums, issuance costs and deferred amounts on refundings 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, deferred amounts on refundings, discounts, and issuance costs are generally deferred and amortized over the term of the bonds using the straight-line method for issuance costs and the interest method for 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(E)).

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. Also, an additional category of leave obligation has been established as a result of pay reductions taken by certain classes of employees. For governmental fund types, such obligations are recognized when paid. For proprietary fund types, they are recorded as fund liabilities when earned.

P. Other Assets and Liabilities

Other assets primarily include prepaid expenditures for managed care capitation coverage under the State's Medical Assistance program. Contract provisions with the State's participating Health Maintenance Organizations require coverage amounts to be paid in advance of the month of coverage. Deposits required by contract with the State's healthcare claims administrator are also reported as other assets.

Other liabilities include 1) escrow deposits, accrued salary and fringe benefits for the governmental fund types; 2) accrued interest payable, accrued salaries, accrued vacation and sick leave for the proprietary fund types; and 3) escrow deposits, landfill closure costs, accrued expenses, and arbitrage and interest payable for the component units.

Q. Fund Balances

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the State is bound to honor constraints on how specific amounts can be spent. More information about each category is presented below:

- Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by constitutional provisions, as is the case for the Budget Reserve and Cash Stabilization Fund, or (c) by law through enabling legislation enacted by the General Assembly.
- Committed – amounts that can only be used for specific purposes determined by the enactment of legislation by the General Assembly, and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- Assigned – amounts that are constrained by the State's intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor. This is also the classification for residual funds in the State's special revenue funds.
- Unassigned – the residual classification for the State's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, followed by unrestricted resources. Unrestricted resources, when available for a particular use, are used in the following order: committed, assigned, and unassigned.

R. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2011, the State adopted the following new accounting standards issued by GASB:

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* requires, within the governmental funds, that fund balance be reorganized to include identifications of amounts that are considered nonspendable, such as fund balance associated with inventories and permanent funds. Additional classifications of restricted, committed, assigned and unassigned amounts will be used based on the relative strength of the constraints that control how specific amounts can be spent. Restricted fund balances are those that can only be spent on specific

purposes stipulated by constitution, external resource providers or through enabling statute. Committed balances are those that can be used only for actions authorized by the State's highest level of decision-making authority. Assigned balances are to be used for specific purposes, but are not restricted or committed. Unassigned fund balances will only be shown in the General Fund and will be those that are not restricted, committed, or assigned. To implement this statement, the fund balance section of the balance sheet for the governmental funds was reorganized and additional disclosures have been included in the notes to the basic financial statements.

GASB Statement No. 59 – *Financial Instruments Omnibus* improved financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards.

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

GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, certain provisions are effective for the State's fiscal year ending June 30, 2012.

GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the State's fiscal year ending June 30, 2013.

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, effective for the State's fiscal year ending June 30, 2013.

GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the State's fiscal year ending June 30, 2013.

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the State's fiscal year ending June 30, 2013.

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for the State's fiscal year ending June 30, 2012.

The State is determining the impact of these new pronouncements on future financial statements.

S. Changes in Presentation

The GARVEE fund was a capital projects fund that was used to record certain bond issues and related transportation infrastructure expenditures. Since the last of these bond authorizations were issued in May 2009 and the majority of the designated construction projects have been completed, the GARVEE fund was merged into the IST fund for fiscal year 2011.

The State has elected to categorize discretely presented component units as major and nonmajor as part of the basic financial statements for fiscal year 2011.

Effective July 1, 2010, the State created the Rhode Island State Employees' and Electing Teachers OPEB System (the "System"). The System's financial statements are reported as Other Post Employment Benefit (OPEB) Trust Funds in the Fiduciary Funds within the State's basic financial statements. The System includes six separate plans to separately account for the administration of retiree health coverage for qualified State employees (including employees of certain component units), electing teachers, judges, state police officers, legislators, and certain employees of the Board of Governor's for Higher Education. During fiscal 2011, the State transferred residual net assets previously accumulated in internal service and agency funds to the System.

For fiscal 2011 the Lottery included net video terminal revenue in the financial statements as compared to gross video revenue and prize awards reported in the prior periods. Prior period amounts included in Management's Discussion and Analysis have been restated to conform to the new net presentation.

T. Change in Reporting Entity

The classification of the Central Falls School District was changed from a discretely presented component unit of the State to a related organization for fiscal 2011. The District is considered legally part of the City of Central Falls and is included in the City's financial statements.

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

A. Primary Government-Governmental and Business-Type Activities

Cash Deposits

At June 30, 2011, the carrying amount of the State's cash deposits was \$358,665,000 and the bank balance was \$374,144,000. 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 federal 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.

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, 2011 pursuant to this statutory provision. However, the Office of the General Treasurer instituted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of 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.

Effective December 31, 2010, federal depository insurance provisions were amended to provide 100% insurance coverage to noninterest-bearing transaction accounts through December 31, 2012.

The following summarizes the State's exposure to custodial credit risk (expressed in thousands) for deposits at June 30, 2011 within the governmental and business type activities:

Bank balance	\$ 374,144
Bank balance insured by federal depository insurance or collateralized by securities held by an independent third party custodian in the State's name	374,144
Uninsured and uncollateralized balance	<u>\$ 0</u>

Cash Equivalent Investments and 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 State's restricted investments, equaling \$71,642,000, are held by the Tobacco Settlement Financing Corporation, a nonmajor governmental fund.

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 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, 2011 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	\$ 14,974	\$ 14,974	\$ 0	\$ 0	\$ 0
Money Market Mutual Funds	129,193	129,193	0	0	0
Investment Contracts	5,011	5,011	0	0	0
Funds on deposit with fiscal agent	<u>\$ 149,178</u>	<u>\$ 149,178</u>	<u>\$ 0</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 in Days
US Government Agencies			
Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 3,080	AAA	
Federal Home Loan Bank (FHLBank)	11,647	AAA	
Federal National Mortgage Association (Fannie Mae)	247	AAA	
Money Market Funds			
Dreyfus Treasury Prime Cash Management Fund	8,761	AAAm-G	56
Federated Govt. Obligation Tax Managed Fund	17,117	AAAm	44
Fidelity Institutional Money Market Funds Gvt. Port Class III	99,864	AAAm	44
JP Morgan US Govt. Money Market Fund Agency Class	2,423	AAAm	48
JP Morgan US 100% Treasury Securities Money Market Fund	1	AAAm-G	27
Wells Fargo Advantage 100% Treasury Money Market Fund	1,027	AAAm-G	50
Investment Contracts			
FSA Capital Management GIC	5,011		
TOTAL	<u>\$ 149,178</u>		

Funds on deposit with fiscal agent also includes \$1,517,000 held by the Federal Unemployment Insurance Trust Fund.

B. 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
Money Market Funds	Black Rock Liquidity Funds: Fed Fund	\$ 43,664	9.64%
Money Market Funds	Fidelity Institutional Money Market Funds Gvt. Port Class I	176,732	39.02%
Money Market Funds	Fidelity Institutional Money Market Funds Gvt. Port Class III	111,448	24.60%
Commercial Paper	Banco Bilbao Vizcaya	38,014	8.39%

C. 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, 2011, the carrying amount of the ERS cash deposits was \$3,529,000 and the bank balance was \$4,285,000. 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, \$3,031,821 is covered by federal depository insurance and the remainder representing interest-bearing collateralized bank deposits totaling \$1,253,398 is collateralized (102%) with U.S. Treasury and agencies held by a third party custodian.

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 System's deposits were required to be collateralized at June 30, 2011 (excluding the collateralized interest-bearing deposits). However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance.

Investments

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

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

The following table presents the fair value of investments by type that are held within the Pooled Trust at June 30, 2011 (expressed in thousands):

Investment Type	Fair Value
Cash Deposits	\$ 15,000
Money Market Mutual Fund	819,602
U.S. Government Securities	508,163
U.S. Government Agency Securities	487,503
Collateralized Mortgage Obligations	23,389
Corporate Bonds	730,595
Domestic Equity Securities	101,112
International Equity Securities	15,893
Foreign Currencies	3,698
Commingled Funds - Domestic Equity	2,565,168
Commingled Funds - International Equity	1,328,371
Private Equity	606,555
Real Estate	
Limited Partnership	108,822
Commingled Funds	90,169
Real Estate Investment Trusts	45,157
	<u>\$ 7,449,197</u>
Net investment receivable (payable)	(9,079)
Total	<u>\$ 7,440,118</u>

Consistent with a 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.

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, 2011, 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, 2011 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 508,163	4.70
U.S. Government Agency Securities	487,503	4.57
Collateralized Mortgage Obligations	23,389	7.67
Corporate Bonds	730,595	5.77
Total Fixed Income	\$ 1,749,650	5.15

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

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, 2011 is as follows (expressed in thousands):

Quality Rating (1)	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds
Aaa	\$ 15,772	\$ 487,503	\$ 73,266
Aa	194		94,070
A	2,411		163,539
Baa	995		196,880
Ba	695		72,499
B	1,777		87,920
Caa	352		17,605
Ca			228
Not rated	1,193		24,588
Fair Value	<u>\$ 23,389</u>	<u>\$ 487,503</u>	<u>\$ 730,595</u>

(1) 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 the 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, 2011 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 risk and the ERS's investment asset allocation policy targets non-US equity investments at 17.50%. 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, 2011 (expressed in thousands), was as follows:

Currency	Commingled Fund	Foreign Cash	Equities	Private Equity	Total
Australian Dollar	\$ 76,408	\$ 245	\$	\$	\$ 76,653
Brazilian Real	47,835				47,835
Canadian Dollar	103,999	120	363	13,254	117,736
Chilean Peso	5,461				5,461
Colombian Peso	2,605				2,605
Czech Koruna	1,242				1,242
Danish Krone	9,863				9,863
Egyptian Pound	1,038				1,038
Euro Currency	279,774	2,040	3,148	97,860	382,822
Hong Kong Dollar	77,682	74	5,883		83,639
Hungarian Forint	1,364				1,364
Indian Rupee	27,324				27,324
Indonesian Rupiah	8,236				8,236
Israeli Shekel	6,495				6,495
Japanese Yen	179,011	819	4,487		184,317
Malaysian Ringitt	11,811				11,811
Mexican Peso	15,310				15,310
Moroccan Dirham	439				439
New Russian Ruble	59				59
New Taiwan Dollar	32,922				32,922
New Zealand Dollar	936				936
Norwegian Krone	8,097				8,097
Philippine Peso	3,493				3,493
Polish Zloty	5,754				5,754
Pound Sterling	188,251	359			188,610
Singapore Dollar	14,977				14,977
South African Rand	21,071				21,071
South Korean Won	39,338				39,338
Sri Lanka Rupee	525				525
Swedish Krona	28,162	41	2,012	114	30,329
Swiss Franc	74,136				74,136
Thailand Baht	5,468				5,468
Turkish Lira	4,952				4,952
Total	<u>\$ 1,284,038</u>	<u>\$ 3,698</u>	<u>\$ 15,893</u>	<u>\$ 111,228</u>	<u>\$ 1,414,857</u>
US Dollar	44,333				
Commingled Fund	<u>\$ 1,328,371</u>				

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 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.

The ERS invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities. 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 the *Interest Rate Risk* section.

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, 2011 (expressed in thousands):

Investment Derivative Instruments	Change in fair value included in investment income	Fair value at June 30, 2011	Notional amount
Equity options written	\$ 139	\$	\$
Fixed income futures - long	8,916		260,533
Foreign currency forward contracts	(1,089)	259 (a)	(1,908)
Index futures - long	1,973		2,302
Index futures - short	(18,622)		(9,740)
Warrants	8	33	33
	<u>\$ (8,675)</u>	<u>\$ 292</u>	

(a) - Foreign Currency Forward Contracts

Pending receivable	\$ 395
Pending payable	(136)
Foreign currency forward contract asset (liability)	<u>\$ 259</u>

The ERS is exposed to credit risk on derivative instruments that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2011 was \$395,000. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

The ERS executes (through its investment managers) derivative instruments with various counterparties. The credit ratings of counterparties for all but 2% (which were unrated) were Aa3 (Moody's) or better.

D. OPEB Trust Funds

The Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System), which accumulates resources for other post employment benefit payments to qualified employees, consists of six plans: State employees, Teachers, Judges, State police, Legislators and Board of Governors.

Cash Deposits and Cash Equivalents

At June 30, 2011, the carrying amount of the OPEB System's cash deposits and the bank balance were both \$2,477,000. The bank and book balances represent the OPEB System's deposits in short-term trust accounts, which include demand deposit accounts and interest-bearing, collateralized bank deposit accounts.

Investments

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the OPEB System. 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.

The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of market value. The custodian bank holds assets of the OPEB System in a Pooled Account and each plan holds units in the account. The number of units held by each plan is a function of each plan's respective contributions to, or withdrawals from, the account.

Investment expense is allocated to each plan based on the plan's units in the pooled trust at the end of each month.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2011 (expressed in thousands):

Investment Type	Fair Value
U.S. Government Securities	\$ 1,524
Corporate Bonds	3,203
Money Market Mutual Fund	13,727
Comm ingled Funds - Domestic Equity	7,168
	\$ 25,622
Net investment receivable (payable)	(3,213)
Total	\$ 22,409

Consistent with a target asset allocation model adopted by the State Investment Commission, the OPEB System maintains a diversified portfolio 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.

Interest Rate Risk

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

The following table shows the OPEB System's fixed income investments by type, fair value and the effective duration at June 30, 2011 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 1,524	5.43
Corporate Bonds	3,203	5.92
Total Fixed Income	\$ 4,727	5.76

The OPEB System's investments in State Street Institutional Liquid Reserves, a money market mutual fund, had an average maturity of 33 days at June 30, 2011.

Credit Risk

The OPEB System generally manages exposure to credit risk by adhering to an overall target weighted average credit quality for the portfolio. At June 30, 2011, all debt securities were U.S. Government Obligations and corporate bonds.

The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2011 is as follows (expressed in thousands):

Quality Rating (1)	U.S. Government Obligations	Corporate Bonds
Aaa	\$ 1,524	
Aa		\$ 372
A		991
Baa		1,743
Ba		97
Fair Value	<u>\$ 1,524</u>	<u>\$ 3,203</u>

(1) Moody's Investors Service

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the OPEB System's investments in a single issuer. There is no single issuer exposure within the OPEB System's portfolio that comprises more than 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 OPEB System 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, 2011, all securities were registered in the name of the OPEB System (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, State Street Bank and Trust Co.

E. Private Purpose Trust

The private purpose trust (Touro Jewish Synagogue) had investments of \$2,113,653 in the Fidelity Balanced Fund.

F. Agency Funds

At June 30, 2011, the carrying amount of the State's cash deposits within the agency funds was \$14,501,000 and the bank balance was \$13,917,000. 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 federal 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.

The following summarizes the State's exposure to custodial credit risk for deposits at June 30, 2011 within the agency funds (expressed in thousands):

Bank balance	\$ 13,917
Bank balance insured by federal depository insurance or collateralized by securities held by an independent third party custodian	13,917
Uninsured and uncollateralized balance	<u>\$ 0</u>

Note 3. Receivables

Receivables at June 30, 2011 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Total Receivables, Net	Due from Other Governments and Agencies	Due from Component Units
Governmental receivables	\$ 426,442	\$ 317,549	\$ 1,000	\$ 744,991	\$ 150,098	\$ 37,692
Less: Allowance for Uncollectibles	86,233	96,000		182,233		
Governmental receivables, net	340,209	221,549	1,000	562,758	150,098	37,692
Business-type receivables	68,316	25,084		93,400	1,828	
Less: Allowance for Uncollectibles	4,703	16,590		21,293		
Business-type receivables, net	63,613	8,494		72,107	1,828	
Receivables, Net of Allowance for Uncollectibles	403,822	230,043	1,000	634,865	151,926	37,692
Less: Current Portion						
Governmental receivables	332,600	213,966	1,000	547,566	144,978	2,271
Business-type receivables	63,613	8,494		72,107	1,828	
Noncurrent Receivables, Net	\$ 7,609	\$ 7,583	\$	\$ 15,192	\$ 5,120	\$ 35,421

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2011 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	Description
Governmental Funds			
Major Funds			
General	\$ 32,519	\$	Loans to other funds
Intermodal Surface Transportation	586		Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance		575	Debt service and administrative costs
Bond Capital		8,854	State match for transportation
RI Capital Plan		25,010	Excess transfer owed to General Fund
RI Historic Tax Credit	1,576		Tax credit fees owed to fund
Certificates of Participation	1,198		Fees restricted for COPS debt service
Total Non-Major Funds	2,774	34,439	
Total Governmental	35,879	34,439	
Proprietary Funds			
Enterprise			
RI Lottery		3,067	Net income owed to General Fund
Employment Security Trust	3,118		Benefit reimbursements
Total Enterprise	3,118	3,067	
Internal Service	412	1,903	Settlement of services rendered
Total primary government	\$ 39,409	\$ 39,409	

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 or amortized:				
Land *	\$ 349,811	\$ 2,109	\$ (47)	\$ 351,873
Works of Art	422	861		1,283
Intangibles	151,076	4,130		155,206
Construction in progress *	463,964	215,672	(252,177)	427,459
Total capital assets not being depreciated or amortized	<u>965,273</u>	<u>222,772</u>	<u>(252,224)</u>	<u>935,821</u>
Capital assets being depreciated or amortized:				
Land improvements	3,700			3,700
Buildings *	587,448	61,667	(4,729)	644,386
Building Improvements	210,608	49,458		260,066
Furniture and equipment	235,227	11,836	(4,715)	242,348
Intangibles	11,986	2,063		14,049
Infrastructure *	2,811,359	245,277	(106,921)	2,949,715
Total capital assets being depreciated or amortized	<u>3,860,328</u>	<u>370,301</u>	<u>(116,365)</u>	<u>4,114,264</u>
Less accumulated depreciation or amortization for:				
Land improvements	3,233	95		3,328
Buildings *	191,319	12,019	(3,178)	200,160
Building Improvements	159,471	8,576		168,047
Furniture and equipment	200,205	16,220	(4,784)	211,641
Intangibles	6,614	4,221		10,835
Infrastructure *	1,231,178	94,876		1,326,054
Total accumulated depreciation or amortization	<u>1,792,020</u>	<u>136,007</u>	<u>(7,962)</u>	<u>1,920,065</u>
Total capital assets being depreciated or amortized, net	<u>2,068,308</u>	<u>234,294</u>	<u>(108,403)</u>	<u>2,194,199</u>
Governmental activities capital assets, net	<u>\$ 3,033,581</u>	<u>\$ 457,066</u>	<u>\$ (360,627)</u>	<u>\$ 3,130,020</u>

* Beginning balances have been restated, see Note 17, Section F.

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

General government	\$ 11,848
Human services	8,146
Education	3,105
Public safety	11,862
Natural resources	3,680
Transportation	97,366
Total depreciation or amortization expense - governmental activities	<u>\$ 136,007</u>

Fiscal Year Ended June 30, 2011

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 45,558	\$	\$	\$ 45,558
Construction in progress	649	148	(643)	154
Total capital assets not being depreciated	46,207	148	(643)	45,712
Capital assets being depreciated:				
Buildings	234,086	44		234,130
Machinery and equipment	22,943	2,172	(159)	24,956
Total capital assets being depreciated	257,029	2,216	(159)	259,086
Less accumulated depreciation	106,953	10,884	(159)	117,678
Total capital assets being depreciated, net	150,076	(8,668)		141,408
Business-type activities capital assets, net	<u>\$ 196,283</u>	<u>\$ (8,520)</u>	<u>\$ (643)</u>	<u>\$ 187,120</u>

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land *	\$ 112,181	\$ 3,055	\$ (272)	\$ 114,964
Construction in progress *	417,423	160,082	(247,570)	329,935
Other	250			250
Total capital assets not being depreciated or amortized	529,854	163,137	(247,842)	445,149
Capital assets being depreciated or amortized:				
Buildings *	1,528,400	215,227	(5,684)	1,737,943
Land improvements *	183,704	9,810	(18,539)	174,975
Machinery and equipment	313,869	74,942	(24,244)	364,567
Intangibles	4,100			4,100
Infrastructure	642,983	20,603		663,586
Total capital assets being depreciated or amortized	2,673,056	320,582	(48,467)	2,945,171
Less accumulated depreciation or amortization for:				
Buildings *	592,846	55,823	(2,401)	646,268
Land improvements	110,669	6,953	(11,530)	106,092
Machinery and equipment *	200,834	21,534	(22,709)	199,659
Intangibles	2,255	1,845		4,100
Infrastructure	103,542	10,940		114,482
Total accumulated depreciation or amortization	1,010,146	97,095	(36,640)	1,070,601
Total capital assets being depreciated or amortized, net	1,662,910	223,487	(11,827)	1,874,570
Total capital assets, net	<u>\$ 2,192,764</u>	<u>\$ 386,624</u>	<u>\$ (259,669)</u>	<u>\$ 2,319,719</u>

* Beginning balances have been restated.

Fiscal Year Ended June 30, 2011

Note 6. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are presented in the following table:

	<i>(Expressed in Thousands)</i>					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due There after
Governmental Activities						
<i>Bonds Payable</i>						
General obligation bonds (see section B)	\$ 1,118,030	\$	\$ (68,630)	\$ 1,049,400	\$ 73,230	\$ 976,170
RIEDC Grant Anticipation Revenue Bonds	400,515		(28,205)	372,310	29,590	342,720
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	77,645		(3,585)	74,060	3,710	70,350
Tobacco Settlement Asset-Backed Bonds	807,731		(12,570)	795,161		795,161
Accreted interest on TSFC bonds	37,369	14,341		51,710		51,710
RIEDC Historic Tax Credit Bonds	135,195		(14,375)	120,820	14,830	105,990
Net unamortized premium/discount	28,660	352	(6,777)	22,235		22,235
Deferred amount on refunding	(7,252)		508	(6,744)		(6,744)
Bonds Payable, net	2,597,893	14,693	(133,634)	2,478,952	121,360	2,357,592
Obligation under capital leases (see section E)	244,805		(20,760)	224,045	20,315	203,730
Net unamortized premium/discount	6,025	5	(979)	5,051		5,051
Deferred amount on refunding	(1,467)		267	(1,200)		(1,200)
Obligation under capital leases, net	249,363	5	(21,472)	227,896	20,315	207,581
Compensated absences	80,302	75,768	(66,801)	89,269	65,188	24,081
Net OPEB Obligation (see note 14 C)	36,212		(22,955)	13,257		13,257
Special obligation notes	19,450		(6,350)	13,100	4,925	8,175
<i>Other Long-term Liabilities</i>						
Arbitrage rebate	2,656		(2,656)			
Pollution remediation	20,121	3,455	(3,354)	20,222	2,823	17,399
Other	58,744	7,037	(8,288)	57,493	2,088	55,405
Total Governmental Long-term Liabilities	\$ 3,064,741	\$ 100,958	\$ (265,510)	\$ 2,900,189	\$ 216,699	\$ 2,683,490
Business-type Activities						
Revenue bonds (see section B)	\$ 268,280	\$	\$ (8,660)	\$ 259,620	\$ 9,110	\$ 250,510
Net unamortized premium/discount	1,096		(133)	963		963
Deferred amount on refunding	(12,082)		1,168	(10,914)		(10,914)
Revenue bonds, net	257,294		(7,625)	249,669	9,110	240,559
Notes payable	795		(188)	607	188	419
Net OPEB Obligation	139		(139)			
Deferred Revenue	8,125		(625)	7,500	625	6,875
Compensated absences	362	347	(275)	434	187	247
Due to Other Governments and Agencies (see Section J)	225,473	89,907	(93,028)	222,352		222,352
Other long-term liabilities	72		(72)			
Total Business-type Long-term Liabilities	\$ 492,260	\$ 90,254	\$ (101,952)	\$ 480,562	\$ 10,110	\$ 470,452
Component Units						
Bonds payable (see section B)	\$ 4,089,778	\$ 209,662	\$ (529,772)	\$ 3,769,668	\$ 114,029	\$ 3,655,639
Net unamortized premium/discount	40,716	2,398	(1,273)	41,841	105	41,736
Deferred amount on refunding	(13,375)		1,238	(12,137)		(12,137)
Bonds Payable, net	4,117,119	212,060	(529,807)	3,799,372	114,134	3,685,238
Notes payable (see section C)	80,357	289,078	(286,413)	83,022	65,473	17,549
Loans payable (see section D)	262,767	49,553	(17,470)	294,850	18,931	275,919
Obligations under capital leases	13,784	144	(1,990)	11,938	1,749	10,189
Net OPEB obligation	30,252	7,091	(8,847)	28,496		28,496
Compensated absences	30,328	3,522	(895)	32,955	10,245	22,710
Due to primary government	35,342	4,499	(2,149)	37,692	2,271	35,421
Due to Other Governments and Agencies	584,129		(225,559)	358,570	36,030	322,540
Deferred Revenue	42,234	6,214	(279)	48,169	39,923	8,246
Due to Component Units	3,782		(718)	3,064	227	2,837
Other Long-term liabilities						
Arbitrage rebate	18,427	1,290	(4,890)	14,827	45	14,782
Pollution remediation	18,598	14,361	(1,738)	31,221	1,835	29,386
Other liabilities	96,784	1,297	(14,845)	83,236	6,182	77,054
Total Component Units Long-term Liabilities	\$ 5,333,903	\$ 589,109	\$ (1,095,600)	\$ 4,827,412	\$ 297,045	\$ 4,530,367

Certain beginning balances of the component units have been reclassified to conform with the financial statement presentation.

B. Bonds Payable

At June 30, 2011, 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		
2012	\$ 121,360	\$ 115,176	\$ 9,110	\$ 14,030	\$ 114,029	\$ 147,257
2013	146,480	108,679	9,570	13,565	119,073	143,210
2014	128,775	102,261	10,060	13,075	117,943	138,512
2015	138,585	96,050	10,550	12,535	135,832	133,368
2016	137,825	89,536	11,095	11,983	146,026	128,539
2017 - 2021	600,435	349,555	64,390	50,899	670,095	555,329
2022 - 2026	319,855	233,244	82,745	32,360	682,523	398,667
2027 - 2031	81,470	176,641	38,200	12,412	655,075	253,674
2032 - 2036	168,260	131,615	23,900	3,727	504,825	135,084
2037 - 2041		116,156			405,900	49,555
2042 - 2046	371,700	34,847			140,805	17,652
2047 - 2051					76,465	3,818
2052 - 2056	197,006	2,637,174 *			1,077	16
	<u>\$ 2,411,751</u>	<u>\$ 4,190,934</u>	<u>\$ 259,620</u>	<u>\$ 164,586</u>	<u>\$ 3,769,668</u>	<u>\$ 2,104,681</u>

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

Primary Government - Governmental Activities

General obligation bonds of the State are serial bonds with interest payable semi-annually.

At June 30, 2011, general obligation bonds authorized by the voters and unissued amounted to \$262,000,000. 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.

In addition to the debt authorized by the voters for which the full faith and credit is pledged, the General Assembly has authorized the issuance of other debt that is subject to annual appropriation. The following authorizations have been enacted and the State plans to issue the debt over the next several years: (1) Energy Conservation Certificates of Participation - \$84,700,000, (\$31,980,000 issued subsequently to June 30, 2011 – see Note 18. Subsequent Events), (2) Economic Development Corporation – Job Creation Guaranty Program - \$50,000,000 and (3) Economic Development Corporation – 195 Land Sales - \$42,000,000.

RIEDC Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds - 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-two cents (\$.32) 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. Pledged revenues were sufficient to fund fiscal 2011 debt service payments for Grant Anticipation and Motor Fuel Tax Revenue Bonds. These revenues have been pledged for the term of the Grant Anticipation and Motor Fuel Tax Revenue Bonds through fiscal 2021 and 2027, respectively.

Tobacco Settlement Asset-Backed Bonds and Accreted Interest - 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. Certain of the TSFC 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 current funding requirements of the indenture to the early redemption of the bonds. During the year ended June 30, 2011, TSFC utilized \$12,570,000 of excess collections to early redeem an equal amount of outstanding bonds. Pledged tobacco revenues were sufficient to fund fiscal 2011 debt service payments for Tobacco Settlement Asset-Backed bonds. These revenues have been pledged for the term of the underlying debt through fiscal 2052.

Historic Tax Credit Bonds - 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. There is remaining authorization to issue up to \$206,200,000 of Historic Tax Credit Bonds.

Primary Government - *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, 2011, outstanding bond and note indebtedness totaled \$260,227,000.

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 Dunkin Donuts Center. The revenue bonds are secured by all rents receivable, if any, under a lease agreement between the RICCA and the State covering all property purchased by the RICCA. The agreement 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 guaranty insurance policies.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years 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.

Each of the RICCA's Bond Resolutions contains certain restrictive covenants. During fiscal year 2011, the RICCA was unable to fund the Operating Reserve and Debt Service Reserve requirements. Also, RICCA was unable to fund the Renewal and Replacement component of the restrictive covenants for the Rhode Island Convention Center and the Dunkin Donuts Center pursuant to the indentures.

Discretely Presented Component Units

University of Rhode Island, Rhode Island College and Community College of Rhode Island

The University of Rhode Island (URI), Rhode Island College (RIC), and Community College of Rhode Island (CCRI) have issued a number of series of revenue bonds to finance housing, student union (including bookstores) and dining facilities. 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 loan and trust agreements 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 agreements provide 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.

R.I. Housing and Mortgage Finance Corporation

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.

R.I. Economic Development Corporation

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.

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 \$260,945,000 in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. The amount available to pay debt service per the Master Indenture, including pledged passenger facility charges, was approximately \$38,157,000 for the year ended June 30, 2011. Principal and interest payments for the year ended June 30, 2011 were approximately \$22,476,000.

RIAC has pledged facility revenues related to the InterLink Facility, net of specified operating expenses, to repay \$48,765,000 in First Lien Special Facility Bonds. Proceeds from the bonds were used for the construction of the InterLink Facility. Facility revenues, including customer facility charges, were \$6,138,000 for the year ended June 30, 2011. Interest paid for the year ended June 30, 2011 was approximately \$2,418,000. Principal payments commenced on July 1, 2011. The InterLink Facility includes consolidated facilities for Airport rental car operations; a train platform to provide access for commuter rail service south to Wickford, Rhode Island and north to both Providence and Boston; and a parking garage for rental car operators and rail commuters.

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 InterLink 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 2012. 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 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink Facility. As of June 30, 2011, RIAC had \$23,838,000 in borrowings under this agreement.

Other Component Units

Other nonmajor component units have various bonds outstanding. These revenue bonds were generally issued to fulfill the component unit's corporate purpose. Additional information on each nonmajor component unit's debt obligations is available in their audited financial statements.

R.I. Industrial-Recreational Building Authority

The \$60,000,000 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.

C. Notes Payable

Primary Government

Special Obligation Notes (expressed in thousands) at June 30, 2011 are as follows:

Note payable to R.I. Housing and Mortgage Finance Corporation - to provide financing for various affordable housing initiatives	\$ 3,485
Note payable to a financial institution - to finance the design, development and implementation of a motor vehicles information management system for the Division of Motor Vehicles – the note is payable with interest of 4.2137% due semi-annually and principal due April 1, 2012-2017	9,615
	<u>\$ 13,100</u>

Both special obligation notes are subject to annual appropriation by the General Assembly. The note payable to a financial institution will be repaid from a \$1.50 surcharge on every transaction processed at the Division of Motor Vehicles. This surcharge is pledged to fund debt service on the note. Pledged revenues were sufficient to fund fiscal 2011 debt service payments for this special obligation note. These revenues have been pledged for the term of the note through fiscal 2017.

Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2011 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.	\$ 1,613
R.I. Housing and Mortgage Finance Corporation bank notes, 5.275% to 5.70% interest, payable through 2030.	23,610
R.I. Economic Development Corporation (Quonset Development Corporation) monthly payments of principal and interest through FY 2016 bearing interest at 5.00%.	1,322
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 4.15% interest, payable through 2015	444
	<u>26,989</u>
Less: current portion	(9,440)
	<u>\$ 17,549</u>

D. Loans Payable

Discretely Presented Component Units

Loans payable include liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) of \$334,265,040.

E. 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, 2011 consists of the present value of future minimum lease payments less any funds available in debt service reserve funds. Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011:

Fiscal Year Ending June 30	COPS
2012	\$ 30,525
2013	29,465
2014	27,827
2015	27,153
2016	26,696
2017 - 2021	95,385
2022 - 2026	51,287
2027 - 2031	7,448
Total future minimum lease payments	295,786
Amount representing interest	(71,741)
Present value of future minimum lease payments	<u>\$ 224,045</u>

F. 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. At June 30, 2011, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 131,840
R.I. Convention Center Authority	28,455
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	186,755
R.I. Economic Development Corporation	15,220
R.I. Turnpike and Bridge Authority	32,300
R.I. Clean Water Finance Agency	53,410

G. 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, 2011 was \$103,000,000, \$2,850,675,000 and \$1,122,000,000 respectively. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 12.

H. Short-Term Borrowing

The table below summarizes General Fund short-term borrowing (expressed in thousands) for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
General Obligation Tax Anticipation Notes	\$ 0	\$ 350,000	\$ 350,000	\$ 0
RI Capital Plan Fund	78,648	65,562	144,210	0
Total Short-Term Borrowing	<u>\$ 78,648</u>	<u>\$ 415,562</u>	<u>\$ 494,210</u>	<u>\$ 0</u>

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

In addition, R.I. Housing & Mortgage Corporation had outstanding balances of \$56,000,000 on two lines of credit that are payable on demand and accrue interest at rates ranging from 1.20% to 1.94%.

I. Pollution Remediation Liabilities

GASB Statement No. 49 establishes guidance to estimate and report potential costs which may be incurred for pollution remediation liabilities. GASB 49 requires the reporting entity 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 reporting entity is compelled to take action.
- The reporting entity is in violation of a pollution related permit or license.
- The reporting entity is named or has evidence it will be named as a responsible party by a regulator.
- The reporting entity is named or has evidence it will be named in a lawsuit to enforce a cleanup.
- The reporting entity commences or legally obligates itself to conduct remediation activities.

The State and certain component units have 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.

J. Due to Other Governments and Agencies

The State had borrowed \$222,352,000 at June 30, 2011 from the federal government (Unemployment Insurance Trust Fund) to fund employment insurance benefits paid from the Employment Security Fund to eligible unemployed individuals. Interest on the borrowings was deferred through December 31, 2010; however, interest accrued beginning January 1, 2011 and is payable on October 1 of each year. It is expected that borrowing will continue in fiscal 2012.

The interest due on federal loans cannot be paid from employer taxes and federal revenue received by the State to pay unemployment benefits. In recent years, the General Assembly passed legislation increasing the Job Development Fund Assessment on employers by 0.3%, dedicating the additional assessment to pay the principal and interest on the federal loans. Other legislative changes, effective in fiscal 2012, include adjusting the unemployment insurance taxable wage base and reducing individual unemployment benefit amounts. Estimated savings from these changes are designed to reduce the amount owed to the federal government in future years.

K. Compensated Absences

State employees and those of certain component units are granted vacation and sick leave in varying amounts based upon years of service. Additionally, the State has deferred payment of certain compensation to employees. A liability has been calculated for all earned vacation credits subject to certain limitations and vested sick leave credits that are payable at retirement subject to certain limitations. Payment is calculated at their current rate of pay.

L. Arbitrage Rebate

A liability accrues for income on the investment of debt 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.

M. Due to the Primary Government

This consists of the repayment of general obligation debt that was issued by the State on behalf of certain component units.

N. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

- *Retainage related to 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.
- *Tax refunds payable* – these amounts are tax carry-forward credits for taxpayers that are not expected to be paid in the subsequent fiscal period.

In addition, certain other long-term payables are included in this category. Historically, long-term liabilities, other than debt, will be paid through certain funds as follows:

- Compensated Absences – Assessed Fringe Benefits Fund, an internal service fund and the respective fund to which the underlying employee's wages and benefits are charged
- Net OPEB Obligation – General Fund
- Pollution remediation – General, RI Capital Plan, and Intermodal Surface Transportation Funds
- Other long-term liabilities – General and Intermodal Surface Transportation Funds

Component Units – the liabilities consist primarily of landfill closure and post-closure costs and grants refundable.

Note 7. Net Assets/Fund Balances

Governmental Activities

Restricted Net Assets

The Statement of Net Assets reflects \$462,751,000 of restricted net assets, of which \$218,505,000 is restricted by enabling legislation. The restricted net assets that are restricted by enabling legislation are included in the Temporary Disability 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.

Governmental Funds – Fund Balances

Governmental fund balance categories are detailed below (expressed in thousands):

	Major Funds			Total
	General Fund	IST Fund	Other Funds	
Fund Balances:				
Nonspendable:				
Prep aids	\$ 53,353	\$	\$	\$ 53,353
Permanent Fund Principal			174	174
Restricted for:				
Budget Reserve and Cash Stabilization	130,293			130,293
Purposes specified by enabling legislation	66,178			66,178
Debt Service		12,195	71,645	83,840
Capital Projects			138,165	138,165
Temporary Disability Insurance			150,914	150,914
Historic Tax Credit Redemption			30,331	30,331
Transportation		123,115		123,115
Education			1,645	1,645
Other	1,414		241	1,655
Committed to:				
Appropriations Carried Forward by Statute:				
Judiciary	92			92
Legislature	3,842			3,842
Transportation		1,448		1,448
Other	2,022			2,022
Assigned to:				
Subsequent Years Expenditures	8,271			8,271
Other	154	85	199	438
Unassigned:	5,281	(5,043)		238
Totals	<u>\$ 270,900</u>	<u>\$ 131,800</u>	<u>\$ 393,314</u>	<u>\$ 796,014</u>

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account ("Reserve") within the State's General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For fiscal year 2011, 2.60% of total general revenues and opening surplus are transferred to the Reserve. Amounts in excess of 4.20% of total general revenues and opening surplus are transferred to the RI Capital Plan Fund to be used for capital projects. The Reserve, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given year. Such appropriations must be approved by a majority of each chamber of the General Assembly.

The State has not adopted any minimum fund balance requirements for any funds beyond the State Budget Reserve and Cash Stabilization Account within the General Fund.

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	\$ 1,014,617	\$ 1,014,528
General Business Taxes:		
Business Corporations	83,692	84,227
Public Utilities Gross Earnings	103,744	102,421
Financial Institutions	2,459	4,358
Insurance Companies	53,941	53,926
Bank Deposits	1,967	1,967
Health Care Provider Assessment	40,761	40,674
Sub-total - General Business Taxes	<u>286,564</u>	<u>287,573</u>
Sales and Use Taxes:		
Sales and Use	813,007	812,578
Motor Vehicle	47,655	47,659
Motor Fuel	1,055	1,177
Cigarettes	134,060	134,048
Alcoholic	11,683	11,683
Sub-total - Sales and Use Taxes	<u>1,007,460</u>	<u>1,007,145</u>
Other Taxes:		
Inheritance and Gift	46,855	46,999
Racing and Athletics	1,325	1,325
Realty Transfer	6,371	6,371
Sub-total - Other Taxes	<u>54,551</u>	<u>54,695</u>
Total - General Fund	<u>2,363,192</u>	<u>2,363,941</u>
Intermodal Surface Transportation Fund		
Gasoline	136,811	136,811
Other Governmental Funds	164,417	164,417
Total Taxes	<u>\$ 2,664,420</u>	<u>\$ 2,665,169</u>

Note 9. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2011 are presented below (expressed in thousands):

	Transfers	Description
Governmental Activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 44,013	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,742	Administrative cost reimbursement
Historic Tax Credit	14,190	Reimbursement for tax credits claimed
Bond Capital	3,437	Interest earnings transfer
Business-Type Activities		
Lottery	354,861	Net income transfer
Employment Security	6,408	Administrative cost reimbursement
Internal Service	3	Charges for Information Technology Services
Intermodal Surface Transportation		
Bond Capital	32,150	Infrastructure funding
Nonmajor Funds		
COPs		
General	2,052	Debt service reserve
RI Capital Plan		
General	84,645	Transfer statutory excess in budget reserve
RI Public Rail Corporation		
Intermodal Surface Transportation	1,728	Operating assistance
Total Governmental Activities	<u>545,229</u>	
Business-Type Activities		
Convention Center		
General	23,130	Debt service
Employment Security		
General	4,699	Administrative cost reimbursement
Assessed Fringe Benefits	2,254	Reimbursement for State employees' unemployment compensation
Total operating transfers primary government	<u><u>\$ 575,312</u></u>	

Note 10. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$11,616,000 for the fiscal year ended June 30, 2011.

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.

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, 2011:

Fiscal Year Ending June 30	
2012	\$ 10,285
2013	8,423
2014	8,223
2015	8,084
2016	6,058
2017 - 2021	5,878
Total	<u><u>\$ 46,951</u></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, 2011 are listed below (expressed in thousands):

Major funds		
General	\$	10,799
IST		458,216
Total major funds		<u>469,015</u>
Other governmental funds		<u>6,486</u>
Total encumbrances outstanding	\$	<u><u>475,501</u></u>

The primary government is committed at June 30, 2011 under various contractual obligations for infrastructure construction and other capital projects, which will be principally financed with debt 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, 2011 under contractual obligations with various service providers, which will be funded through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years.

Performance-based Agreements

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 through fiscal year 2021 of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) \$3,680,000 in the first five years and \$3,560,000 in years 6 through 20. In the year ended June 30, 2011, \$3,560,000 was paid to the developer.

The RIEDC has issued 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 paid \$2,533,000 of the debt on the related economic development revenue bonds in fiscal year 2011. The State has commitments relating to this debt through fiscal year 2027.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider - GTECH

The Lottery in May 2003 entered into a 20-year master contract with its gaming systems provider, GTECH, granting it 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 it 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.

Video Lottery Facilities – UTGR, Inc.

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 manage one of the State's licensed video lottery facilities. The contract entitles UTGR, Inc. to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. UTGR and the Lottery extended the contract and signed the first five-year extension term commencing on July 18, 2010. The second term would commence on July 18, 2015. Certain extensions are contingent on UTGR's compliance with full-time employment mandates.

The First Amendment to the Master Contract provides for a promotional points program of up to 4% of the facility's prior year net terminal income. The general laws require a base of \$750,000 to be expended before the previously authorized 4% of prior year net terminal income. The First Amendment requires the Lottery to reimburse UTGR for allowable marketing expenses at an amount not to exceed \$6 million multiplied by the Lottery's percentage of net terminal income (61.08% for fiscal 2011). The reimbursement of marketing expenses by the Lottery occurs only after UTGR has incurred \$4 million in qualified marketing expenses (with marketing expenses defined by the Lottery) and is contingent on the State receiving net terminal income from UTGR at least equal to fiscal year 2009 amounts. These amounts were pro-rated on a partial year basis for fiscal year 2011.

Video Lottery Facilities – Newport Grand

On November 23, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand to continue to manage one of the State's licensed video lottery facilities.

Newport Grand and the Lottery extended the contract and signed the first five-year extension term of the contract commencing on November 23, 2010. The second term, which would commence on November 23, 2015, is contingent on Newport Grand's compliance with full-time employment mandates specified in the 2010 law.

The First Amendment also provides for a promotional points program of up to 4% of the facility's prior year net terminal income and requires the Lottery to reimburse Newport Grand for allowable marketing expenses at an amount not to exceed \$840,000 multiplied by the Lottery's percentage of net terminal income (61.69% for fiscal 2011). The reimbursement of marketing expenses by the State occurs only after Newport Grand has incurred \$560,000 in qualified marketing expenses (with marketing expenses to be defined by the Lottery). These amounts are pro-rated on a partial year basis for fiscal year 2011. Additionally, the First Amendment provides an allocation of video lottery net terminal income to Newport Grand equal in percentage to that of UTGR.

R. I. Public Rail Corporation

The R. I. Public Rail Corporation (RIPRC), a blended component unit, has obtained a letter of credit in the amount of \$7,500,000 in favor of AMTRAK to secure the RIPRC's performance of its obligations arising under any South County Rail Service agreements. RIPRC has been designated as the entity responsible for securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service with policy limits of \$200 million subject to a self-insured retention of \$7.5 million.

Discretely Presented 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 \$6,836,000, which are expected to be funded from current available resources and future operations. As of June 30, 2011, RIAC was also obligated for completion of the Warwick Intermodal Facility under commitments of approximately \$20,853,000.

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. The landfill operated by the Corporation has been segregated into five distinct phases. Phases I, II and III were closed by the Corporation in prior years. 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.

A liability for closure and post-closure care of \$57,211,199 as of June 30, 2011 has been recorded in the accompanying statement of net assets, as summarized by Phases below:

	Year ended June 30, 2011
Phase I	\$ 10,124,584
Phase II and III	5,504,366
Phase IV	10,285,941
Phase V	31,296,308
	<u>\$ 57,211,199</u>

The Corporation has received site approval for Phase VI from the State Planning Council and has been licensed by RIDEM.

As of June 30, 2011, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense for Phase IV, and the estimated percent of landfill capacity used for Phase IV, are \$484,678 and 95.5%, respectively. The corresponding amounts for Phase V are \$12,678,178 and 71.2%, respectively. Estimated remaining years for accepting waste is less than one year for Phase IV and 3.5 years for Phase V.

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, 2011 is \$41,075,529 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.

The pollution remediation obligation for the year ended June 30, 2011 is as follows:

Balance, June 30, 2010	Additions	Reductions	Balance, June 30, 2011	Current Portion
\$ 18,599,143	\$ 14,361,079	\$ (1,737,815)	\$ 31,222,407	\$ 1,834,895

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 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 balance of the trust fund totaled \$41,981,365 as of June 30, 2011 and has been included in restricted assets held in trust in the accompanying statement 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 \$30,591,000 as of June 30, 2011.

Other pollution remediation obligations:

The Corporation is the owner of several properties adjacent to its landfill operations. The Corporation is obligated to remediate one of these parcels. The Corporation has recorded a liability for future remediation costs of approximately \$632,000 as of June 30, 2011.

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 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, 2011 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 wetlands restoration work was completed in the spring of 1999 and is awaiting RIDEM approval.

R.I. Public Transit Authority

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$15,193,207 at June 30, 2011.

R.I. Industrial-Recreational Building Authority

At June 30, 2011, the Authority had insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2011 are \$20,779,093.

Other Component Units

Other component units have various commitments arising from the normal course of their operations. These commitments are not significant, overall, to the State's financial statements.

Note 12. Contingencies

Primary Government

The State, its officers and employees are defendants in numerous lawsuits. For those cases in which it is probable that a loss has or will occur and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid, the State has recognized a liability within its financial statements. Specific litigation matters are discussed below.

Pension Reform Litigation

On May 12, 2010, unions, which represent State employees and teachers, filed a lawsuit against the State of Rhode Island challenging legislative changes made in 2009 to pension benefit provisions within the ERS plan for State employees and teachers. The lawsuit was later amended to include the 2010 legislative changes. Various parties have been named as defendants in the lawsuit including the System and the Board of Directors. The State is vigorously contesting the lawsuit.

The State filed a Motion for Summary Judgment which was heard on July 18, 2011. Prior to the hearing, the parties stipulated that the only issue that would be presented to the court during the hearing would concern whether the statute created a contract between the State and its participants. The parties agreed that in the event that the Court concluded that the statute did create a contract, the remaining issues of whether the contract had been impaired and whether any such impairment was legally justified would be argued at a later date. On September 13, 2011, the Superior Court issued its decision in which it ruled that pension plan participants have a contractual right based on an implied-in-fact contract theory. Consistent with the parties' stipulation, the Court did not decide whether that contract had been impaired or whether any such impairment was legally justified. The Defendants believe the Superior Court's ruling was legally wrong. On October 3, 2011, Defendants filed a Petition for Issuance of a Writ of Certiorari and Supporting Memorandum of law with the Rhode Island Supreme Court. Defendants also filed a motion through which they requested that the Supreme Court expedite its review of the Petition for Issuance of a Writ of Certiorari. On November 22, 2011, the Supreme Court denied the defendants' petition and the case will proceed in the Superior Court.

Management believes that the comprehensive pension reform legislation enacted on November 18, 2011 will likely prompt similar legal challenges from unions representing State employees and teachers.

Management cannot estimate the likelihood of loss to the State or the System, if any. If challenges to the statutory changes are successful, future contribution rates for the plans and the unfunded actuarial accrued liability could be materially impacted.

Transportation Related Litigation

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, Raito, Inc., was hired by the contractor, Cardi Corp., to, among other things, drill and install twenty-three shafts to allow for placement and construction of the I-Way Bridge. Raito claims that it is entitled to compensation for extra work performed and alleged unforeseen conditions encountered during its work. Raito's claims total approximately \$11 million. The litigation is still in the discovery phase and the State cannot estimate the likelihood of loss to the State, if any.

In late 2009, Shire Corporation sued the Rhode Island Department of Transportation, the Rhode Island Department of Administration and several State employees. The complaint alleges that Shire suffered damages and losses over a period of years in several past and current projects and from bids it claims it did not receive. Shire claims damages of approximately \$15,000,000. The State has denied the claim in its totality and will contest all damages.

Other

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 school districts that operate regional vocational technical centers in the State have raised similar claims to date. The claims were assigned to a hearing 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 appealed to the Board of Regents. Cranston and Chariho filed their briefs with the Board of Regents on February 17, 2010. The Department submitted a reply brief, and the Board of Regents affirmed the dismissal. The Cranston School Department has filed both an Administrative Procedures Act appeal and a Petition for Writ of Mandamus in the Superior Court on the basis of these claims. The mandamus action has been appealed by petitioning the Supreme Court for the issuance of a Writ of Certiorari, which was granted. The matter is scheduled for a Mediation Conference. If a settlement does not result, full briefs will be due within 40 days without extension. The aggregate sums demanded by the school districts is approximately \$22 million.

With respect to other 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.

The Securities and Exchange Commission has opened a non-public formal investigation into the disclosures by the State regarding ERSRI. The State is fully cooperating with the investigation.

Tobacco Settlement Financing Corporation

According to the Master Settlement Agreement (“MSA”), for any year in which the Participating Manufacturers (“PMs”) suffer a loss of market share of more than two percent as compared to their collective market share in 1997, there is the potential of a Non-Participating Manufacturer Adjustment (“NPM Adjustment” or “Adjustment”) that would permit the PMs to reduce their MSA payments for that year. Whether such an adjustment is applicable depends on whether (1) an economic firm jointly selected by the Settling States and the PMs determines that the disadvantages experienced by the PMs as a result of the provisions of the MSA were a “significant factor” contributing to the market share loss (“Significant Factor Proceeding”), and (2) the State is found as not having diligently enforced its escrow statute.

For calendar years 2003, 2004, 2005 and 2006, there have been Significant Factor Proceedings in which the firm found in favor of the PMs. Settling States and the PMs are engaged in arbitration proceedings in connection with the issue of Diligent Enforcement for 2003 (Adjustment reported at \$1.2 billion). Rhode Island’s Diligent Enforcement for 2003 is no longer being challenged; however, many uncertainties remain concerning the resolution of the dispute regarding the 2003 NPM Adjustment. The resolution of the substance of such dispute could take years. In regards to future potential NPM Adjustments, such Adjustments could be as large as or exceed that of calendar year 2003. There will not be a Significant Factor Proceeding for 2007, 2008 and 2009. As for the Significant Factor proceedings for 2010, 2011 and 2012, no decision has been made.

In addition to NPM adjustment litigation, litigation has been filed alleging, among other claims, that the 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. Such 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. 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 ruling, the Corporation may not have adequate financial resources to service its debt obligations.

Many of the tobacco manufacturers participating in the MSA have either withheld all or portions of their payments due or have remitted their payments to an escrow account, disputing the calculations of amounts due under the MSA (collectively “Disputed Payments”). These manufacturers assert that the calculations of the amounts due failed to recognize NPM Adjustments. The Corporation’s share of these Disputed Payments is approximately \$22 million. However, there is no assurance that these funds will be collected by the Corporation in the future. Due to these uncertainties regarding the ultimate realization of the remaining amount of Disputed Payments, they have not been recognized as revenue in the accompanying financial statements. The Corporation and the other affected parties are taking action, provided for in the MSA, to arrive at a resolution of such matters.

On January 31, 2006 the Corporation received a subpoena requesting the production of documents and information relative to the SEC’s investigation of “Certain GIC Brokers.” The Corporation responded to this

request on a timely basis. On April 17, 2008, the Corporation received a subpoena from the US Department of Justice for the production of documents. The Corporation responded to this request on a timely basis and has not received any further notices or communications from the Department of Justice regarding this matter.

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.

The Lottery's video lottery operations could be adversely impacted by Massachusetts legislation enacted in November 2011 to allow three casinos and one slot parlor in that state. If successful, and depending on the resulting location of the facilities within Massachusetts, video lottery revenues in Rhode Island could decrease. The Rhode Island General Assembly enacted legislation that calls for analysis of competitive casino gaming operations and a statewide referendum (November 2012) to allow casino style gaming at Twin River. Subsequently, the constitutionality of that legislation is being challenged by the Narragansett Indian Tribe. The State does not believe that the Tribe's lawsuit seeking a declaratory judgment will be successful.

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, 2010 was issued in March 2011. That report identified approximately \$14.9 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 2011 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. Monies in a 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, 2011, the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$235,172,235 and \$112,054,089 respectively, in "moral obligation" bonds outstanding.

In November 2010 the RIEDC issued \$75 million of taxable revenue bonds under the Job Creation Guaranty Program. The bond proceeds were loaned to 38 Studios, and are to provide funding for relocation of the company's corporate headquarters to the State and establishment and operation of a video gaming studio in the City of Providence. Proceeds also were used to fund a Capital Reserve Fund and Capitalized Interest Fund. The payments of the bonds are secured, in part, by the guaranty of the RIEDC. Amounts in the Capital Reserve Fund are to be used in the event that 38 Studios fails to make any required loan payments.

In accordance with the enabling legislation and the agreement between the RIEDC, the trustee and 38 Studios, should amounts in the Capital Reserve Fund fall below minimum requirements, the RIEDC has agreed to present the Governor with a certificate stating the amounts required to restore any shortfall, and

the Governor is required to include such amounts in his or her budget request for appropriation to the General Assembly. The General Assembly may, but is not required to, appropriate such amounts.

Component Units

R.I. Higher Education Assistance Authority (RIHEAA) and R.I. Student Loan Authority (RISLA)

On March 30, 2010, the President of the United States signed into law the Health Care and Education Reconciliation Act of 2010 (the Act), which included the Student Aid and Fiscal Responsibility Act (SAFRA). The Act makes sweeping changes in student financial assistance programs, including a provision which eliminates loan originations under the Federal Family Education Loan (FFEL) Program effective July 1, 2010. As a result, all new guaranteed student loans will be originated under the Federal Direct Loan Program. RIHEAA's role as a guaranty agency in the FFEL Program constitutes its single largest activity, and approximately 75% of the Authority's employees are allocated to the guaranty agency functions. The elimination of new loan originations has had a significant impact on the Authority's ongoing operations.

Management continues to evaluate the impact of the Act. RISLA will continue to provide services for loans currently in its portfolio, including claims payments and reinsurance transactions, default prevention and aversion activities, and collections of defaulted student loans. RIHEAA believes it is difficult to predict the time period over which such services would be required, and to what extent these responsibilities would constitute a substantive activity for the Authority. RIHEAA currently anticipates that the period would be in the range of three to five years.

Due to the fact that all federally guaranteed student loans will be originated under the Federal Direct Loan Program, RISLA will no longer originate new federal Stafford or Plus loans. RISLA will continue to hold and administer its \$705 million portfolio of federally guaranteed Stafford, Plus, and Consolidation loans. SAFRA may provide not for profit state based organizations like RISLA the opportunity to service Direct Student Loans on behalf of the US Department of Education. RISLA's management is analyzing the possibility of Direct Loan servicing.

R.I. Housing and Mortgage Finance Corporation

As of June 30, 2011, the Corporation may borrow up to a maximum of \$40,000,000 under one revolving loan agreement expiring in November 2011, up to a maximum of \$15,000,000 under a revolving loan agreement expiring in January 2012 and up to a maximum of \$20,000,000 under a revolving loan agreement expiring in May 2013.

The Corporation is a party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying balance sheets. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. Total credit exposure as a result of loan commitments at June 30, 2011 is \$51,906,673.

Other Component Units

Other component units have various contingent liabilities that have arisen in the normal course of their operations. These contingencies are not significant to the State's financial statements.

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), which are 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 Chapter 36-10 of the General Laws. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing to the Employees' Retirement System, 50 Service Ave., Warwick, RI 02886.

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 wages, subject to required contributions, are earned for the performance of duties for covered employment. 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.

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. 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 ERS 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 ERS 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, ASC Topic 820, *Fair Value Measurements and Disclosures*, requires private equity and real estate limited partnership general partners to value non-publicly 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.

Private equity and real estate investments represented 8.2% and 3.3%, respectively, of the total reported fair value of all ERSRI investments at June 30, 2011. Of the underlying holdings within private equity investments, approximately 11% 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 fiscal year ended June 30, 2011 and related information for each plan is listed below:

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	20.78%	24.58%	16.19%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	7.32% and 7.76%		
Annual pension cost	\$196,847	\$3,787	\$1,298
Contributions made - state employees	\$126,561	\$3,787	\$1,298
Contributions made - teachers	\$70,286		
Actuarial valuation date	June 30, 2008, restated	June 30, 2008	June 30, 2008, restated
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	21 years	21 years	21 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	Schedule A	\$1,500 per annum	3.0%
	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		
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	6/30/09	199,898	100%	0
	6/30/10	192,091	100%	0
	6/30/11	196,847	100%	0
State Police Retirement Benefits Trust	6/30/09	3,341	100%	0
	6/30/10	3,591	100%	0
	6/30/11	3,787	100%	0
Judicial Retirement Benefits Trust	6/30/09	1,700	100%	0
	6/30/10	1,181	100%	0
	6/30/11	1,298	100%	0

Funded Status and Funding Progress

The table below displays the funded status of each plan for the fiscal year ended June 30, 2010 (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011), the most recent 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)
ERS						
State Employees	\$ 2,532,090,798	\$ 4,234,045,007	\$ 1,701,954,209	59.80%	\$ 630,246,973	270.00%
Teachers	3,873,118,262	6,265,273,231	2,392,154,969	61.80%	989,236,951	241.80%
SPRBT	65,760,284	73,048,680	7,288,396	90.00%	19,715,070	37.00%
JRBT	38,074,287	46,641,701	8,567,414	81.60%	7,461,120	114.80%

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, 2010 actuarial valuation (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011) follows:

	ERS			
	State Employees	Teachers	SPRBT	JRBT
Valuation Date	6/30/2010	6/30/2010	6/30/2010	6/30/2010
Actuarial Cost Method	Entry Age Normal	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	Level Percent of Payroll-Closed
Equivalent Single Remaining Amortization Period	25 years	25 years	25 years	25 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions				
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	4.00% to 7.00%	4.00% to 12.75%	4.00% to 12.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time (see note 2 below). COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police for which the COLA is delayed until the later of age 55 or 3 years after retirement.			

Note 1. Within the Entry Age Normal Actuarial Cost Method, the Individual Entry Age Cost Methodology is used.

Note 2. Cost of Living Adjustments (COLA) in member benefit provisions prior to the enactment of pension reform legislation on November 18, 2011 will remain in effect through June 30, 2012.

A COLA of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 19 years.

The June 30, 2010 valuations (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011) reflect comprehensive changes to plan member benefit provisions which are effective beginning July 1, 2012. The June 30, 2010 valuations also reflect material changes to certain actuarial assumptions.

The revised member benefit provisions become effective on July 1, 2012. These include changes in service period accrual rates, retirement eligibility age, and future cost of living adjustments. Additionally, the unfunded accrued liability is now amortized over a twenty-five year period from June 30, 2010 compared to the 30 year period from June 30, 1999 employed in prior actuarial valuations.

The Individual Entry Age Cost Method is used in the June 30, 2010 actuarial valuations. Prior valuations utilized the Ultimate Normal Cost methodology where normal cost was determined based on the benefits applicable to new hires under the replacement benefit structure resulting from prior pension reform measures.

The annual investment rate of return was lowered from 8.25% to 7.5%.

The post-termination mortality rates for non-disabled state employees and members of the State Police and Judicial plans were previously based on the 1994 Group Annuity Mortality Tables. New mortality tables have been constructed and adopted with adjustments for these employees using the RP-2000 Combined Healthy for Males and Females with White Collar adjustments, projected with Scale AA from 2000 for non-disabled individuals.

The post-termination mortality rates used for non-disabled teachers in the June 30, 2009 and June 30, 2010 valuations were both based on tables developed by ERSRI's actuary based on teacher experience. The rates used in the June 30, 2010 valuation for male teachers were lowered to 97% of the rates in these tables based on male teacher experience, projected with Scale AA from 2000 from 100% of the actuary's table based on male teacher experience used in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for female teachers were lowered to 92% of the rates used in the actuary's tables based on female teacher experience, projected with Scale AA from 2000 from 95% of the actuary's table based on female teacher experience used in the June 30, 2009 valuation.

The post-termination mortality rates for disabled members of all ERSRI plans are based on the PBGC table Va for males and table VIa for females. The rates used in the June 30, 2010 valuation for disabled males eligible for social security disability benefits were lowered to 60% of PBGC table Va from 65% of this table in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for disabled females eligible for social security disability benefits were lowered to 60% of PBGC table VIa from 100% of this table in the June 30, 2009 valuation.

The pre-retirement mortality rates for all members of the ERSRI plans were previously based on the 1994 Group Annuity Mortality Tables. The rates used in the June 30, 2010 valuation for these employees were based on the RP-2000 Combined Tables with white collar adjustment for males and females. The tables were adjusted for each individual plan.

The inflation assumption rate was decreased from 3% to 2.75% and the projected salary increase assumptions were also decreased compared to the prior valuation. The assumption for cost of living adjustments subject to the Consumer Price Index (for those not eligible to retire on September 30, 2009) was decreased from 2.5% to 2.35%.

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 employees' gross biweekly earnings. Total

expenses by the institutions for such annuity contracts amounted to approximately \$15,573,000 during the year ended June 30, 2011.

The Rhode Island Public Transit Authority has a defined benefit 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 2011 totaled \$7,339,827. At January 1, 2011, the most recent valuation date, the total actuarial accrued liability was \$102,331,744 and the actuarial value of assets was \$67,178,156. The Authority contributed 100.00% of its annual pension cost for fiscal year 2011 and had a net pension obligation of \$1,755,708 at June 30, 2011.

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

A. Plan Descriptions

The Rhode Island State Employees' and Electing Teachers OPEB System (the "System") acts as a common investment and administrative agent for other post employment benefits provided for the six groups/plans listed below:

- Certain state employees and employees of the following component units: Narragansett Bay Commission, RI Airport Corporation and RI Economic Development Corporation.
- Certain certified public school teachers
- Judges
- State police officers
- Legislators
- Certain employees of the Board of Governors for Higher Education (BOG)

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents.

Although the assets of the six plans are commingled for investment purposes, each plan's assets are accounted for separately and may be used only for the payment of benefits to the members of that plan, in accordance with the terms of that plan.

The System's financial statements are included as Trust Funds within the Fiduciary Funds. The System is administered by the State of Rhode Island OPEB Board and was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The Board began operations and the Trust was established effective July 1, 2010.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the benefit structures. The report may be obtained by writing to the State Controller's Office, 1 Capitol Hill, Providence, RI 02903.

A summary of the principal provisions of the plans follow:

	State Employees and Teachers	Judicial	State Police	Legislators	BOG Plan
Plan type	Cost Sharing Multiple Employer	Single employer	Single employer	Single employer	Cost Sharing Multiple Employer
Eligibility	Members of ERS meeting eligibility criteria.	Retired judges.	Retired members of the State Police.	Retired legislators.	Members of the BOG Alternative Retirement Plan as defined in RI G.L. 16-17.1-1 and 2 meeting eligibility criteria.
Plan benefits	Retiree plan for members and dependents until Medicare eligible; subsequently eligible for Medicare supplement.	May purchase active employee plan for member and dependents until age 65. At 65 must enroll in Medicare supplement.	Active employee plan for member and dependents until age 65; at that age coverage ceases if Medicare eligible.	May purchase active employee plan for member and dependents until age 65. At 65 must enroll in Medicare supplement.	For employees retiring after June 21, 1998 the Board pays a portion of the post 65 Tier II benefits depending on the years of service and the retiree's age. Those employees who retired previously have different benefits which are discussed below.
Other	Retired teachers can purchase coverage for themselves and dependents at active or early retirement rate, as applicable until age 65. At 65 must enroll in Medicare supplement.				

RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

B. Funding Policy, Funding Status and Funding Progress

The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly.

In fiscal year 2011 the State and other participating employers were required by law to fund the plans on an actuarially determined basis. For the fiscal year ended June 30, 2011, the State and other participating employers paid \$53,044,000 into the plans.

C. 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, where applicable, less c) the ARC adjustment, where applicable (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 expressed in thousands):

	State Employees 06/30/07	Teachers 06/30/07	Judicial 06/30/07	State Police 06/30/07	Legislators 06/30/07	BOG 06/30/09
Date of Actuarial Valuation	06/30/07	06/30/07	06/30/07	06/30/07	06/30/07	06/30/09
Annual required contribution as a percent of payroll	6.74%	N/A	9.86%	25.67%	95.49%	2.69%
Annual required contribution	\$ 41,120	\$ 2,333	\$ 986	\$ 4,216	\$ 1,520	\$ 2,869
Plus: Interest on net OPEB obligation at beginning of year	0	NA	141	411	106	0
Less: Adjustment to ARC	0	NA	113	332	85	0
Annual OPEB cost	41,120	2,333	1,014	4,295	1,541	2,869
Participating State and/or other employer contributions	41,120	2,333	986	4,215	1,520	2,869
Increase in OPEB obligation	0	0	28	80	21	0
Net OPEB obligation at beginning of year	0	0	2,811	8,222	2,095	0
Net OPEB obligation at end of year	\$ 0	\$ 0	\$ 2,839	\$ 8,302	\$ 2,116	\$ 0

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation were as follows (dollar amounts expressed in thousands):

Plan	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees	2009	\$ 34,683	96.17%	\$ -
	2010	45,852	73.07%	-
	2011	41,120	100.00%	-
Teachers	2009	2,180	100.00%	-
	2010	2,345	100.00%	-
	2011	2,333	100.00%	-
Judicial	2009	1,109	15.34%	1,853
	2010	1,131	15.33%	2,811
	2011	1,014	97.23%	2,839
State Police	2009	4,609	43.55%	5,850
	2010	4,640	48.88%	8,222
	2011	4,295	98.13%	8,302
Legislators	2009	298	48.40%	378
	2010	1,861	7.72%	2,095
	2011	1,541	98.62%	2,116
BOG	2009	1,572	77.00%	-
	2010	1,665	53.20%	-
	2011	2,869	100.00%	-

The Net OPEB Obligation for the State Employees and BOG plans has been restated for 2009 and 2010 due to the change in the plans' type from an agent multi-employer to cost sharing multi-employer plan.

The table below displays the funded status of each plan at June 30, 2009, the most recent actuarial valuation date (dollar amounts expressed 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)
State Employees	\$ 0	\$ 673,640	\$ 673,640	0.0%	\$ 574,569	117.2%
Teachers	0	13,529	13,529	0.0%	n/a	n/a
Judicial	0	8,665	8,665	0.0%	9,395	92.2%
State Police	0	67,079	67,079	0.0%	16,725	401.1%
Legislators	0	11,752	11,752	0.0%	1,612	729.0%
BOG	0	47,704	47,704	0.0%	112,884	42.3%

Covered payroll and the UAAL as a percentage of covered payroll is not presented for teachers 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.

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plans by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not exceeding thirty years.

The Annual Required Contributions for fiscal year 2011 were determined based on the June 30, 2007 valuations for all plans except for the Board of Governors plan, which was based on the June 30, 2009 valuation.

As of the June 30, 2007 actuarial valuation, the Unfunded Actuarial Accrued Liability (UAAL) was amortized by a level (principal and interest combined) percent of payroll contribution for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL for all plans, except teachers, is being amortized over the remainder of a closed 30-year (or shorter) period from June 30, 2006. The remaining amortization period at June 30, 2007 is 29 years. The UAAL for teachers is being amortized as a level dollar amount over an 8-year period from June 30, 2007.

For the June 30, 2007 valuation the actuarial assumptions include a 3.566% discount rate, a health care cost trend assumption of 10% progressively declining to 4.5% after 7 years, and salary growth assumption rates ranging between 4.5% and 13.25%. Other assumptions, including those relating to rates of termination, rates of retirement, percent married, and retiree health care election rates, were based on the most recent experience study for the Employees' Retirement System of Rhode Island as well as on anticipated experience changes in conjunction with the adopted retirement plan changes recently enacted through legislation.

The most recent actuarial valuations of the plans were performed as of June 30, 2009. The actuarial methods and assumptions used in those valuations are summarized in the following table.

The following changes in actuarial assumptions were made between the June 30, 2007 and June 30, 2009 valuations. These changes include an increase in the investment return assumption from 3.566% to 5.00%, a change in the medical trend assumption from 10% decreasing to 4.5% in 7 years to 9% decreasing to 4.5% in 9 years. In addition, the wage inflation assumption was changed to 0% for two years before reverting to 4.5% to reflect the current economic environment.

The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuation:

Summary of Actuarial Methods and Assumptions as of June 30, 2009 Valuations

	<u>Plan</u>					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Governors
Valuation Date	June 30, 2009					
Plan Type	Cost sharing multiple employer	Single Employer (1)	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll – Closed	Level Dollar	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	27 years	6 years	27 years	27 years	27 years	27 years
Asset Valuation Method	Market	Market	Market	Market	Market	Market
Actuarial Assumptions						
Investment Rate of Return	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Projected Salary Increases	9.00% to 4.50%	13.25% to 4.50%	4.50%	12.50% to 4.50%	9.00% to 4.50%	9.00% to 4.50%
Valuation Health Care Cost Trend Rate	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019

Note 1 – The Teachers plan accounts for the Tier I subsidy funded by the State for Teachers electing to participate and retiring before October 1, 2008.

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. Plan distributions are normally available to employees at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches age 70½. The plan also allows for distributions for qualifying events such as termination, death or “unforeseeable emergency”.

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

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

Note 16. Risk Management

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

The State has entered into agreements with commercial insurance companies for comprehensive insurance coverage on State property to protect the State against loss from fire and other risks. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees in the sum of \$100,000 per person and \$300,000 per accident for personal injury and \$20,000 for property damage. During Fiscal 2011, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

The State also has a contract with an insurance company to provide health care benefits to active and retired employees. For coverage provided to active employees, the State retains the risk of loss. Retirees that are Medicare eligible may choose Medicare supplement coverage that is either premium based (State retains no risk of loss) or a self-insured plan option. Except for the premium based coverage provided to certain Medicare eligible retirees, 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, 2011 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30
Health Insurance Funds				
Unpaid claims	\$ 19,855	\$ 183,163	\$ 186,947	\$ 16,071

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.

Note 17. Other Information

A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 35,879	\$ 412	\$ 36,291	\$ (36,342)	\$ (51)
Loans to other funds	15,937		15,937	(15,937)	
Total assets	\$ 51,816	\$ 412	\$ 52,228	\$ (52,279)	\$ (51)
Liabilities					
Due to other funds	\$ 34,439	\$ 1,903	\$ 36,342	\$ (36,342)	\$
Loans from other funds	13,227	2,710	15,937	(15,937)	
Total liabilities	\$ 47,666	\$ 4,613	\$ 52,279	\$ (52,279)	\$
Program revenue					
General government	\$	\$ 263,215	\$ 263,215	\$ (263,215)	
Public safety		10,170	10,170	(10,170)	
Expenses					
General government		261,411	261,411	(261,411)	
Public safety		11,974	11,974	(11,974)	
Net revenue (expenses)	\$	\$	\$	\$	\$
Transfers					
Operating transfers in	\$ 545,229	\$	\$ 545,229	\$ (214,043)	\$ 331,186
Operating transfers out	(211,789)	(2,254)	(214,043)	214,043	
Operating transfers out considered other contributions by OPEB Trusts		(5,104)	(5,104)		(5,104)
Net transfers	\$ 333,440	\$ (7,358)	\$ 326,082	\$	\$ 326,082
Total Business-type Activities					
			Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 3,118	\$	\$ 3,118	\$ (3,067)	\$ 51
Total assets	\$ 3,118	\$	\$ 3,118	\$ (3,067)	\$ 51
Liabilities					
Due to other funds	\$ 3,067	\$	\$ 3,067	\$ (3,067)	\$
Total liabilities	\$ 3,067	\$	\$ 3,067	\$ (3,067)	\$
Transfers					
Operating transfers in	\$ 30,083	\$	\$ 30,083	\$ (30,083)	\$
Operating transfers out	(361,269)		(361,269)	30,083	(331,186)
Net transfers	\$ (331,186)	\$	\$ (331,186)	\$	\$ (331,186)

B. Related Party Transactions

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

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, 2011 were as follows:

Guaranteed loans outstanding at June 30, 2011	\$	579,819,000
Guarantee claims paid during the year		16,458,000

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 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 and 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.

The Narragansett Bay Commission has approximately \$334,000,000 of loans payable to the R.I. Clean Water Finance Agency.

C. 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 97.4 percent of estimated general revenues. The remaining 2.6 percent is contributed to the Budget Reserve Account until such account equals 4.2 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.

D. Significant Transactions with Component Units

The significant transactions with the discretely presented component units are presented (expressed in thousands) below:

	Significant transactions between primary government and component units	
	(Revenue) Expense	Description
Governmental activities		
General		
R.I. Higher Education Assistance Authority	\$ 7,320	Operating assistance
R.I. Economic Development Corporation	11,533	Operating and capital assistance
University of Rhode Island	56,859	Operating assistance
Rhode Island College	37,984	Operating assistance
Community College of Rhode Island	43,441	Operating assistance
R.I. Public Transit Authority	5,633	Operating assistance
IST		
R.I. Public Transit Authority	41,076	Operating assistance
Bond Capital		
University of Rhode Island	21,216	Construction, improvement or purchase of assets
R. I. Capital Plan		
University of Rhode Island	8,025	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 233,087</u>	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2011:

- Central Utilities (\$253,000)
- State Telecommunications (\$233,000)
- Records Center (\$104,000)
- Capitol Police (\$10,000)

The deficits will be eliminated through charges for services in fiscal year 2012.

F. Restatements – Net Assets and Fund Balances

	Governmental Activities	Discretely Presented Component Units	Governmental Funds (g)
Balances previously reported on June 30, 2010			
Net assets	\$ 972,714	\$ 2,432,051	
Fund balance			\$ 883,711
Restatement to:			
(a) Record federal reimbursement for expenditures incurred in prior years	5,504		5,504
(b) Record disallowances of prior year federal program expenditures	(4,899)		(4,899)
(c) Correct recording of capital assets owned by the State	3,233	(3,233)	
(d) Change in reporting entity - Central Falls School District		(391)	
(e) Expense previously recorded construction in progress	(16,483)		
(f) Record depreciation on infrastructure assets placed into service in fiscal 2010	(1,673)		
Other	(340)	(94)	
June 30, 2010 net assets/fund balance as restated	<u>\$ 958,056</u>	<u>\$ 2,428,333</u>	<u>\$ 884,316</u>

- (a) *Record federal reimbursement for expenditures incurred in prior years* - The State successfully submitted documentation supporting certain administrative costs associated with its Child Support Enforcement Program that were accepted by the U.S. Department of Health and Human Services' (DHHS) Division of Cost Allocation.
- (b) *Record disallowances of prior year federal program expenditures* - The Centers for Medicare & Medicaid Services disallowed prior year transportation expenditures reimbursed through the State's Medicaid program based on a 2005 audit by the DHHS Office of Inspector General.
- (c) *Correct recording of capital assets owned by the State* - The State recorded certain capital assets that were previously reported by the RI Public Telecommunications Authority, a discretely presented component unit. The underlying buildings and land were deemed to no longer qualify as capital assets of the component unit upon the expiration of the bargain purchase option stipulated in the entity's lease agreement with the State.
- (d) *Change in reporting entity - Central Falls School District* - More fully described in Note 1(T).
- (e) *Expense previously recorded construction in progress* - The State restated net assets for certain capital projects that were previously capitalized upon determination that they would not meet the State's capitalization threshold upon completion.
- (f) *Record depreciation on infrastructure assets placed into service in fiscal 2010* - The State identified infrastructure assets substantially completed prior to June 30, 2010 that were not properly reflected as being placed into service at that date.
- (g) *The State also restated fund balance between certain governmental funds to conform to the State's current year presentation. These restatements had no net effect on total fund balance reported for governmental funds in the State's financial statements.*

Note 18. Subsequent Events

Primary Government

Subsequent Events Related to Debt

In July 2011 the State issued \$31,980,000 of Lease Participation Certificates. The proceeds will be used for a number of energy conservation projects at State facilities. The Certificates mature in 2012 through 2026.

In August 2011 the State issued \$168,815,000 in General Obligation Bonds. The Series A bonds, in the amount of \$145,035,000, mature in 2012 through 2031 and will be used for a variety of purposes including higher education facilities and transportation infrastructure projects. The Series B bonds, in the amount of \$23,780,000, refunded previous general obligation issues.

The State sold \$200 million of General Obligation Tax Anticipation Notes in October 2011. The notes bear interest at an effective interest rate of 0.3% and mature on June 29, 2012.

Subsequent Events Related to Pension Reform

The Rhode Island General Assembly enacted comprehensive pension reform legislation in November 2011. The objectives of the legislation include improving the funded status of the plans within the System and stabilizing the projected increase in required employer contributions.

The pension reform measures include:

- For General State and Municipal Employees and Teachers: changing the structure of the retirement program to a hybrid plan designed with a smaller defined benefit plan and a supplemental defined contribution plan.
- Changing the automatic cost of living adjustments (COLA) from a stated amount or CPI-based COLA to a formula contingent on the actual investment performance over time.
- Suspending COLA when the funded ratio is lower than 80%. The ERS, Judicial and State Police Plans will be aggregated to determine if the 80% funded ratio has been met. When the COLA is suspended based on funded status, potential periodic COLA are provided every five years.
- Reamortizing the unfunded actuarial accrued liability to 25 years from the current 19 year schedule.
- Preserving accumulated benefits earned by members (service credit multiplier) as of June 30, 2012.
- Aligning retirement eligibility ages to those for Social Security with a phased approach for those members who are vested (five years) as of June 30, 2012.

Changes in member benefit provision are effective on July 1, 2012.

Subsequent Events Related to Municipalities

The City of Central Falls, which was in State receivership, filed for federal bankruptcy protection in August 2011. On September 22, 2011, the bankruptcy counsel for the receiver filed a plan of debt adjustment and disclosure statement with the Court. The receiver is seeking to negotiate agreements with major affected parties. It is not known whether any consensus can be reached, how long the process will take, what the outcome will be or what impact the bankruptcy will have on the State as a whole.

A State fiscal overseer was appointed for the City of East Providence in November 2011, consistent with powers granted to the Department of Revenue by the RI General Laws. Subsequently, a budget commission was appointed in December 2011.

Subsequent Events - Other

In July 2011 the Governor signed into law an Act authorizing the sale of surplus property (real estate) created by the relocation of Interstate 195. The Act also creates the I-195 redevelopment district commission (the "Redevelopment Commission"). The seven-member commission is authorized to plan, implement, administer and oversee the redevelopment of the Interstate 195 surplus properties. The proceeds from the sale or lease of such surplus properties will be used to help finance the completion of the Interstate 195 relocation project. Also included in this legislation was authorization for RI Economic Development Corporation to issue bonds or other obligations not to exceed \$42,000,000 to finance the acquisition by the Redevelopment Commission of the surplus land from the State. This financing, in combination with residual funds from the motor fuel proceeds, is expected to be sufficient to fund completion of the Interstate 195 relocation project and certain activities of the Redevelopment Commission. To the extent these resources are not sufficient to complete the project, other State and federal Transportation funds would be made available, which would impact the progress of other contemplated projects.

Legislation enacted during the 2011 General Assembly session created the Ocean State Investment Pool (Pool) which allows eligible governmental agencies to participate with the State in investing their liquid assets. The State Investment Commission has selected a vendor to administer and invest assets within the Pool. In subsequent fiscal years, the Pool will be reported as a fiduciary fund within the State's financial statements.

Subsequent to June 30, 2011, Standard & Poors Investors Service downgraded the rating assigned to direct obligations of the United States government from AAA to AA+. Direct United States government obligations held within the ERS and OPEB systems, were not considered to be exposed to credit risk based on ratings assigned as of that date.

Component Units

During September 2011, the Rhode Island Industrial-Recreational Building Authority (RIIRBA) was informed that the Obligor on a bond issue insured for \$4.8 million as of June 30, 2011 had exceeded the authorized limit for its line of credit with its lender. As a result, the Obligor is in default under the terms of its agreement with RIIRBA. RIIRBA has approved the temporary subordination of collateral securing the debt to allow the lender to restructure the terms of its facility.

Subsequent to June 30, 2011, the R.I. Housing and Mortgage Finance Corporation (RIHMFC) issued and redeemed the following debt:

- On July 1, 2011 RIHMFC instructed its trustees to redeem the Homeownership Opportunity Bonds in the amount of \$26,865,000.
- On September 29, 2011 RIHMFC issued Single Family Housing Bonds in the amount of \$35,000,000.
- On September 29, 2011 RIHMFC issued Multi Family Housing Bonds in the amount of \$19,140,000.
- On October 1, 2011 RIHMFC instructed its trustees to redeem the Homeownership Opportunity Bonds in the amount of \$12,365,000 and Home Funding Bonds in the amount of \$1,810,000.
- On December 1, 2011 RIHMFC instructed its trustees to redeem the Multi Family Housing Bonds in the amount of \$3,420,000.

Subsequent to June 30, 2011 the Town of Johnston filed a Complaint against the Rhode Island Resource Recovery Corporation (RIRRC) alleging that odors emanating from RIRRC's Central Landfill located at 65 Shun Pike, in Johnston, Rhode Island have given rise to a public nuisance. Due to the recent filing of the Complaint, and the limited information currently available, management is unable to categorize the possibility of a future loss, if any, nor can management estimate the range of any possible loss with any reasonable accuracy. RIRRC has notified its pollution insurance carrier of a claim for loss under the policy and is awaiting notification from the carrier with respect to the extent of coverage available under said policy.

**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, 2011
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Revenues:				
General Revenues:				
Personal Income Tax	\$ 937,900	\$ 1,003,600	\$ 1,021,339	\$ 17,739
General Business Taxes:				
Business Corporations	119,000	95,100	84,510	(10,590)
Public Utilities Gross Earnings	98,000	104,200	103,744	(456)
Financial Institutions	1,000	1,000	2,459	1,459
Insurance Companies	101,250	68,000	60,590	(7,410)
Bank Deposits	2,200	2,000	1,967	(33)
Health Care Provider Assessment	39,800	40,500	40,761	261
Sales and Use Taxes:				
Sales and Use	787,000	810,400	813,007	2,607
Motor Vehicle	48,500	51,500	47,655	(3,845)
Motor Fuel	1,000	1,100	1,055	(45)
Cigarettes	134,000	136,900	134,060	(2,840)
Alcohol	11,700	11,900	11,683	(217)
Other Taxes:				
Inheritance and Gift	27,600	49,700	46,855	(2,845)
Racing and Athletics	1,300	1,300	1,325	25
Realty Transfer Tax	6,900	6,400	6,371	(29)
Total Taxes (1)	<u>2,317,150</u>	<u>2,383,600</u>	<u>2,377,381</u>	<u>(6,219)</u>
Departmental Revenue	345,227	334,116	332,715	(1,401)
Total Taxes and Departmental Revenue	<u>2,662,377</u>	<u>2,717,716</u>	<u>2,710,096</u>	<u>(7,620)</u>
Other Sources:				
Other Miscellaneous	5,331	13,130	11,116	(2,014)
Lottery	346,939	353,037	354,861	1,824
Unclaimed Property	6,000	7,100	7,640	540
Total Other Sources	<u>358,270</u>	<u>373,267</u>	<u>373,617</u>	<u>350</u>
Total General Revenues	<u>3,020,647</u>	<u>3,090,983</u>	<u>3,083,713</u>	<u>(7,270)</u>
Federal Revenues	2,433,330	2,533,723	2,314,100	(219,623)
Restricted Revenues	178,105	179,307	174,192	(5,115)
Other Revenues	78,979	72,777	65,933	(6,844)
Total Revenues (2)	<u>5,711,061</u>	<u>5,876,790</u>	<u>5,637,938</u>	<u>(238,852)</u>
Expenditures (4):				
General government	711,180	751,906	670,655	81,251
Human services	3,106,097	3,091,597	3,009,098	82,499
Education	1,305,953	1,350,125	1,309,591	40,534
Public safety	414,836	458,578	428,687	29,891
Natural resources	94,466	107,805	71,812	35,993
Total Expenditures (2)	<u>5,632,532</u>	<u>5,760,011</u>	<u>5,489,843</u>	<u>\$ 270,168</u>
Transfer of Excess Budget Reserve to RI Capital Fund			62,645	
Total Expenditures	<u>\$ 5,632,532</u>	<u>\$ 5,760,011</u>	<u>5,552,488</u>	
Change in Fund Balance			85,450	
Fund balance - beginning (as restated)			185,450	
Fund balance - ending			<u>\$ 270,900</u>	

(continued)

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, 2011
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Expenditures by Source:				
General Revenues	\$ 2,942,119	\$ 2,974,204	\$ 2,956,153	\$ 18,051
Federal Funds	2,433,329	2,533,723	2,315,558	218,165
Restricted Receipts	178,105	179,307	154,833	24,474
Other Funds	78,979	72,777	63,299	9,478
	\$ 5,632,532	\$ 5,760,011	\$ 5,489,843	\$ 270,168

General Fund - Reconciliation of Budget Results to Changes in Fund Balance:

Budgeted Surplus:

Total Revenue - Final Budget	\$ 5,876,790
Total Expenditures - Final Budget	<u>5,760,011</u>
Final Budget - Projected Surplus (3)	\$ 116,779

Final Budget and Actual - Results

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (238,852)
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>270,168</u>
Surplus resulting from operations compared to final budget	\$ 31,316
Total General Fund Surplus - Fiscal Year Ended June 30, 2011	\$ 148,095
Less: Transfer of Excess Budget Reserve to RICAP Fund	<u>(62,645)</u>
Net Change in General Fund - Fund Balance	\$ 85,450
Fund Balance, Beginning (as restated)	<u>185,450</u>
Fund Balance, Ending	<u><u>\$ 270,900</u></u>

Notes:

(1) Transfers from the Historical Tax Credit Special Revenue Fund reported as "Other Financing Sources" on the General Fund have been allocated to General Revenue Tax Categories on this schedule to align with the State's legally adopted budget format.

(2) Certain revenue and expenditure amounts classified as "Other Financing Sources (Uses)" have been reclassified within the budgetary comparison schedule to align with the State's legally adopted budgetary format.

(3) RI General Law section 35-3-20.1, titled "Limitation on state spending", mandates that expenditure appropriations shall not be greater than 97.4% of estimated general revenue for the fiscal year ending June 30, 2011.

(4) Debt service expenditures are included in the above respective categories:

General government	\$ 160,553
Education	22,042
	<u>\$ 182,595</u>

(continued)

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, 2011
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

	Fund Balance Reported in the Financial Statements	Budgetary Perspective	
		Fund Balance Not Available for Appropriation in Fiscal 2012	Fund Balance Available for Appropriation in Fiscal 2012
Non-spendable	\$ 53,353	\$	\$ 53,353 (a)
Restricted	197,885	197,885	
Committed	5,956	5,956	
Assigned	8,425	2,830 (b)	5,595 (c)
Unassigned	5,281		5,281 (d)
Total Fund Balance	\$ 270,900	\$ 206,671	\$ 64,229

(a) Prepaid expenses are considered non-spendable for financial reporting purposes but are a budgetary resource in the subsequent year.

(b) Assigned fund balance not available for appropriation in fiscal 2012 includes (1) centralized cost allocation surplus that requires offset through fiscal 2012 centralized charges and (2) general revenue appropriations carried forward by the Governor.

(c) Assigned fund balance available for appropriation in fiscal 2012 includes fiscal 2011 ending surplus amounts appropriated as resources in the 2012 enacted budget, and fund balance amounts encumbered at June 30, 2011.

(d) Remaining fund balance available for appropriation.

(concluded)

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, 2011
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 136,853	\$ 137,363	\$ 136,811	\$ (552)
Departmental restricted revenue	1,000	1,000	371	(629)
Federal grants	318,808	347,775	227,235	(120,540)
Other revenues	13,732	2,600	2,317	(283)
Total revenues	<u>470,393</u>	<u>488,738</u>	<u>366,734</u>	<u>(122,004)</u>
Other financing sources:				
Operating transfers in			32,150	32,150
Total revenues and other financing sources	<u>470,393</u>	<u>488,738</u>	<u>398,884</u>	<u>(89,854)</u>
Expenditures:				
Central Management				
Gasoline Tax	1,305	695	781	(86)
Federal Funds	14,118	12,437	4,059	8,378
Total - Central Management	<u>15,423</u>	<u>13,132</u>	<u>4,840</u>	<u>8,292</u>
Management and Budget				
Gasoline Tax	1,653	705	425	280
Total - Management and Budget	<u>1,653</u>	<u>705</u>	<u>425</u>	<u>280</u>
Infrastructure - Engineering				
Gasoline Tax	51,869	51,857	53,109	(1,252)
State Infrastructure Bank	1,400			
Land Sale Revenue	18,206	2,000	1,368	632
Highway Logo Program	100			
Federal Funds	304,690	335,338	225,941	109,397
Restricted Receipts	1,000	1,000	188	812
Subtotal - Infrastructure - Engineering	<u>377,265</u>	<u>390,195</u>	<u>280,606</u>	<u>109,589</u>
State Match - FHWA			35,650	(35,650)
Total - Infrastructure - Engineering	<u>377,265</u>	<u>390,195</u>	<u>316,256</u>	<u>73,939</u>
Infrastructure - Maintenance				
Gasoline Tax	36,864	45,244	44,557	687
Outdoor Advertising	300	525		525
Radio System Upgrade	(6,304)			
Nonland Surplus	30	75		75
Total - Infrastructure - Maintenance	<u>30,890</u>	<u>45,844</u>	<u>44,557</u>	<u>1,287</u>
Total Expenditures	<u>425,231</u>	<u>449,876</u>	<u>366,078</u>	<u>83,798</u>
Other financing uses:				
Transfers to other funds				
Gas tax			39,857	
Other			15	
Total expenditures and other financing uses			<u>405,950</u>	
Net change in fund balance			(7,066)	
Fund balance - beginning			38,994	
Fund balance - ending (excluding GARVEE)			<u>\$ 31,928</u>	

For financial statement presentation the GARVEE fund was merged into the IST fund. Only the IST fund is budgeted.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
Pension Trusts
June 30, 2011
(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)
06/30/2010 **	\$ 6,405,209	\$ 10,499,318	\$ 4,094,109	61.0%	\$ 1,619,484	252.8%
06/30/2009	6,655,012	11,383,207	4,728,195	58.5%	1,593,336	296.7%
06/30/2008 *	6,745,323	10,963,521	4,218,198	61.5%	1,573,398	268.1%

State Police Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2010 **	\$ 65,760	\$ 73,049	\$ 7,288	90.0%	\$ 19,715	37.0%
06/30/2009	60,232	75,480	15,248	79.8%	17,096	89.2%
06/30/2008	54,927	69,030	14,102	79.6%	16,699	84.5%

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)
06/30/2010 **	\$ 38,074	\$ 46,642	\$ 8,567	81.6%	\$ 7,461	114.8%
06/30/2009	36,839	41,738	4,899	88.3%	6,843	71.6%
06/30/2008 *	34,670	38,116	3,445	91.0%	6,602	52.2%

* Restated

** Restated to reflect pension reform legislation enacted on November 18, 2011

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
Other Postemployment Benefits
June 30, 2011
(Expressed in Thousands)

State Employees Plan

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)
06/30/2009	\$ 0	\$ 673,640	\$ 673,640	0%	\$ 574,569	117.2%
06/30/2007	0	679,538	679,538	0%	626,145	108.5%

Teachers Plan

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)
06/30/2009	\$ 0	\$ 13,529	\$ 13,529	0%	NA	NA
06/30/2007	0	10,243	10,243	0%	NA	NA

Judicial Plan

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)
06/30/2009	\$ 0	\$ 8,665	\$ 8,665	0%	\$ 9,395	92.2%
06/30/2007	0	14,024	14,024	0%	9,888	141.8%

State Police Plan

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)
06/30/2009	\$ 0	\$ 67,079	\$ 67,079	0%	\$ 16,725	401.1%
06/30/2007	0	54,620	54,620	0%	15,977	341.9%

Legislators Plan

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)
06/30/2009	\$ 0	\$ 11,752	\$ 11,752	0%	\$ 1,612	729.0%
06/30/2007	0	29,764	29,764	0%	1,592	1869.6%

Board of Governors for Higher Education Health Care Insurance Retirement Plan

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)
06/30/2009	\$ 0	\$ 47,704	\$ 47,704	0%	\$ 112,884	42.3%
06/30/2007	0	57,881	57,881	0%	110,092	52.6%

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. The annual budget is prepared 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 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 schedule for the general fund is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>.

Schedules of Funding Progress - Pensions

1. Actuarial Assumptions and Methods

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2010 (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011), follows:

	ERS			
	State Employees	Teachers	SPRBT	JRBT
Valuation Date	6/30/2010	6/30/2010	6/30/2010	6/30/2010
Actuarial Cost Method	Entry Age Normal	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	Level Percent of Payroll-Closed
Equivalent Single Remaining Amortization Period	25 years	25 years	25 years	25 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions				
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	4.00% to 7.00%	4.00% to 12.75%	4.00% to 12.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time (see note 2 below). COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police for which the COLA is delayed until the later of age 55 or 3 years after retirement.			

Note 1. Within the Entry Age Normal Actuarial Cost Method, the Individual Entry Age Cost Methodology is used.

Note 2. Cost of Living Adjustments (COLA) in member benefit provisions prior to the enactment of pension reform legislation on November 18, 2011 will remain in effect through June 30, 2012.

A COLA of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 19 years.

2. Schedules of Funding Progress

Changes affecting the June 30, 2010 actuarial valuation (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011):

The June 30, 2010 valuations (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011) reflect comprehensive changes to plan member benefit provisions which are effective beginning July 1, 2012. The June 30, 2010 valuations also reflect material changes to certain actuarial assumptions.

The revised member benefit provisions become effective on July 1, 2012. These include changes in service period accrual rates, retirement eligibility age, and future cost of living adjustments. Additionally, the unfunded accrued liability is now amortized over a twenty-five year period from June 30, 2010 compared to the 30 year period from June 30, 1999 employed in prior actuarial valuations.

The Individual Entry Age Cost Method is used in the June 30, 2010 actuarial valuations. Prior valuations utilized the Ultimate Normal Cost methodology where normal cost was determined based on the benefits applicable to new hires under the replacement benefit structure resulting from prior pension reform measures.

The annual investment rate of return was lowered from 8.25% to 7.5%.

The post-termination mortality rates for non-disabled state employees and members of the MERS, State Police and Judicial plans were previously based on the 1994 Group Annuity Mortality Tables. New mortality tables have been constructed and adopted with adjustments for these employees using the RP-2000 Combined Healthy for Males and Females with White Collar adjustments, projected with Scale AA from 2000 for non-disabled individuals.

The post-termination mortality rates used for non-disabled teachers in the June 30, 2009 and June 30, 2010 valuations were both based on tables developed by ERSRI's actuary based on teacher experience. The rates used in the June 30, 2010 valuation for male teachers were lowered to 97% of the rates in these tables based on male teacher experience, projected with Scale AA from 2000 from 100% of the actuary's table based on male teacher experience used in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for female teachers were lowered to 92% of the rates used in the actuary's tables based on female teacher experience, projected with Scale AA from 2000 from 95% of the actuary's table based on female teacher experience used in the June 30, 2009 valuation.

The post-termination mortality rates for disabled members of all ERSRI plans are based on the PBGC table Va for males and table VIa for females. The rates used in the June 30, 2010 valuation for disabled males eligible for social security disability benefits were lowered to 60% of PBGC table Va from 65% of this table in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for disabled females eligible for social security disability benefits were lowered to 60% of PBGC table VIa from 100% of this table in the June 30, 2009 valuation.

The pre-retirement mortality rates for all members of the ERSRI plans were previously based on the 1994 Group Annuity Mortality Tables. The rates used in the June 30, 2010 valuation for these employees were based on the RP-2000 Combined Tables with white collar adjustment for males and females. The tables were adjusted for each individual plan.

The inflation assumption rate was decreased from 3% to 2.75% and the projected salary increase assumptions were also decreased compared to the prior valuation. The assumption for cost of living adjustments subject to the Consumer Price Index (for those not eligible to retire on September 30, 2009) was decreased from 2.5% to 2.35%.

Changes affecting the June 30, 2009 actuarial valuation:

The June 30, 2009 valuation for the Employees' Retirement System and the Judicial Retirement Benefit Trust reflects the enactment of Article 16 of Chapter 23 of the 2010 Public Laws which amended the laws governing benefits for state employees, teachers and judges not eligible to retire by June 12, 2010.

The changes enacted as a result of Article 16 of Chapter 23 of the 2010 Public Laws governing benefit provisions for the Employees' Retirement System and the Judicial Retirement Benefit Trust are reflected and were applied in determining the contributions rates for the fiscal years ended June 30, 2010 and June 30, 2011.

Changes affecting the June 30, 2008 actuarial valuation:

The June 30, 2008 valuation for the Employees' Retirement System and the Judicial Retirement Benefit Trust reflects the enactment of H5983Aaa, Article 7, Substitute A to the laws governing benefits for state employees and teachers not eligible to retire by September 30, 2009 and judges appointed after July 1, 2009.

The changes enacted as a result of Article 7 Substitute A to the laws governing benefits provisions for the Employees' Retirement System and the Judicial Retirement Benefit Trust are reflected and were applied in determining the contributions rates for the fiscal years ended June 30, 2009, June 30, 2010 and June 30, 2011.

Schedules of Funding Progress - Other Postemployment Benefits

1. Actuarial Assumptions and Methods

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2009, follows:

Summary of Actuarial Methods and Assumptions as of June 30, 2009 Valuations

	<u>Plan</u>					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Governors
Valuation Date	June 30, 2009					
Plan Type	Cost sharing multiple employer	Single Employer (1)	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll – Closed	Level Dollar	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	27 years	6 years	27 years	27 years	27 years	27 years
Asset Valuation Method	Market	Market	Market	Market	Market	Market
Actuarial Assumptions						
Investment Rate of Return	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Projected Salary Increases	9.00% to 4.50%	13.25% to 4.50%	4.50%	12.50% to 4.50%	9.00% to 4.50%	9.00% to 4.50%
Valuation Health Care Cost Trend Rate	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019	9% in 2010, grading to 4.5% in 2019

Note 1 – The Teachers plan accounts for the Tier I subsidy funded by the State for Teachers electing to participate and retiring before October 1, 2008.

2. Schedules of Funding Progress

Changes affecting the June 30, 2009 Actuarial Valuation:

With the creation of the trust effective July 1, 2010, the State Employees and Board of Governors plans met the requirements of cost-sharing multiple employer plans. These plans were previously considered agent multiple-employer plans absent the creation of the trust.

The following changes in actuarial assumptions were made between the June 30, 2007 and June 30, 2009 valuations. These changes include an increase in the investment return assumption from 3.566% to 5.00%, a change in the medical trend assumption from 10% decreasing to 4.5% in 7 years to 9% decreasing to 4.5% in 9 years. In addition, the wage inflation assumption was changed to 0% for two years before reverting to 4.5% to reflect the current economic environment.

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 is 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 application fees relating to historic tax credit eligible projects, 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.

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, 2011
(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	
Assets						
Cash and cash equivalents	\$ 241	\$ 106,538	\$	\$ 158	\$ 20	\$ 106,957
Funds on deposit with fiscal agent			28,755			28,755
Restricted investments				71,642		71,642
Receivables (net)		45,061			24	45,085
Due from other funds			1,576			1,576
Total assets	<u>241</u>	<u>\$ 151,599</u>	<u>\$ 30,331</u>	<u>\$ 71,800</u>	<u>\$ 44</u>	<u>\$ 254,015</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable		110				110
Due to other funds		575				575
Due to component units						
Loans from other funds						
Other liabilities						
Total liabilities		<u>685</u>				<u>685</u>
Fund balances						
Nonspendable						
Restricted	241	150,914	30,331	71,645		253,131
Unrestricted						
Assigned				155	44	199
Total fund balances	<u>241</u>	<u>150,914</u>	<u>30,331</u>	<u>71,800</u>	<u>44</u>	<u>253,330</u>
Total Liabilities and fund balances	<u>\$ 241</u>	<u>\$ 151,599</u>	<u>\$ 30,331</u>	<u>\$ 71,800</u>	<u>\$ 44</u>	<u>\$ 254,015</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(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>Certificates of Participation</u>		<u>Permanent School</u>	
Assets							
Cash and cash equivalents	\$ 67,693	\$ 129,237	\$ 1,443	\$	\$ 198,373	\$ 1,819	\$ 307,149
Funds on deposit with fiscal agent				15,322	15,322		44,077
Restricted investments							71,642
Receivables (net)							45,085
Due from other funds				1,198	1,198		2,774
Total assets	<u>\$ 67,693</u>	<u>\$ 129,237</u>	<u>\$ 1,443</u>	<u>\$ 16,520</u>	<u>\$ 214,893</u>	<u>\$ 1,819</u>	<u>\$ 470,727</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	15,215	8,865		4,459	28,539		28,649
Due to other funds	8,854	25,010			33,864		34,439
Due to component units	310	378			688		688
Loans from other funds	9,200			4,027	13,227		13,227
Other liabilities		410			410		410
Total liabilities	<u>33,579</u>	<u>34,663</u>		<u>8,486</u>	<u>76,728</u>		<u>77,413</u>
Fund balances							
Nonspendable						174	174
Restricted	34,114	94,574	1,443	8,034	138,165	1,645	392,941
Unrestricted							
Assigned							199
Total fund balances	<u>34,114</u>	<u>94,574</u>	<u>1,443</u>	<u>8,034</u>	<u>138,165</u>	<u>1,819</u>	<u>393,314</u>
Total Liabilities and fund balances	<u>\$ 67,693</u>	<u>\$ 129,237</u>	<u>\$ 1,443</u>	<u>\$ 16,520</u>	<u>\$ 214,893</u>	<u>\$ 1,819</u>	<u>\$ 470,727</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011
(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	
Revenues:						
Taxes	\$	\$ 164,417	\$	\$	\$	\$ 164,417
Licenses, fines, sales, and services	128		(1,628)		1	(1,499)
Income from investments		161	5	4,354		4,520
Other revenues				45,812		45,812
Total revenues	128	164,578	(1,623)	50,166	1	213,250
Expenditures:						
Current:						
General government		161,814		74		161,888
Education						
Natural resources	6					6
Transportation					1,770	1,770
Capital outlays						
Debt service:						
Principal				12,570		12,570
Interest and other charges				37,783		37,783
Total expenditures	6	161,814		50,427	1,770	214,017
Excess (deficiency) of revenues over (under) expenditures	122	2,764	(1,623)	(261)	(1,769)	(767)
Other financing sources (uses)						
Operating transfers in					1,728	1,728
Operating transfers out		(1,742)	(14,190)			(15,932)
Total other financing sources (uses)		(1,742)	(14,190)		1,728	(14,204)
Net change in fund balances	122	1,022	(15,813)	(261)	(41)	(14,971)
Fund balances - beginning (as restated)	119	149,892	46,144	72,061	85	268,301
Fund balances - ending	\$ 241	\$ 150,914	\$ 30,331	\$ 71,800	\$ 44	\$ 253,330

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011
(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>Certificates of Participation</u>		<u>Permanent School</u>	
Revenues:							
Taxes	\$	\$	\$	\$	\$		\$ 164,417
Licenses, fines, sales, and services						376	(1,123)
Income from investments	62	138	2	1	203	2	4,725
Other revenues							45,812
Total revenues	<u>62</u>	<u>138</u>	<u>2</u>	<u>1</u>	<u>203</u>	<u>378</u>	<u>213,831</u>
Expenditures:							
Current:							
General government							161,888
Education						184	184
Natural resources							6
Transportation							1,770
Capital outlays	69,590	50,063	2,980	16,210	138,843		138,843
Debt service:							
Principal					1,398		13,968
Interest and other charges	280		2		413	695	38,478
Total expenditures	<u>69,870</u>	<u>50,063</u>	<u>2,982</u>	<u>18,021</u>	<u>140,936</u>	<u>184</u>	<u>355,137</u>
Excess (deficiency) of revenues over (under) expenditures	(69,808)	(49,925)	(2,980)	(18,020)	(140,733)	194	(141,306)
Other financing sources (uses)							
Operating transfers in		84,645		2,052	86,697		88,425
Operating transfers out	(35,587)	(3)			(35,590)		(51,522)
Total other financing sources (uses)	<u>(35,587)</u>	<u>84,642</u>		<u>2,052</u>	<u>51,107</u>		<u>36,903</u>
Net change in fund balances	(105,395)	34,717	(2,980)	(15,968)	(89,626)	194	(104,403)
Fund balances - beginning (as restated)	139,509	59,857	4,423	24,002	227,791	1,625	497,717
Fund balances - ending	<u>\$ 34,114</u>	<u>\$ 94,574</u>	<u>\$ 1,443</u>	<u>\$ 8,034</u>	<u>\$ 138,165</u>	<u>\$ 1,819</u>	<u>\$ 393,314</u>

(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, 2011
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 164,417	\$ 164,417	\$ 164,417	\$
Other Revenues	161	161	161	
Total Revenues	<u>164,578</u>	<u>164,578</u>	<u>164,578</u>	
Expenditures:				
Department of Labor and Training Income Support	173,002	169,224	163,347	5,877
Treasury Department	219	243	209	34
Total Expenditures	<u>173,221</u>	<u>169,467</u>	<u>163,556</u>	<u>5,911</u>
Net change in fund balance			1,022	
* Fund balance - beginning			149,892	
Fund balance - ending			<u>\$ 150,914</u>	

* Revenues are not legislatively adopted, budgeted revenues and opening surplus 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.

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 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, 2011
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Tele- communications	Central Laundry	Automotive Maintenance	Central Warehouse	Correctional Industries
Assets:								
Current assets:								
Cash and cash equivalents	\$ 3,393	\$ 639	\$	\$ 95	\$	\$ 653	\$ 2,106	\$ 1,601
Receivables (net)			846	122		544	27	969
Due from other funds			115				183	
Inventories			219			423	478	599
Other assets	22							
Total current assets	<u>3,415</u>	<u>639</u>	<u>1,180</u>	<u>217</u>	<u></u>	<u>1,620</u>	<u>2,794</u>	<u>3,169</u>
Noncurrent assets:								
Capital assets (net)			21	7		144	2,232	164
Total noncurrent assets			<u>21</u>	<u>7</u>		<u>144</u>	<u>2,232</u>	<u>164</u>
Total assets	<u>3,415</u>	<u>639</u>	<u>1,201</u>	<u>224</u>	<u></u>	<u>1,764</u>	<u>5,026</u>	<u>3,333</u>
Liabilities:								
Current liabilities:								
Accounts payable	76		71	48		506	417	396
Due to other funds	545	14		33		189		648
Loans from other funds		873	909	298				
Other liabilities	1,321	5	135	78		56	78	207
Total current liabilities	<u>1,942</u>	<u>892</u>	<u>1,115</u>	<u>457</u>	<u></u>	<u>751</u>	<u>495</u>	<u>1,251</u>
Net Assets:								
Invested in capital assets, net of related debt			21	7		144	2,232	164
Unrestricted	1,473	(253)	65	(240)		869	2,299	1,918
Total net assets	<u>\$ 1,473</u>	<u>\$ (253)</u>	<u>\$ 86</u>	<u>\$ (233)</u>	<u>\$</u>	<u>\$ 1,013</u>	<u>\$ 4,531</u>	<u>\$ 2,082</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(Expressed in Thousands)

	Surplus Property	Records Center	Health Insurance		Vehicle Replacement Revolving Loan	Capitol Police	Total
			Active	State Retirees			
Assets:							
Current assets:							
Cash and cash equivalents	\$ 75	\$ 186	\$ 28,537	\$	\$	\$ 1,431	\$ 38,716
Receivables (net)		79				2,367	4,954
Due from other funds						114	412
Inventories							1,719
Other assets			6,892				6,914
Total current assets	<u>75</u>	<u>265</u>	<u>35,429</u>			<u>3,798</u>	<u>52,715</u>
Noncurrent assets:							
Capital assets (net)							2,568
Total noncurrent assets							2,568
Total assets	<u>75</u>	<u>265</u>	<u>35,429</u>			<u>3,798</u>	<u>55,283</u>
Liabilities:							
Current liabilities:							
Accounts payable		23	16,071				17,608
Due to other funds		12				462	1,903
Loans from other funds		300				250	2,710
Other liabilities		34				44	1,958
Total current liabilities		<u>369</u>	<u>16,071</u>			<u>712</u>	<u>24,179</u>
Net Assets:							
Invested in capital assets, net of related debt							2,568
Unrestricted	75	(104)	19,358			3,086	28,536
Total net assets	<u>\$ 75</u>	<u>\$ (104)</u>	<u>\$ 19,358</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,086</u>	<u>\$ 31,104</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Tele- communications	Central Laundry	Automotive Maintenance	Central Warehouse	Correctional Industries
Operating revenues:								
Charges for services	\$ 31,496	\$ 13,894	\$ 4,843	\$ 2,611	\$	\$ 11,424	\$ 5,460	\$ 3,953
Total operating revenues	<u>31,496</u>	<u>13,894</u>	<u>4,843</u>	<u>2,611</u>	<u></u>	<u>11,424</u>	<u>5,460</u>	<u>3,953</u>
Operating expenses:								
Personal services	5,523	140	791	792		609	826	2,045
Supplies, materials, and services	23,174	13,903	3,979	1,678		10,999	4,322	3,162
Depreciation			35	18		52	87	69
Total operating expenses	<u>28,697</u>	<u>14,043</u>	<u>4,805</u>	<u>2,488</u>	<u></u>	<u>11,660</u>	<u>5,235</u>	<u>5,276</u>
Operating income (loss)	<u>2,799</u>	<u>(149)</u>	<u>38</u>	<u>123</u>	<u></u>	<u>(236)</u>	<u>225</u>	<u>(1,323)</u>
Nonoperating revenues (expenses):								
Interest revenue	11							
Other nonoperating revenues and (expenses)	11		(5)			(10)		
Income (loss) before transfers	<u>2,821</u>	<u>(149)</u>	<u>33</u>	<u>123</u>	<u></u>	<u>(246)</u>	<u>225</u>	<u>(1,323)</u>
Operating transfers (out)	<u>(2,254)</u>							
Change in net assets	567	(149)	33	123		(246)	225	(1,323)
Total net assets - beginning	906	(104)	53	(356)		1,259	4,306	3,405
Total net assets - ending	<u>\$ 1,473</u>	<u>\$ (253)</u>	<u>\$ 86</u>	<u>\$ (233)</u>	<u>\$</u>	<u>\$ 1,013</u>	<u>\$ 4,531</u>	<u>\$ 2,082</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Surplus Property	Records Center	Health Insurance		Vehicle Replacement Revolving Loan	Capitol Police	Total	
			Active	State Retirees				Teacher Retirees
Operating revenues:								
Charges for services	\$	\$ 785	\$ 198,148	\$	\$	\$ 14	\$ 273,385	
Total operating revenues		785	198,148			14	273,385	
Operating expenses:								
Personal services		411				752	11,889	
Supplies, materials, and services	1	363	183,163				244,744	
Depreciation							261	
Total operating expenses	1	774	183,163			752	256,894	
Operating income (loss)	(1)	11	14,985		14	5	16,491	
Nonoperating revenues (expenses):								
Interest revenue			13				24	
Other nonoperating revenues and (expenses)							(4)	
Income (loss) before transfers	(1)	11	14,998		14	5	16,511	
Operating transfers (out)				(4,148)	(956)		(7,358)	
Change in net assets	(1)	11	14,998	(4,148)	(956)	14	9,153	
Total net assets - beginning	76	(115)	4,360	4,148	956	3,072	(15)	21,951
Total net assets - ending	\$ 75	\$ (104)	\$ 19,358	\$	\$	\$ 3,086	\$ (10)	\$ 31,104

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Tele- communications	Central Laundry	Automotive Maintenance	Central Warehouse
Cash flows from operating activities:							
Cash received from customers	\$ 31,631	\$ 13,915	\$ 4,400	\$ 2,539	\$	\$ 11,380	\$ 5,295
Cash payments to suppliers for goods and services	(23,594)	(13,916)	(4,205)	(1,657)	(209)	(11,133)	(3,934)
Cash payments to employees for services	(5,214)	(142)	(760)	(787)		(603)	(817)
Other operating revenue (expense)	11					(10)	
Net cash provided by (used for) operating activities	<u>2,834</u>	<u>(143)</u>	<u>(565)</u>	<u>95</u>	<u>(209)</u>	<u>(366)</u>	<u>544</u>
Cash flows from noncapital financing activities:							
Loans from other funds			565				
Loans to other funds							
Repayment of loans to other funds							
Repayment of loans from other funds		(645)					
Operating transfers out	(2,254)						
Net cash provided by (used for) noncapital financing activities	<u>(2,254)</u>	<u>(645)</u>	<u>565</u>				
Cash flows from capital and related financing activities:							
Acquisition of capital assets						(10)	
Net cash provided by (used for) capital and related financing activities						<u>(10)</u>	
Cash flows from investing activities:							
Interest on investments	11						
Net cash provided by (used for) investing activities	<u>11</u>						
Net increase (decrease) in cash and cash equivalents	591	(788)		95	(209)	(376)	544
Cash and cash equivalents - July 1	2,802	1,427			209	1,029	1,562
Cash and cash equivalents - June 30	<u>\$ 3,393</u>	<u>\$ 639</u>	<u>\$</u>	<u>\$ 95</u>	<u>\$</u>	<u>\$ 653</u>	<u>\$ 2,106</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Central Mail</u>	<u>State Tele- communications</u>	<u>Central Laundry</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 2,799	\$ (149)	\$ 38	\$ 123	\$	\$ (236)	\$ 225
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	\$	\$	\$ 35	\$ 18	\$	\$ 52	\$ 87
Other revenue (expense) and operating transfer in (out)	11					(10)	
(Increase) decrease in assets:							
Receivables			(443)	(123)		24	(165)
Inventory			(116)			(95)	235
Prepaid items							
Increase (decrease) in liabilities:							
Accounts payable	(285)	8	(110)	72	(209)	(107)	153
Accrued expenses	309	(2)	31	5		6	9
Total adjustments	<u>35</u>	<u>6</u>	<u>(603)</u>	<u>(28)</u>	<u>(209)</u>	<u>(130)</u>	<u>319</u>
Net cash provided by (used for) operating activities	<u>\$ 2,834</u>	<u>\$ (143)</u>	<u>(565)</u>	<u>\$ 95</u>	<u>\$ (209)</u>	<u>\$ (366)</u>	<u>\$ 544</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Correctional Industries	Surplus Property	Records Center	Health Insurance			Vehicle Replacement Revolving Loan	Capitol Police	Total
				Active	State Retirees	Teacher Retirees			
Cash flows from operating activities:									
Cash received from customers	\$ 5,666	\$	\$ 777	\$ 198,052	\$ 8	\$	\$ 403	\$ 610	\$ 274,676
Cash payments to suppliers for goods and services	(3,332)	(1)	(375)	(181,103)	(4,093)	(580)	(533)	(10)	(248,675)
Cash payments to employees for services	(1,993)		(413)					(748)	(11,477)
Other operating revenue (expense)					(79)				(78)
Net cash provided by (used for) operating activities	341	(1)	(11)	16,949	(4,164)	(580)	(130)	(148)	14,446
Cash flows from noncapital financing activities:									
Loans from other funds							250	80	895
Loans to other funds				(1,025)					(1,025)
Repayment of loans to other funds				2,000					2,000
Repayment of loans from other funds									(645)
Operating transfers out					(4,148)	(956)			(7,358)
Net cash provided by (used for) noncapital financing activities				975	(4,148)	(956)	250	80	(6,133)
Cash flows from capital and related financing activities:									
Acquisition of capital assets	(47)								(57)
Net cash provided by (used for) capital and related financing activities	(47)								(57)
Cash flows from investing activities:									
Interest on investments				13					24
Net cash provided by (used for) investing activities				13					24
Net increase (decrease) in cash and cash equivalents	294	(1)	(11)	17,937	(8,312)	(1,536)	120	(68)	8,280
Cash and cash equivalents - July 1	1,307	76	197	10,600	8,312	1,536	1,311	68	30,436
Cash and cash equivalents - June 30	\$ 1,601	\$ 75	\$ 186	\$ 28,537	\$	\$	\$ 1,431	\$	\$ 38,716

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Correctional Industries	Surplus Property	Records Center	Health Insurance			Vehicle Replacement Revolving Loan	Capitol Police	Total
				Active	State Retirees	Teacher Retirees			
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:									
Operating income (loss)	\$ (1,323)	\$ (1)	\$ 11	\$ 14,985	\$	\$	\$ 14	\$ 5	\$ 16,491
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:									
Depreciation	\$ 69	\$	\$	\$	\$	\$	\$	\$	\$ 261
Other revenue (expense) and operating transfer in (out)									1
(Increase) decrease in assets:									
Receivables	1,183		(10)	(96)			632	(147)	855
Inventory	(170)								(146)
Prepaid items				1,171					1,171
Increase (decrease) in liabilities:									
Accounts payable	530		(10)	889	(4,164)	(580)	(776)	(10)	(4,599)
Accrued expenses	52		(2)					4	412
Total adjustments	1,664		(22)	1,964	(4,164)	(580)	(144)	(153)	(2,045)
Net cash provided by (used for) operating activities	\$ 341	\$ (1)	\$ (11)	\$ 16,949	\$ (4,164)	\$ (580)	\$ (130)	\$ (148)	\$ 14,446

(Concluded)

Trust Funds

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.

OPEB Trust Funds

OPEB Trust Funds - established for the purpose of providing and administering OPEB benefits for retired employees of the State of Rhode Island and their dependents for the classes listed below.

State Employees - covers State employees and certain employees of the Narragansett Bay Commission, RI Airport Corporation, and RI Economic Development Corporation.

Teachers - covers certified public school teachers electing to participate.

Judicial - covers judges and magistrates.

State Police - covers retired State police officers.

Legislators - covers retired and former members of the General Assembly.

Board of Governors for Higher Education - covers certain members of the University and Colleges, primarily faculty.

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Assets
Pension and Other Postemployment Benefit Trust Funds
June 30, 2011
(Expressed in Thousands)

	Pension Trust	Other Postemployment Benefit Trust	Totals
Assets			
Cash and cash equivalents	\$ 3,529	\$ 2,477	\$ 6,006
Advance held by claims processing agent		1,171	1,171
Receivables			
Contributions	29,997		29,997
Due from state for teachers	13,959		13,959
Miscellaneous	2,623	70	2,693
Total receivables	46,579	70	46,649
Investments, at fair value			
Equity in Pooled Trust	7,440,118	22,409	7,462,527
Property and equipment, at cost, net of accumulated depreciation	2,262		2,262
Total assets	7,492,488	26,127	7,518,615
Liabilities			
Accounts payable	3,585	1,215	4,800
Incurred but not reported claims		3,740	3,740
Deferred revenue		6,065	6,065
Other		170	170
Total liabilities	3,585	11,190	14,775
Net assets held in trust for pension and other postemployment benefits	\$ 7,488,903	\$ 14,937	\$ 7,503,840

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Post Employment Benefit Trust Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Pension Trust	Other Postemployment Benefit Trust	Totals
Additions			
Contributions			
Member contributions	\$ 172,797	\$ 19,556	\$ 192,353
Employer contributions	276,315	53,044	329,359
State contributions for teachers	70,286		70,286
Interest on service credits purchased	1,163		1,163
Total contributions	<u>520,561</u>	<u>72,600</u>	<u>593,161</u>
Other income		1,875	1,875
Investment income			
Net appreciation in fair value of investments	1,169,202	207	1,169,409
Interest	84,451	25	84,476
Dividends	2,807	34	2,841
Other investment income	15,446		15,446
	<u>1,271,906</u>	<u>266</u>	<u>1,272,172</u>
Less investment expense	15,090	2	15,092
Net income from investing activities	<u>1,256,816</u>	<u>264</u>	<u>1,257,080</u>
Total additions	<u>1,777,377</u>	<u>74,739</u>	<u>1,852,116</u>
Deductions			
Benefits			
Retirement benefits	634,632		634,632
Cost of living adjustment	180,213		180,213
SRA Plus (option)	26,689		26,689
Supplemental benefits	1,089		1,089
Death benefits	3,336		3,336
OPEB benefits		59,663	59,663
Total benefits	<u>845,959</u>	<u>59,663</u>	<u>905,622</u>
Refund of contributions	11,243		11,243
Administrative expense	8,409	139	8,548
Total deductions	<u>865,611</u>	<u>59,802</u>	<u>925,413</u>
Change in net assets	<u>911,766</u>	<u>14,937</u>	<u>926,703</u>
Net assets held in trust for pension and other postemployment benefits			
Net assets - beginning	6,577,137		6,577,137
Net assets - ending	<u>\$ 7,488,903</u>	<u>\$ 14,937</u>	<u>\$ 7,503,840</u>

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2011
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Assets					
Cash and cash equivalents	\$ 2,886	\$ 289	\$ 297	\$ 57	\$ 3,529
Receivables					
Contributions	26,308	3,689			29,997
Due from state for teachers	13,959				13,959
Miscellaneous	2,538	85			2,623
Total receivables	42,805	3,774			46,579
Investments, at fair value					
Equity in Pooled Trust	6,162,265	1,166,286	72,207	39,360	7,440,118
Property and equipment, at cost, net of accumulated depreciation	1,962	290	6	4	2,262
Total assets	6,209,918	1,170,639	72,510	39,421	7,492,488
Liabilities					
Accounts payable	2,853	685	31	16	3,585
Total liabilities	2,853	685	31	16	3,585
Net assets held in trust for pension benefits	\$ 6,207,065	\$ 1,169,954	\$ 72,479	\$ 39,405	\$ 7,488,903

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Additions					
Contributions					
Member contributions	\$ 147,555	\$ 23,170	\$ 1,361	\$ 711	\$ 172,797
Employer contributions	241,761	29,469	3,787	1,298	276,315
State contributions for teachers	70,286				70,286
Interest on service credits purchased	911	239	13		1,163
Total contributions	<u>460,513</u>	<u>52,878</u>	<u>5,161</u>	<u>2,009</u>	<u>520,561</u>
Investment income					
Net appreciation in fair value of investments	972,478	180,371	10,435	5,918	1,169,202
Interest	70,156	13,089	773	433	84,451
Dividends	2,334	434	25	14	2,807
Other investment income	12,828	2,397	142	79	15,446
	<u>1,057,796</u>	<u>196,291</u>	<u>11,375</u>	<u>6,444</u>	<u>1,271,906</u>
Less investment expense	12,530	2,343	139	78	15,090
Net income from investing activities	<u>1,045,266</u>	<u>193,948</u>	<u>11,236</u>	<u>6,366</u>	<u>1,256,816</u>
Total additions	<u>1,505,779</u>	<u>246,826</u>	<u>16,397</u>	<u>8,375</u>	<u>1,777,377</u>
Deductions					
Benefits					
Retirement benefits	573,241	59,951	298	1,142	634,632
Cost of living adjustment	169,351	10,777	23	62	180,213
SRA Plus (option)	24,104	2,585			26,689
Supplemental benefits	1,089				1,089
Death benefits	2,607	729			3,336
Total benefits	<u>770,392</u>	<u>74,042</u>	<u>321</u>	<u>1,204</u>	<u>845,959</u>
Refund of contributions	9,126	2,109	8		11,243
Administrative expense	7,120	1,202	54	33	8,409
Total deductions	<u>786,638</u>	<u>77,353</u>	<u>383</u>	<u>1,237</u>	<u>865,611</u>
Change in net assets	<u>719,141</u>	<u>169,473</u>	<u>16,014</u>	<u>7,138</u>	<u>911,766</u>
Net assets held in trust for pension benefits					
Net assets - beginning	5,487,924	1,000,481	56,465	32,267	6,577,137
Net assets - ending	<u>\$ 6,207,065</u>	<u>\$ 1,169,954</u>	<u>\$ 72,479</u>	<u>\$ 39,405</u>	<u>\$ 7,488,903</u>

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Assets
Other Postemployment Benefits Trust Funds
June 30, 2011
(expressed in thousands)

	State Employees	Teachers	Judicial	State Police	Legislators	Board of Governors	Totals
Assets							
Cash and cash equivalents	\$ 1,082	\$ 453	\$ 144	\$ 387	\$ 151	\$ 260	\$ 2,477
Advance held by claims processing agent	1,171						1,171
Receivables							
Due from other funds	61	2			28	64	155
Other	70						70
Total receivables	131	2			28	64	225
Investments at fair value - equity in pooled trust	13,564	2,255	771	1,369	1,345	3,105	22,409
Total assets	15,948	2,710	915	1,756	1,524	3,429	26,282
Liabilities							
Accounts payable	968	172	11	34	5	25	1,215
Incurred but not reported claims	2,940	414	38	191	35	122	3,740
Due to other funds	93	14	6	10	10	22	155
Deferred revenue	4,148	956				961	6,065
Other	145	25					170
Total liabilities	8,294	1,581	55	235	50	1,130	11,345
Net assets held in trust for other postemployment benefits	\$ 7,654	\$ 1,129	\$ 860	\$ 1,521	\$ 1,474	\$ 2,299	\$ 14,937

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Assets
Other Postemployment Benefits Trust Funds
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	State Employees	Teachers	Judicial	State Police	Legislators	Board of Governors	Totals
Additions							
Contributions							
Member contributions	\$ 11,159	\$ 5,664	\$ 456	\$ 247	\$ 515	\$ 1,515	\$ 19,556
Employer contributions	41,120	2,333	986	4,216	1,519	2,870	53,044
Total contributions	<u>52,279</u>	<u>7,997</u>	<u>1,442</u>	<u>4,463</u>	<u>2,034</u>	<u>4,385</u>	<u>72,600</u>
Other income	<u>1,682</u>	<u>105</u>	<u>5</u>	<u>28</u>	<u>5</u>	<u>50</u>	<u>1,875</u>
Investment income							
Net appreciation in in fair value of investments	122	26	7	11	11	30	207
Interest	14	3	1	3	2	2	25
Dividends	20	4	1	2	2	5	34
	<u>156</u>	<u>33</u>	<u>9</u>	<u>16</u>	<u>15</u>	<u>37</u>	<u>266</u>
Less investment expense	<u>2</u>						<u>2</u>
Net investment income	<u>154</u>	<u>33</u>	<u>9</u>	<u>16</u>	<u>15</u>	<u>37</u>	<u>264</u>
Total additions	<u>54,115</u>	<u>8,135</u>	<u>1,456</u>	<u>4,507</u>	<u>2,054</u>	<u>4,472</u>	<u>74,739</u>
Deductions							
Benefits	46,383	6,992	590	2,976	570	2,152	59,663
Administrative expense	78	14	6	10	10	21	139
Total deductions	<u>46,461</u>	<u>7,006</u>	<u>596</u>	<u>2,986</u>	<u>580</u>	<u>2,173</u>	<u>59,802</u>
Net increase	7,654	1,129	860	1,521	1,474	2,299	14,937
Net assets held in trust for other postemployment benefits							
Net assets - beginning							
Net assets - ending	<u>\$ 7,654</u>	<u>\$ 1,129</u>	<u>\$ 860</u>	<u>\$ 1,521</u>	<u>\$ 1,474</u>	<u>\$ 2,299</u>	<u>\$ 14,937</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 Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

BOG Retiree Health Fund

Assets	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Cash and cash equivalents	\$ 1,105	\$	\$ 1,105	\$
Investments				
Receivables	274		274	
Total assets	\$ 1,379	\$	\$ 1,379	\$
Liabilities				
Deposits held for others	\$ 1,164	\$	\$ 1,164	\$
Accounts payable	215		215	
Total liabilities	\$ 1,379	\$	\$ 1,379	\$

RIPTA Health Fund

Assets	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Cash and cash equivalents	\$ 3,154	\$ 12,136	\$ 13,048	\$ 2,242
Receivables	1,564	2,170	2,217	1,517
Total assets	\$ 4,718	\$ 14,306	\$ 15,265	\$ 3,759
Liabilities				
Deposits held for others	\$ 204	\$ 69	\$	\$ 273
Accounts payable	4,514	13,332	14,360	3,486
Total liabilities	\$ 4,718	\$ 13,401	\$ 14,360	\$ 3,759

Employer Pension Contribution

Assets	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Cash and cash equivalents	\$ 16,386	\$	\$ 16,386	\$
Total assets	\$ 16,386	\$	\$ 16,386	\$
Liabilities				
Deposits held for others	\$ 16,386	\$	\$ 16,386	\$
Total liabilities	\$ 16,386	\$	\$ 16,386	\$

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

Statutory Deposits

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Deposits held as security for entities doing business in the State	\$ 89,788	\$ 29,638	\$ 33,585	\$ 85,841
Total assets	\$ 89,788	\$ 29,638	\$ 33,585	\$ 85,841
Liabilities				
Deposits held for others	\$ 89,788	\$ 29,638	\$ 33,585	\$ 85,841
Total liabilities	\$ 89,788	\$ 29,638	\$ 33,585	\$ 85,841

Court Deposits

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash and cash equivalents	\$ 8,948	\$ 3,311	\$	\$ 12,259
Total assets	\$ 8,948	\$ 3,311	\$	\$ 12,259
Liabilities				
Deposits held for others	\$ 8,948	\$ 3,311	\$	\$ 12,259
Total liabilities	\$ 8,948	\$ 3,311	\$	\$ 12,259

Total - All Agency Funds

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash and cash equivalents	\$ 29,593	\$ 15,447	\$ 30,539	\$ 14,501
Deposits held as security for entities doing business in the State	89,788	29,638	33,585	85,841
Receivables	1,838	2,170	2,491	1,517
Total assets	\$ 121,219	\$ 47,255	\$ 66,615	\$ 101,859
Liabilities				
Deposits held for others	\$ 116,490	\$ 33,018	\$ 51,135	\$ 98,373
Accounts payable	4,729	13,332	14,575	3,486
Total liabilities	\$ 121,219	\$ 46,350	\$ 65,710	\$ 101,859

(Concluded)

State of Rhode Island
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2011
(Expressed in Thousands)

	<u>RISLA</u>	<u>RITBA</u>	<u>NBC</u>	<u>RIHEBC</u>	<u>RIHEAA</u>	<u>RIIFC</u>	<u>RICWFA</u>
Assets							
Current Assets:							
Cash and cash equivalents	\$ 1,822	\$ 2,887	\$ 14,696	\$ 275	\$ 13,640	\$ 403	\$ 24,414
Investments				5,620	11,231		
Receivables (net)	76,558	107	13,665	482	2,128	70	1,209
Restricted assets:							
Cash and cash equivalents	107,584	4,659			437		159,923
Investments	13,171	11,012					143,408
Other assets		438					52,728
Due from primary government							
Due from other governments					1,591		
Due from other component units					183	6	
Inventories		122					
Other assets	24,090	117	289	41	191		7,777
Total current assets	<u>223,225</u>	<u>19,342</u>	<u>28,650</u>	<u>6,418</u>	<u>29,401</u>	<u>479</u>	<u>389,459</u>
Noncurrent Assets:							
Investments		19,541		665	1,058		
Receivables (net)	933,938			1,847	41		
Restricted assets:							
Cash and cash equivalents			51,194		624	697	
Investments		37,166					
Other assets							745,369
Capital assets - nondepreciable		1,030	231,157		194		
Capital assets - depreciable (net)	144	98,325	473,959	33	780		29
Due from other component units					1,443		
Other assets, net of amortization	3,578	1,025	5,901				6,991
Total noncurrent assets	<u>937,660</u>	<u>157,087</u>	<u>762,211</u>	<u>2,545</u>	<u>4,140</u>	<u>697</u>	<u>752,389</u>
Total assets	<u>1,160,885</u>	<u>176,429</u>	<u>790,861</u>	<u>8,963</u>	<u>33,541</u>	<u>1,176</u>	<u>1,141,848</u>
Liabilities							
Current liabilities:							
Cash overdraft		242					
Accounts payable	556	3,326	8,131		1,096		285
Due to primary government							
Due to other component units	183					10	
Due to other governments	35,953				77		
Accrued liabilities							
Deferred revenue	10,950		270		54	13	
Other liabilities	1,427	3,652	6,485	210			11,982
Current portion of long-term debt	6,947	2,370	20,507		730		33,520
Total current liabilities	<u>56,016</u>	<u>9,590</u>	<u>35,393</u>	<u>210</u>	<u>1,957</u>	<u>23</u>	<u>45,787</u>
Noncurrent liabilities:							
Due to primary government							
Due to other governments	322,540						
Due to other component units	1,443					697	
Deferred revenue					927	82	
Notes payable							
Loans payable			250,756				
Obligations under capital leases			127				
Net OPEB obligation							
Other liabilities	8,770				281		2,753
Compensated absences			70		146		
Bonds payable	661,754	66,089	151,281				663,099
Total noncurrent liabilities	<u>994,507</u>	<u>66,089</u>	<u>402,234</u>	<u>210</u>	<u>1,354</u>	<u>779</u>	<u>665,852</u>
Total liabilities	<u>1,050,523</u>	<u>75,679</u>	<u>437,627</u>	<u>210</u>	<u>3,311</u>	<u>802</u>	<u>711,639</u>
Net assets							
Invested in capital assets, net of related debt	144	65,782	281,322	33	974		29
Restricted for:							
Debt	107,696	11,865					
Other			119		29,256		399,830
Other nonexpendable							
Unrestricted	2,522	23,103	71,793	8,720		374	30,350
Total net assets	<u>\$ 110,362</u>	<u>\$ 100,750</u>	<u>\$ 353,234</u>	<u>\$ 8,753</u>	<u>\$ 30,230</u>	<u>\$ 374</u>	<u>\$ 430,209</u>

(Continued)

State of Rhode Island
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2011
(Expressed in Thousands)

	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>	<u>Totals</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 3,929	\$ 724	\$ 115	\$ 283	\$ 63,188
Investments				4,283	21,134
Receivables (net)	10	278	518	293	95,318
Restricted assets:					
Cash and cash equivalents					272,603
Investments				2,227	169,818
Other assets					53,166
Due from primary government					1,591
Due from other governments					189
Due from other component units					122
Inventories					32,637
Other assets		36	96		32,637
Total current assets	<u>3,939</u>	<u>1,038</u>	<u>729</u>	<u>7,086</u>	<u>709,766</u>
Noncurrent Assets:					
Investments		1,163			22,427
Receivables (net)					935,826
Restricted assets:					
Cash and cash equivalents					52,515
Investments					37,166
Other assets					745,369
Capital assets - nondepreciable					232,381
Capital assets - depreciable (net)	1		2,510		575,781
Due from other component units	697				2,140
Other assets, net of amortization		55	15		17,565
Total noncurrent assets	<u>698</u>	<u>1,218</u>	<u>2,525</u>	<u>7,086</u>	<u>2,621,170</u>
Total assets	<u>4,637</u>	<u>2,256</u>	<u>3,254</u>	<u>7,086</u>	<u>3,330,936</u>
Liabilities					
Current liabilities:					
Cash overdraft					242
Accounts payable	8	12	394	179	13,987
Due to primary government			97		97
Due to other component units	34				227
Due to other governments					36,030
Accrued liabilities		67			67
Deferred revenue	10		56	204	11,557
Other liabilities			143	711	24,610
Current portion of long-term debt		900			64,974
Total current liabilities	<u>52</u>	<u>979</u>	<u>690</u>	<u>1,094</u>	<u>151,791</u>
Noncurrent liabilities:					
Due to primary government					322,540
Due to other governments					2,837
Due to other component units	697				1,072
Deferred revenue	63				250,756
Notes payable					127
Loans payable					11,804
Obligations under capital leases					485
Net OPEB obligation					1,545,412
Other liabilities					269
Compensated absences			269		485
Bonds payable		3,189			1,545,412
Total noncurrent liabilities	<u>760</u>	<u>3,189</u>	<u>269</u>	<u>1,094</u>	<u>2,135,033</u>
Total liabilities	<u>812</u>	<u>4,168</u>	<u>959</u>	<u>1,094</u>	<u>2,286,824</u>
Net assets					
Invested in capital assets, net of related debt			2,510		350,794
Restricted for:					
Debt					119,561
Other		(1,912)		2,060	429,353
Other nonexpendable					144,404
Unrestricted	3,825		(215)	3,932	144,404
Total net assets	<u>\$ 3,825</u>	<u>\$ (1,912)</u>	<u>\$ 2,295</u>	<u>\$ 5,992</u>	<u>\$ 1,044,112</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>RISLA</u>	<u>RITBA</u>	<u>NBC</u>	<u>RIHEBC</u>	<u>RIHEAA</u>	<u>RIIFC</u>	<u>RICWFA</u>
Operating revenues:							
Charges for services	\$	\$ 18,236	\$ 75,895	\$ 2,171	\$ 20,352	\$ 76	\$
Interest income on loans	38,770			102			18,033
Investment income (net)	725						5,819
Other operating income	1,985	529	17		328	5	6,883
Total operating revenues	<u>41,480</u>	<u>18,765</u>	<u>75,912</u>	<u>2,273</u>	<u>20,680</u>	<u>81</u>	<u>30,735</u>
Operating expenses:							
Personal services	3,379	3,054	18,751	971	2,679		616
Supplies, materials, and services	6,273	4,795	13,126		8,188	60	
Interest expense	17,935						29,448
Grants, scholarships and contract programs					14,544		
Depreciation, depletion and amortization	481	4,508	10,437	13	241		472
Other operating expenses	6,155	1,200	1,712	420		12	3,153
Total operating expenses	<u>34,223</u>	<u>13,557</u>	<u>44,026</u>	<u>1,404</u>	<u>25,652</u>	<u>72</u>	<u>33,689</u>
Operating income (loss)	<u>7,257</u>	<u>5,208</u>	<u>31,886</u>	<u>869</u>	<u>(4,972)</u>	<u>9</u>	<u>(2,954)</u>
Nonoperating revenues (expenses):							
Interest revenue		731	12	43	570		
Grants			67		413		48,863
Payments (to) from primary government				(1,000)	7,320		
Gain (loss) on sale of property				(2)			
Interest expense		(1,409)	(10,887)				
Investment income (net)				1			
Other nonoperating revenue (expenses)	18,442	191	126		128		
Total nonoperating revenue (expenses)	<u>18,442</u>	<u>(487)</u>	<u>(10,682)</u>	<u>(958)</u>	<u>8,431</u>		<u>48,863</u>
Income (loss) before contributions	<u>25,699</u>	<u>4,721</u>	<u>21,204</u>	<u>(89)</u>	<u>3,459</u>	<u>9</u>	<u>45,909</u>
Capital contributions			4,043				
Change in net assets	<u>25,699</u>	<u>4,721</u>	<u>25,247</u>	<u>(89)</u>	<u>3,459</u>	<u>9</u>	<u>45,909</u>
Total net assets - beginning as restated	<u>84,663</u>	<u>96,029</u>	<u>327,987</u>	<u>8,842</u>	<u>26,771</u>	<u>365</u>	<u>384,300</u>
Total net assets - ending	<u>\$ 110,362</u>	<u>\$ 100,750</u>	<u>\$ 353,234</u>	<u>\$ 8,753</u>	<u>\$ 30,230</u>	<u>\$ 374</u>	<u>\$ 430,209</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 198	\$	\$ 1,758	\$	\$ 118,686
Interest income on loans					56,905
Investment income (net)				809	7,353
Other operating income		1,013	2,070	4,019	16,849
Total operating revenues	<u>198</u>	<u>1,013</u>	<u>3,828</u>	<u>4,828</u>	<u>199,793</u>
Operating expenses:					
Personal services			3,130	2,446	35,026
Supplies, materials, and services	169	19	109	53	32,792
Interest expense				4	47,387
Grants, scholarships and contract programs			77	1,358	15,979
Depreciation, depletion and amortization	7	19	571	1	16,750
Other operating expenses	11		1,392	570	14,625
Total operating expenses	<u>187</u>	<u>38</u>	<u>5,279</u>	<u>4,432</u>	<u>162,559</u>
Operating income (loss)	<u>11</u>	<u>975</u>	<u>(1,451)</u>	<u>396</u>	<u>37,234</u>
Nonoperating revenues (expenses):					
Interest revenue	4	54			1,414
Grants					49,343
Payments (to) from primary government			929	528	7,777
Gain (loss) on sale of property	153				151
Interest expense		(184)	(1)		(12,481)
Investment income (net)					1
Other nonoperating revenue (expenses)					18,887
Total nonoperating revenue (expenses)	<u>157</u>	<u>(130)</u>	<u>928</u>	<u>528</u>	<u>65,092</u>
Income (loss) before contributions	<u>168</u>	<u>845</u>	<u>(523)</u>	<u>924</u>	<u>102,326</u>
Capital contributions					4,043
Change in net assets	<u>168</u>	<u>845</u>	<u>(523)</u>	<u>924</u>	<u>106,369</u>
Total net assets - beginning as restated	<u>3,657</u>	<u>(2,757)</u>	<u>2,818</u>	<u>5,068</u>	<u>937,743</u>
Total net assets - ending	<u>\$ 3,825</u>	<u>\$ (1,912)</u>	<u>\$ 2,295</u>	<u>\$ 5,992</u>	<u>\$ 1,044,112</u>

(Concluded)

2011

Statistical Section



Setting Sun, Day is Done

Greenwich Cove an hour before sunset

East Greenwich, Rhode Island

Statistical Section

Index

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.

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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 Information	160
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity Information	167
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	169
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	171
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.

Note: When applicable, financial data has been reported at restated amounts in the Statistical Section.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities										
* Invested in capital assets, net of related debt	\$ 2,115,001	\$ 2,064,231	\$ 1,958,718	\$ 1,877,872	\$ 1,691,793	\$ 1,591,074	\$ 816,578	\$ 675,696	\$ 481,460	\$ 371,614
Restricted	462,751	483,931	420,215	427,588	373,788	369,137	315,370	301,346	273,559	196,913
Unrestricted	(1,439,322)	(1,590,106)	(1,534,512)	(1,429,272)	(1,082,664)	(929,476)	(936,437)	(981,605)	(860,310)	(124,431)
Total governmental activities net assets	\$ 1,138,430	\$ 958,056	\$ 844,421	\$ 876,188	\$ 982,917	\$ 1,030,735	\$ 195,511	\$ (4,563)	\$ (105,291)	\$ 444,096
Business-type activities										
Invested in capital assets, net of related debt	\$ (63,156)	\$ (61,806)	\$ (59,453)	\$ (60,902)	\$ (109,435)	\$ (131,941)	\$ (71,413)	\$ (84,910)	\$ (83,896)	\$ (84,909)
** Restricted	11,036	13,161	20,130	198,928	294,395	302,689	233,476	251,596	283,944	340,512
** Unrestricted	(159,388)	(122,955)	(7,251)	(15,345)	(16,616)	(10,691)	(10,183)	(14,351)	(12,455)	1,650
Total business-type activities net assets	\$ (211,508)	\$ (171,600)	\$ (46,574)	\$ 122,681	\$ 168,344	\$ 160,057	\$ 151,880	\$ 152,335	\$ 187,593	\$ 257,253
Primary government										
Invested in capital assets, net of related debt	\$ 2,051,845	\$ 2,002,425	\$ 1,899,265	\$ 1,816,970	\$ 1,582,358	\$ 1,459,133	\$ 745,165	\$ 590,786	\$ 397,564	\$ 286,705
Restricted	473,787	497,092	440,345	626,516	668,183	671,826	548,846	552,942	557,503	537,425
Unrestricted	(1,598,710)	(1,713,061)	(1,541,763)	(1,444,617)	(1,099,280)	(940,167)	(946,620)	(995,956)	(872,765)	(122,781)
Total primary government net assets	\$ 926,922	\$ 786,456	\$ 797,847	\$ 998,869	\$ 1,151,261	\$ 1,190,792	\$ 347,391	\$ 147,772	\$ 82,302	\$ 701,349

- (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.
- * The 2010 amounts were restated to reflect the prior period adjustments explained in note 17F.
- ** The 2010 amounts were restated to conform with the 2011 presentation.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities:										
General government	\$ 644,194	\$ 741,329	\$ 754,386	\$ 894,766	\$ 858,729	\$ 527,841	\$ 503,659	\$ 474,640	\$ 459,989	\$ 455,489
Human services	3,013,081	2,900,673	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	1,332,453	1,273,985	1,278,391	1,361,310	1,320,384	287,119	264,385	75,654	103,476	339,455
Public safety	436,940	418,485	414,830	428,351	391,354	370,706	336,069	321,015	309,569	288,291
Natural resources	80,360	73,551	75,103	90,087	91,758	74,695	65,913	61,839	67,597	138,287
Transportation	300,366	305,460	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	148,850	142,924	136,737	133,298	107,211	92,121	116,171	104,760	98,831	79,381
Total governmental activities	<u>5,956,244</u>	<u>5,856,407</u>	<u>5,702,800</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	368,870	358,127	356,046	365,333	342,662	355,444	334,732	327,703	318,054	304,454
Convention Center	32,986	50,732	48,764	41,007	42,859	37,862	35,746	62,622	59,372	57,900
Employment insurance	645,979	783,878	573,288	259,246	210,060	197,724	209,018	238,220	262,585	231,665
Total business-type activities	<u>1,047,835</u>	<u>1,192,737</u>	<u>978,098</u>	<u>665,586</u>	<u>595,581</u>	<u>591,030</u>	<u>579,496</u>	<u>628,545</u>	<u>640,011</u>	<u>594,019</u>
Total Primary government expenses	<u>\$ 7,004,079</u>	<u>\$ 7,049,144</u>	<u>\$ 6,680,898</u>	<u>\$ 6,550,998</u>	<u>\$ 6,166,280</u>	<u>\$ 6,103,014</u>	<u>\$ 5,732,346</u>	<u>\$ 5,608,304</u>	<u>\$ 5,333,535</u>	<u>\$ 5,099,765</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 185,918	\$ 179,646	\$ 168,210	\$ 178,590	\$ 132,152	\$ 146,575	\$ 141,290	\$ 137,913	\$ 108,369	\$ 140,869
Human services	210,905	198,555	187,973	167,241	125,901	127,738	122,212	124,716	113,247	98,789
Education	22,022	18,263	8,335	36,241	11,180	5,638	3,469	3,320	2,877	2,744
Public safety	34,389	35,272	32,770	36,194	49,821	53,851	46,216	43,487	60,341	30,230
Natural resources	29,046	29,746	31,385	31,753	31,932	27,487	30,340	31,191	25,807	30,573
Transportation	372	744	181	(207)	875	(561)	8,257	1,739	3,092	2,802
Operating grants and contributions	2,387,540	2,361,446	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	162,032	162,090	103,515	112,712	151,528	156,828	97,681	156,372	191,993	176,071
Total governmental activities program revenues	<u>3,032,224</u>	<u>2,985,762</u>	<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	985,556	947,825	913,333	923,694	883,893	894,042	839,945	812,229	737,013	691,750
Operating grants and contributions	358,932	418,270	194,857	3,285	4,607	2,342	2,633	29,492	45,712	50,656
Total business-type activities program revenues	<u>1,344,488</u>	<u>1,366,095</u>	<u>1,108,190</u>	<u>926,979</u>	<u>888,500</u>	<u>896,384</u>	<u>842,578</u>	<u>841,721</u>	<u>782,725</u>	<u>742,406</u>
Total primary government program revenues	<u>\$ 4,376,712</u>	<u>\$ 4,351,857</u>	<u>\$ 3,755,380</u>	<u>\$ 3,317,207</u>	<u>\$ 3,108,207</u>	<u>\$ 3,235,074</u>	<u>\$ 3,087,008</u>	<u>\$ 3,043,985</u>	<u>\$ 2,741,285</u>	<u>\$ 2,540,458</u>
Net (Expenses)/Revenues										
Governmental activities	(2,924,020)	(2,870,645)	(3,055,610)	(3,495,184)	(3,350,992)	(3,173,294)	(2,908,420)	(2,777,495)	(2,734,964)	(2,707,694)
Business-type activities	296,653	173,358	130,092	261,393	292,919	305,354	263,082	213,176	142,714	148,387
Total primary government net expenses	<u>\$ (2,627,367)</u>	<u>\$ (2,697,287)</u>	<u>\$ (2,925,518)</u>	<u>\$ (3,233,791)</u>	<u>\$ (3,058,073)</u>	<u>\$ (2,867,940)</u>	<u>\$ (2,645,338)</u>	<u>\$ (2,564,319)</u>	<u>\$ (2,592,250)</u>	<u>\$ (2,559,307)</u>

(continued)

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Revenue and Other Changes in Net Assets										
Governmental activities:										
Taxes	\$ 2,665,169	\$ 2,577,519	\$ 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	5,561	4,309	9,435	32,466	37,539	25,644	14,443	9,812	7,668	10,005
Miscellaneous	102,478	91,110	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	331,186	318,772	315,408	324,928	304,906	312,755	293,993	266,886	235,064	198,969
Payments from component units		7,228	13,569	39,284	10,108	14,715	18,503			
Total governmental activities	<u>3,104,394</u>	<u>2,998,938</u>	<u>3,024,243</u>	<u>3,341,686</u>	<u>3,301,924</u>	<u>3,261,706</u>	<u>3,119,887</u>	<u>2,890,273</u>	<u>2,740,119</u>	<u>3,075,539</u>
Business-type activities:										
Interest and investment earnings	79	164	4,279	9,531	12,137	8,826	10,875	12,884	17,336	21,134
Miscellaneous	(5,454)	20,224	11,782	8,341	8,137	6,752	7,633	5,568	5,354	7,615
Special items							11,948			
Transfers	(331,186)	(318,772)	(315,408)	(324,928)	(304,906)	(312,755)	(293,993)	(266,886)	(235,064)	(198,969)
Total business-type activities	<u>(336,561)</u>	<u>(298,384)</u>	<u>(299,347)</u>	<u>(307,056)</u>	<u>(284,632)</u>	<u>(297,177)</u>	<u>(263,537)</u>	<u>(248,434)</u>	<u>(212,374)</u>	<u>(170,220)</u>
Total primary government	<u>2,767,833</u>	<u>2,700,554</u>	<u>2,724,896</u>	<u>3,034,630</u>	<u>3,017,292</u>	<u>2,964,529</u>	<u>2,856,350</u>	<u>2,641,839</u>	<u>2,527,745</u>	<u>2,905,319</u>
Changes in Net Assets										
Governmental activities	180,374	128,293	(31,367)	(153,498)	(49,068)	88,412	211,467	112,778	5,155	367,845
Business-type activities	(39,908)	(125,026)	(169,255)	(45,663)	8,287	8,177	(455)	(35,258)	(69,660)	(21,833)
Total primary government	<u>\$ 140,466</u>	<u>\$ 3,267</u>	<u>\$ (200,622)</u>	<u>\$ (199,161)</u>	<u>\$ (40,781)</u>	<u>\$ 96,589</u>	<u>\$ 211,012</u>	<u>\$ 77,520</u>	<u>\$ (64,505)</u>	<u>\$ 346,012</u>

* Fiscal years 2002 through 2010 have been restated to conform with the 2011 Lottery presentation which is explained in Note 17F.

(Concluded)

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

	Fiscal Year	
	2011	2010
General Fund		
Nonspendable	\$ 53,353	\$ 49,302
Restricted	197,885	161,904
Unrestricted		
Committed	5,956	4,285
Assigned	8,425	
Unassigned	5,281	(30,041)
Total General Fund	\$ 270,900	\$ 185,450
All Other Governmental Funds		
Nonspendable	\$ 174	\$ 174
Restricted	528,251	681,782
Unrestricted		
Committed	1,448	3,366
Assigned	284	19,704
Unassigned	(5,043)	(6,160)
Total All Other Governmental Funds	\$ 525,114	\$ 698,866

	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	\$ 69,959	\$ 106,655	\$ 144,166	\$ 203,197	\$ 184,802	\$ 156,294	\$ 171,839	\$ 163,800
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	459,489	303,965	360,026	469,018	388,829	298,920	70,153	87,130
Total All Other Governmental Funds	\$ 828,535	\$ 578,670	\$ 777,301	\$ 713,377	\$ 646,817	\$ 553,301	\$ 286,304	\$ 350,264

Beginning in fiscal year 2010, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund Balance has not been reclassified for prior years.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Taxes	\$ 2,664,420	\$ 2,577,406	\$ 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	308,564	311,040	295,662	323,329	242,743	253,857	238,344	242,280	230,917	198,737
Departmental restricted revenue	174,563	150,357	134,029	125,883	110,059	105,181	113,589	107,407	78,126	79,840
Federal grants	2,541,335	2,518,048	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	5,537	4,207	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	82,702	79,251	91,282	96,401	84,664	79,162	80,872	93,051	123,637	60,688
Total operating revenues	5,777,121	5,640,309	5,338,554	5,331,830	5,191,154	5,218,477	5,018,161	4,778,126	4,368,109	4,018,161
Expenditures:										
Current:										
General government	620,110	714,861	755,366	803,561	806,865	515,677	512,896	461,741	445,497	428,884
Human services	3,009,097	2,884,419	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	1,287,733	1,239,258	1,216,208	1,289,687	1,267,255	284,294	265,001	72,838	101,270	92,035
Public safety	428,687	394,860	401,976	410,605	396,029	361,647	328,839	311,701	297,070	288,363
Natural resources	71,818	67,435	68,941	72,984	81,518	71,539	64,138	59,678	53,207	64,568
Transportation	367,496	306,730	299,881	244,638	310,019	247,248	209,470	161,974	143,635	122,208
Capital outlays	138,843	250,653	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	154,475	163,063	157,817	143,368	115,752	117,663	116,322	75,892	58,161	91,576
Interest and other charges	138,066	139,723	132,813	131,575	128,527	105,264	110,243	107,720	100,628	74,084
Total operating expenditures	6,216,325	6,161,002	5,959,769	6,088,665	5,887,801	5,833,394	5,482,640	4,915,880	4,575,122	4,365,445
Excess (deficiency) of revenues over (under) expenditures	(439,204)	(520,693)	(621,215)	(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 Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Other financing sources (uses):										
Bonds and notes issued		155,665	427,180	131,755	314,852	320,820	87,095	415,435	139,905	175,205
Refunding bonds issued		78,960	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		9,839	8,100	7,241	9,930	16,298	17,602	30,097	10,881	6,115
Operating transfers in	545,229	586,025	622,212	724,428	828,885	593,902	537,618	513,356	625,085	569,602
Payments from component units		7,228	13,568	39,284	10,108	14,715	18,503	15,568	18,770	26,721
Other	17,462	14,436	13,383	26,322	18,435	28,313	35,083	25,391	8,990	83,142
Payment to refunded bonds escrow agent		(84,769)	(12,697)	(111,253)	(78,198)		(123,300)	(72,160)	(85,358)	(335,539)
Discount on issuance of debt			(66)	(4)						
Operating transfers out	(211,789)	(261,473)	(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)
Total other financing sources (uses)	350,902	505,911	834,384	520,516	701,541	699,872	586,506	389,205	42,604	(237,806)
Special items									1,510	544,238
Net change in fund balances	\$ (88,302)	\$ (14,782)	\$ 213,169	\$ (236,319)	\$ 4,894	\$ 84,955	\$ 122,027	\$ 251,451	\$ (162,899)	\$ (40,852)
Debt Service as a Percentage of Noncapital Expenditures	5.1%	5.4%	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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Grocery, Food Stores, Delis, Bakeries	\$ 1,093.34	\$ 1,084.78	\$ 1,080.13	\$ 1,073.75	\$ 1,052.45	\$ 1,065.10	\$ 879.14	\$ 818.60	\$ 708.51	\$ 710.82
Restaurants and Bars	1,939.09	1,874.93	1,860.96	1,912.54	1,803.19	1,651.39	1,616.72	1,425.54	1,363.23	1,251.22
Room Rentals - Motels, Hotels	407.15	491.30	587.55	574.25	450.46	412.93	345.85	280.21	311.45	331.33
Utilities - Telephone, Electric, Gas, Water	588.48	589.94	641.09	636.72	668.28	549.40	582.11	570.53	553.80	788.43
Total	\$ 4,028.06	\$ 4,040.95	\$ 4,169.73	\$ 4,197.26	\$ 3,974.38	\$ 3,678.82	\$ 3,423.82	\$ 3,094.89	\$ 2,936.99	\$ 3,081.79
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.

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

	Calendar Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Farm Earnings	\$ 19	\$ 19	\$ 18	\$ 23	\$ 23	\$ 23	\$ 25	\$ 24	\$ 22	\$ 18
<u>Private Earnings</u>										
Forestry, Fishing and Other	46	39	38	41	43	40	42	39	(D)	(D)
Mining	23	23	26	22	24	20	16	14	(D)	(D)
Utilities	197	192	188	156	171	133	138	143	(D)	(D)
Construction	1,438	1,498	1,725	1,845	1,905	1,787	1,704	1,625	(D)	1,373
Manufacturing	2,857	2,791	3,083	3,187	3,154	3,167	3,182	3,122	3,167	3,263
Wholesale Trade	1,440	1,350	1,404	1,420	1,312	1,268	1,198	1,149	1,092	1,042
Retail Trade	1,764	1,710	1,802	1,902	1,839	1,843	1,824	1,778	1,663	1,544
Transportation and Warehousing	518	503	528	513	509	491	476	463	(D)	(D)
Information	921	915	931	878	911	930	908	827	753	750
Finance and Insurance	2,378	2,271	2,361	2,266	2,233	2,087	2,014	1,937	1,830	1,726
Real Estate and Rental and Leasing	371	384	405	416	475	492	481	425	404	388
Professional, scientific, and technical services	2,556	2,368	2,416	2,275	2,282	1,986	1,893	1,725	1,661	1,618
Management of companies and enterprises	1,115	1,076	1,198	1,131	1,068	939	862	854	552	534
Administrative and waste services	981	937	989	986	955	914	856	757	738	746
Educational services	1,218	1,160	1,123	1,067	1,003	935	897	818	775	702
Health care and social assistance	4,523	4,313	4,169	4,026	3,895	3,707	3,559	3,339	3,145	2,833
Arts, entertainment, and recreation	300	299	315	321	292	269	252	245	227	234
Accommodation and food services	955	914	939	962	913	906	892	845	795	747
Other services, except public administration	1,032	1,049	1,067	1,091	1,054	1,040	978	932	919	799
<u>Government and Government Enterprises</u>										
Federal/Civilian	1,160	1,128	1,066	1,044	1,013	959	941	870	849	798
Military	640	609	578	541	497	505	486	469	431	398
State and Local	3,883	3,862	3,865	3,730	3,586	3,413	3,268	3,204	2,968	2,808
Total Personal Income	\$ 30,335	\$ 29,410	\$ 30,234	\$ 29,843	\$ 29,157	\$ 27,854	\$ 26,892	\$ 25,604	\$ 21,991	\$ 22,321

Source: US Bureau of Economic Analysis

(D) Not shown to avoid disclosure of confidential information.

State of Rhode Island and Providence Plantations
Schedule of Effective Personal Income Tax Rates
Prior Ten Fiscal Years
(expressed in millions)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Personal Income Tax Revenue	\$ 898	\$ 941	\$ 1,074	\$ 1,065	\$ 997	\$ 979	\$ 870	\$ 813	\$ 808	\$ 914
Personal Income	44,817	43,522	43,971	42,695	40,664	38,570	37,585	35,866	34,282	32,980
Average Effective Tax Rate	2.00%	2.16%	2.44%	2.49%	2.45%	2.54%	2.31%	2.27%	2.36%	2.77%

Source: *Office of Revenue Analysis*
Includes wages, interest, dividends, rents,
pensions and transfer payments.

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

Tax Rates on the Portion of Taxable Income in Ranges

Tax Year 2010							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 34,000	\$34,000 - 82,400	\$82,400 - 171,850	\$171,850 - 373,650	over \$ 373,650	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 56,800	\$ 56,800 - 137,300	\$ 137,300 - 209,250	\$ 209,250 - 373,650	over \$ 373,650	
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 28,400	\$ 28,400 - 68,650	\$ 68,650 - 104,625	\$104,625 - 186,825	over \$ 186,825	
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 45,550	\$ 45,550 - 117,650	\$ 117,650 - 190,550	190,550 - 373,650	over \$373,650	

Tax Year 2009							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 33,950	\$ 33,950 - 82,250	\$ 82,250 - 171,550	\$ 171,550 - 372,950	over \$ 372,950	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 56,700	\$ 56,700 - 137,050	\$ 137,050 - 208,850	\$ 208,850 - 372,950	over \$ 372,950	
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 28,350	\$ 28,350 - 68,525	\$ 68,525 - 104,425	\$104,425 - 186,475	over \$ 186,475	
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 45,500	\$ 45,500 - 117,450	\$ 117,450 - 190,200	190,200 - 372,950	over \$372,950	

Tax Year 2008							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 32,550	\$32,550 - 78,850	\$ 78,850 - 164,550	\$ 164,550 - 357,700	over \$ 357,700	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 54,400	\$ 54,400 - 131,450	\$ 131,450 - 200,300	\$ 200,300 - 357,700	over \$ 357,700	
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 43,650	\$ 43,650 - 112,650	\$ 112,650 - 182,400	182,400 - 357,700	over \$357,700	

Tax Year 2007							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 31,850	\$31,850 - 77,100	\$ 77,100 - 160,850	\$ 160,850 - 349,700	over \$ 349,700	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 42,650	\$ 42,650 - 110,100	\$ 110,100 - 178,350	\$ 178,350 - 349,700	over \$ 349,700	

Tax Year 2006							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 30,650	\$30,650 - 74,200	\$ 74,200 - 154,800	\$ 154,800 - 336,550	over \$ 336,550	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 41,050	\$ 41,050 - 106,000	\$ 106,000 - 171,650	\$ 171,650 - 336,550	over \$ 336,550	

(continued)

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

Tax Year 2005							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 29,700	\$ 29,700 - 71,950	\$ 71,950 - 150,150	\$ 150,150 - 326,450	over \$ 326,450	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 49,650	\$ 49,650 - 119,950	\$ 119,950 - 182,800	\$ 182,800 - 326,450	over \$ 326,450	
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 24,825	\$ 24,825 - 59,975	\$ 59,975 - 91,400	\$ 91,400 - 163,225	over \$ 163,225	
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 39,800	\$ 39,800 - 102,800	\$ 102,800 - 166,450	\$ 166,450 - 326,450	over \$ 326,450	

Tax Year 2004							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 29,050	\$ 29,050 - 70,350	\$ 70,350 - 146,750	\$ 146,750 - 319,100	over \$ 319,100	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 38,900	\$ 38,900 - 100,500	\$ 100,500 - 162,700	\$ 162,700 - 319,100	over \$ 319,100	

Tax Year 2003							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 28,400	\$ 28,400 - 68,800	\$ 68,800 - 143,500	\$ 143,500 - 311,950	over \$ 311,950	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 38,050	\$ 38,050 - 98,250	\$ 98,250 - 159,100	\$ 159,100 - 311,950	over \$ 311,950	

Tax Year 2002							
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	Income Bracket	\$ 0 - 27,950	\$ 27,950 - 67,700	\$ 67,700 - 141,250	\$ 141,250 - 307,050	over \$ 307,050	
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.75%	7.00%	7.75%	9.00%	9.90%	
	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	3.83%	7.14%	7.91%	9.18%	10.10%	
	Income Bracket	\$ 0 - 27,050	\$ 27,050 - 65,550	\$ 65,550 - 136,750	\$ 136,750 - 297,350	over \$ 297,350	
Married Filing Joint Filing Status	Tax Rate	3.83%	7.14%	7.91%	9.18%	10.10%	
	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	3.83%	7.14%	7.91%	9.18%	10.10%	
	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	3.83%	7.14%	7.91%	9.18%	10.10%	
	Income Bracket	\$ 0 - 36,250	\$ 36,250 - 93,650	\$ 93,650 - 151,650	\$ 151,650 - 297,350	over \$ 297,350	

(concluded)

Source: Department of Revenue - Division of Taxation
Source: RI 1040 Instructions

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
 Tax Years 2003 through 2009

<u>Tax Year 2009</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	183,393	38.55%	\$ 21,961,360	2.34%
\$25,001 - \$50,000	115,125	24.20%	90,541,402	9.63%
\$50,001 - \$75,000	68,636	14.43%	114,674,809	12.20%
\$75,001 - \$100,000	43,504	9.14%	113,195,561	12.05%
\$100,001 - \$200,000	52,290	10.99%	265,674,573	28.28%
\$200,001 - \$500,000	10,588	2.23%	160,823,729	17.11%
\$500,001 - \$1,000,000	1,541	0.32%	63,650,231	6.77%
\$1,000,001 and greater	682	0.14%	109,196,985	11.62%
	<u>475,759</u>	<u>100.00%</u>	<u>\$ 939,718,650</u>	<u>100.00%</u>

<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	28.55%
\$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	14.45%	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	23.55%
\$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>

(continued)

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
 Tax Years 2003 through 2009

<u>Federal AGI</u>	<u>Tax Year 2005</u>		<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
	<u>Number of Filers</u>	<u>Percentage of Total</u>		
\$0 - \$25,000	191,229	40.42%	\$ 26,586,050	2.73%
\$25,001 - \$50,000	117,944	24.92%	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	22.88%
\$200,001 - \$500,000	9,644	2.04%	157,005,466	16.13%
\$500,001 - \$1,000,000	1,655	0.35%	76,436,571	7.85%
\$1,000,001 and greater	828	0.18%	164,689,396	16.92%
	<u>473,101</u>	<u>100.00%</u>	<u>\$ 973,376,774</u>	<u>100.00%</u>

<u>Federal AGI</u>	<u>Tax Year 2004</u>		<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
	<u>Number of Filers</u>	<u>Percentage of Total</u>		
\$0 - \$25,000	189,685	40.73%	\$ 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	22.65%
\$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>Federal AGI</u>	<u>Tax Year 2003</u>		<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
	<u>Number of Filers</u>	<u>Percentage of Total</u>		
\$0 - \$25,000	194,616	41.66%	\$ 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>

This information was not available prior to 2003.
 The information for 2010 was not available.

(concluded)

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities										
General obligation bonds	\$ 1,049,400	\$ 1,118,030	\$ 1,036,189	\$ 997,398	\$ 916,531	\$ 848,666	\$ 810,485	\$ 770,070	\$ 728,644	\$ 687,455
Revenue bonds (blended component units)	795,161	807,731	828,481	867,776	902,871	729,695	749,445	766,410	786,095	818,495
Capital leases	224,045	244,805	269,340	236,060	256,865	226,755	232,464	102,885	113,446	116,929
Special purpose bonds (a)	567,190	613,355	658,550	358,065	390,110	418,300	228,305	264,210		
Total governmental activities	<u>2,635,796</u>	<u>2,783,921</u>	<u>2,792,560</u>	<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>
Business-type Activities										
Revenue bonds	259,620	268,280	275,810	270,960	279,935	287,185	202,855	302,320	310,005	319,435
Bonds Payable								153	153	1,153
Total business-type activities	<u>259,620</u>	<u>268,280</u>	<u>275,810</u>	<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>
Total primary government	<u>\$ 2,895,416</u>	<u>\$ 3,052,201</u>	<u>\$ 3,068,370</u>	<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>
Debt as a Percentage of Personal Income	6.3%	7.1%	7.1%	6.9%	6.2%	6.3%	5.9%	6.0%	5.7%	5.9%
Amount of Debt Per Capita	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2

(a) Special purpose bonds were first sold in 2004.

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

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue Bonds-Tobacco Settlement Finance Corporation										
Revenue - Tobacco Settlement Revenue	\$ 45,812	\$ 48,620	\$ 58,039	\$ 53,247	\$ 44,025	\$ 41,546	\$ 45,831	\$ 45,644	\$ 52,749	\$
Less: operating expenses	74	69	99	33	54	40	65	80	32	
Net available revenue	<u>\$ 45,738</u>	<u>\$ 48,551</u>	<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>
Debt service										
Principal (b)	\$ 12,570	\$ 14,710	\$ 16,620	\$ 16,620	\$	\$	\$	\$	\$	\$
Interest	37,783	38,614	40,918	40,918	41,287	41,609	42,015	42,234		
Coverage (a)	90.83%	91.05%	100.70%	92.48%	106.50%	99.75%	108.93%	107.88%		
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - FHWA participation	\$ 48,389	\$ 48,391	\$ 43,646	\$ 44,147	\$ 44,182	\$ 41,801	\$ 41,809	\$	\$	\$
Net available revenue	<u>\$ 48,389</u>	<u>\$ 48,391</u>	<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>
Debt service										
Principal	\$ 28,205	\$ 26,910	\$ 28,315	\$ 28,315	\$ 24,560	\$ 32,290	\$ 30,755	\$	\$	\$
Interest	20,184	21,481	15,895	15,895	19,650	9,517	11,054	6,141		
Coverage (a)	100.00%	100.00%	98.72%	99.86%	99.94%	99.99%	100.00%	0		
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,421	\$ 8,579	\$ 8,656	\$ 9,028	\$ 9,409	\$ 9,496	\$ 9,513	\$ 9,499	\$	\$
Net available revenue	<u>\$ 8,421</u>	<u>\$ 8,579</u>	<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>
Debt service										
Principal	\$ 3,585	\$ 3,480	\$ 3,730	\$ 3,730	\$ 3,630	\$ 5,150	\$ 5,150	\$ 5,625	\$	\$
Interest	3,561	3,667	3,241	3,241	3,335	2,105	1,653	981		
Coverage (a)	117.84%	120.04%	124.17%	129.51%	135.09%	130.89%	139.84%	143.79%		
Division of Motor Vehicles Capital Lease										
Revenue - \$1.50 surcharge per transaction	\$ 2,098	\$ 2,602								
Net available revenue	<u>\$ 2,098</u>	<u>\$ 2,602</u>								
Debt service										
Principal	\$ 1,385	0								
Interest	409	0								
Coverage (a)	116.95%	NA								

(a) Coverage equals net available revenue divided by debt service.

(b) Debt service principal represents "Turbo Maturity" redemptions, whereby TSFC is required to apply 100% of all collections that are in excess of current funding requirements to the early redemption of the bonds. Annual revenues have been sufficient to meet scheduled debt service requirements.

Source: Department of Administration

State of Rhode Island and Providence Plantations

**Schedule of Personal Income and Per Capita Personal Income
Prior Ten Calendar Years**

**Resident Population (expressed in thousands)
Prior Ten Fiscal Years**

	Personal Income				Per Capita Personal Income				Change in Population			
	<i>(in billions)</i>				<i>(in dollars)</i>							
	United States		Rhode Island		United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Population	Percent Change	Population	Percent Change
2011	\$ 13,000.8	5.1%	\$ 45.9	3.6%	\$ 41,724	4.3%	\$ 43,678	3.8%	311,592	0.7%	1,051	-0.2%
2010	12,373.5	3.7%	44.3	3.3%	39,998	2.8%	42,095	3.4%	309,350	1.5%	1,053	-0.1%
2009	11,930.2	-4.3%	42.9	2.7%	38,890	-5.1%	40,706	2.6%	306,772	0.8%	1,054	-0.1%
2008	12,460.2	4.6%	44.1	3.2%	40,975	3.6%	41,819	3.6%	304,094	1.0%	1,055	-0.2%
2007	11,912.3	5.7%	42.7	4.9%	39,545	4.7%	40,349	5.5%	301,231	1.0%	1,057	-0.5%
2006	11,268.1	7.5%	40.7	5.4%	37,764	6.4%	38,251	5.9%	298,380	0.9%	1,063	-0.5%
2005	10,485.9	5.4%	38.6	2.7%	35,483	4.6%	36,117	3.3%	295,517	0.9%	1,068	-0.6%
2004	9,937.2	6.0%	37.6	4.7%	33,938	5.0%	34,976	4.5%	292,805	0.9%	1,075	0.4%
2003	9,378.1	3.4%	35.9	4.7%	32,326	2.6%	33,477	4.1%	290,108	1.0%	1,071	0.5%
2002	9,060.1	2.6%	34.3	2.8%	31,500	1.6%	32,160	2.0%	287,625	1.0%	1,066	0.8%

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

	Civilian Labor Force		Unemployment Rate		Existing Single Family Home Sales	
	<i>(in thousands)</i>					
	Number in Labor Force	Percent Change	Rate	Percent Change	Number of Sales	Percent Change
2011	567	-1.6%	10.8%	-6.9%	8,893	-10.7%
2010	576	1.8%	11.6%	7.4%	9,954	-10.5%
2009	566	-1.0%	10.8%	40.3%	11,128	14.5%
2008	572	-0.7%	7.7%	45.3%	9,716	-17.9%
2007	576	-0.5%	5.3%	6.0%	11,837	-11.8%
2006	573	2.1%	5.0%	-2.0%	13,422	-5.5%
2005	561	1.2%	5.1%	-1.9%	14,205	1.2%
2004	554	-1.2%	5.2%	-3.7%	14,031	10.4%
2003	561	1.8%	5.4%	5.9%	12,707	-3.6%
2002	551	10.3%	5.1%	12.1%	13,186	-6.4%

Source: This information is provided by the State's revenue estimating conference. The 2011 information is estimated. Various calendar years may differ from the amounts presented in the same tables in the June 30, 2010 CAFR, as a result of revised data.

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

2010				2001			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	11,869	2.06%	1	Lifespan	10,100	2.00%
2	Roman Catholic Diocese of Providence	6,200	1.08%	2	Care New England	5,700	1.13%
3	Care New England	5,953	1.03%	3	Stop and Shop Supermarket Co., Inc.	4,500	0.89%
4	CVS Corporation	5,800	1.01%	4	Brown University	4,400	0.87%
5	Citizens Financial Group (Royal Bank of Scotland)	4,991	0.87%	5	Royal Bank of Scotland	3,500	0.69%
6	Brown University	4,800	0.83%	6	CVS Corporation	3,300	0.65%
7	Stop and Shop Supermarket Co., Inc.	3,632	0.63%	7	The Jan Companies	3,200	0.63%
8	Bank of America	3,500	0.61%	8	Fleet Financial Corp	3,100	0.62%
9	Fidelity Investments	2,934	0.51%	9	Metropolitan Life Insurance Company	2,200	0.44%
10	Rhode Island ARC	2,851	0.49%	10	Shaw's Market	1,900	0.38%

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

<u>Full-time Employees</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government	2,561	2,533	2,474	2,508	2,479	2,480	2,531	2,528	2,639	2,784
Human Services	3,247	3,125	3,164	3,671	4,144	4,370	4,176	4,269	4,425	4,571
Education	358	352	343	365	373	373	364	364	368	383
Public Safety	2,685	2,693	2,684	2,865	2,952	2,939	2,953	2,851	2,866	2,929
Natural Resources	865	863	890	905	978	1,015	963	957	928	990
Transportation	802	763	708	719	767	828	813	826	861	890
State Total	<u>10,518</u>	<u>10,329</u>	<u>10,263</u>	<u>11,033</u>	<u>11,693</u>	<u>12,005</u>	<u>11,800</u>	<u>11,795</u>	<u>12,087</u>	<u>12,547</u>

Source: Department of Administration

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,242,867	\$2,135,981	\$2,049,159	\$2,047,671	\$1,920,770	\$1,810,045	\$1,672,875	\$1,523,094	\$1,386,651	\$1,299,485
Number of business transactions electronically	917,982	857,553	782,659	767,971	719,800	661,209	622,115	548,073	520,643	477,523
Personal Income Tax returns filed electronically -Tax Year	442,383	379,495	349,211	289,346	246,230	217,524	185,154	128,763	92,721	59,024
Department of Labor and Training										
Labor force total (expressed in thousands)	576	567	568	577	575	565	533	538	528	521
Unemployment rate (percentage)	11.6%	11.2%	7.8%	5.0%	5.1%	5.1%	5.2%	5.4%	5.1%	4.5%
Human Services										
Department of Children, Youth and Families										
Average number of foster children	2,201	2,410	2,729	2,436	2,517	2,346	2,331	2,227	2,210	2,192
Health Department										
Diagnosed AIDS cases	36	62	56	69	89	105	139	98	99	99
Number of births (expressed in thousands)	12	12	13	14	13	13	14	14	14	13
Education										
Enrollment - Higher Education	43,224	43,409	42,601	41,503	40,374	40,008	39,920	39,937	38,867	39,149
Number of certificates and degrees awarded - Higher Education	6,516	6,255	5,754	5,518	5,418	5,404	5,567	5,330	5,453	5,240
Public Safety										
Department of Corrections										
Incarcerated offenders (male)	3,154	3,499	3,567	3,542	3,518	3,175	3,354	3,329	3,179	3,133
Incarcerated offenders (female)	187	190	204	231	242	186	200	208	208	215
Natural Resources										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	119	136	148	140	140	140	140	140	140	140
Park visitations (expressed in thousands)	5,386	5,374	5,174	5,928	6,135	6,010	5,861	5,976	7,499	6,990
Recreational registrations (boats)	41,158	42,301	42,999	44,000	41,933	41,366	42,759	41,696	41,024	40,432
Transportation										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	8,280	8,279	8,188	8,679	8,300	8,299	8,472	8,365	8,142	7,991

Source: Various Agencies
Information is not available for fiscal year 2011.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>General Government</u>										
Buildings	15	14	14	15	15	17	17	17	17	17
Vehicles	258	260	271	263	238	104	95	88	n/a	n/a
<u>Human Services</u>										
Buildings	197	201	200	199	198	197	197	197	195	195
Vehicles	337	339	365	360	353	335	320	326	n/a	n/a
<u>Education</u>										
Buildings	10	9	10	12	12	13	13	13	12	12
Vehicles	19	20	20	20	19	23	26	31	n/a	n/a
<u>Public Safety</u>										
Buildings	59	53	52	52	53	54	54	54	54	54
Vehicles	604	586	614	644	580	604	586	574	n/a	n/a
<u>Natural Resources</u>										
Buildings	49	47	45	44	44	43	41	37	36	33
Vehicles	428	420	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	21	21
Area of state parks, beaches (acres)	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289
<u>Transportation</u>										
Buildings	19	19	19	19	19	23	22	21	21	21
Vehicles	621	611	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	1,100	1,100

Source: Department of Administration

PHOTOS

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