

State of Rhode Island and Providence Plantations

Donald L. Carcieri, Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

Prepared By:

Department of Administration

Beverly E. Najarian, Director of Administration

Office of Accounts and Control

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

**State of Rhode Island and Providence Plantations
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organization Chart	5
Officials of State Government	6
FINANCIAL SECTION	
Independent Auditor's Report - Report of the Auditor General.....	7
Management's Discussion and Analysis.....	11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	23
Statement of Activities	24
Balance Sheet – Governmental Funds.....	26
Reconciliation of the Balance Sheet of the Governmental Funds to Statement of Net Assets for Governmental Activities.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Net Assets – Proprietary Funds.....	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Net Assets – Fiduciary Funds	34
Statement of Changes in Fund Net Assets – Fiduciary Funds	35
Notes to Basic Financial Statements.....	36
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	88

**State of Rhode Island and Providence Plantations
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
Budgetary Comparison Schedule – Intermodal Surface Transportation Fund	113
Budgetary Comparison Schedule – R.I. Temporary Disability Fund.....	114
Schedules of Funding Progress	115
Notes to Required Supplementary Information.....	116
Combining and Fund Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	121
Combining Statement of Net Assets – Internal Service Funds.....	125
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	128
Combining Statement of Cash Flows – Internal Service Funds	130
Combining Statement of Plan Net Assets – Pension Trust Funds	136
Combining Statement of Changes in Plan Net Assets – Pension Trust Funds	137
Combining Statement of Changes in Assets and Liabilities - Agency Funds	139
Combining Statement of Net Assets – Component Units	142
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Component Units	146

STATISTICAL SECTION

Revenues by Source and Expenditures by Function - All Governmental Fund Types - Last Ten Fiscal Years	150
Percentage of Annual Debt Service for Governmental Debt to Total Expenditures – All Governmental Fund Types - Last Ten Fiscal Years	152
Ratio of General Obligation Debt Per Capita - Last Ten Fiscal Years.....	152
Schedule of Ten Largest Private Employers in 2004	153
Schedule of Miscellaneous Statistics	153
Schedule of Personal Income and Per Capita Personal Income – 1994 through 2003.....	154
Schedule of Economic Indicators - 1994 through 2003	154

INTRODUCTORY SECTION



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Department of Administration

Lawrence C. Franklin, Jr., State Controller
OFFICE OF ACCOUNTS AND CONTROL
One Capitol Hill
Providence, RI 02908-5883

OFFICE #: (401) 222-2271
FAX #: (401) 222-6737
TDD#: (401) 222-1227

July 29, 2005

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

Dear Governor Carcieri:

In accordance with Section 35-6-1 of the General Laws, we are pleased to submit to you the Comprehensive Annual Financial Report of the State of Rhode Island and Providence Plantations for the fiscal year ended June 30, 2004. This report was prepared by the State's Department of Administration - Office of Accounts and Control. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with management. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of the government-wide and fund perspective financial statements; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

Governor Donald L. Carcieri
July 29, 2005

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

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

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

In addition, a State Budget Reserve Account is maintained within the General Fund. Annually, two percent of general revenues and opening surplus are set aside in this reserve account. Amounts in excess of three percent of the total general revenues and opening surplus are transferred to the bond capital fund to be used for capital projects, debt reduction and/or debt service. The reserve or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year, such appropriations to be approved by a majority of each chamber of the General Assembly. The balance in this reserve account at June 30, 2004 was \$84.3 million.

REPORTING ENTITY AND ITS SERVICES

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

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

GENERAL FUND CONDITION

The General Fund accounts for the financing of the principal operations of State government and most jointly financed state-federal programs. Revenues and other sources of the General Fund totaled \$4,634.6 million in fiscal year 2004, an increase of \$270.7 million (6.20%) from the

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

	2004	2003	Increase (decrease) from 2003	
			Amount	Percent
Taxes:				
Personal income	\$ 870,203	\$ 813,341	\$ 56,862	6.99%
Sales and use	998,676	930,077	68,599	7.38%
General business	246,226	229,883	16,343	7.11%
Other	41,528	39,071	2,457	6.29%
Subtotal	<u>2,156,633</u>	<u>2,012,372</u>	<u>144,261</u>	<u>7.17%</u>
Federal grants	1,664,496	1,433,410	231,086	16.12%
Restricted revenues	105,737	75,726	30,011	39.63%
Licenses, fines, sales, and services	239,263	223,894	15,369	6.86%
Other general revenues	45,136	66,336	(21,200)	-31.96%
Subtotal	<u>2,054,632</u>	<u>1,799,366</u>	<u>255,266</u>	<u>14.19%</u>
Total revenues	<u>4,211,265</u>	<u>3,811,738</u>	<u>399,527</u>	<u>10.48%</u>
Other sources	<u>423,380</u>	<u>552,178</u>	<u>(128,798)</u>	<u>-23.33%</u>
Total revenue and other sources	<u>\$ 4,634,645</u>	<u>\$ 4,363,916</u>	<u>\$ 270,729</u>	<u>6.20%</u>

Expenditures and other uses totaled \$4,650.2 million in fiscal year 2004, an increase of \$294.3 million (6.76%) from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (amounts in thousands):

	2004	2003	Increase (decrease) from 2003	
			Amount	Percent
General government	\$ 297,662	\$ 283,618	\$ 14,044	4.95%
Human services	2,409,512	2,232,252	177,260	7.94%
Education	71,990	101,270	(29,280)	-28.91%
Public safety	311,642	297,070	14,572	4.91%
Natural resources	57,916	53,170	4,746	8.93%
Capital outlay	27,696	42,999	(15,303)	-35.59%
Intergovernmental	1,046,510	937,237	109,273	11.66%
Debt Service:				
Principal	66,557	58,161	8,396	14.44%
Interest	52,483	52,998	(515)	-0.97%
Total expenditures	<u>4,341,968</u>	<u>4,058,775</u>	<u>283,193</u>	<u>6.98%</u>
Other uses	<u>308,223</u>	<u>297,075</u>	<u>11,148</u>	<u>3.75%</u>
Total expenditures and other uses	<u>\$ 4,650,191</u>	<u>\$ 4,355,850</u>	<u>\$ 294,341</u>	<u>6.76%</u>

Governor Donald L. Carcieri
July 29, 2005

As a result of the operating performance discussed above, the State's general fund ended fiscal year 2004 with an undesignated fund balance of \$24.5 million.

CASH MANAGEMENT

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

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

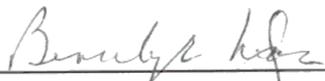
AUDIT

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

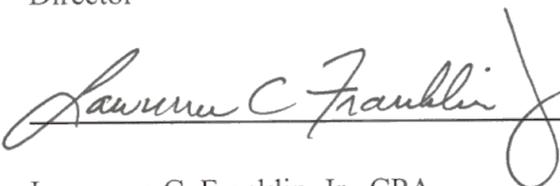
ACKNOWLEDGEMENTS

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

Respectfully submitted,



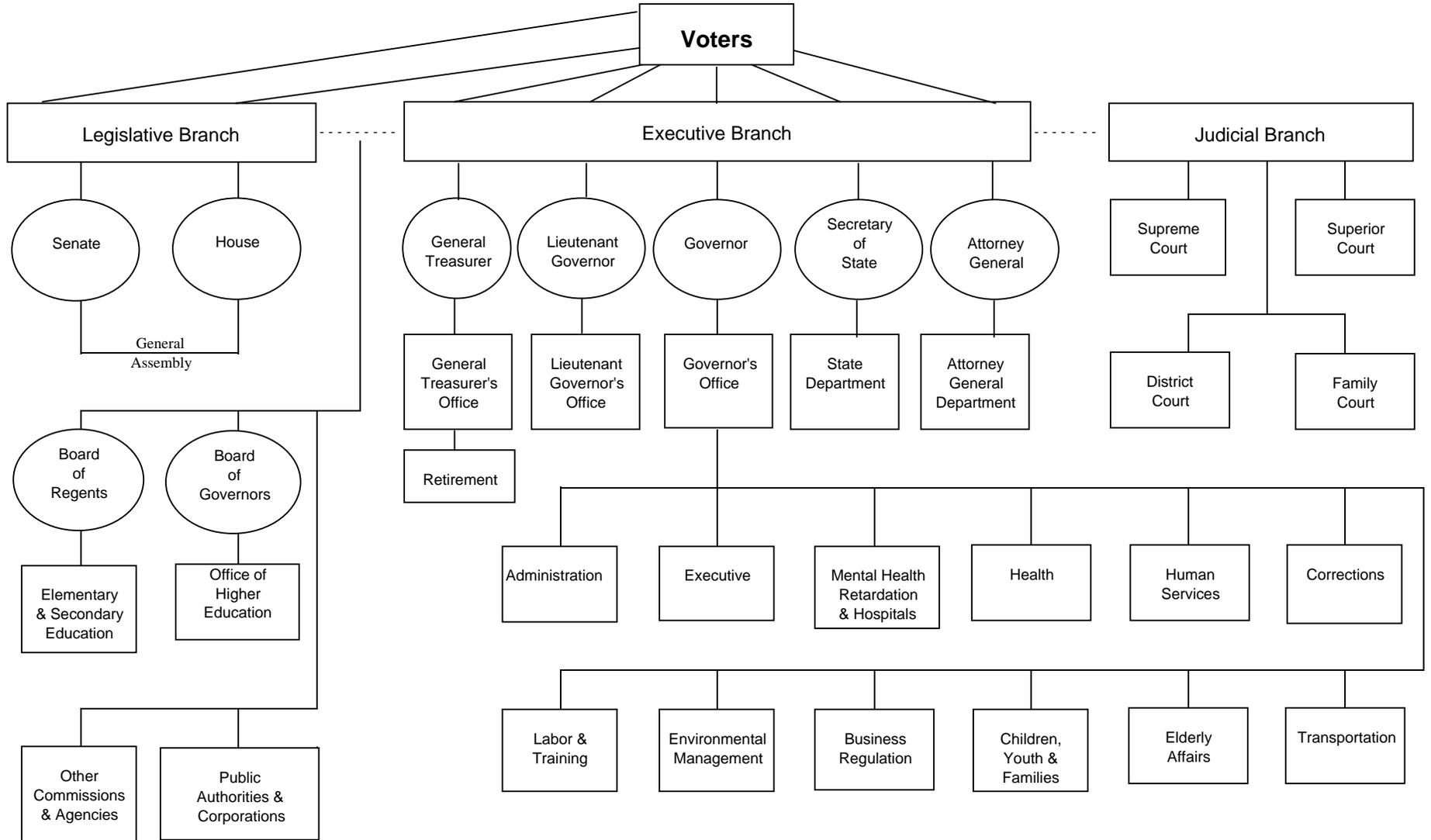
Beverly E. Najarian
Director



Lawrence C. Franklin, Jr., CPA
State Controller

Rhode Island State Government

Organization Chart



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

OFFICIALS OF STATE GOVERNMENT

EXECUTIVE BRANCH

Governor

Donald L. Carcieri

Lieutenant Governor

Charles J. Fogarty

Secretary of State

Matthew A. Brown

General Treasurer

Paul J. Tavares

Attorney General

Patrick C. Lynch

LEGISLATIVE BRANCH

Senate

President of the Senate

Joseph A. Montalbano

House of Representatives

Speaker of the House

William J. Murphy

JUDICIAL BRANCH

Chief Justice of the Supreme Court

Frank W. Williams

FINANCIAL SECTION



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

STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2004 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 3% of the assets and 1% of the revenues of the governmental activities and 1% of the assets and 3% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 49% of the assets and 4% of the revenues of the business-type activities; and
- certain 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 opinion, insofar as it relates to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, is based solely on the reports of the other auditors.

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

Except as discussed in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were unable to obtain sufficient evidence regarding the completeness of the furniture and equipment, depreciable intangible, and building improvement categories of capital assets included in governmental activities at June 30, 2004. Due to insufficient physical inventories of capital assets and weaknesses in accounting controls over the accumulation of capital asset acquisitions and disposals, we were unable to satisfy ourselves as to the carrying value of these categories of capital assets and the related depreciation expense by other auditing procedures. The furniture and equipment, depreciable intangible, and building improvement capital asset categories represent \$128 million or 10% of total recorded governmental activities capital assets of \$1,257 million at June 30, 2004.

We were unable to obtain sufficient evidence regarding the completeness of accounts payable and related expenditures, federal revenue, and federal receivables reported for the Intermodal Surface Transportation Fund, a major fund, due to weaknesses in accounting controls over the accumulation and reporting of information included in these account classifications.

Management has not presented encumbrances outstanding at June 30, 2004 as a reserved component of fund balance within the General, Intermodal Surface Transportation, and Grant Anticipation Revenue Vehicle Fund (GARVEE) major governmental funds and other non-major governmental funds included in the aggregate remaining fund information or disclosed such amounts in the notes to the basic financial statements as required by accounting principles generally accepted in the United States of America. The amount by which this departure would affect the reserved and unreserved components of fund balance of these governmental funds is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, on the Intermodal Surface Transportation Fund as might have been considered to be necessary had we been provided sufficient evidence regarding accounts payable and related expenditures, federal revenue and federal receivables, and except for the omission of encumbrances outstanding at June 30, 2004 as a component of reserved fund balance of the General, Intermodal Surface Transportation, and GARVEE major governmental funds and non-major governmental funds included in the aggregate remaining fund information, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the State as of June 30, 2004 and the respective changes in financial position and cash flows, where

applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of such adjustments, if any, on the governmental activities included in the government-wide statement of net assets and the related statement of activities as might have been determined to be necessary had we been provided sufficient evidence regarding the carrying value of the furniture and equipment, depreciable intangible, and building improvement components of capital assets, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate discretely presented component units of the State as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 17 to the basic financial statements, the State adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14* effective July 1, 2003. Beginning net assets of the discretely presented component units on the government-wide statement of net assets were increased by \$82.6 million to include foundations of the State colleges and university.

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

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

The Management’s Discussion and Analysis, on pages 11 through 22, the Budgetary Comparison Schedules on pages 88 through 114, and the Schedules of Funding Progress on page 115 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual non-major fund statements, combining statements for discretely presented component units, and statistical section as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund statements and combining statements for discretely presented component units have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, except for the omission of encumbrances outstanding at June 30, 2004 as a component of reserved fund balance of the non-major governmental funds, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Ernest A. Almonte, CPA, CFE
Auditor General

July 29, 2005

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Management's Discussion and Analysis

The following is a discussion and analysis of the financial activities of the State of Rhode Island and Providence Plantations (the State) for the fiscal year ended June 30, 2004. Readers are encouraged to consider the information presented here in conjunction with the letter of transmittal, which can be found at the front of this report, and with the State's financial statements, which follow this section.

Financial Highlights – Primary Government

Government-wide Financial Statements

- **Net Assets** The total assets of the State exceeded total liabilities at fiscal year ended June 30, 2004 by \$147.8 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$996.0) million was reported as unrestricted net assets, \$552.9 million was restricted net assets, and \$590.7 million was invested in capital assets net of related debt. Net assets of the governmental activities increased, after the restatement as detailed in Note 17, by \$112.8 million for the fiscal year ended June 30, 2004. This increase is reflected in the Changes in Net Assets in the line "Net assets-beginning, as restated."
- **Changes in Net Assets** In the Statement of Activities the State's total net assets changed by \$77.5 million in fiscal year 2004. Net assets of governmental activities changed by \$112.8 million, while net assets of the business-type activities changed by (\$35.3) million. The primary reason for the difference in the change in governmental activities was that taxes increased by \$142.1 million. The primary reason for the difference in the business-type activities was the increase in operating transfers out.

Fund Financial Statements

- State's governmental funds reported a combined ending fund balance of \$709.6 million, an increase of \$251.5 million in comparison with the previous fiscal year. The primary reason for this is the \$256.9 million fund balance in the GARVEE Fund.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance of \$24.5 million, a decrease of \$18.1 million in comparison with the previous fiscal year.
- The Budget Reserve Account ended the fiscal year with a balance of \$84.3 million, an increase of \$0.7 million in comparison with the previous fiscal year.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of \$36.4 million, which was an increase of \$12.3 million from the previous year.
- The R.I. Temporary Disability Insurance Fund ended the current fiscal year with a 14.2% increase of \$16.2 million over last year. The fund balance at year-end was \$130.3 million.
- The GARVEE Fund ended its first year of operations with a fund balance of \$256.9 million of which \$7.2 million is reserved for debt.
- The Rhode Island State Lottery transferred \$281.1 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$32.1 million in comparison with the previous fiscal year.

Management's Discussion and Analysis

Overview of the Financial Statements

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

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

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

Changes in Presentation

For the fiscal year ended June 30, 2004, the Bond Capital Fund did not meet the criteria of a major fund as described in Note 1(D). Accordingly, it is included in the Other Governmental Funds column on the fund financial statements in the basic financial statements.

On the Statement of Net Assets, the amount reported as Investment in Capital Assets, Net of Related Debt was increased and the amount reported as Unrestricted Net Assets was decreased by \$284.0 million, which was the cash balance in certain capital projects funds.

Government-wide Financial Statements

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

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

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

Management's Discussion and Analysis

- **Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, human services, education, public safety, natural resources, and transportation. The net assets and change in net assets of the internal service funds are also included in this column.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Lottery Commission, R.I. Convention Center Authority and the Employment Security Trust Fund.
- **Discretely Presented Component Units:** Component units are entities that are legally separate from the State, but for which the State is financially accountable. The State has 20 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide financial statements. The State's funds are divided into three categories: governmental, proprietary and fiduciary.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities.

Governmental funds include the general fund and special revenue, capital projects, debt service and permanent funds. The State has several governmental funds, of which GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and*

Management's Discussion and Analysis

Analysis – for State and Local Governments defines the general fund as a major fund. The criteria for determining if any of the other governmental funds are major funds are detailed in Note 1(D). The Intermodal Surface Transportation Fund, R.I. Temporary Disability Insurance Fund and the GARVEE Fund are also major funds. Each of the major funds is presented in a separate column in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column on these financial statements. Individual fund data for each of these nonmajor governmental funds can be found in the supplementary information section of this report.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds, the Lottery Fund, Convention Center Authority Fund and the Employment Security Trust Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's 15 internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of this report.
- **Fiduciary funds:** These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension trust, private-purpose trust and agency funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found in the supplementary information section of this report.

Management's Discussion and Analysis

Major Features of the Basic Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	Activities of the State that are not proprietary or fiduciary	Activities of the State that are operated similar to private businesses	Instances in which the State is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of net assets Statement of changes in fund net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year end Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds financial statements.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled \$147.8 million at the end of fiscal year 2004, compared to \$70.2 million (after the restatement as detailed in Note 17) at the end of the prior fiscal year. The primary reasons for the

Management's Discussion and Analysis

\$109.2 million decrease in the Governmental Activities unrestricted net assets are the change in presentation noted above and an increase in debt not related to capital assets.

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) recorded for fiscal years 2002 through 2004, less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

State of Rhode Island's Net Assets as of June 30, 2004						
(Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 1,257,114	\$ 967,379	\$ 276,030	\$ 312,155	\$ 1,533,144	\$ 1,279,534
Capital assets	1,256,951	1,086,556	199,644	208,273	1,456,595	1,294,829
Total assets	2,514,065	2,053,935	475,674	520,428	2,989,739	2,574,363
Long-term liabilities outstanding	1,868,542	1,599,965	286,424	294,364	2,154,966	1,894,329
Other liabilities	650,086	571,311	36,915	38,471	687,001	609,782
Total liabilities	2,518,628	2,171,276	323,339	332,835	2,841,967	2,504,111
Net assets:						
Invested in capital assets, net of related debt	675,696	481,460	(84,910)	(83,896)	590,786	397,564
Restricted	301,346	273,559	251,596	283,944	552,942	557,503
Unrestricted	(981,605)	(872,360)	(14,351)	(12,455)	(995,956)	(884,815)
Total net assets	\$ (4,563)	\$ (117,341)	\$ 152,335	\$ 187,593	\$ 147,772	\$ 70,252

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

Changes in Net Assets

The State's net assets increased by \$77.5 million during the current fiscal year. Total revenues of \$6,558.2 million were more than expenses of \$6,480.7 million. Approximately 37.9% of the State's total revenue came from taxes, while 28.8% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 30.9% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services (37.4%) and intergovernmental (16.2%). In fiscal year 2004, governmental activity expenses exceeded program revenues, which resulted in the use of \$2,623.4 million in general revenues (mostly taxes). On the other hand, net program revenues from business-type activities in fiscal year 2004 exceeded expenses by \$213.2 million.

Management's Discussion and Analysis

State of Rhode Island - Changes in Net Assets						
For the Fiscal Year Ended June 30, 2004						
(Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 342,366	\$ 313,733	\$ 1,684,585	\$ 1,473,723	\$ 2,026,951	\$ 1,787,456
Operating grants and contributions	1,703,526	1,452,834	29,492	45,712	1,733,018	1,498,546
Capital grants and contributions	156,372	191,993			156,372	191,993
General revenues:						
Taxes	2,477,453	2,335,329			2,477,453	2,335,329
Interest	9,812	7,668	12,884	17,336	22,696	25,004
Other	136,122	160,547	5,568	5,354	141,690	165,901
Total revenues	<u>4,825,651</u>	<u>4,462,104</u>	<u>1,732,529</u>	<u>1,542,125</u>	<u>6,558,180</u>	<u>6,004,229</u>
Program expenses:						
General government	474,640	459,989			474,640	459,989
Human services	2,420,998	2,244,980			2,420,998	2,244,980
Education	75,654	103,476			75,654	103,476
Public safety	321,015	309,569			321,015	309,569
Natural resources	61,839	67,597			61,839	67,597
Transportation	173,935	170,082			173,935	170,082
Intergovernmental	1,047,537	947,792			1,047,537	947,792
Grants	299,381	291,208			299,381	291,208
Interest	104,760	98,831			104,760	98,831
Lottery			1,200,059	1,054,764	1,200,059	1,054,764
Convention Center			62,622	59,372	62,622	59,372
Employment insurance			238,220	262,585	238,220	262,585
Total expenses:	<u>4,979,759</u>	<u>4,693,524</u>	<u>1,500,901</u>	<u>1,376,721</u>	<u>6,480,660</u>	<u>6,070,245</u>
Increase (decrease) in net assets before transfers and special items						
	(154,108)	(231,420)	231,628	165,404	77,520	(66,016)
Transfers	266,886	235,064	(266,886)	(235,064)		
Special items		1,511				1,511
Change in net assets	<u>112,778</u>	<u>5,155</u>	<u>(35,258)</u>	<u>(69,660)</u>	<u>77,520</u>	<u>(64,505)</u>
Net assets - Beginning	(117,341)	(110,446)	187,593	257,253	70,252	146,807
Cumulative effect of prior period adjustments		(12,050)				(12,050)
Net assets - Beginning, as restated	<u>(117,341)</u>	<u>(122,496)</u>	<u>187,593</u>	<u>257,253</u>	<u>70,252</u>	<u>134,757</u>
Net assets - Ending	<u>\$ (4,563)</u>	<u>\$ (117,341)</u>	<u>\$ 152,335</u>	<u>\$ 187,593</u>	<u>\$ 147,772</u>	<u>\$ 70,252</u>

Financial Analysis of the State's Funds

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the State's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$709.6 million, an increase of \$251.5 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) \$84.3 million for a "rainy day" account, (2) \$47.5 million for continuing appropriations, (3) \$85.3 million principally for liquidating debt, (4) \$130.3 million for employment insurance programs

Management's Discussion and Analysis

and (5) \$1.5 million for other restricted purposes. Approximately 47.4% (\$336.3 million) of the ending fund balance is designated by the State's management, consistent with the limitations of each fund.

The major governmental funds of the primary government are:

General Fund. The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$24.5 million, while total fund balance was \$156.3 million. As a measurement of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represent 0.5% of total General Fund expenditures, while total fund balance represent 3.4% of the same amount. The General Fund's unreserved fund balance decreased from \$42.6 million to \$24.5 million, a decrease of \$18.1 million during the current fiscal year. This is primarily attributed to the appropriation of the FY2003 closing surplus for program expenditures in FY04.

Intermodal Surface Transportation Fund. The Intermodal Surface Transportation Fund (ISTEA) accounts for the collection of gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system. At the end of the current fiscal year, unreserved fund balance of the ISTEA fund was \$36.4 million, while the total fund balance was \$37.8 million. Total fund balance of the ISTEA fund increased by \$12.3 million during the current fiscal year.

GARVEE Fund. This fund accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents per gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds. The GARVEE Fund ended its first year of operation with a fund balance of \$256.9 of which \$7.2 million is reserved for debt.

R.I. Temporary Disability Insurance Fund. This fund is responsible to account for the employee tax on wages which are levied to pay benefits to covered workers who are absent due to non job-related illnesses. The ending fund balance for the current fiscal year was \$130.3 million. It represents an increase of \$16.2 million or 14.2% over last year.

General Fund Budgetary Highlights

According to the State's Constitution, general revenue appropriations in the general fund cannot exceed 98% of available general revenue sources, which consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. The budgets for the components of the current fiscal year's general revenue estimates are established by the State's revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenues must be imposed. Certain agencies have federal programs that are entitlements, which must continue to receive the federal funds. Agencies may get additional appropriations providing a need is established. Adjustments to general revenue receipt estimates resulted in an increase of \$35.5 million (1.27%) between the original budget and the final budget. General revenue appropriations decreased from the original budget by \$2.0 million (0.08%). Some significant changes between the estimated general revenue receipts and general revenue appropriations are listed below.

Management's Discussion and Analysis

- Personal income tax increased by \$31.6 million (3%)
- Business corporation tax increased by \$14.9 million (22%)
- Public gross earnings tax increased by \$7.2 million (9%)
- Financial institutions tax decreased by \$4.5 million (300%)
- Departmental general revenue increased by \$6.8 million (2%)
- General revenue appropriations decreased in the Department of Administration by \$20.8 million
- General revenue appropriations increased in the Department of Corrections by \$5.2 million

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, 2004, amounts to \$1,456.6 million, net of accumulated depreciation of \$481.2 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was about 12.5 % in terms of net book value.

Actual expenditures to purchase or construct capital assets were \$203.7 million for the year. Of this amount, \$137.4 million was used to construct or reconstruct roads. Depreciation charges for the year totaled \$52.3 million.

State of Rhode Island's Capital Assets as of June 30, 2004						
(Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Capital assets not being depreciated						
Land	\$ 322,369	\$ 382,579	\$ 38,032	\$ 38,032	\$ 360,401	\$ 420,611
Intangibles	85,564				85,564	
Construction in progress	82,810	102,881	1,189		83,999	102,881
Total capital assets not being depreciated	490,743	485,460	39,221	38,032	529,964	523,492
Capital assets being depreciated						
Land improvements	3,601	3,601			3,601	3,601
Buildings	429,982	374,127	229,813	229,748	659,795	603,875
Building improvements	198,632	198,449			198,632	198,449
Equipment	158,399	148,924	24,722	23,571	183,121	172,495
Intangibles	898				898	
Infrastructure	361,850	224,490			361,850	224,490
	1,153,362	949,591	254,535	253,319	1,407,897	1,202,910
Less: Accumulated depreciation	387,154	348,495	94,113	83,078	481,267	431,573
Total capital assets being depreciated	766,208	601,096	160,422	170,241	926,630	771,337
Total capital assets (net)	\$ 1,256,951	\$ 1,086,556	\$ 199,643	\$ 208,273	\$ 1,456,594	\$ 1,294,829

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

Management's Discussion and Analysis

Debt Administration

Under the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50,000 without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. At the end of the current fiscal year, the State's governmental activities had total bonded debt outstanding of \$1,794.0 million of which \$763.0 million is general obligation debt, \$264.0 million is special obligation debt and \$767.0 million is debt of the blended component units. The State's total bonded debt increased by \$284.7 million during the current fiscal year. This increase is the net of a \$39.7 million increase in general obligation debt, an increase of \$264.0 million in special obligation debt and a decrease of \$19.0 million in the blended component units. Additionally, the State has extended its credit through contractual agreements of a long-term nature, which are subject to annual appropriations.

During the current fiscal year, the State issued \$79.7 million of general obligation bonds, \$65.8 million of general obligation refunding bonds and \$269.8 million of special obligation bonds. These bonds have been assigned ratings by Fitch, Inc. (Fitch), Moody's Investors Service (Moody's) and Standard and Poor's Rating Services (Standard and Poor's). Of the \$269.8 million of special obligation bonds, \$53.0 million are supported by dedicated future gasoline tax revenue and \$216.8 million are supported by future federal revenue. The proceeds and related expenditures of this special obligation debt are accounted for in the GARVEE Fund.

The State does not have any debt limitation. Bonds authorized by the voters, that remain unissued as of the end of the current fiscal year, amounted to \$238.7 million. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

Economic Factors

The State's economy has continued to perform well. According to the U.S. Bureau of Labor Statistics, Rhode Island experienced an increase in non-farm employment of 5,100 jobs, or 1.1 percent, in FY 2004. In FY 2003, Rhode Island gained 3,500 jobs, an increase of 0.7 percent over FY 2002. On a calendar year basis, Rhode Island added 9,000 jobs in 2003 and 2004. The May 2005 Revenue Estimating Conference's Consensus Economic Forecast projects Rhode Island non-farm employment to total 495,200 in 2005, an increase of 6,800 jobs, or 1.4 percent, over 2004, and 503,100 in 2006, an increase of 7,900 jobs, or 1.6 percent, over projected 2005.

According to Economy.com's April 2005 *Forecast Report: U.S., New England, and Rhode Island*, Rhode Island's recent job gains are a result of "an acceleration in its (the State's) expansion. This improvement is quite broad based and can be seen in all major sectors of the economy." Although the expansion is widespread, the strongest sectors have been financial services, leisure and hospitality, and education and health services. The education and health services sector accounts for 19.0 percent of Rhode Island total non-farm employment well above the U.S. average of 12.5 percent. Rhode Island construction employment remains strong bolstered by "a booming housing market" and "government spending on road improvement projects". Finally, the State's manufacturing sector has begun to stabilize after an employment decline of 1.5 percent in 2004. Rising demand, particularly in export markets which rose by 6.0 percent year-over-year in the third quarter of 2004, has "forced manufacturers to increase the

Management's Discussion and Analysis

workweek for production workers” which is typically “a precursor to stronger hiring, or at least, the end of layoffs.”

Rhode Island personal income growth has also accelerated over the past year, however, the gap between Rhode Island and U.S. personal income growth has narrowed during this period. In CY 2003, Rhode Island personal income growth was 3.9 percent vs. 3.2 percent for U.S. personal income growth, a difference of 70 basis points. In CY 2004, Rhode Island personal income growth was 5.7 percent as was U.S. personal income growth. The elimination of the gap between Rhode Island and U.S. personal income growth rates is a result of the rebound of the national economy from its recessionary level in 2002. It should be noted that Rhode Island experienced a mild economic downturn in 2002 relative to that of the United States as a whole.

Economy.com (4/2005) remains “optimistic about a favorable near-term outlook” for Rhode Island’s economy with payroll growth expected “to pick up pace in 2005 and employment to rise a solid 1.1%.” One of the catalysts for near- to medium-term growth remains rising national defense spending. Economy.com (4/2005) notes that “Electric Boat continues to win federal contracts to retrofit submarines for use in special operations and surveillance” and, in addition, “Raytheon is also enjoying more business from a larger defense budget given its emphasis on surveillance and control systems.” Finally, the national defense build-up is moving the State’s manufacturing sector into a much better position to support growth in the Rhode Island economy. With the assistance of the Rhode Island Manufacturing Extension Services, “area businesses with little history of defense work” anticipate capturing a significant part of the U.S. Department of Defense’s increased spending.

The biotechnology industry cluster that has begun to emerge in Rhode Island should positively impact the State’s long term economic performance. According to Economy.com (4/2005), “[T]he state has the necessary ingredients for a successful biotech agglomeration: dynamic research institutions, federal grant money, and a group of leading companies and their associated skilled labor force.” In 2002, the Brown University Medical School won \$90 million in research grants from the National Institutes of Health. The State’s voters approved a \$50 million bond referendum for the construction of the Center for Biotechnology and Life Sciences at the University of Rhode Island. The presence and proposed expansion of the Naval Undersea Warfare Center in Newport further augments the requisite “cutting edge knowledge base” necessary for a successful biotech cluster. Finally, Amgen has invested \$1.5 billion in the State since 2001 building the largest biopharmaceutical manufacturing facility in the U.S. for the production of its blockbuster rheumatoid arthritis drug Enbrel®. The final phase of the plant is expected to open in 2005 adding from 300 to 400 jobs.

One of the biggest drags on the State’s economic performance is the high tax burden imposed on Rhode Island businesses and households. Economy.com (4/2005) reports that, “according to the fourth annual Economic Outlook Survey conducted by Sovereign Bank and the Greater Providence Chamber of Commerce, 83% of business owners in Providence feel that their greatest challenge is taxes.” In 2005, the Tax Foundation projected that, based on a net national product definition of personal income and a geographical distribution of tax incidence, Rhode Island had the 4th highest effective state and local tax burden in 2005, a substantial increase from its rank of 31 in 1970. High property taxes at the local level and high personal income tax rates at the state level drive Rhode Island’s heavy tax burden. The former discourages businesses that are making relocation decisions from choosing Rhode Island. The latter discourage

Management's Discussion and Analysis

entrepreneurs and venture capitalists from enhancing new business development in the State giving Rhode Island a less dynamic economy than Connecticut and Massachusetts.

Requests for Information

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

**BASIC FINANCIAL
STATEMENTS**

State of Rhode Island and Providence Plantations
Statement of Net Assets
June 30, 2004
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 411,193	\$ 18,223	\$ 429,416	\$ 701,578
Funds on deposit with fiscal agent	265,238	184,767	450,005	
Investments	74,887	47	74,934	888,943
Receivables (net)	278,938	52,040	330,978	1,079,495
Due from primary government				3,096
Due from component units	4,860		4,860	
Internal balances	4,088	(4,088)		
Due from other governments and agencies	140,654	1,245	141,899	7,692
Loans to component units	3,400		3,400	
Inventories	2,289	1,049	3,338	7,502
Other assets	37,005	1,156	38,161	7,931
Total current assets	<u>1,222,552</u>	<u>254,439</u>	<u>1,476,991</u>	<u>2,696,237</u>
Noncurrent assets:				
Investments		17,174	17,174	163,679
Receivables (net)	475		475	1,188,338
Due from component units	23,819		23,819	
Capital assets - nondepreciable	490,743	39,221	529,964	342,265
Capital assets - depreciable (net)	766,208	160,423	926,631	983,102
Lease receivable				4,730
Other assets	10,268	4,417	14,685	162,452
Total noncurrent assets	<u>1,291,513</u>	<u>221,235</u>	<u>1,512,748</u>	<u>2,844,566</u>
Total assets	<u>2,514,065</u>	<u>475,674</u>	<u>2,989,739</u>	<u>5,540,803</u>
Liabilities				
Current Liabilities:				
Cash overdraft	12,269		12,269	649
Accounts payable	313,770	12,408	326,178	72,447
Due to primary government				795
Due to component units	1,507		1,507	602
Due to other governments and agencies		1,960	1,960	820
Accrued expenses	70,034	4,870	74,904	53,386
Deferred revenue	10,916	1,909	12,825	25,360
Other current liabilities	84,649		84,649	8,068
Current portion of long-term debt	156,941	9,533	166,474	290,456
Obligation for unpaid prize awards		6,235	6,235	
Total current liabilities	<u>650,086</u>	<u>36,915</u>	<u>687,001</u>	<u>452,584</u>
Noncurrent Liabilities:				
Due to other governments and agencies	6,000		6,000	4,177
Accrued liabilities				33,613
Deferred revenue		11,250	11,250	4,609
Notes payable				4,445
Loans payable				179,610
Obligations under capital lease	93,054		93,054	20,087
Compensated absences	13,288		13,288	22,550
Bonds payable	1,720,447	275,174	1,995,621	2,872,963
Other liabilities	35,753		35,753	289,507
Total noncurrent liabilities	<u>1,868,542</u>	<u>286,424</u>	<u>2,154,966</u>	<u>3,431,561</u>
Total liabilities	<u>2,518,628</u>	<u>323,339</u>	<u>2,841,967</u>	<u>3,884,145</u>
Net Assets				
Invested in capital assets, net of related debt	675,696	(84,910)	590,786	693,493
Restricted for:				
Budget Reserve	84,298		84,298	
State infrastructure bank	1,354		1,354	
Debt	85,336	23,763	109,099	686,121
Self-insurance	100		100	
Employment Insurance Programs	130,258	227,833	358,091	
Unrestricted	(981,605)	(14,351)	(995,956)	277,044
Total net assets	<u>\$ (4,563)</u>	<u>\$ 152,335</u>	<u>\$ 147,772</u>	<u>\$ 1,656,658</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 Year Ended June 30, 2004
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government		Totals	
					Governmental activities	Business-type activities		
Primary government:								
Governmental activities:								
General government	\$ 474,640	\$ 137,913	\$ 118,147	\$ 35	\$ (218,545)		\$ (218,545)	\$
Human services	2,420,998	124,716	1,339,603	119	(956,560)		(956,560)	
Education	75,654	3,320	154,589	2	82,257		82,257	
Public safety	321,015	43,487	34,839	717	(241,972)		(241,972)	
Natural resources	61,839	31,191	16,486	10,857	(3,305)		(3,305)	
Transportation	173,935	1,739	39,862	144,642	12,308		12,308	
Intergovernmental	1,047,537				(1,047,537)		(1,047,537)	
Grants	299,381				(299,381)		(299,381)	
Interest and other charges	104,760				(104,760)		(104,760)	
Total governmental activities	<u>4,979,759</u>	<u>342,366</u>	<u>1,703,526</u>	<u>156,372</u>	<u>(2,777,495)</u>		<u>(2,777,495)</u>	
Business-type activities:								
State lottery	1,200,059	1,480,625				280,566	280,566	
Convention Center	62,622	40,265				(22,357)	(22,357)	
Employment security	238,220	163,695	29,492			(45,033)	(45,033)	
Total business-type activities	<u>1,500,901</u>	<u>1,684,585</u>	<u>29,492</u>			<u>213,176</u>	<u>213,176</u>	
Total primary government	<u>\$ 6,480,660</u>	<u>\$ 2,026,951</u>	<u>\$ 1,733,018</u>	<u>\$ 156,372</u>	<u>(2,777,495)</u>	<u>213,176</u>	<u>(2,564,319)</u>	
Component units	<u>\$ 999,351</u>	<u>\$ 991,804</u>	<u>\$ 31,040</u>	<u>\$ 37,356</u>				60,849
General Revenues:								
Taxes					2,477,453		2,477,453	
Interest and investment earnings					9,812	12,884	22,696	37,236
Miscellaneous					136,122	5,568	141,690	(2,048)
Special or Extraordinary Items								(1,630)
Transfers					266,886	(266,886)		
Total general revenues, special or extraordinary items, and transfers					<u>2,890,273</u>	<u>(248,434)</u>	<u>2,641,839</u>	<u>33,558</u>
Change in net assets					112,778	(35,258)	77,520	94,407
Net assets - beginning, as restated					(117,341)	187,593	70,252	1,562,251
Net assets - ending					<u>\$ (4,563)</u>	<u>\$ 152,335</u>	<u>\$ 147,772</u>	<u>\$ 1,656,658</u>

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

Major Funds

Governmental

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

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

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

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

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

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

Proprietary

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

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

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

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

State of Rhode Island and Providence Plantations

Balance Sheet

Governmental Funds

June 30, 2004

(Expressed in Thousands)

	General	Intermodal Surface Transportation	R.I. Temporary Disability	GARVEE	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 226,697	\$ 19,575	\$ 86,598	\$	\$ 72,393	\$ 405,263
Funds on deposit with fiscal agent				259,255	5,983	265,238
Investments					74,887	74,887
Receivables (net)	216,846	12,368	44,901	925		275,040
Due from other funds	7,654	9,960			167	17,781
Due from component units	717	24			25	766
Due from other governments and agencies	93,788	42,624			4,242	140,654
Loans to other funds	118					118
Loans to component units	3,400					3,400
Other assets	34,366	400			1,493	36,259
Total assets	583,586	84,951	131,499	260,180	159,190	1,219,406
Liabilities and Fund Balances						
Liabilities						
Cash overdraft					11,039	11,039
Accounts payable	271,947	28,178	53	3,142	4,988	308,308
Due to other funds			1,188	113	12,881	14,182
Due to component units	35	1,472				1,507
Loans from other funds					18	18
Accrued expenses	51,507					51,507
Deferred revenue	21,529	17,006			66	38,601
Other liabilities	82,274	498			1,877	84,649
Total liabilities	427,292	47,154	1,241	3,255	30,869	509,811
Fund Balances						
Reserved for:						
Budget reserve	84,298					84,298
Appropriations carried forward	47,545					47,545
Debt				7,230	78,106	85,336
Self-insurance					100	100
State infrastructure bank		1,354				1,354
Employment Insurance Programs			130,258			130,258
Unreserved, reported in:						
General fund	24,451					24,451
Special revenue funds		36,443			15	36,458
Capital projects funds				249,695	49,225	298,920
Permanent fund					875	875
Total fund balances	156,294	37,797	130,258	256,925	128,321	709,595
Total liabilities and fund balances	\$ 583,586	\$ 84,951	\$ 131,499	\$ 260,180	\$ 159,190	\$ 1,219,406

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

State of Rhode Island and Providence Plantations
 Reconciliation of the Balance Sheet of the Governmental Funds
 to Statement of Net Assets for Governmental Activities
 June 30, 2004
 (Expressed in Thousands)

Fund Balance of Governmental Funds \$ 709,595

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds. 1,253,590

Bond, notes, certificates of participation, accrued interest and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds. (2,011,634)

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. 35,251

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net assets of the internal service funds is reported with governmental activities. 8,635

Net Assets - Governmental Activities \$ (4,563)

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

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	General	Intermodal Surface Transportation	R.I. Temporary Disability	GARVEE	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,156,633	\$ 142,487	\$ 178,758	\$	\$	\$ 2,477,878
Licenses, fines, sales, and services	239,263	69			2,948	242,280
Departmental restricted revenue	105,737	1,670				107,407
Federal grants	1,664,496	167,207			15,497	1,847,200
Income from investments		81	864	3,775	5,590	10,310
Other revenues	45,136	1,970	224		45,721	93,051
Total operating revenues	4,211,265	313,484	179,846	3,775	69,756	4,778,126
Expenditures:						
Current:						
General government	297,662		162,462		1,617	461,741
Human services	2,409,512				262	2,409,774
Education	71,990				848	72,838
Public safety	311,642				59	311,701
Natural resources	57,916				1,762	59,678
Transportation		161,883			91	161,974
Capital outlays	27,696	115,383	154	31,945	25,702	200,880
Intergovernmental	1,046,510	861			166	1,047,537
Grants					6,145	6,145
Debt service:						
Principal	66,557			5,625	3,710	75,892
Interest and other charges	52,483			9,421	45,816	107,720
Total operating expenditures	4,341,968	278,127	162,616	46,991	86,178	4,915,880
Excess (deficiency) of revenues over (under) expenditures	(130,703)	35,357	17,230	(43,216)	(16,422)	(137,754)
Nonoperating revenues (expenditures):						
Bonds and notes issued				269,835	145,600	415,435
Premium and accrued interest				20,807	9,290	30,097
Operating transfers in	382,593	64,288		9,499	56,976	513,356
Operating transfers in from component units	15,395				173	15,568
Other	25,391					25,391
Payment to refunded bonds escrow agent					(72,160)	(72,160)
Operating transfers out	(79,054)	(54,996)	(1,066)		(110,130)	(245,246)
Operating transfers out to component units	(229,168)	(32,306)			(31,762)	(293,236)
Total nonoperating revenues (expenditures) and other financing sources (uses)	115,157	(23,014)	(1,066)	300,141	(2,013)	389,205
Change in fund balances	(15,546)	12,343	16,164	256,925	(18,435)	251,451
Fund balances - beginning	171,840	25,454	114,094		146,756	458,144
Fund balances - ending	\$ 156,294	\$ 37,797	\$ 130,258	\$ 256,925	\$ 128,321	\$ 709,595

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

State of Rhode Island and Providence Plantations
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2004
 (Expressed in Thousands)

Change in Fund Balance - Governmental Funds \$ 251,451

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. 170,957

Bond, notes, and certificates of participation proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (300,887)

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. (5,717)

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. (3,026)

Change in Net Assets - Governmental Activities \$ 112,778

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, 2004
(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	\$ 7,957	\$ 9,146	\$ 1,120	\$ 18,223	\$ 5,930
Funds on deposit with fiscal agent			184,767	184,767	
Investments	47			47	
Receivables (net)	6,197	1,821	44,022	52,040	3,898
Due from other funds					1,943
Due from other governments and agencies			1,245	1,245	
Inventories	1,049			1,049	2,289
Other assets	223	933		1,156	746
Total current assets	<u>15,473</u>	<u>11,900</u>	<u>231,154</u>	<u>258,527</u>	<u>14,806</u>
Noncurrent assets:					
Investments		17,174		17,174	
Capital assets - nondepreciable		39,221		39,221	
Capital assets - depreciable (net)	1,707	158,716		160,423	3,361
Other assets		4,417		4,417	475
Total noncurrent assets	<u>1,707</u>	<u>219,528</u>		<u>221,235</u>	<u>3,836</u>
Total assets	<u>17,180</u>	<u>231,428</u>	<u>231,154</u>	<u>479,762</u>	<u>18,642</u>
Liabilities					
Current Liabilities					
Cash overdraft					1,230
Accounts payable	8,702	3,706		12,408	5,789
Due to other funds	1,697	1,030	1,361	4,088	1,454
Due to other governments and agencies			1,960	1,960	
Loans from other funds					100
Accrued expenses	381	4,489		4,870	
Deferred revenue	790	1,119		1,909	
Other current liabilities					1,434
Notes payable		153		153	
Bonds payable		9,380		9,380	
Obligations under capital lease					720
Obligation for unpaid prize awards	6,235			6,235	
Total current liabilities	<u>17,805</u>	<u>19,877</u>	<u>3,321</u>	<u>41,003</u>	<u>10,727</u>
Noncurrent Liabilities:					
Deferred contract revenue	11,250			11,250	
Obligations under capital lease					112
Bonds payable		275,174		275,174	
Total noncurrent liabilities	<u>11,250</u>	<u>275,174</u>		<u>286,424</u>	<u>112</u>
Total liabilities	<u>29,055</u>	<u>295,051</u>	<u>3,321</u>	<u>327,427</u>	<u>10,839</u>
Net Assets					
Invested in capital assets, net of related deb	1,707	(86,617)		(84,910)	2,529
Restricted for:					
Debt		23,763		23,763	
Employment Insurance Program			227,833	227,833	
Unrestricted	(13,582)	(769)		(14,351)	5,274
Total net assets	<u>\$ (11,875)</u>	<u>\$ (63,623)</u>	<u>\$ 227,833</u>	<u>\$ 152,335</u>	<u>\$ 7,803</u>

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

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Totals	Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,480,625	\$ 39,632	\$ 162,575	\$ 1,682,832	\$ 96,296
Grants			29,492	29,492	
Miscellaneous		633	1,120	1,753	
Total operating revenues	1,480,625	40,265	193,187	1,714,077	96,296
Operating expenses:					
Personal services	3,626	15,496		19,122	13,589
Supplies, materials, and services	175,420	19,009		194,429	84,621
Prize awards	1,020,683			1,020,683	
Depreciation	330	11,500		11,830	705
Benefits paid			230,887	230,887	
Total operating expenses	1,200,059	46,005	230,887	1,476,951	98,915
Operating income (loss)	280,566	(5,740)	(37,700)	237,126	(2,619)
Nonoperating revenues (expenses):					
Interest revenue		1,015	11,869	12,884	21
Other nonoperating revenue	1,314		4,254	5,568	
Interest expense		(16,617)		(16,617)	(61)
Other nonoperating expenses			(7,333)	(7,333)	25
Total nonoperating revenue (expenses)	1,314	(15,602)	8,790	(5,498)	(15)
Net income (loss) before transfers	281,880	(21,342)	(28,910)	231,628	(2,634)
Transfers in		22,078	1,224	23,302	
Transfers out	(281,255)	(5,030)	(3,903)	(290,188)	(1,224)
Change in net assets	625	(4,294)	(31,589)	(35,258)	(3,858)
Total net assets - beginning	(12,500)	(59,329)	259,422	187,593	11,661
Total net assets - ending	\$ (11,875)	\$ (63,623)	\$ 227,833	\$ 152,335	\$ 7,803

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

State of Rhode Island and Providence Plantations
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I.			Internal	
	R.I. State Lottery	Convention Center	Employment Security	Totals	Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 1,487,294	\$ 41,158	\$ 156,838	\$ 1,685,290	\$ 100,924
Cash received from grants			29,492	29,492	
Cash payments to suppliers for goods and services	(3,950)	(19,279)		(23,229)	(84,598)
Cash payments to employees for services	(3,469)	(15,432)		(18,901)	(14,086)
Cash payments to prize winners	(1,026,771)			(1,026,771)	
Cash payments for commissions	(174,873)			(174,873)	
Cash payments for benefits			(230,950)	(230,950)	
Other operating revenue (expense)			199	199	4
Net cash provided by (used for) operating activities	278,231	6,447	(44,421)	240,257	2,244
Cash flows from noncapital financing activities					
Loans from other funds					11,079
Repayment of loans to other funds					(11,079)
Operating transfers in		15,150	267	15,417	
Operating transfers out	(281,054)		(3,429)	(284,483)	(1,224)
Net transfers from (to) fiscal agent			47,180	47,180	
Negative cash balance implicitly financed					1,230
Net cash provided by (used for) noncapital financing activities	(281,054)	15,150	44,018	(221,886)	6
Cash flows from capital and related financing activities					
Principal paid on capital obligations		(7,685)		(7,685)	(265)
Interest paid on capital obligations		(14,407)		(14,407)	(69)
Acquisition of capital assets	(183)	(2,617)		(2,800)	(270)
Proceeds from the disposition of capital assets		4		4	
Net cash provided by (used for) capital and related financing activities	(183)	(24,705)		(24,888)	(604)
Cash flows from investing activities					
Proceeds from sale and maturity of investments	295			295	
Interest on investments	251	1,015		1,266	21
Net cash provided by (used for) investing activities	546	1,015		1,561	21
Net increase (decrease) in cash and cash equivalents	(2,460)	(2,093)	(403)	(4,956)	1,667
Cash and cash equivalents, July 1	10,417	11,239	1,523	23,179	4,264
Cash and cash equivalents, June 30	\$ 7,957	\$ 9,146	\$ 1,120	\$ 18,223	\$ 5,931
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	280,566	(5,740)	(37,700)	237,126	(2,619)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	330	11,500		11,830	705
Other revenue (expense) and operating transfer in (out)			1,224	1,224	1,196
Net changes in assets and liabilities:					
Receivables, net	71	748	(7,732)	(6,913)	29,429
Operating revenue deposited directly with the fiscal agent					
Inventory	159			159	(232)
Prepaid items	13	(56)		(43)	(238)
Other assets	(25)			(25)	
Other income / expenses	191	(4)		187	
Due to / due from transactions			(213)	(213)	
Accounts and other payables	(3,386)	(107)		(3,493)	(25,492)
Accrued expenses	47	(9)		38	(505)
Deferred revenue	(211)	115		(96)	
Prize awards payable	476			476	
Total adjustments	(2,335)	12,187	(6,721)	3,131	4,863
Net cash provided by (used for) operating activities	\$ 278,231	\$ 6,447	\$ (44,421)	\$ 240,257	\$ 2,244

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

Fiduciary Funds

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

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

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

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

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

State of Rhode Island and Providence Plantations
Statement of Net Assets
Fiduciary Funds
June 30, 2004
(Expressed in Thousands)

	Pension Trust	Private Purpose	
		Touro Jewish Synagogue	Agency
Assets			
Cash and cash equivalents	\$ 9,495	\$	\$ 17,076
Receivables			
Contributions	27,757		
Due from state for teachers	18,428		
Miscellaneous	3,483		
Total receivables	49,668		
Investments, at fair value			
Equity in Short-Term Investment Fund	6,526		
Equity in Pooled Trust	6,164,676		
Plan specific investments	22,629		
Other investments		1,908	61,411
Total investments before lending activities	6,193,831	1,908	61,411
Invested securities lending collateral	806,497		
Property and equipment, at cost, net of accumulated depreciation			
Line of Business System in Development	14,378		
Computer Equipment	164		
Total Property and Equipment	14,542		
Total assets	7,074,033	1,908	78,487
Liabilities			
Securities lending liability	806,497		
Accounts payable	7,643		
Deposits held for others		5	78,487
Total liabilities	814,140	5	78,487
Net assets held in trust for pension and other benefits	\$ 6,259,893	\$ 1,903	\$

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

State of Rhode Island and Providence Plantations
Statement of Changes in Fund Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Pension Trust	Private Purpose Touro Jewish Synagogue
Additions		
Contributions		
Member contributions	\$ 154,776	\$
Employer contributions	141,490	
State contributions for teachers	45,039	
Interest on service credits purchased	987	
Total contributions	342,292	
Investment income		
Net appreciation (depreciation) in fair value of investments	856,972	16
Interest	77,531	94
Dividends	40,538	
Other investment income	47,684	
	1,022,725	110
Less investment expense	14,139	
Net income from investing activities	1,008,586	110
Securities Lending		
Securities lending income	6,516	
Less securities lending expense	4,864	
Net securities lending income	1,652	
Total net investment income	1,010,238	110
Total additions	1,352,530	110
Deductions		
Benefits		
Retirement benefits	391,590	
Cost of living adjustment	96,667	
SRA Plus (option)	26,531	
Supplemental benefits	1,035	
Death benefits	3,761	
Total benefits	519,584	
Refund of contributions	7,852	
Administrative expense	5,476	
Distribution		95
Total deductions	532,912	95
Net increase (decrease)	819,618	15
Net assets held in trust for pension benefits		
Net assets - beginning	5,440,275	1,888
Net assets - ending	\$ 6,259,893	\$ 1,903

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

INDEX

	Page
Note 1. Summary of Significant Accounting Policies	37
Note 2. Budgeting and Budgetary Control.....	49
Note 3. Cash, Cash Equivalents and Investments.....	50
Note 4. Receivables	55
Note 5. Intra-Entity Receivables and Payables.....	56
Note 6. Capital Assets.....	57
Note 7. Long-Term Obligations	59
Note 8. Net Assets	67
Note 9. Taxes	69
Note 10. Operating Transfers	70
Note 11. Operating Lease Commitments	70
Note 12. Commitments	71
Note 13. Contingencies.....	74
Note 14. Employer Pension Plans	76
Note 15. Postemployment Benefits	78
Note 16. Deferred Compensation.....	79
Note 17. Restatement of Net Assets.....	79
Note 18. Condensed Financial Statement Information.....	80
Note 19. Risk Management	82
Note 20. Special or Extraordinary Items.....	82
Note 21. Related Party Transactions	83
Note 22. Subsequent Events	84

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, defines component units as legally separate entities for which a primary government (the State) is financially accountable or, if not financially accountable, their exclusion would cause the State's financial statements to be misleading. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an entity's governing body and (1) the ability of the State to impose its will on that entity or (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the State. The State has considered all agencies, boards, commissions, public benefit authorities and corporations, the State university and colleges and the Central Falls School District as potential component units. Audited financial statements of the individual component units can be obtained from their respective administrative offices.

Blended Component Units

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

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

Rhode Island Convention Center Authority (RICCA) - This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One West Exchange Street, Dome Building, 3rd Floor, Providence, RI 02903.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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

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

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

Discretely Presented Component Units

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of The Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805.

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

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

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

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

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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

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

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

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

Rhode Island Public Transit Authority (RIPTA) - This Authority was established in 1964 to acquire any mass motor bus transportation system if that system has previously filed a petition to discontinue its service and further, if RIPTA determines it is in the public interest to continue such service. Revenues of RIPTA include operating assistance grants from the federal and State governments. For more detailed information, a copy of their financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 265 Melrose Street, Providence, RI 02907.

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, One West Exchange Street, Providence, RI 02903.

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

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

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

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

Rhode Island Children's Crusade for Higher Education (RICCHE) - This is a Rhode Island nonprofit corporation formed for the purpose of fostering the education of economically disadvantaged youth through scholarship awards, summer jobs programs, and mentoring programs for parents and students. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Children's Crusade for Higher Education, The 134 Center, Suite 111, 134 Thurbers Avenue, Providence, RI 02905.

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

C. Government-wide and Fund Financial Statements

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

The State reports the following major funds:

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

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

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

The State reports the following major proprietary funds:

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

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

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

Fiduciary Fund Types:

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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

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

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

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

E. Cash and Cash Equivalents

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

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

F. Funds on Deposit with Fiscal Agent

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

G. Investments

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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

H. Receivables

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

I. Due From Other Governments and Agencies

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

J. Interfund Activity

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

K. Inventories

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

L. Capital Assets

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

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

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

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

M. Bonds Payable

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

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

N. Obligations under Capital Leases

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

O. Accrued Liabilities

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

P. Compensated Absences

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

Q. Fund Balances

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

R. Changes in Presentation

For the fiscal year ended June 30, 2004, the Bond Capital Fund did not meet the criteria of a major fund as described in Note 1(D). Accordingly it is included in the Other Governmental Funds column on the fund financial statements in the basic financial statements.

On the Statement of Net Assets, the amount reported as Investment in Net Assets, Net of Related Debt was increased and the amount reported as Unrestricted Net Assets was decreased by \$284.0 million, which was the cash balance in certain capital projects funds.

Note 2. Budgeting and Budgetary Control

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

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

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 3. Cash, Cash Equivalents and Investments

Cash

Primary Government

At June 30, 2004, the carrying amount of the State's cash deposits was \$102,963,000 and the bank balance was \$127,542,000. Of the bank balance, \$676,000 was covered by federal depository insurance and \$50,602,000 was collateralized with securities held by the pledging financial institution, as it's agent but not in the State's name. . The remaining amount, \$76,264,000 was uninsured and uncollateralized. The carrying amount and bank balance includes \$1,105,000 of certificates of deposit.

Fiduciary Trust Funds

At June 30, 2004, the carrying amount of the fiduciary trust funds' cash deposits was \$8,480,000 and the bank balance was \$9,454,000. The bank balance was covered by federal depository insurance. The carrying amount and the bank balance include \$1,000,000 of certificates of deposit.

Component Units

At June 30, 2004, the carrying amount of the component units' cash deposits was \$347,061,000 and the bank balance was \$353,482,000. Of the bank balance, \$3,148,000 was covered by federal depository insurance and \$57,121,000 was collateralized with investments held by a bank in a component unit's name. The remaining amount, \$293,213,000 was uninsured and uncollateralized.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government was required to be collateralized at June 30, 2004.

Investments

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

Short-term cash equivalent type investments are made by the General Treasurer in accordance with guidelines established by the Commission. Investments of the pension trust

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

funds are made by investment managers in accordance with the Commission's stated investment objectives and policies.

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

The State's investments (expressed in thousands) are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 2004.

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

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

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

Primary Government	Category			Fair Value
	1	2	3	
U.S. Government and agency securities	\$ 34,040	\$ 0	\$ 0	\$ 34,040
Commercial Paper	92,760	0	0	92,760
Repurchase Agreements	57,519	0	17,943	75,462
	<u>\$ 184,319</u>	<u>\$ 0</u>	<u>\$ 17,943</u>	<u>202,262</u>
Money Market Mutual Funds				<u>216,299</u>
				<u>418,561</u>
Less amounts classified as cash equivalents				<u>326,453</u>
Investments				<u>\$ 92,108</u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Fiduciary Funds	Category			Fair Value
	1	2	3	
U.S. Government and agency securities				
Not on security loan	\$ 498,995	\$	\$	\$ 498,995
On loan for securities collateral	3,745			3,745
Money Market				
Commercial Paper				
Repurchase Agreements	1,015			1,015
Corporate Bonds	541,984			541,984
Corporate Notes				
Municipal Bonds				
Equity Securities				
Not on security loan	915,166			915,166
On loan for securities collateral	1,288			1,288
Foreign Securities				
Not on security loan	752,886			752,886
On loan for securities collateral	4,268			4,268
Investment Agreements				
Unit Investment Trust				
Other				
	<u>\$ 2,719,347</u>	<u>\$</u>	<u>\$</u>	<u>2,719,347</u>
Money Market Mutual Funds				145,448
Investment Agreements				
Emerging Markets Equity Mutual Funds				
Real Estate and Venture Capital Limited Partnerships				352,759
Investments held by broker-dealers under securities loans with cash collateral				789,404
Securities lending short-term collateral investment pool				806,498
Underlying Securities for Reverse Repurchase Agreements				
Investments of Statutory Deposits Held in Trust				78,487
Other, principally commingled funds				2,189,796
				<u>7,081,739</u>
Less amounts classified as cash equivalents				<u>18,092</u>
Investments				<u>\$ 7,063,647</u>
Component Units				
U.S. Government and agency securities	\$ 226,257	\$ 158,173	\$ 132,745	\$ 517,175
Money Market	90,699	0	24,299	114,998
Repurchase Agreements	35,520	876	28,644	65,040
Corporate Bonds	6,320	0	725	7,045
Equity Securities	60,074	995	6,078	67,147
Investment Agreements	2,202	0	0	2,202
	<u>\$ 421,072</u>	<u>\$ 160,044</u>	<u>\$ 192,491</u>	<u>773,607</u>
Money Market Mutual Funds				7,737
Investment Agreements				618,682
Other				7,113
				<u>1,407,139</u>
Less amounts classified as cash equivalents				<u>354,517</u>
Investments				<u>\$ 1,052,622</u>

Derivatives and Other Similar Investments

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Primary Government

Some of the State of Rhode Island Employees' Retirement System's (System) investment managers are allowed to invest in certain derivative type transactions, including forward foreign currency transactions, futures contracts and mortgage-backed securities. 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 System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. These contracts involve risk in excess of the amount reflected in the System's Statements of Plan Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the System has in that particular currency contract. By policy, no more than 25% of actively managed Foreign Equity securities (at fair value) may be hedged into the base currency (US Dollars). The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

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

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

Commingled Funds - Through commingled funds, the System also indirectly holds derivative type instruments, primarily equity index futures. Other types of derivative type

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

instruments held by commingled funds include purchased or written options, forward security contracts, forward foreign currency exchange contracts, interest rate swaps and total return swaps.

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

Securities Lending

Policies of the State Investment Commission permit use of investments to enter into securities lending transactions. The System has contracted with State Street Bank & Trust Company (SSB) as third party securities lending agent to lend the System's debt and equity securities for cash, securities and sovereign debt of foreign countries as collateral at not less than 100% of the market value of the domestic securities on loan and at not less than 100% of the market value of the international securities on loan. There are no restrictions on the amount of loans that can be made. Securities on loan at year-end for cash collateral are presented as not categorized in the preceding table. Securities on loan for noncash collateral are classified according to the category for the collateral. The contract with the lending agent requires them to indemnify the System if the borrowers fail to return the securities. Either the System or the borrower can terminate all securities loans on demand. The cash collateral received on security loans was invested in the lending agent's short-term investment pool for an average duration of 52 days and a weighted average maturity of 118 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The System is not permitted to pledge or sell collateral securities received unless the borrower defaults. There were no losses during the fiscal year resulting from default of the borrower or lending agent.

At June 30, 2004, System's management believes the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers do not exceed the amounts the borrowers owe the System. The securities on loan at year-end were \$798,705,105 (fair value), and the collateral received for those securities on loan was \$816,221,400 (fair value).

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 4. Receivables

Receivables at June 30, 2004 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Allowance for Uncollectibles	Total Receivables
Governmental Activities:						
General	\$ 228,441	\$ 86,377	\$	\$ 485	\$ (98,457)	\$ 216,846
Intermodal Surface Transportation	12,368					12,368
R.I. Temporary Disability	46,167	831			(2,097)	44,901
GARVEE			925			925
Internal Service		3,898		475		4,373
Total - governmental activities	\$ 286,976	\$ 91,106	\$ 925	\$ 960	\$ (100,554)	\$ 279,413
Amounts not expected to be collected in the subsequent year and recorded as deferred revenue						
General	\$ 4,825	\$ 5,854				
Intermodal Surface Transportation		17,006				
Business-type activities:						
State Lottery	\$	\$ 6,553	\$	\$	\$ (356)	\$ 6,197
Convention Center		1,791	130		(100)	1,821
Employment Security	41,794	12,238			(10,010)	44,022
Total - business-type activities	\$ 41,794	\$ 20,582	\$ 130	\$	\$ (10,466)	\$ 52,040
Component Units	\$	\$ 131,813	\$ 27,304	\$ 2,160,644	\$ (51,928)	\$ 2,267,833

Component Units

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 5. Intra-Entity Receivables and Payables

Intra-entity receivables and payables, as of June 30, 2004, are the result of operations and expected to be reimbursed within the fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable
Governmental Funds		
Major Funds		
General Fund	\$ 7,654	\$
Intermodal Surface Transportation Fund	9,960	
RI Temporary Disability Insurance		1,188
GARVEE		113
Other		
Tobacco Settle Trust Fund	167	
Bond Capital		1,060
Cops		11,646
Debt Service Fund		175
Total Other	167	12,881
Total Governmental	17,781	14,182
Proprietary Funds		
Enterprise		
RI Lottery		1,697
RI Convention Center Authority		1,030
Employment Security Trust Fund		1,361
Total Enterprise		4,088
Internal Service		
Assessed Fringe Benefits		269
Central Utilities		18
Information Processing		363
Central Mail		68
Centrex		572
Howard Communications		93
Central Pharmacy	899	
Central Laundry	45	
Automotive Maintenance		51
Central Distribution Center		10
Correctional Industries	966	
Surplus Property	33	
Records Center		10
Total Internal Service	1,943	1,454
Totals	\$ 19,724	\$ 19,724

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 6. Capital Assets

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

Primary Government

Governmental Activities

Primary Government
Governmental

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 311,413	\$ 10,956	\$	\$ 322,369
Intangibles	71,166	14,398		85,564
Construction in progress	102,880	36,063	(56,133)	82,810
Total capital assets not being depreciated	<u>485,459</u>	<u>61,417</u>	<u>(56,133)</u>	<u>490,743</u>
Capital assets being depreciated:				
Land improvements	3,601			3,601
Buildings	374,127	55,855		429,982
Building Improvements	198,449	183		198,632
Furniture and equipment	148,484	11,792	(1,877)	158,399
Intangibles	441	457		898
Infrastructure	224,490	137,360		361,850
Total capital assets being depreciated	<u>949,592</u>	<u>205,647</u>	<u>(1,877)</u>	<u>1,153,362</u>
Less accumulated depreciation for:				
Land improvements	1,978	180		2,158
Buildings	130,262	7,781		138,043
Building Improvements	99,649	9,287		108,936
Furniture and equipment	108,850	13,361	(1,856)	120,355
Intangibles	71	134		205
Infrastructure	7,685	9,772		17,457
Total accumulated depreciation	<u>348,495</u>	<u>40,515</u>	<u>(1,856)</u>	<u>387,154</u>
Total capital assets being depreciated, net	<u>601,097</u>	<u>165,132</u>	<u>(21)</u>	<u>766,208</u>
Governmental activities capital assets, net	<u>\$ 1,086,556</u>	<u>\$ 226,549</u>	<u>\$ (56,154)</u>	<u>\$ 1,256,951</u>

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

General government	\$ 4,925
Human services	10,626
Education	2,611
Public safety	8,751
Natural resources	1,951
Transportation	11,651
Total depreciation expense - governmental activities	<u>\$ 40,515</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 38,032	\$	\$	\$ 38,032
Construction in progress	585	1,189	(585)	1,189
Total capital assets not being depreciated	<u>38,617</u>	<u>1,189</u>	<u>(585)</u>	<u>39,221</u>
Capital assets being depreciated:				
Buildings	229,748	65		229,813
Machinery and equipment	23,571	1,564	(413)	24,722
Total capital assets being depreciated	<u>253,319</u>	<u>1,629</u>	<u>(413)</u>	<u>254,535</u>
Less accumulated depreciation	83,078	11,445	(410)	94,113
Total capital assets being depreciated, net	<u>170,241</u>	<u>(9,816)</u>	<u>(3)</u>	<u>160,422</u>
Business-type activities capital assets, net	<u>\$ 208,858</u>	<u>\$ (8,627)</u>	<u>\$ (588)</u>	<u>\$ 199,643</u>

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 84,964	\$ 5,744	\$ (3,959)	\$ 86,749
Construction in progress	190,253	101,342	(36,080)	255,515
Total capital assets not being depreciated	<u>275,217</u>	<u>107,086</u>	<u>(40,039)</u>	<u>342,264</u>
Capital assets being depreciated:				
Land improvements	939,644	32,405	(1,556)	970,493
Buildings	99,773	5,291	(8)	105,056
Machinery and equipment	219,270	27,264	(9,405)	237,129
Infrastructure	278,694	16,673	(3)	295,364
Total capital assets being depreciated	<u>1,537,381</u>	<u>81,633</u>	<u>(10,972)</u>	<u>1,608,042</u>
Less accumulated depreciation for:				
Buildings	315,845	31,834	(1,640)	346,039
Land improvements	53,137	7,917	(8)	61,046
Machinery and equipment	118,778	21,753	(8,692)	131,839
Infrastructure	82,602	5,755		88,357
Total accumulated depreciation	<u>570,362</u>	<u>67,259</u>	<u>(10,340)</u>	<u>627,281</u>
Total capital assets being depreciated, net	<u>967,019</u>	<u>14,374</u>	<u>(632)</u>	<u>980,761</u>
Total capital assets, net	<u>\$ 1,242,236</u>	<u>\$ 121,460</u>	<u>\$ (40,671)</u>	<u>\$ 1,323,025</u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 7. Long-Term Obligations

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

A. Bonds Payable

At June 30, 2004, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units	
	Governmental Activities		Proprietary Type		Principal	Interest
	Principal	Interest	Principal	Interest		
2005	\$ 94,786	\$ 94,593	\$ 9,380	\$ 14,159	\$ 156,848	\$ 108,755
2006	95,914	96,526	9,825	13,719	244,456	102,091
2007	73,358	90,673	10,290	13,259	153,020	95,405
2008	69,561	86,007	10,775	12,776	76,991	91,090
2009	75,049	79,660	11,295	12,270	84,157	87,229
2010-2014	398,909	339,116	65,205	52,724	381,224	386,921
2015-2019	235,735	248,150	80,205	35,537	427,596	295,674
2020-2024	209,985	200,908	86,575	14,623	404,909	195,131
2025-2029		167,686	18,770	1,493	310,092	117,018
2030-2034	168,260	147,074			340,802	55,603
2035-2039		116,156			435,975	16,066
2040-2044	371,700	69,694			1,305	246
2045-2049					310	15
	<u>\$ 1,793,257</u>	<u>\$ 1,736,243</u>	<u>\$ 302,320</u>	<u>\$ 170,560</u>	<u>\$ 3,017,685</u>	<u>\$ 1,551,244</u>

Primary Government

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

The State issued \$269.8 million of special obligation bonds. Of the \$269.8 million of special obligation bonds, \$53.0 million are supported by dedicated future gasoline tax revenue and \$216.8 million are supported by future federal revenue. The proceeds and related expenditures of this special obligation debt are accounted for in the GARVEE Fund.

Included in the current interest bonds is \$24,865,000 of general obligation multi-modal variable rate demand bonds maturing in fiscal year 2011. These bonds were initially issued in the weekly rate mode but can be changed by the issuer (the State) to a daily, commercial paper or term rate mode. The interest rate is determined either weekly or daily based on the mode; interest is paid monthly. The owners of the bonds in a weekly mode can require the State (acting through its remarketing and tender agents) to repurchase the bonds. The remarketing agent is authorized to use its best efforts to resell any purchased bonds by adjusting the interest rate offered. The State has entered into a standby bond purchase agreement (liquidity facility) with the tender agent and a commercial bank (the bank). The remarketing agent is required to offer for sale all bonds properly tendered for purchase. In the event the remarketing agent is unable to remarket tendered bonds, the standby bond

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

purchase agreement provides that the bank agrees to purchase any bonds from time to time in an amount not to exceed the principal amount plus accrued interest up to 37 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility. This agreement has been extended through July 2005. The State is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus 1/2 of 1 percent, whichever is higher. The standby bond purchase agreement remains in effect until the payment in full of the principal and interest on all bonds purchased by the bank.

Revenue bonds of the R.I. Refunding Bond Authority (RIRBA) are secured by lease rentals payable by the State pursuant to lease agreements relating to projects financed by the authority and leased to the State. Proceeds from the RIRBA bonds have been used (1) to loan funds to the State to effect the advance refunding of general obligation bonds issued by the State in 1984; (2) to finance construction and renovation of certain buildings, and (3) to finance acquisition of equipment used by various State agencies.

In June 2002, the Tobacco Settlement Financing Corporation (TSFC), a blended component unit, issued \$685,390,000 of Tobacco Asset-Backed Bonds (Bonds) that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent Decree and Final Judgment. As stated in the bond indenture, the Bonds are payable as to principal and interest solely out of the assets of the TSFC pledged for such purpose; neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal or of the interest on the Bonds; the Bonds do not constitute an indebtedness of the State or any political subdivision of the State; the Bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC; the Bonds do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof and the State has no obligation or intention to satisfy any deficiency or default of any payment of the Bonds. The TSFC has no taxing power. During the year ended June 30, 2004, TSFC utilized \$3,710,000 of excess collections to early redeem an equal amount of outstanding bonds.

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

Revenue bonds of the R.I. Convention Center Authority (RICCA) were issued to (a) refund bonds and notes, (b) pay construction costs, (c) pay operating expenses, (d) pay interest on revenue bonds prior to completion of construction, (e) fund a debt service reserve and (f) pay costs of issuance. The revenue bonds are secured by all rents receivable, if any, under a lease and agreement between the RICCA and the State covering all property purchased by the RICCA. It also covers a mortgage on facilities and land financed by the proceeds of the revenue bonds and amounts held in various accounts into which bond proceeds were deposited. Minimum annual lease payments by the State are equal to the gross debt service

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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.

At June 30, 2004 general obligation bonds authorized by the voters and unissued amounted to \$158,727,000. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved unless extended by the General Assembly.

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

Component Units

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

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

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

The R.I. Economic Development Corporation (RIEDC) has bonds outstanding referred to as Airport Revenue Bonds. They were issued to finance the construction and related costs of certain capital improvements at T.F. Green State Airport. The proceeds of the bonds were loaned to the R.I. Airport Corporation, a subsidiary and component unit of RIEDC. The

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

remainder of bonds outstanding comprise the financing to purchase land and make land improvements at Island Woods Industrial Park in Smithfield, R.I. and to acquire land, make improvements and renovations of a building and parking lot (The Fleet National Bank Project).

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

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

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

The \$80,000,000 of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority is limited by mortgage balances that it has insured, \$27,078,000 at June 30, 2004 (See Note 21). The insured mortgages are guaranteed by the State.

B. Notes Payable

The State issued \$200,000,000 of tax anticipation notes in December 2003, which were Repaid June 30, 2004.

Notes payable (expressed in thousands) at June 30, 2004 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.	\$ 2,110
R.I. Housing and Mortgage Finance Corporation bank notes, 1.39% to 5.46% interest, payable through 2006.	112,000
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 6.75% interest, payable through 2005	41
	<u>114,151</u>
Less: current payable	(110,101)
	<u><u>\$ 4,050</u></u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

C. Loans Payable

Component Units

Loans payable represent liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) (\$186,228,468). The loans payable to the RICWFA are for projects financed by that agency. The University of Rhode Island (URI) has an outstanding loan from the Rhode Island State Energy Office for \$201,073 to finance the installation of energy conservation measurers in various buildings. It also includes Community College of Rhode Island's (CCRI) loan in the amount of \$237,054 from the Energy Revolving Loan Fund (an internal service fund). In addition, CCRI entered into an agreement with the Quonset Point Facility and is liable for a loan in the amount of \$270,684 to pay for leasehold improvements.

D. Obligations Under Capital Leases

Primary Government

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

The State's obligation under capital leases at June 30, 2004 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, 2004.

Fiscal Year Ending June 30	COPS	Other	Total
2005	12,874	1,922	14,796
2006	10,858	1,922	12,780
2007	11,772		11,772
2008	11,820		11,820
2009	11,875		11,875
2010 - 2014	44,132		44,132
2015 - 2019	27,150		27,150
2020 - 2024	4,508		4,508
Total future minimum lease payments	<u>134,989</u>	<u>3,844</u>	<u>138,833</u>
Amount representing interest	(35,454)	(494)	(35,948)
Present value of future minimum lease payments	<u>\$ 99,535</u>	<u>\$ 3,350</u>	<u>\$ 102,885</u>

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Component Units

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

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

The following is a summary of the material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2004.

Fiscal Year Ending June 30	URI	RIC	CCRI	RIEDC	RIPTCA	NBC
2005	\$ 1,892	\$ 64	\$ 85	\$ 1,062	\$ 683	\$ 212
2006	1,720	64	89	859	505	143
2007	1,608	64	90	701	863	93
2008	1,597	63	90	409	976	45
2009	1,427	42	156	278	756	4
2010-2014	6,798		781	1,172		
2015-2019	6,313		781	0		
2020-2024	1,256		781			
Total future minimum lease payments	<u>22,611</u>	<u>297</u>	<u>2,853</u>	<u>4,481</u>	<u>3,783</u>	<u>497</u>
Amount representing interest	<u>(6,449)</u>	<u>(60)</u>	<u>(1,021)</u>	<u>(566)</u>	<u>(458)</u>	<u>(43)</u>
Present value of future minimum lease payments	<u>\$ 16,162</u>	<u>\$ 237</u>	<u>\$ 1,832</u>	<u>\$ 3,915</u>	<u>\$ 3,325</u>	<u>\$ 454</u>

E. Compensated Absences

State employees are granted vacation and sick leave in varying amounts based upon years of service. At the termination of service, the employee is paid for accumulated unused vacation leave. Also, the employee is entitled to payment of a percentage of accumulated sick leave at retirement. The State calculates the liability for accrued sick leave for only those employees that are eligible for retirement. Payment is calculated at their then-current rate of pay.

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

F. Other Long-Term Liabilities

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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

G. Changes in Long-Term Debt

During the fiscal year ended June 30, 2004, the following changes (expressed in thousands) occurred in long-term debt:

Primary Government

	Balance July 1	Additions	Reductions	Balance June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities						
General obligation bonds payable:						
Current interest bonds	\$ 722,289	\$ 145,335	\$ (105,597)	\$ 762,027	\$ 48,766	\$ 713,261
Capital appreciation bonds	610			610		610
Accreted interest on capital appreciation bonds	5,745	1,688		7,433		7,433
Deferred costs	17,126	9,396	(1,797)	24,725		24,725
	<u>745,770</u>	<u>156,419</u>	<u>(107,394)</u>	<u>794,795</u>	<u>48,766</u>	<u>746,029</u>
RIEDC Grant Anticipation Bonds		216,805		216,805	30,755	186,050
Deferred costs		18,772	(850)	17,922		17,922
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds		53,030	(5,625)	47,405	5,150	42,255
Deferred costs		(422)	13	(409)		(409)
Revenue bonds - RIRBA	100,705		(15,975)	84,730	10,115	74,615
Deferred costs	7,003		(2,293)	4,710		4,710
Tobacco Settlement Asset-Backed Bonds	685,390		(3,710)	681,680		681,680
Deferred costs	(33,829)		1,424	(32,405)		(32,405)
Bonds payable	<u>1,505,039</u>	<u>444,604</u>	<u>(134,410)</u>	<u>1,815,233</u>	<u>94,786</u>	<u>1,720,447</u>
Certificates of Participation (COP)	108,505		(8,970)	99,535	8,185	91,350
Other capital leases	4,941		(1,591)	3,350	1,646	1,704
Obligations under capital leases	113,446		(10,561)	102,885	9,831	93,054
Compensated absences	58,502	51,972	(49,758)	60,716	47,428	13,288
Other long-term liabilities	36,910	14,045	(10,306)	40,649	4,896	35,753
	<u>\$ 1,713,897</u>	<u>\$ 510,621</u>	<u>\$ (205,035)</u>	<u>\$ 2,019,483</u>	<u>\$ 156,941</u>	<u>\$ 1,862,542</u>
Business type activities						
Revenue bonds	\$ 310,005	\$	\$ (7,685)	\$ 302,320	\$ 9,380	\$ 292,940
Add: bond premium	4,566		(308)	4,258		4,258
Less: issuance discounts	5,682		(480)	5,202		5,202
Deferred amounts on refunding	18,760		(1,938)	16,822		16,822
Bonds payable	<u>290,129</u>		<u>(5,575)</u>	<u>284,554</u>	<u>9,380</u>	<u>275,174</u>
Other long-term liabilities	153			153	153	
	<u>\$ 290,282</u>	<u>\$</u>	<u>\$ (5,575)</u>	<u>\$ 284,707</u>	<u>\$ 9,533</u>	<u>\$ 275,174</u>

The beginning balance of the deferred costs related to general obligations bonds was restated due to errors and omissions.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

H. Defeased Debt

In prior years, the State and its component units defeased certain general obligation bonds, revenue bonds and certificates of participation (COP) by placing the proceeds of the new bonds or COP, or other sources, in irrevocable trusts to provide for all future debt service payments on the old bonds or COP. Accordingly, the trust account assets and the liabilities for the defeased bonds or COP are not included in the basic financial statements. On June 30, 2004, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	
(includes \$285 of NBC)	\$ 357,101
Certificates of Participation	2,430
Component Units:	
R.I. Clean Water Finance Agency	5,725
R.I. Depositors Economic Protection Corporation	337,885
R.I. Economic Development Corporation	26,410
R.I. Turnpike And Bridge Authority	35,950

In February 2004, the State issued \$65,830,000 Consolidated Capital Development Loan of 2004, Refunding Series B, with interest rates ranging from 1.50% to 5.00%, maturing from 2005 through 2016. The proceeds were used to advance refund \$65,935,000 of 1992,1994 through 1999 Series A Bonds. The net proceeds from the sale of the refunding bonds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service of the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Statement of Net Assets. The refunding decreased total debt service payments over the next 11 years by \$3,605,571 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,943,440.

On July 31, 2003, the Rhode Island Turnpike and Bridge Authority (RITBA) issued \$35,765,000 of Series 2003 A Taxable Refunding Revenue Bonds as an advance refunding of the Series 1997 Revenue Bonds. RITBA defeased the Series 1997 refunding bonds by placing \$36,790,521 on deposit with the escrow agent. The amount placed in escrow included a premium paid on the advance payment of the bonds totaling approximately \$679,000. On September 4, 2003 the escrow agent made a principal redemption of the Series 1997 Bonds totaling \$33,970,000. The final principal payment of the Series 1997 Bond was made December 1, 2003 in the amount of \$1,680,000. Accordingly, as of June 30, 2004 RITBA had no obligations related to the defeased Series 1997 Bonds. The Series 2003 A Taxable Refunding Revenue Bonds resulted in an economic savings to RITBA over the 14 ½ years of the bond obligation. The cumulative annual savings resulting from this refunding bond is approximately \$2,340,000 with a present value calculation of approximately \$1,674,000. The Series 2003 A Bonds are fixed rate bonds dated July 31, 2003. Interest is payable semi-annually on December 1 and June 1 at interest rates ranging from 1.15% to 5.23%. Principal repayments of the bond are due annually commencing on December 1, 2003 with a final payment due on December 1, 2017. The Series 2003 A Bonds will not be subject to optional redemption prior to maturity but are subject to special mandatory redemption as provided in the Series 2003 A bond agreement. As part of the 2003

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Refunding, RITBA entered into an Interest Rate Lock Transaction. On July 23, 2003 the Transaction was cancelled and RITBA received proceeds of \$1,809,500. The gain is presented in the Statement of Revenues, Expenses, and Changes in Net Assets as non-operating revenues of \$1,490,509. The difference between the proceeds received and the gain reported of approximately \$319,000 represents the cost incurred to enter into the Transaction.

I. Conduit Debt

The R.I. Industrial Facilities Corporation, the R.I. Health and Educational Building Corporation and the R.I. Economic Development Corporation issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2004 was \$113,000,000, \$1,606,092,010 and \$595,298,000 respectively. Certain issues of conduit debt are moral obligations of the State and the cumulative amounts outstanding are disclosed in Note 13.

Note 8. Net Assets

Government-Wide Unrestricted Net Assets

	Governmental Funds	
Deficit	\$ (1,111,136)	
General Revenue	24,451	Unrestricted balance
Appropriations carried forward:		
General Revenues	10,146	General revenues carried forward for original purpose
Restricted Revenues	28,977	Restricted revenues carried forward for original purpose
Other	8,422	Principally capital accounts carried forward for original purpose
Special Revenue	36,458	ISTEA, Tobacco Settlement Trust, R.I. TDI Fund
Capital Projects Fund	14,928	RI Economic Policy Council
Permanent Fund	875	Committed for capital projects
Internal Service Funds	5,274	Permanent School
Unrestricted Net Assets	<u>\$ (981,605)</u>	Unrestricted balance of all Internal Service Funds

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Changes in General Fund Reserved Fund Balances

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

	Reserved Fund Balance July 1,	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	\$ 83,648	\$ 56,198	\$ (55,548)	\$ 84,298
Appropriations carried forward				
General revenue	7,347	10,146	(7,347)	10,146
Departmental restricted revenue	27,821	28,977	(27,821)	28,977
Operating transfers in	10,718	8,422	(10,718)	8,422
Total	<u>\$ 129,534</u>	<u>\$ 103,743</u>	<u>\$ (101,434)</u>	<u>\$ 131,843</u>

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

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

The Certificates of Participation Capital Projects Fund had a deficit fund balance of \$8.9 million at June 30, 2004. The deficit will be eliminated through the future issuance of certificates of participation.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 9. Taxes

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

	Governmental Funds	Statement of Activities
General Fund		
Personal Income Tax	\$ 870,203	\$ 870,145
General Business Taxes:		
Business Corporation Tax	75,874	75,866
Non-resident Contractor Tax	97	97
Franchise Tax	24	24
Gross Earnings Tax-Public Utilities	92,210	92,422
Income Tax-Financial Institutions	(7,296)	(7,296)
Tax on Insurance Companies	43,419	43,374
Tax on Deposits-Banking Institutions	1,580	1,580
Health Care Provider Assessment	11,624	11,623
Nursing Facilities Provider Assessments	28,694	28,632
Sub-total - General Business Taxes	246,226	246,322
Sales and Use Taxes:		
Sales and Use Tax	810,743	810,226
Providence Place Sales Tax	12,113	12,113
Motor Vehicle Tax	44,793	44,793
Rental Vehicle Surcharge	2,562	2,563
Fuel Use Tax on Motor Carriers	860	874
Cigarette Tax	115,480	115,480
Smokeless Tobacco Tax	1,783	1,788
Alcoholic Beverage Import Fees	10,316	10,316
Tax on Mfg. of Beers, Liquors, etc.	26	26
Sub-total - Sales and Use Taxes	998,676	998,178
Other Taxes:		
Inheritance Tax	23,904	23,939
Simulcast Wagering	2,850	2,850
Jai Alai - Pari-mutuel Betting	4	4
Jai Alai - Tax on Breakage		
Dog Racing - Pari-mutuel Betting	1,707	1,707
Dog Racing - Tax on Breakage	26	26
Realty Transfer Tax	13,025	13,025
Mobile Home Conveyance Tax	12	12
Sub-total - Other Taxes	41,528	41,563
Total - General Fund	2,156,633	2,156,208
R.I. Temporary Disability Fund	178,758	178,758
Intermodal Surface Transportation Fund		
Gasoline	142,487	142,487
Total Taxes	\$ 2,477,878	\$ 2,477,453

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 10. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2004 are presented below (expressed in thousands):

Fund Financial Statements

	Transfers	Description
Governmental activities		
Major Funds		
General Fund		
Major Funds		
Intermodal Surface Transportation	\$ 45,497	Debt service
Temporary Disability	1,066	Operating assistance
Nonmajor Funds		
Tobacco Settlement Financing Corp	454	Operating assistance
Tobacco Settlement Trust Fund	1,454	Operating assistance
Bond Capital	43,759	Debt service
Debt Service	175	Debt service
Business-Type Activities		
Lottery	281,255	Net income
Convention Center	5,030	Excess debt service
Employment Security	3,903	Net income
ISTEA Fund		
Bond Capital	64,288	Infrastructure
GARVEE		
Intermodal Surface Transportation	9,499	Debt Service
Nonmajor Fund		
Bond Capital		
General Fund	55,548	Debt service or capital projects
Economic Policy Council		
General Fund	1,428	Operating assistance
Total Governmental Activities	513,356	
Business-Type Activities		
Employment Security		
Assessed Fringe Benefits	1,224	Operating assistance
Convention Center		
General Fund	22,078	Debt service
Total operating transfers	\$ 536,658	

Note 11. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$14,006,000 for the fiscal year ended June 30, 2004.

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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, 2004:

Fiscal Year Ending June 30	
2005	12,120
2006	9,925
2007	6,365
2008	4,809
2009	4,469
2010 - 2014	13,149
2015 - 2019	9,356
Total	\$ 60,193

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

Note 12. Commitments

Primary Government

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

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

During May 2003, the Lottery entered into a 20-year master contract with its gaming systems provider granting them the right to be the exclusive provider of information technology hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30, 2023, and amends all previous agreements between the parties.

Component Units

The R.I. Airport Corporation (RIAC), a subsidiary and component unit of RIEDC, was obligated for completion of certain airport improvements under commitments of

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

approximately \$5,600,000 which is expected to be funded from current available resources and future operations.

The Narragansett Bay Commission has entered into various engineering and construction contracts for the design and improvement of its facilities as part of a capital improvement program. Commitments under these contracts aggregated approximately \$144,724,000 at June 30, 2004.

The R.I. Resource Recovery Corporation's (RIRRC) currently licensed landfill consists of areas known as Phases I, II, III, and IV. The capacity of Phase I was reached in May 1993. The capacity of Phases II and III was reached in December 2002. Phase IV is expected to reach capacity during fiscal year 2005.

Phase IV consists of four eleven-acre cells of which two cells began accepting refuse in September 2000. Costs incurred in connection with the acquisition and development of Phase V total \$6,599,000 at June 30, 2004. The Corporation expects Phase V to last approximately 6 to 8 years.

The Environmental Protection Agency (EPA) established closure and postclosure care requirements for municipal solid waste landfills as a condition for the right to operate a landfill in the current period. Based on RIRRC's engineers and independent engineering studies, it is estimated that these costs of closure and postclosure activities for Phase I, II, III and IV will be approximately \$43,035,000. The liability at June 30, 2004 is approximately \$43,233,000 with \$1,357,000 remaining to be recognized. RIRRC recognizes an expense and a liability for these costs based on landfill capacity used to date. Based on the estimates of RIRRC's engineers, approximately 92% of capacity of Phase IV has been used to date, and it is expected that full capacity will be reached in fiscal year 2005. Amounts provided for closure and postclosure are based on current costs. These costs may be adjusted each year due to changes in the closure and postclosure care plan, inflation or deflation, technology, or applicable laws and regulations. RIRRC has designated investments in the amount of \$20,384,127 to meet the financial requirements of closure and postclosure costs, and plans to increase these designated investments each year to enable it to pay the costs as they are incurred.

In prior years, the EPA issued administrative orders requiring the RIRRC to conduct environmental studies of the landfill and undertake various plans of action. Additionally, in 1986, the landfill was named to the EPA's Superfund National Priorities List. The majority of the studies were completed and were submitted to the EPA for review. During 1996, the RIRRC entered into a consent decree with the EPA concerning remedial actions taken by the RIRRC for groundwater contamination. The consent decree, which was approved by the U.S. District Court on October 2, 1996, requires the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The trust is included in restricted assets held in trust on RIRRC's balance sheet. As of June 30, 2004, the market value of the trust was \$32,767,441. The present value of the estimated remaining total expenditures relating to groundwater contamination that will be required as a result of the consent decree is estimated to be approximately \$21,464,000 and is recorded in the financial statements, net of the amount included in the trust fund.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

RIRRC is required by the R.I. Department of Environmental Management to restore certain wetlands which are located at the Central Landfill. Total costs incurred for this project are approximately \$6,250,000. As of June 30, 2004, the project was substantially complete and awaiting DEM approval.

RIRRC submitted a wetland alteration application to DEM in July 2001. The alteration application entails relocating the second phase of Cedar Swamp Brook, completing its separation from Sedimentation Pond 2, to the south of the proposed Phase V. Phase II of the relocation of Cedar Swamp Brook began in August 2002. The Corporation has incurred approximately \$8,800,000 of engineering and subcontracting costs for this project through June 30, 2004. The project was substantially complete at June 30, 2004 and is awaiting DEM approval.

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

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

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

The R.I. Housing and Mortgage Finance Corporation had loan commitments of \$30,503,000 under various loan programs at June 30, 2004.

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2004 remaining commitments on these contracts approximated \$1,525,000, primarily due in one year or less.

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$6,235,574 at June 30, 2004.

The R.I. Higher Education Assistance Authority is required to return to the federal government \$1,116,117 as it's share of Reserve Funds pursuant to the 1998 reauthorization of the Higher Education Act recall from guaranty agencies. The Authority's share is payable in three installments due on September 1, 2002, 2006 and 2007, respectively. The first installment was paid on August 30, 2002. As of June 30, 2004, the amount outstanding is \$736,637 and recorded in the Federal Fund.

The University of Rhode Island, Rhode Island College and Community College of Rhode Island have begun a technology modernization of core administration systems. This is being accomplished system wide through the Office of Higher Education and will be financed over a seven-year period beginning in fiscal year 2000 at a cost of \$3,700,000, \$2,200,000, and \$1,500,000, respectively.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

The R.I. Children's Crusade has estimated its cost of scholarships for currently enrolled students to be \$24,900,000 of which \$12,400,000 will be funded by investments and \$12,500,000 to be funded by pledged scholarships.

Note 13. Contingencies

Primary Government

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

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

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

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

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Federal Grants

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

Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Moneys in the capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bond holder(s). These bonds are considered "moral obligations" of the State when the General Laws require the executive director to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget. At June 30, 2004 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$260,466,777 and \$67,676,636 respectively, in "moral obligation" bonds outstanding. Certain of the RIEDC bonds are economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the State anticipates paying approximately \$1,600,000 of the debt on the related economic development revenue bonds in fiscal year 2005.

Component Units

R.I. Student Loan Authority

The R.I. Student Loan Authority (RISLA) maintains letters of credit in the original stated amount of \$31,940,000 on its January 1995 weekly adjustable interest rate bonds and the originally stated amount of \$69,203,000 on its April 1996 Series I, II and III variable rate bonds. The letters of credit obligate the letter of credit provider to pay to the trustee an amount equal to principal and interest on the bonds when the same becomes due and payable (whether by reason of redemption, acceleration, maturity or otherwise) and to pay the purchase price of the bonds tendered or deemed tendered for purchase but not remarketed. The letters of credit will expire on the earliest to occur: a) June 30, 2009, for the January 1995 and April 1996 issue; b) the date the letter of credit is surrendered to the letter of credit provider; c) when an alternative facility is substituted for the letter of credit; d) when the bonds commence bearing interest at a fixed rate; e) when an event of default has occurred or f) when no amount becomes available to the trustee under the letter of credit.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

R.I. Public Transit Authority

The R.I. Public Transit Authority has a \$2,000,000 line of credit with a financial institution. The line of credit is due on demand with interest payable at a floating rate at the financial institution's base rate or fixed rate options at the financial institution's cost of funds plus 2.00%. No amount was due under this line of credit at June 30, 2004.

R.I. Children's Crusade for Higher Education

The R.I. Children's Crusade for Higher Education has a \$850,000 line of credit agreement. Interest is payable monthly at the prime rate less one quarter, which was 3.75% at June 30, 2004. There was no outstanding balance as of June 30, 2004.

Note 14. Employer Pension Plans

Plan Descriptions

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

Summary of Significant Accounting Policies

Basis of Accounting

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

denominated commitments are deferred and recognized in the period in which the transaction is completed. Investment transactions are recorded on a trade date basis.

Method Used to Value Investments

Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued on appraisals by independent appraisers or as adjusted by the general partner. Other securities and investments, which are not traded on a national security exchange, are valued based on audited December 31 net asset values adjusted for purchases, sales, and cash flows for the period January 1 through June 30. Commingled funds consist primarily of institutional equity index funds. The fair value of the commingled funds is based on the reported share value of the respective fund. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Funding Policy and Annual Pension Cost

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

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	9.60%	26.77%	33.90%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	5.16% and 5.73%		
Annual pension cost	\$100,739	\$2,224	\$1,830
Contributions made - state employees	\$55,700	\$2,224	\$1,830
Contributions made - teachers	\$45,039		
Actuarial valuation date	June 30, 2001	June 30, 2001	June 30, 2001
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	28 years	28 years	28 years
Asset valuation method	5 Year Smoothed Market	5Year Smoothed Market	5Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.25% to 14.25%	5% to 15.00%	5.50%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	3% compounded	\$1,500 per annum	3%
Level of benefits established by:			
General Law(s)	36-8 to 10	42-28-22.1	8-3-16, 8-8-10.1, 8-8.2-7 and 28-30-18.1

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/02	\$ 62,565	100%	\$ 0
	6/30/03	83,384	100%	0
	6/30/04	100,739	100%	0
State Police Retirement Benefits Trust	6/30/02	2,405	100%	0
	6/30/03	2,257	100%	0
	6/30/04	2,224	100%	0
Judicial Retirement Benefits Trust	6/30/02	1,458	100%	0
	6/30/03	1,657	100%	0
	6/30/04	1,830	100%	0

Other

Certain employees of the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts with the Teachers' Insurance and Annuity Association. Total expenditures by the institutions for such annuity contracts amounted to \$12,245,124 during the year ended June 30, 2004.

The R.I. Public Transit Authority has two pension plans that cover employees meeting certain eligibility requirements. Employer contribution paid in fiscal year 2004 was \$4,418,938. At January 1, 2004, the most recent valuation date, the total pension benefit obligation was \$50,178,241 and net assets available for benefits were \$25,938,773. The net pension obligation as of June 30, 2004 is \$1,834,886.

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

Note 15. Postemployment Benefits

In accordance with the General Laws, postretirement health care benefits are provided to State employees who retire on or after July 1, 1989. The benefits in general cover medical and hospitalization costs for pre-Medicare retirees and a Medicare supplement for Medicare-eligible retirees. The State provides a subsidy for all recipients equal to the difference between the retiree premium and the active premium. This subsidy cost approximately \$5.1 million in FY 2004. Additionally the State provides an additional benefit based upon years of service. The State's share varies with years of service and ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years of service. During fiscal year 2004, the State contributed 1.30% of covered payroll for postretirement healthcare benefits. The contribution rates are not actuarially determined. Postretirement health care expenses for the fiscal year ended June 30, 2004 were \$7,799,544 net of retirees' contributions for the 4,022 retirees receiving benefits.

In addition to the pension benefits described above, expenditures of \$895,098 were recognized for postretirement benefits provided under early retirement incentive programs (an average of \$1,044 for each of the 857 retirees covered by the plans).

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

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

Note 16. Deferred Compensation

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

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

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

Note 17. Restatement of Net Assets

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

	Beginning Net Assets	Changes	Beginning Net Assets as Restated
Entity-wide			
Governmental Activities			
Entity-wide	\$ (105,291)	\$	\$ (105,291)
Errors and omissions		(12,050)	(12,050)
	<u>\$ (105,291)</u>	<u>\$ (12,050)</u>	<u>\$ (117,341)</u>
Component Units			
URI	\$ 156,659	\$ 71,641	\$ 228,300
RIC	41,095	9,482	50,577
CCRI	29,578	1,504	31,082
Other	1,252,292		1,252,292
	<u>\$ 1,479,624</u>	<u>\$ 82,627</u>	<u>\$ 1,562,251</u>

URI, RIC and CCRI implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* which required them to included their respective foundations in their financial statements.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Note 18. Condensed Financial Statement Information

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

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTFR	NBC
Other assets	\$ 1,853,547	\$ 900,997	\$ 38,056	\$ 194,946	\$ 2,709	\$ 104,866
Capital assets - nondepreciable			5,803	79,439		205,601
Capital assets - depreciable (net)			58,497	249,560	55	199,706
Due from primary government				601	14	
Long term debt	1,381,033	806,176	33,713	271,906		268,311
Other liabilities	219,215	29,766	3,529	10,929	1,189	19,402
Due to primary government				24		
Net assets:						
Invested in capital assets, net of related debt	18,497		30,586	138,550	55	136,539
Restricted	163,976	62,937	7,714	77,041	685	34
Unrestricted	70,826	2,118	26,814	26,096	849	85,887
Operating expenses	77,900	27,903	4,816	46,109	3,878	25,505
Depreciation, depletion, and amortization	5,934	459	1,482	15,378	15	6,266
Program revenue	61,464	33,997	12,126	61,355	4,543	50,438
Net program (expense) revenue	(22,370)	5,635	5,828	(132)	650	18,667
Interest revenue	26,109	970	(60)	5,115	7	516
Gain (loss) on sale of assets		(3)		(2,049)		
Net increase in fair value of investments		(18)	1,491			
Miscellaneous			(1,265)	(13,625)		(5,721)
Capital contributions				4,523		2,223
Transfers from primary government				12,031		
Transfers (to) primary government						
Change in net assets	3,739	5,379	5,994	5,863	657	15,685
Beginning net assets	249,560	59,676	59,120	235,824	932	206,775
Ending net assets	253,299	65,055	65,114	241,687	1,589	222,460

	RIHEBC	RIRRC	DEPCO	RIHEAA	RIPTA	RIIFC
Other assets	\$ 11,164	\$ 104,227	\$	\$ 25,005	\$ 10,735	\$ 1,280
Capital assets - nondepreciable		18,268		194	2,382	
Capital assets - depreciable (net)	109	48,227		1,304	91,132	
Due from primary government					1,472	
Long term debt		18,301				
Other liabilities	70	75,648		1,664	18,121	842
Due to primary government						
Net assets:						
Invested in capital assets, net of related debt	109	48,194		1,498	93,514	
Restricted		(9,878)		18,585		
Unrestricted	11,094	38,457		4,756	(5,914)	438
Operating expenses	1,333	43,975		21,680	71,024	34
Depreciation, depletion, and amortization	29	12,846		229	9,002	
Program revenue	1,634	62,604		16,092	38,418	(132)
Net program (expense) revenue	272	5,783		(5,817)	(41,608)	(166)
Interest revenue	80	3,346		233	20	7
Gain (loss) on sale of assets		9			(5)	
Net increase in fair value of investments						
Miscellaneous		(918)			(17)	
Capital contributions					9,181	
Transfers from primary government				11,051	30,687	
Transfers (to) primary government		(1,535)			(388)	
Change in net assets	352	6,684		5,467	(2,130)	(159)
Beginning net assets	10,851	70,089		19,372	89,730	597
Ending net assets	11,203	76,773		24,839	87,600	438

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

	RICWFA	RIIRBA	RIWRBC	RIPTCA	RICCHE
Other assets	\$ 700,249	\$ 4,510	\$ 15,012	\$ 1,696	\$ 24,176
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	58	410	6	3,864	50
Due from primary government			8		
Long term debt	427,758		15,708	3,513	
Other liabilities	8,267	3,253	930	1,257	26,608
Due to primary government				214	
Net assets:					
Invested in capital assets, net of related debt	58	592		436	50
Restricted	255,615		(2,037)		
Unrestricted	8,609	1,256	425	961	(2,432)
Operating expenses	19,158	831	29	3,570	9,044
Depreciation, depletion, and amortization	210	14	107	621	41
Program revenue	36,795	236	264	2,379	8,201
Net program (expense) revenue	17,427	(609)	128	(1,812)	(884)
Interest revenue		37	222	157	
Gain (loss) on sale of assets					
Net increase in fair value of investments					
Miscellaneous			(993)	(158)	
Capital contributions					
Transfers from primary government				2,779	1,739
Transfers (to) primary government					
Change in net assets	17,428	(572)	(1,068)	966	855
Beginning net assets	246,854	2,420	(544)	431	(3,237)
Ending net assets	264,282	1,848	(1,612)	1,397	(2,382)

	URI	RIC	CCRI	CFSD	Totals
Other assets	\$ 171,157	\$ 33,753	\$ 10,891	\$ 3,364	\$ 4,212,340
Capital assets - nondepreciable	7,465	7,456	14,333	322	342,265
Capital assets - depreciable (net)	247,478	49,102	30,798	2,746	983,102
Due from primary government				1,001	3,096
Long term debt	129,823	20,537	11,499	1,833	3,390,111
Other liabilities	49,587	15,021	4,790	3,151	493,239
Due to primary government			557		795
Net assets:					
Invested in capital assets, net of related debt	141,511	41,185	39,050	3,069	693,493
Restricted	91,444	14,903	4,911	191	686,121
Unrestricted	13,735	(1,335)	(4,785)	(811)	277,044
Operating expenses	310,647	96,406	82,649	45,934	892,425
Depreciation, depletion, and amortization	14,674	5,101	2,384	187	74,979
Program revenue	258,980	57,229	42,714	8,998	758,335
Net program (expense) revenue	(66,341)	(44,278)	(42,319)	(37,123)	(209,069)
Interest revenue				38	36,797
Gain (loss) on sale of assets					(2,048)
Net increase in fair value of investments	1,149	1,817	241		4,680
Miscellaneous	(6,170)	(845)	(312)		(30,024)
Capital contributions	6,678	4,382	10,369		37,356
Transfers from primary government	83,074	43,100	40,115	35,692	260,268
Transfers (to) primary government					(1,923)
Change in net assets	18,390	4,176	8,094	(1,393)	94,407
Beginning net assets	228,300	50,577	31,082	3,842	1,562,251
Ending net assets	246,690	54,753	39,176	2,449	1,656,658

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

Significant transactions between primary government and component units

	Revenue (Expenses)	Description
Governmental activities		
General Fund		
R.I. Higher Education Assistance Authority	\$ (11,051)	Operating assistance
R.I. Economic Development Corporation	(11,453)	Operating assistance
University of Rhode Island	(82,233)	Educational assistance
Rhode Island College	(42,624)	Educational assistance
Community College of Rhode Island	(40,115)	Educational assistance
Central Falls School District	(35,635)	Educational assistance
ISTEA Fund		
R.I. Public Transit Corporation	(31,231)	Operating assistance
Capital Projects		
University of Rhode Island	(11,014)	Construction, improvement or purchase of assets
Rhode Island College	(6,588)	Construction, improvement or purchase of assets
Community College of Rhode Island	(9,383)	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ (281,327)</u>	

Note 19. Risk Management

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

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

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

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

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

Note 20. Special or Extraordinary Items

Component Units

The early retirement of certain bonds resulted in the bond amortization expense being accelerated, which resulted in an additional expense of \$863,000 being incurred. Legal and professional fees in the amount of \$342,000 were also incurred by RISLA to complete the

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

transaction. The net result of the early retirement of debt is an extraordinary loss of \$1,205,000 for the fiscal year ended June 30, 2004.

The extinguishing of Series 1994 bonds from the Rhode Island Water Resources Board Corporate (RIWRBC) resulted in an extraordinary loss of \$425,000 consisting of the write off of the remaining bond issuance costs associated with the bond in the amount of \$282,000 and the payment of the required premium of \$143,000.

Note 21. Related Party Transactions

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

The State entered into a lease and operating agreement (the agreement) with the R.I. Airport Corporation (RIAC) a subsidiary of the R.I. Economic Development Corporation providing for the lease and/or transfer from the State to the RIAC all real, personal, and tangible property; intangible property, including accounts receivable, contract rights, choices in action, licenses, permits, grants, and entitlements; and all other assets of the State used or used primarily in connection with the administration, maintenance, management, regulation, operation, improvement, development or use of the State's six airports and other air facilities. RIAC agrees to reimburse the State for principal and interest payments for certain airport related General Obligation Bonds. The term of the agreement is 30 years beginning July 1, 1993, with annual rent of \$1.00.

The Rhode Island Student Loan Authority (RISLA) is a related party to the Rhode Island Higher Education Assistance Authority (RIHEAA). RIHEAA is a public instrumentality created for the dual purpose of guaranteeing loans to student in eligible institutions and administering other programs of post-secondary student financial assistance assigned by law. Lease expenses (including receptionist and mailroom costs) paid to RIHEAA for fiscal years ended June 30, 2004 and 2003 was approximately \$62,000 and \$70,000, respectively.

Under the agreement with Alliance, the Administrative Fund receives account maintenance, direct commission and other fees from the Program Fund. All the Administrative Fund's operating revenues, totaling \$5,520,848, are derived from the Program Fund. In addition, Rhode Island Higher Education Assistance Authority (RIHEAA) receives \$250,000 annually (in quarterly installments) directly from Alliance. During 2002, RIHEAA established two scholarship and grant programs, to be funded with Rhode Island Higher Education Savings Trust (RIHEST) administrative fees, as follows:

Academic Promise Scholarship Program: up to \$1,000,000 is invested annually through RIHEAA in the CollegeBoundfund for the benefit of 100 academic and income-qualified students to provide up to \$10,000 to each student over a four-year scholarship period. During 2004, \$1,000,000 was transferred to RIHEAA and RIHEAA in turn invested that amount in the CollegeBoundfund on behalf of unnamed beneficiaries.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

5 and 10 Matching Grant Program: up to \$500,000 is invested annually through RIHEAA into the CollegeBoundfund as matching contribution accounts for individual's account established for the benefit of income-qualifying individuals. During 2004, \$500,000 was transferred to RIHEAA, and RIHEAA in turn invested that amount in the CollegeBoundfund on behalf of the unnamed beneficiaries.

During 2004, the Board of Directors authorized the transfer of \$1,797,726 to supplement amounts available for need-based scholarships under the State's grant program.

The Rhode Island Higher Education Assistance Authority is a related party of the Rhode Island Student Loan Authority (RISLA), another component unit of the State. RISLA is a public instrumentality created to provide a statewide student loan program through the acquisition and origination of student loans. Transactions with RISLA as of and during the year ended June 30, 2004 were as follows:

Guaranteed loans outstanding at June 30, 2004	\$ 576,245,000
Loans guaranteed during the year	260,581,000
Guarantee claims paid during the year	21,390,000
Rental income received during the year	92,000

The Rhode Island Housing and Mortgage Finance Corporation (Corporation) and the State have entered into a contractual relationship whereby the Corporation assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, the Corporation made \$3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the \$3,800,000, subject to appropriations, in installments of \$950,000 over a four year period beginning in the year ended June 30, 1996, but to date no payments have been received, nor have any payments for advances totaling \$27,898,790 made during the years ended June 30, 1998 through 2004 been received

Note 22. Subsequent Events

Primary Government – Governmental Activities

In April 2004, Moody's downgraded the ratings assigned to the debt obligations of the Tobacco Settlement Financing Corporation, a blended component unit, along with all other tobacco securitization debts of other jurisdictions. This action by the Moody's reflects the potential result of heightened litigation risks facing cigarette manufacturers, increasing competition from discounted brands, and the expectation of continuing declines in domestic cigarette consumption, as well as other factors.

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

In December 2004, the obligor of a mortgage loan receivable (outstanding balance of approximately \$22 million as of December 1, 2004) held by the State Employees' Retirement System (the System) as a plan specific investment defaulted on its obligation. The System has a first lien on commercial real estate located in Providence, Rhode Island with a court approved appraised value of \$18.6 million. The mortgage loan receivable is guaranteed by the Rhode Island Economic Development Corporation to the extent of \$3 million. The System is pursuing its rights through the U.S. Bankruptcy Court. Management cannot estimate the likelihood or amount of loss, if any, that the plan may incur.

In April 2005, the total revenues received by the Tobacco Settlement Finance Corporation (TSFC), a blended component unit, as a result of the Tobacco Master Settlement Agreement (MSA) were \$45,315,618. Eleven of the forty-three Subsequent Participating Manufacturers (SPMs) to the MSA paid their MSA payment due April 15, 2005 into an escrow disputed account and nine SPM withheld all or part of their MSA payment due April 1, 2005. The SPMs asserted that the Independent Auditor's calculation for the MSA payment due April 15, 2005 was incorrect, primarily because it did not contain a Non-Participating Manufacturers (NPM) adjustment. The value of April payments in dispute for the Tobacco Settlement Financing Corporation is approximately \$13,685,994.07. The NPM adjustment would permit the Participating Manufacturers (PM) to reduce their MSA payments if they lose significant market share to companies who have not joined the MSA. The payment reduction is based on the percentage of market share lost to NPMs multiplied by three. To maintain their disputed payments, companies must prove first that their lost market share was due to the strictures of the MSA. Since the State of Rhode Island was the entity which signed the MSA before selling it rights to the revenue stream created by the MSA to the TSFC, the State is contesting this. Rhode Island and the other Settling States are preparing for a Significant Factors Determination (SFD) proceeding to determine whether or not the PMs have lost market share due to the MSA. Pursuant to the MSA, Rhode Island has provided a 30-day notice prior to initiating enforcement proceedings to the SPMs who failed to pay their MSA payments. Rhode Island will continue vigorously enforce the MSA and related statute.

In April 2005, the Rhode Island Convention Center sold the Westin hotel for \$95,500,000. The proceeds from the sale will be used to retire approximately \$90,000,000 in bonds.

In May 2005, the state issued \$52,335,000 of refunding bonds with interest rates ranging from 3.00% to 5.00%. Maturity dates are from August 2005 to August 2018. The proceeds of the refunding bonds were used to advance refund \$51,365,000 of State's general obligation bonds.

In May 2005, the state issued \$8,360,000 of refunding bonds with interest rates ranging from 3.00% to 4.25%. Maturity dates are from August 2005 to August 2014. The proceeds of the refunding bonds were used to advance refund \$7,985,000 of State's general obligation bonds.

In May 2005, the state issued \$56,315,000 of refunding bonds with interest rates ranging from 2.50% to 5.00%. Maturity dates are from August 2005 to August 2018. The proceeds

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

of the refunding bonds were used to advance refund \$55,510,000 State's general obligation bonds.

In May 2005, the state issued \$87,095,000 of general obligation bonds with interest rates ranged from 3.00% to 5.00% with maturity dates of February 2006 through February 2024.

In June 2005, the state issued \$51,985,000 of lease participation certificates, for Training School Project, with interest rates ranging from 3.00% to 5.00%. Maturity dates are from October 2006 to October 2024.

In June 2005, the state issued \$21,565,000 of lease participation certificates, for Traffic Tribunal Project, with interest rates ranging from 3.00% to 5.00%. Maturity dates are from October 2006 to October 2024.

In June 2005, the state issued \$6,950,000 of lease participation certificates, for State Vehicle Project, with interest rates ranging from 3.25% to 4.00%. Maturity dates are from April 2006 to April 2012.

In July 2005, the enacted budget for Fiscal Year 2006 contained, what was considered by many, significant pension reform. This reform modified the minimum age of retirement, the benefit accrual, and tied the cost of living adjustment to CPI with a maximum of 3%. These changes will apply only to those with less than 10 years of service or new employees. The estimated savings to the State are \$12,875 million related to the State employees and \$12,429 million related to the State's share of teachers' retirement.

In July 2005, the General Assembly abolished the State Lottery Commission that oversaw the operations of the State Lottery, a blended component unit, and established the State Lottery as a division of the Department of Administration.

Component Units

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

Since June 30, 2004, the R.I. Health and Educational Building Corporation, The R.I. Economic Development Corporation and the R.I. Industrial Facilities Corporation have issued various conduit debt obligations, which are not obligations of the respective corporations or the State.

Since June 30, 2004, the Rhode Island Resource Recovery Corporation acquired abutters' property for approximately \$3,000,000 through a down payment of approximately \$1,000,000 and the issuance of notes payable in the amount of \$2,000,000. The RIRRC entered into a sales agreement to sell its existing Plainfield Pike location for \$2,200,000. The sales agreement is contingent upon the purchaser obtaining necessary permits for his intended use of the property.

On August 23, 2004, the R.I. Higher Education Savings Trust, a component unit of

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2004

R.I. Higher Education Assistance Authority, in connection with the closing of the JPM Plan, the 2,456 accounts in the JPM Plan (representing net assets of approximately \$25 million) were transferred from investment portfolios established under the JPM Plan to existing CollegeBound*fund* investment portfolios according to a schedule approved by the SIC.

The Quonset Development Corporation (QDC) was established by an Act of the General Assembly on July 2, 2004 to develop and manage state land for commercial purposes. Effective July 1, 2004, QDC became a governmental agency and public instrumentality of the State with distinct and certain assets and liabilities of RIEDC's general fund will be transferred to QDC. QDC will be a discretely presented component unit of RIEDC.

On July 1, 2004, the Central Falls School District entered into a loan agreement with ARAMARK Educational Services, Inc., in the amount of \$600,000 to be used for kitchen and cafeteria renovations within the School District. The loan bears an interest rate of 125% of the Prime Rate. The loan is being amortized on a straight-line basis commencing July 1, 2004 and continuing until June 2009.

In March 2005, the R.I. Clean Water Finance Agency issued \$42,960,000 In Drinking Water Bonds.

In December 2004, the R.I. Clean Water Finance Agency issued \$69,625,000 In Water Pollution Control Revolving Fund Revenue Bonds.

In December 2004, the Narragansett Bay Commission borrowed \$40,000,000 from R.I. Clean Water Finance Agency.

In June 2005, the Narragansett Bay Commission deposited \$10,977,827 in an irrevocable trust account to defease \$9,246,845 of State guaranteed bonds.

In July 2005, the Rhode Island Housing and Mortgage Finance Corporation issued \$114,070,000 in Homeownership Opportunity Bonds.

**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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Revenues				
General Revenues				
Personal Income Tax	\$ 853,310	\$ 885,000	\$ 870,203	(14,797)
General Business Taxes				
Business Corporations	65,060	80,000	75,972	(4,028)
Franchise	0	0	24	24
Public Utilities Gross Earnings	77,800	85,000	92,210	7,210
Financial Institutions	1,500	(3,000)	(7,296)	(4,296)
Insurance Companies	50,600	42,600	43,419	819
Bank Deposits	1,430	1,000	1,580	580
Health Care Provider Assessment	40,940	39,900	40,317	417
Sales and Use Taxes	0	0	0	
Sales and Use	812,206	821,800	822,855	1,055
Motor Vehicle	48,200	45,800	47,356	1,556
Motor Fuel	620	1,075	860	(215)
Cigarettes	119,220	117,000	117,263	263
Alcohol	10,300	10,200	10,342	142
Controlled Substances	0	0	0	0
Other Taxes				
Inheritance and Gift	30,700	24,600	23,905	(695)
Racing and Athletics	5,000	4,785	4,587	(198)
Realty Transfer Tax	8,900	12,300	13,037	737
Total Taxes	<u>2,125,786</u>	<u>2,168,060</u>	<u>2,156,634</u>	<u>(11,426)</u>
Departmental Revenue	<u>287,038</u>	<u>293,900</u>	<u>285,005</u>	<u>(8,895)</u>
Total Taxes and Departmentals	<u>2,412,824</u>	<u>2,461,960</u>	<u>2,441,638</u>	<u>(20,321)</u>
Other				
Gas Tax Transfer	6,608	8,024	7,760	(264)
Other Miscellaneous	71,342	70,400	19,706	(50,694)
Lottery	301,770	283,900	281,142	(2,758)
Unclaimed Property	12,900	16,650	17,042	392
Total Other	<u>392,620</u>	<u>378,974</u>	<u>325,650</u>	<u>(53,324)</u>
Total General Revenues	<u>2,805,444</u>	<u>2,840,934</u>	<u>2,767,288</u>	<u>(73,645)</u>
Federal Revenues	1,632,389	1,700,783	1,664,496	(36,287)
Restricted Revenues	108,229	109,393	105,737	(3,656)
Other Revenues	103,570	104,162	97,124	(7,038)
Total Revenues	<u>4,649,632</u>	<u>4,755,272</u>	<u>4,634,645</u>	<u>(120,626)</u>

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Expenditures				
Department of Administration				
Central Management				
General Revenue Total	2,179	2,374	2,353	21
Federal Funds Total	299	288	157	131
Total - Central Management*	2,478	2,662	2,510	152
Accounts & Control				
General Revenue	9,300	4,002	3,975	27
RI e-Government Fund-RI-SAIL	431	444	401	43
Total-Accounts & Control	9,731	4,446	4,376	70
Budgeting				
General Revenue Total	2,395	2,362	2,313	49
Total-Budgeting	2,395	2,362	2,313	49
Municipal Affairs				
General Revenue Total	1,253	1,240	1,189	51
Federal Funds Total	7,573	7,813	5,709	2,104
Total-Municipal Affairs	8,826	9,053	6,898	2,155
Purchasing				
General Revenue Total	1,986	2,026	1,883	143
Total-Purchasing	1,986	2,026	1,883	143
Auditing				
General Revenue Total	1,677	1,663	1,611	52
Total-Auditing	1,677	1,663	1,611	52
Human Resources				
Bridge Project-State Share	0	10	3	7
General Revenue Total	6,889	7,079	6,951	128
Federal Funds Total	0	104	19	85
Total-Human Resources	6,889	7,194	6,973	221
Personnel Appeal Board				
General Revenue Total	116	118	128	(10)
Total-Personnel Appeal Board	116	118	128	(10)
Taxation				
Motor Fuel Tax Evasion Program	56	56	18	38
Temporary Disability Insurance	572	675	624	51
General Revenue Total	17,432	17,479	16,917	562
Federal Funds Total	801	991	852	139
Restricted Receipts Total	1,361	1,206	1,068	138
Total-Taxation	20,223	20,406	19,479	927

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Registry of Motor Vehicles				
Auto Emmission CMAQ	0	0	0	0
Registry Denial Program	0	0	0	0
General Revenue Total	15,279	15,663	15,488	175
RI e-Government Fund-OLIS Support-RMV System	195	115	160	(45)
RI e-Government Fund-Digital License System	417	417	633	(216)
Federal Funds Total	435	1,223	107	1,116
Restricted Receipts Total	14	14	14	0
Total-Registry of Motor Vehicles	16,340	17,432	16,402	1,030
Child Support				
General Revenue Total	3,294	3,263	3,202	61
Federal Funds Total	6,534	6,562	6,442	120
Total-Child Support	9,828	9,826	9,643	183
Central Services				
Lighting Conservation	661	0	0	0
General Revenue Totals	16,186	16,293	13,184	3,109
Energy Office Grants	356	355	818	(463)
Federal Funds Totals	19,887	17,851	16,291	1,560
Restricted Receipts Total	1,068	898	618	280
Total-Central Services	38,159	35,397	30,911	4,486
Office of Library & Information Service				
Federal Highway-PL Systems Planning	982	974	887	87
Federal Highway-T2 Systems Planning	130	4	7	(3)
Air Quality Modeling	20	15	15	0
General Revenue Total	3,430	3,383	3,082	301
Federal Funds Total	1,361	1,257	1,237	20
Restricted Receipts Total	5	5	3	2
Total-Office of Library & Information Service	5,928	5,637	5,231	406
General				
RICAP-State House Renovations (Phase 1)	0	0	0	0
RICAP-State House Skylights and Roof Repairs	74	74	74	0
RICAP-State House Terrace/South Stairs	739	739	11	728
RICAP-Pastore Center Sewer Improvements	0	500	0	500
RICAP-Chapin Health Laboratory	394	234	120	114
RICAP-Cranston Street Armory	541	391	445	(54)
RICAP-Cannon Building	276	176	74	102
RICAP-House & Senate Chambers Renovation	0	0	0	0
RICAP-Second State House Elevator	6	0	0	0
RICAP - Ladd Center-Infrastructure	0	0	0	0
RICAP-Old State House	425	100	0	100
RICAP-State Office Building	482	412	197	215
RICAP-Veterans Office Building	436	436	291	145
RICAP-Information Operations Center	200	50	7	43
RICAP-Old Colony House	148	148	14	134
RICAP-Court Building-HVAC	250	250	153	97
RICAP-Asset Inventor	30	0	0	0

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
RICAP-Washington County Government Center	350	150	114	36
RICAP-State House Security	69	69	36	33
RICAP-State House Renovations - Phase II	403	353	139	214
RICAP-William Powers Building	45	45	42	3
RICAP-State House Renovations-Phase III	230	50	5	45
RICAP-Powers Building Tech Infrastructure	300	50	28	22
RICAP-Board of Elections Building	48	48	19	29
RICAP-Environmental Compliance	1,702	702	489	213
RICAP-Fox Point Hurricane Barrier	50	50	50	0
RICAP-Bio Tech Training Lab-Planning Funds	300	300	100	200
RICAP - Facility Renovation ADA	0	0	0	0
Information Processing Rotary Account-Overhead	480	480	480	0
Property Tax Relief Credit	6,000	6,000	6,000	0
Rhode Island Sports Foundation	368	400	400	0
EDC-RPScore	0	0	0	0
Shepard Building Operating/Parking	1,970	1,970	2,143	(173)
Miscellaneous Grants and Payments	2,147	2,109	2,099	10
Torts-Court Awards	400	400	476	(76)
Asset Inventory	150	150	49	101
Race and Police Community Relations Commission	63	63	63	0
State Employees/Teachers Retiree Health	0	4,962	5,082	(120)
Masonic Temple	500	500	0	500
Contingency Fund	2,018	2,018	1,371	647
Economic Development Corporation Grant	6,486	6,386	6,367	19
Office of City and Town Development-EDC	500	500	500	0
Centers of Excellence	4,000	4,000	4,000	0
Economic Policy Council	300	300	300	0
Housing Resources Commission	3,258	3,255	3,132	123
Neighborhood Opportunities Program	5,000	5,000	5,000	0
Motor Vehicle Excise Tax Payment	104,338	104,987	54,845	50,142
Property Valuation	2,604	2,604	2,485	119
General Revenue Sharing Program	51,426	51,439	51,439	0
Payment in Lieu of Tax Exempt Properties	21,716	21,716	21,716	0
Distressed Communities Relief Program	7,533	7,533	7,533	0
Resource Sharing and State Library Aid	7,587	7,587	7,562	25
Library Construction Aid	2,537	2,157	2,129	28
Federal Funds	298	298	50,151	(49,853)
Restricted Receipts Total	1,196	1,127	1,126	1
Total-General	240,373	243,267	238,857	4,410
Debt Service Payments				
RICAP-DEM - Narragansett Bay Commission	3,333	3,333	3,652	(319)
RICAP-DEM - Wastewater Treatment	1,931	4,551	3,849	702
RICAP-DEM -Hazardous Waste	0	0	0	0
RICAP-DEM - Debt Service Economic Development	0	0	1,201	(1,201)
RICAP-DEM - Debt Service-Recreation	0	7,684	6,882	802
RICAP-Water Resources Board	0	1,117	1,603	(486)
RICAP-University of Rhode Island-Debt Service	0	4,255	4,116	139
RICAP-Rhode Island College-Debt Service	0	473	458	15
RICAP-Community College of Rhode Island-Debt Service	0	1,141	1,117	24

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
RIPTA Debt Service	431	388	388	0
RICAP-MHRH Com Services	10,067	5,067	4,842	225
RICAP-MHRH Comm. Mental Health	2,273	2,273	2,141	132
Transportation Debt Service	31,785	30,968	30,598	370
RIRBA-Third Rail Project - Quonset Point	0	0	133	(133)
RIRBA - DLT Temporary Disability Insurance	46	46	55	(9)
COPS - DLT Building - TDI	346	361	357	4
Cops-DLT Building-Reed Act	31	30	39	(9)
COPS - Center General - Furniture - TDI	59	20	18	2
COPS-Center General-Furniture-Reed Act	5	6	8	(2)
COPS-Center General-Furniture-Reed Act	2	1	2	(1)
COPS - Pastore Center Telecomm - TDI	17	18	18	0
Debt - URI Education and General	1,089	1,089	3,554	(2,465)
Debt - URI housing Loan Funds	1,752	1,752	1,646	106
Debt - URI Dining Services	267	267	90	177
Debt - URI Health Services	126	126	43	83
Debt - W. Alton Jones Service	113	113	38	75
Debt - URI Memorial Union	98	98	33	65
Debt - URI Sponsored Research (Indirect Cost)	101	101	102	(1)
Debt - RIC Education and General	297	297	216	81
Debt - RIC Housing	568	568	293	275
Debt - RIC Student Center and Dining	178	178	64	114
Debt - RIC Student Union	217	217	274	(57)
Debt - CCRI Bookstore	177	177	176	1
RICAP-DEM Debt Service CWFA	0	2,406	2,307	99
Debt Service Payments	84,998	64,134	64,285	(151)
Debt Service Special Account	0	0	402	(402)
Federal Funds	1,276	1,298	1,329	(31)
RIRBA-DLT-Job Development Fund	46	46	52	(6)
RIRBA-DLT Rapid Reemployment	48	48	23	25
COPS-Center General Furniture-WC	38	42	43	(1)
COPS-DLT Building-WC	224	216	219	(3)
COPS-DLT Building-Job Development Fund	67	59	59	0
COPS-Pastore Center Telecom.-JDF	3	3	3	0
COPS-Center General Furniture-JDF	11	12	12	0
COPS-Pastore Center Telecom.-WC	11	11	11	0
COPS-Center General Furn. Rapid Reempl. Fund	0	2	2	0
COPS-DLT Building-Rapid Reemployment Fund	0	32	30	2
COPS-Center General Furn. Rapid Reempl Fnd	0	6	6	0
Investment Receipts-TANS	1,421	1,859	1,926	(67)
RICCA-Excess Debt Service Rental Payment	3,624	5,030	5,030	0
Total - Debt Service Payments	147,078	141,920	143,744	(1,824)
Sheriffs				
General Revenue Total	14,054	13,502	13,174	328
Total Sheriffs	14,054	13,502	13,174	328
General Revenue Fund Total-Dept Of Admin	413,248	392,431	336,916	55,515
Federal Grant Fund Total-Dept of Admin	38,464	37,685	82,294	(44,609)
Restricted Fund Total-Dept of Admin	9,137	10,615	10,245	370

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Other Fund Total-Dept of Admin	65,229	76,183	74,678	1,505
Total-Department of Administration	526,080	516,913	504,133	12,780
Department of Business Regulation				
Central Management				
General Revenue Total	1,646	1,680	1,609	71
Total-Central Management	1,646	1,680	1,609	71
Banking Regulation				
General Revenue Total	1,628	1,659	1,632	27
Total-Banking Regulation	1,628	1,659	1,632	27
Security Regulation				
General Revenue Total	799	788	758	30
Total-Securities Regulation	799	788	758	30
Commercial Licensing and Regulation				
General Revenue Total	1,167	1,171	1,122	49
Restricted Revenue Total	100	100	44	56
Total-Commercial Licensing and Regulation	1,267	1,271	1,167	104
Racing and Athletics				
General Revenue Total	718	628	547	81
Total-Racing and Athletics	718	628	547	81
Insurance Regulation				
General Revenue Total	3,886	3,621	3,535	86
Restricted Receipts Total	501	602	511	91
Total-Insurance Regulation	4,387	4,223	4,045	178
Board of Accountancy				
General Revenue Total	125	129	127	2
Total-Board of Accountancy	125	129	127	2
General Revenue Fund Total-DBR	9,969	9,675	9,330	345
Restricted Fund Total-DBR	601	702	555	147
Total-Department of Business Regulation	10,570	10,377	9,885	492
Department of Labor and Training				
Central Management				
General Revenue Total	353	227	229	(2)
Director of Workers' Compensation	754	397	407	(10)
Total-Central Management	1,106	624	636	(12)

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Workforce Development Services				
Reed Act-Woonsocket Network Office Renovations	250	250	86	164
Reed Act-Rapid Job Development	1,726	1,630	1,649	(19)
Reed Act - Workforce Development	2,016	1,987	1,962	25
General Revenue	1,400	1,400	1,695	(295)
Federal Funds Total	14,883	18,904	15,996	2,908
Restricted Receipts	11,617	9,428	9,891	(463)
Total-Workforce Development Services	31,893	33,599	31,279	2,320
Workforce Regulation and Safety				
General Revenue Total	2,873	2,224	2,282	(58)
Total-Workforce Regulation and Safety	2,873	2,224	2,282	(58)
Income Support				
Reed Act-Special Distribution	54	54	54	0
General Revenue Total	2,899	2,982	2,972	10
Federal Funds Total	16,931	17,286	15,362	1,924
Restricted Receipt Total	1,948	2,354	2,191	163
Total-Income Support	21,833	22,677	20,579	2,098
Injured Workers Services				
Restricted Receipts Total	10,785	11,483	9,564	1,919
Total-Injured Workers Services	10,785	11,483	9,564	1,919
Labor Relations Board				
General Revenue Total	391	407	357	50
Total-Labor Relations Board	391	407	357	50
General Revenue Fund Total-DLT	7,916	7,240	7,535	(295)
Federal Grants Fund Total-DLT	31,814	36,191	31,357	4,834
Restricted Fund Total-DLT	25,104	23,662	22,053	1,609
Other Fund Total-DLT	4,046	3,921	3,752	169
Total-Department of Labor and Training	68,880	71,014	64,697	6,317

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
General Assembly				
General Revenue Fund Total	29,061	28,738	24,362	4,376
Restricted Receipts Fund Total	884	1,284	1,489	(205)
Legislative Office Building	1,500	0	0	0
General Revenue Fund Total-Gen Assembly	29,061	28,738	24,362	4,376
Restricted Fund Total-Gen Assembly	884	1,284	1,489	(205)
Other Fund Total-Gen Assembly	1,500	0	0	0
Total-General Assembly	31,446	30,023	25,851	4,172
Office of the Lieutenant Governor				
Lt. Governor's Office-General				
General Revenue Total	863	839	842	(3)
General Revenue Fund Total-Office of Lieutenant Governor	863	839	842	(3)
Total-Office of the Lieutenant Governor	863	839	842	(3)
Department of State				
Administration				
General Revenue Total	1,180	1,391	1,443	(52)
Total-Administration	1,180	1,391	1,443	(52)
Corporations				
General Revenue Total	1,685	1,467	1,450	17
RI e-Gov Fund-UCC Automated System	100	100	61	39
Total-Corporation	1,785	1,567	1,511	56
State Archives				
General Revenue Total	98	94	97	(3)
Federal Funds Total	0	0	0	0
Restricted Receipts total	554	487	476	11
Total-State Archives	651	581	572	9
Elections				
General Revenue Total	363	401	397	4
Federal Funds Total	8,261	2,506	1,503	1,003
Total-Elections	8,624	2,906	1,900	1,006
State Library				
General Revenue Total	680	709	700	9
Total-State Library	680	709	700	9
Office of Public Information				
General Revenue Total	519	422	408	14
Total-Office of Public Information	519	422	408	14
General Revenue Fund Total-Sec of State	4,626	4,585	4,555	30
Federal Grant Fund Total-Sec of State	8,261	2,506	1,503	1,003
Restricted Fund Total-Sec of State	554	487	476	11

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Total-Department of State	13,440	7,577	6,533	1,044
Treasury Department				
Treasury				
General Revenue Total	2,550	2,508	2,447	61
Federal Funds Total	238	247	292	(45)
Restricted Receipts Total	10	10	0	10
Other Funds TDI	0	0	0	0
Total-Treasury	2,798	2,765	2,739	26
State Retirement System				
Administrative Expenses-State Retirement System	4,900	5,193	3,953	1,240
Retirement-Treasury Investment Operations	632	664	639	25
Total-State Retirement System	5,532	5,858	4,592	1,266
Unclaimed Property				
Restricted Receipts Total	19,118	17,491	25,907	(8,416)
Total-Unclaimed Property	19,118	17,491	25,907	(8,416)
RI Refunding Bond Authority				
General Revenue Total	80	80	31	49
Total-RI Refunding Bond Authority	80	80	31	49
Crime Victim Compensation Program				
General Revenue Total	215	1,029	253	776
Federal Funds Total	1,288	4,295	2,080	2,215
Restricted Receipts Total	1,602	1,700	1,763	(63)
Total-Crime Victim Compensation Program	3,105	7,024	4,097	2,927
General Revenue Fund Total-Treasury	2,845	3,617	2,732	885
Federal Grant Fund Total-Treasury	1,526	4,542	2,373	2,169
Restricted Fund Total-Treasury	20,730	19,202	27,670	(8,468)
Other Fund Total-Treasury	5,532	5,858	4,592	1,266
Total-Treasury Department	30,633	33,218	37,366	(4,148)
Boards for Design Professionals-PL				
Boards For Professional Design				
General Revenue Total	391	405	419	(14)
General Revenue Fund Total-Board of Professional Design	391	405	419	(14)
Total-Boards For Professional Designs-PL	391	405	419	(14)
Board of Elections				
General Revenue Total	1,365	1,402	1,316	86
RI e-Government Fund-Electronic Campaign Finance	0	0	0	0
Federal Funds Total	941	1,160	953	207
General Revenue Fund Total-Board of Elections	1,365	1,402	1,316	86
Federal Grant Fund Total-Board of Elections	941	1,160	953	207

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Total-Board Of Elections	2,306	2,562	2,269	293
Rhode Island Ethics Commission				
General Revenue Total	969	940	851	89
General Revenue Fund Total-RI Ethics Commision	969	940	851	89
Total-Rhode Island Ethics Commission	969	940	851	89
Office of Governor				
General Revenue Total	4,462	4,425	4,381	44
General Revenue Fund Total-Office of the Governor	4,462	4,425	4,381	44
Total-Office of the Governor	4,462	4,425	4,381	44
Public Utilities Commission				
General Revenue Total	693	684	640	44
Federal Funds Total	70	69	61	8
Restricted Receipts Total	5,124	5,123	3,909	1,214
General Revenue Fund Total-PUC	693	684	640	44
Federal Grant Fund Total-PUC	70	69	61	8
Restricted Fund Total-PUC	5,124	5,123	3,909	1,214
Total-Public Utilities Commission	5,887	5,877	4,610	1,267
Rhode Island Commission on Women				
General Revenue Total	143	68	65	3
General Revenue Fund Total-RI Commision on Women	143	68	65	3
Total-Rhode Island Commission on Women	143	68	65	3
Department of Children, Youth, and Families				
Central Management				
General Revenue Total	7,688	7,777	7,883	(106)
Federal Funds Total	4,422	3,918	3,714	204
Total-Central Management	12,110	11,695	11,597	98
Children's Behavioral Health Services				
RICAP CBHS Grodin Center	0	0	0	0
RICAP-Spurwink/RI	33	33	10	23
General Revenue Total	19,349	21,571	23,807	(2,236)
Federal Funds Total	24,714	26,935	33,090	(6,155)
Total-Children's Behavioral Health Services	44,096	48,539	56,907	(8,368)
Juvenile Correctional Services				
RICAP-RI Training School Bathroom Renovation	47	0	0	0
RICAP-NAFI Center	25	13	11	2
General Revenue Total	26,659	27,375	26,631	744
Federal Funds Total	3,054	2,906	3,150	(244)
Restricted Receipts Total	700	869	233	636
Total-Juvenile Correctional Services	30,485	31,163	30,025	1,138

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Child Welfare				
Children's Trust Fund	82,413	83,538	82,676	862
Harmony Hill	0	0	0	0
General Revenues	0	0	0	0
Federal Funds Total	64,044	68,590	69,133	(543)
Restricted Receipts Total	1,311	1,398	1,743	(345)
Total-Child Welfare	147,768	153,527	153,552	(25)
Higher Education Incentive Grant				
General Revenue Total	200	200	200	0
Total-Higher Education Incentive Grants	200	200	200	0
General Revenue Fund Total-DCYF	136,310	140,461	141,197	(736)
Federal Grant Fund Total-DCYF	96,234	102,349	109,087	(6,738)
Restricted Fund Total-DCYF	2,011	2,267	1,976	291
Other Fund Total-DCYF	104	46	21	25
Total-Department of Children, Youth, and Families	234,659	245,123	252,281	(7,158)
Department of Elderly Affairs				
Intermodel Surface Transportation Fund	4,720	4,720	4,718	2
RAPP Foundation Funds	0	10	9	1
General Revenues Total	13,605	13,798	14,748	(950)
Safety and Care of the Elderly	1	1	1	0
RIPAE	14,090	15,213	14,530	683
Federal Funds Total	9,885	15,092	11,777	3,315
General Revenue Fund Total-Dept of Elderly Affairs	27,695	29,012	29,279	(267)
Federal Grant Fund Total-Dept of Elderly Affairs	9,885	15,092	11,777	3,315
Other Fund Totals-Dept of Elderly Affairs	4,720	4,730	4,727	3
Total-Department of Elderly Affairs	42,300	48,834	45,783	3,051
Department of Health				
Central Management				
Trauma Registry	1	0	0	0
General Revenues Total	2,646	2,191	2,304	(113)
RI e-Gov Fund-Automated Vital Records System	0	0	0	0
Federal Funds Total	4,366	5,819	3,637	2,182
Restricted Receipts Total	2,046	2,905	3,304	(399)
Total-Central Management	9,059	10,915	9,245	1,670
State Medical Examiner				
General Revenue Total	1,810	1,797	1,753	44
Federal Funds Total	0	122	89	33
Total-State Medical Examiners	1,810	1,919	1,842	77

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Family Health				
General Revenues Total	8,636	9,377	9,173	204
Poison Control Center	0	0	(7)	7
Federal Funds Total	36,651	37,345	34,612	2,733
Restricted Receipts Total	5,728	5,712	3,867	1,845
Total-Family Health	51,015	52,433	47,645	4,788
Health Services Regulation				
General Revenues Total	4,488	4,507	4,425	82
Hospital Care Consultant Report	0	0	0	0
Federal Funds Total	3,547	5,192	4,788	404
Restricted Receipts Total	447	385	339	46
Total-Health Services Regulation	8,482	10,083	9,552	531
Environmental Health				
General Revenue Total	4,384	4,338	4,208	130
Federal Funds Total	3,190	5,664	4,853	811
Restricted Receipts Total	1,475	1,458	1,181	277
Total-Environmental Health	9,049	11,460	10,242	1,218
Health Laboratories				
General Revenue Total	6,179	6,121	6,001	120
Federal Funds Total	1,620	2,311	1,902	409
Total-Health Laboratories	7,800	8,432	7,903	529
Disease Prevention and Control				
General Revenue Total	5,948	5,936	5,863	73
Federal Funds Total	14,848	18,708	17,444	1,264
Restricted Receipts Total	934	1,049	1,038	11
Child Safety Program	72	86	70	16
Walkable Communities Initiative	0	20	9	11
Total-Disease Prevention and Control	21,803	25,799	24,423	1,376
General Revenue Fund Total-Health	34,092	34,267	33,719	548
Federal Grant Fund Total-Health	64,221	75,161	67,324	7,837
Restricted Fund Total-Treasury	10,631	11,508	9,729	1,779
Other Fund Total-Health	73	106	79	27
Total-Department of Health	109,018	121,042	110,852	10,190
Department of Human Services				
Central Management				
General Revenue Total	6,506	6,239	5,666	573
Federal Funds Total	4,372	4,317	3,947	370
Restricted Receipts Total	2,288	2,379	2,335	44
Total-Central Management	13,165	12,935	11,948	987
Individual and Family Support				
RICAP-Blind Vending Facilities	187	0	0	0
RICAP Forand Building Exterior Window Panels	929	0	0	0

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
General Revenue Total	20,137	19,727	19,609	118
Federal Funds Total	52,464	53,151	49,106	4,045
Restricted Receipts Total	68	85	84	1
Total-Individual and Family Support	73,785	72,963	68,800	4,163
Veterans' Affairs				
General Revenue Total	16,341	16,240	16,041	199
Federal Funds Total	5,523	8,911	6,293	2,618
Restricted Receipts Total	1,949	849	550	299
Total-Veterans' Affairs	23,813	26,000	22,885	3,115
Health Care Quality, Financing and Purchases				
General Revenue Total	23,981	25,282	24,367	915
Federal Funds Total	39,200	39,863	36,997	2,866
Restricted Receipts Total	1,038	862	648	214
Total-Health Care Quality, Financing & Purchase	64,220	66,007	62,013	3,994
Medical Benefits				
General Revenue				
Managed Care	127,668	132,572	135,223	(2,651)
Hospital	95,448	99,656	100,733	(1,077)
Other	90,039	99,250	96,383	2,867
Special Education	17,048	11,118	13,267	(2,149)
Nursing Facilities	119,536	119,224	120,399	(1,175)
General Revenue Total	449,739	461,820	466,005	(4,185)
Federal Funds				
Managed Care	188,931	189,328	192,774	(3,446)
Hospitals	123,814	129,044	131,267	(2,223)
Nursing Facilities	165,942	167,776	171,582	(3,806)
Other	129,009	138,321	137,325	996
Special Education	24,352	15,882	19,852	(3,970)
Federal Funds Total	632,048	640,351	652,800	(12,449)
Restricted Receipts Total	15	15	9	6
Total-Medical Benefits	1,081,802	1,102,186	1,118,814	(16,628)
Supplemental Security Income Program				
General Revenue Total	26,824	26,643	26,561	82
Total-Supplemental Security Income Program	26,824	26,643	26,561	82
Family Independence Program				
TANF/Families Independence Program	18,243	19,081	18,993	88
Child Care	58,797	52,977	53,020	(43)
Federal Funds Total	83,084	87,603	87,654	(51)
Total-Family Independence Program	160,125	159,661	159,666	(5)
State Funded Programs				
General Public Assistance	2,929	3,061	2,972	89
Food Stamp Replacement for Legal Immigrants	0	0	1	(1)
Weatherization One-Time Payment	0	0	0	0

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Citizen Participation Program	45	50	50	0
Federal Funds Total	68,556	72,720	72,611	109
Total-State Funded Programs	71,531	75,831	75,635	196
General Revenue Fund Total-Human Services	623,542	631,120	633,286	(2,166)
Federal Grant Fund Total-Human Services	885,248	906,916	909,409	(2,493)
Restricted Fund Total-Human Services	5,358	4,190	3,626	564
Other Fund Total-Human Services	1,116	0	0	0
Total-Department of Human Services	1,515,264	1,542,226	1,546,320	(4,094)
Department of Mental Health, Retardation, and Hospital Central Management				
General Revenue Total	2,261	2,082	2,005	77
Total-Central Management	2,261	2,082	2,005	77
Hospital & Community System Support				
RICAP-Utilities Upgrade	300	300	92	208
RICAP-Medical Center Rehabilitation	400	210	140	70
RICAP-Utilities Systems Water Tanks and Pipes	250	50	9	41
RICAP-Central Power Plant Rehabilitation	500	540	416	124
RICAP-Pastore Center Sewer Improvement	500	0	0	0
General Revenue Total	20,075	23,122	22,377	745
Total-Hospital & Community System Support	22,025	24,222	23,033	1,189
Service for the Developmentally Disabled				
RICAP-DD State Owned Group Homes	200	0	4	(4)
General Revenue Total	94,583	94,401	95,223	(822)
Pirovano Trust	52	52	35	17
Federal Funds Total	131,677	128,333	133,438	(5,105)
Total-Service for the Developmentally Disabled	226,513	222,786	228,700	(5,914)
Integrated Mental Health Services				
General Revenue Total	33,661	34,769	34,762	7
Federal Funds Total	34,856	36,934	37,077	(143)
Total-Integrated Mental Health Services	68,517	71,703	71,839	(136)
Hospital & Community Rehabilitation Svcs				
RICAP-Zambarano Buildings and Utilities	339	39	0	39
General Revenue Total	44,648	45,914	45,700	214
Federal Funds Total	56,797	59,070	59,381	(311)
Total-Hospital & Community Rehabilitation Svcs	101,784	105,023	105,081	(58)
Substance Abuse				
RICAP-Asset Protection	122	22	17	5
General Revenues Total	14,340	14,436	14,436	0
Federal Funds Total	14,536	13,469	11,583	1,886
Restricted Receipts Total	75	75	46	29
Total-Substance Abuse	29,072	28,002	26,082	1,920

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
General Revenue Fund Total-MHRH	209,620	214,776	214,539	237
Federal Grant Fund Total-MHRH	237,866	237,806	241,479	(3,673)
Restricted Fund Total-MHRH	75	75	46	29
Other Fund Total-MHRH	2,611	1,161	678	483
 Total-Department of Mental Health, Retardation, and Hospitals	 450,172	 453,818	 456,742	 (2,924)
 Office of Child Advocate				
General Revenue Total	415	475	497	(22)
Federal Funds Total	48	63	84	(21)
Restricted Receipts Total	0	18	17	1
General Revenue Fund Total-Office of Child Advocate	415	475	497	(22)
Federal Grant Fund Total-Office of Child Advocate	48	63	84	(21)
Restricted Fund Total-Office of Child Advocate	0	18	17	1
 Total-Office of the Child Advocate	 463	 556	 598	 (42)
 Rhode Island Commission of the Deaf and Hard of Hearing				
Commission On Deaf and Hard Of Hearing				
General Revenue Total	285	268	237	31
General Revenue Fund Total-RI Comm of the Deaf	285	268	237	31
 Total-Rhode Island Commission of the Deaf and Hard of Hearin	 285	 268	 237	 31
 State Council on Developmental Disabilities				
Federal Funds Total	549	556	481	75
Federal Grant Fund Total-State Comm on Dev Disab.	549	556	481	75
 Total-State Council on Developmental Disabilities	 549	 556	 481	 75
 Governor's Commission on Disabilities				
General Revenue Total	534	539	538	1
Federal Funds Total	147	88	18	70
Restricted Receipts Total	51	43	12	31
RICAP-Handicapped Accessibility Facility Renovation	500	100	17	83
General Revenue Fund Total-Governor's Comm on Disab.	534	539	538	1
Federal Grant Fund Total-Governor's Comm on Disab.	147	88	18	70
Restricted Fund Total-Governor's Comm on Disab.	51	43	12	31
Other Fund Total-Governor's Comm on Disab.	500	100	17	83
 Total-Governor's Commission on Disabilities	 1,232	 770	 585	 185
 Rhode Island Commission for Human Rights				
General Revenue Total	895	1,031	1,039	(8)
Federal Funds Total	271	232	63	169
General Revenue Fund Total-RI Comm for Human Rights	895	1,031	1,039	(8)
Federal Grant Fund Total-RI Comm for Human Rights	271	232	63	169
 Total-Rhode Island Commission for Human Rights	 1,166	 1,263	 1,101	 162

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Office of Mental Health Advocate				
General Revenue Total	318	315	323	(8)
General Revenue Fund Total-Office of Mental Health Advocate	318	315	323	(8)
Total-Office of Mental Health Advocate	318	315	323	(8)
Department of Elementary and Secondary Education				
State Aid				
State Support Local School Operations	617,153	617,347	617,345	2
Federal Funds Total	1,257	1,501	1,858	(357)
Restricted Funds Total	0	984	984	0
Total-State Aid	618,410	619,831	620,187	(356)
School Housing Aid				
General Revenue Total	40,747	40,741	40,741	0
Total-School Housing Aid	40,747	40,741	40,741	0
Teachers' Retirement				
General Revenue Total	45,449	46,213	45,039	1,174
Total-Teachers' Retirement	45,449	46,213	45,039	1,174
RI School for the Deaf				
RICAP-School for the Deaf-Physical Education Fac	484	484	33	451
General Revenue Total	5,631	6,052	6,052	0
Federal Funds Total	1,213	1,277	470	807
Restricted Receipts Total	0	0	0	0
Total-RI School for the Deaf	7,329	7,813	6,555	1,258
Central Falls School District				
General Revenue Total	35,635	35,635	35,635	0
Total-Central Falls School District	35,635	35,635	35,635	0
Davies Career and Technical School				
RICAP - Davies Roof Repair	442	459	22	437
General Revenue Total	11,330	11,066	11,044	22
Federal Funds Total	1,031	1,369	1,155	214
Restricted Receipts Total	101	98	86	12
Total-Davies Career and Technical School	12,904	12,992	12,306	686
Metropolitan Career and Technical School				
General Revenue Total	5,750	5,750	5,750	0
Total-Metropolitan Career and Technical School	5,750	5,750	5,750	0
Program Operations				
RICAP-Woonsocket Vocational HVAC	0	0	0	0
RICAP-East Providence Vocational HVAC	354	354	0	354
RICAP-Hanley-HVAC	1	0	0	0
RICAP-State Owned Schools-Fire Alarm Systems	93	719	143	576
Transportation Study General Reveue	10	10	0	10
General Revenue Total	14,934	14,558	14,421	137

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Federal Funds Total	164,740	187,258	148,021	39,237
Restricted Receipts Total	1,030	1,477	831	646
Total-Program Operations	181,162	204,366	163,415	40,951
General Revenue Fund Total-Dept of Elem & Sec Education	776,639	777,361	776,026	1,335
Federal Grant Fund Total-Dept of Elem & Sec Education	168,241	191,404	151,504	39,900
Restricted Fund Total-Dept of Elem & Sec Education	1,132	2,559	1,901	658
Other Fund Total-Dept of Elem & Sec Education	1,375	2,017	198	1,819
Total-Department of Elementary and Secondary Education	947,387	973,341	929,629	43,712
Board of Governors for Higher Education				
Board Of Governors/Office				
General Revenue Fund Total	172,265	171,041	171,028	13
Federal Fund Total	3,021	3,021	1,882	1,139
General Revenue Fund Total-BOG Higher Education	172,265	171,041	171,028	13
Federal Grant Fund Total-BOG Higher Education	3,021	3,021	1,882	1,139
Total-Board of Governors for Higher Education	175,286	174,062	172,910	1,152
Rhode Island State Council on the Arts				
Operating Support	468	459	420	39
Grants	1,846	1,828	1,186	642
Federal Funds Total	696	611	569	42
Restricted Receipts Total	200	200	12	188
General Revenue Fund Total-RI State Council on the Arts	2,314	2,287	1,606	681
Federal Grant Fund Total-RI State Council on the Arts	696	611	569	42
Restricted Fund Total-RI State Council on the Arts	200	200	12	188
Total-Rhode Island State Council on the Arts	3,210	3,098	2,187	911
Rhode Island Atomic Energy Commission				
URI Sponsored Research	154	150	149	1
RICAP-Roof Replacement-North Bunker	0	0	0	0
General Revenue Total	646	699	696	3
Federal Funds Total	325	325	124	201
General Revenue Fund Total-RI Atomic Energy Council	646	699	696	3
Federal Grant Fund Total-RI Atomic Energy Council	325	325	124	201
Other Fund Total-RI Atomic Energy Council	154	150	149	1
Total-Rhode Island Atomic Energy Commission	1,125	1,175	968	207
Rhode Island Higher Education Assistance Authority				
Needs Based Grant and Work Opportunities	9,933	9,933	9,933	0
Authority Operations and Other Grants	1,127	1,119	1,119	0
General Revenue Fund Total-RIHEAA	11,060	11,052	11,051	1
0	0	0	0	0
Total-Rhode Island Higher Education Assistance Authority	11,060	11,052	11,051	1

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Historical Preservation and Heritage Commission				
General Revenue Total	1,095	1,078	1,022	56
Federal Funds Total	535	523	511	12
Restricted Receipts Total	252	274	78	196
General Revenue Fund Total-Historical Preservation	1,095	1,078	1,022	56
Federal Grant Fund Total-Historical Preservation	535	523	511	12
Restricted Fund Total-Historical Preservation	252	274	78	196
 Total-Historical Preservation and Heritage Commission	 1,881	 1,875	 1,612	 263
 Rhode Island Public Telecommunications Authority				
General Revenue Total	1,252	1,238	1,218	20
General Revenue Fund Total-RIPTA	1,252	1,238	1,218	20
Total-Rhode Island Public Telecommunications Authority	1,252	1,238	1,218	20
 Department of Attorney General				
Criminal				
General Revenue Total	10,742	10,631	10,177	454
Federal Funds Total	1,372	1,591	1,403	188
Restricted Receipts Total	184	340	184	156
Total-Criminal	12,298	12,561	11,764	797
 Civil				
General Revenue Total	3,503	3,381	3,348	33
Federal Funds Total	67	72	0	72
Restricted Receipts Total	447	450	484	(34)
Total-Civil	4,017	3,903	3,832	71
 Bureau of Criminal Identification				
General Revenue Total	719	754	742	12
Federal Funds Total	0	335	75	260
Total-Bureau of Criminal Identification	719	1,089	817	272
 General				
General Revenue Total	1,820	1,828	1,810	18
Total-General	1,820	1,828	1,810	18
 General Revenue Fund Total-Dept of Attorney General	 16,784	 16,593	 16,078	 515
Federal Grant Fund Total-Dept of Attorney General	1,439	1,999	1,478	521
Restricted Fund Total-Dept of Attorney General	631	789	668	121
 Total-Department of Attorney General	 18,853	 19,381	 18,224	 1,157
 Department of Corrections				
Central Management				
General Revenue Total	9,603	9,733	9,250	483
Federal Funds Total	0	296	95	201
Total-Central Management	9,603	10,029	9,345	684

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Parole Board				
General Revenue Total	999	1,054	830	224
Total-Parole Board	999	1,054	830	224
Institutional Corrections				
RICAP-Fire Code Safety Improvements	406	56	23	33
RICAP-Security Camera Installation	577	0	4	(4)
RICAP-HVAC Renovations-Maximum	0	0	0	0
RICAP-Window Replacement-Women's	63	0	0	0
RICAP-Dix Expansion-Phase II	554	0	0	0
RICAP-Reintegration Center State Match	354	437	1	436
RICAP-Dix Expansion-State Match	38	63	17	46
RICAP-General Renovations-Maximum	864	864	310	554
RICAP-Roof/Masonry Renovations-Women's	828	128	97	31
RICAP-High Security Fire Alarm HVAC	200	200	98	102
RICAP-Aquidneck & Prudence Cellblock Roofs	0	0	0	0
RICAP-Perimeter/Security Upgrades	314	314	126	188
RICAP - Women's Bath Renovation	756	106	4	102
RICAP - Dix Expansion Consolidation	0	0	0	0
RICAP-Correctional Industries Roof	265	265	88	177
General Revenue Total	117,627	123,297	123,263	34
Federal Funds Total	7,648	6,362	1,175	5,187
Restricted Receipts Total	2,738	2,108	1,811	297
Total-Institutional Corrections	133,230	134,199	127,017	7,182
Community Corrections				
General Revenue Total	11,848	11,216	10,741	475
Federal Funds Total	1,813	1,673	530	1,143
Total-Community Corrections	13,661	12,889	11,271	1,618
General Revenue Fund Total-Corrections	140,077	145,300	144,083	1,217
Federal Grant Fund Total-Corrections	9,461	8,331	1,800	6,531
Restricted Fund Total-Corrections	2,738	2,108	1,811	297
Other Fund Total-Corrections	5,217	2,432	769	1,663
Total-Department of Corrections	157,493	158,171	148,463	9,708
Judicial Department				
Supreme Court				
RICAP-Garrahy Judicial Complex Renovation	4	0	0	0
RICAP-Garrahy Complex Roof Repair	0	0	0	0
RICAP-Licht Exterior/Interior Refurbishment	0	0	0	0
RICAP - Murray Judicial Complex - Interior Refurbishment	360	310	237	73
RICAP-Fogarty Judicial Annex	56	56	8	48
RICAP-Garrahy Lighting & Ceiling	15	0	0	0
RICAP-Licht Judicial Complex Roof Study	25	0	0	0
RICAP-Licht Judicial Complex-Foundation	10	35	0	35
General Revenue Total	22,371	21,070	20,679	391
Defense of Indigents	1,950	2,250	2,377	(127)

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Federal Funds Total	636	928	553	375
Restricted Receipts Total	889	886	822	64
Total-Supreme Court	26,316	25,535	24,676	859
 Superior Court				
Federal Funds Total	164	215	161	54
General Revenue Total	16,681	16,807	16,836	(29)
Total-Superior Court	16,846	17,022	16,997	25
 Family Court				
General Revenue Total	12,622	12,695	13,172	(477)
Federal Funds Total	2,950	3,565	1,940	1,625
Restricted Receipts Total	148	148	125	23
Total-Family Court	15,720	16,408	15,236	1,172
 District Court				
General Revenue Total	7,924	8,154	8,075	79
Federal Funds Total	0	5	(2)	7
Restricted Receipts Total	0	0	(1)	1
Total-District Court	7,924	8,159	8,072	87
 Traffic Tribunal				
General Revenue Total	6,220	6,261	6,290	(29)
Total-Traffic Tribunal	6,220	6,261	6,290	(29)
 Worker's Compensation Court				
Restricted Receipts Total	6,009	6,607	6,264	343
Total-Worker's Compensation Court	6,009	6,607	6,264	343
 General Revenue Fund Total-Judicial Dept	67,768	67,236	67,428	(192)
Federal Grant Fund Total-Judicial Dept	3,750	4,713	2,651	2,062
Restricted Fund Total-Judicial Dept	7,046	7,641	7,209	432
Other Fund Total-Judicial Dept	470	401	245	156
 Total-Judicial Department	79,034	79,990	77,534	2,456

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Militia of the State				
National Guard				
Rails to Trails	0	0	0	0
RICAP-Bristol Armory Rehabilitation	290	290	195	95
RICAP-Benefit St. Arsenal Rehabilitation	192	62	29	33
RICAP-Schofield Armory Rehabilitation	120	120	0	120
RICAP-US Property and Finance Office-HVAC	42	42	0	42
RICAP-Warren Armory	301	301	7	294
RICAP - Warwick Armory Boiler	50	25	0	25
RICAP-Vehicle Exhaust Vent System	1	0	0	0
RICAP - North Smithfield Armory	46	46	2	44
RICAP-CSMS/Armory Construction	376	0	0	0
RICAP-AMC Roof Rehabilitation	100	0	0	0
RICAP-Army Aviation Support Facility	25	0	0	0
General Revenue Total	1,678	1,550	1,442	108
Federal Funds Total	7,908	8,402	5,021	3,381
Restricted Receipts Total	0	10	0	10
Total-National Guard	11,130	10,849	6,697	4,152
Emergency Management				
General Revenue Total	1,119	552	578	(26)
Federal Funds Total	26,886	22,556	17,383	5,173
Restricted Receipts Total	128	167	80	87
Total-Emergency Management	28,133	23,274	18,041	5,233
General Revenue Fund Total-Militia of the State	2,797	2,102	2,020	82
Federal Grant Fund Total-Militia of the State	34,794	30,958	22,404	8,554
Restricted Fund Total-Militia of the State	128	177	80	97
Other Fund Total-Militia of the State	1,544	887	233	654
Total-Militia of the State	39,263	34,123	24,738	9,385
E-911 Uniform Emergency Telephone System				
General Revenue Total	4,438	4,205	4,037	168
General Revenue Fund Total-E-911 Uniform Emer Telephone S	4,438	4,205	4,037	168
Total-E-911 Uniform Emergency Telephone System	4,438	4,205	4,037	168

**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, 2004
(Expressed in Thousands)**

	Original Budget	Final Budget	Actual	Variance
Fire Safety Code Board of Appeal and Review				
Fire Code Commission				
General Revenue Total	235	223	212	11
General Revenue Fund Total-Fire Safety Code	235	223	212	11
	0	0	0	0
Total-Fire Safety Code Board of Appeal and Review	235	223	212	11
Division of Fire Safety				
Fire Safety & Training Academy				
General Revenue Total	1,739	1,678	1,515	163
Federal Funds Total	286	342	100	242
Other Funds	0	20	0	20
General Revenue Fund Total-Div. of Fire Safety	1,739	1,678	1,515	163
Federal Grant Fund Total-Div. of Fire Safety	286	342	100	242
Other Fund Total-Div. of Fire Safety	0	20	0	20
Total-Division of Fire Safety	2,025	2,040	1,615	425
Commission on Judicial Tenure & Discipline				
General Revenue Total	133	128	96	32
General Revenue Fund Total-Comm on Judicial Tenure	133	128	96	32
Total-Commission on Judicial Tenure & Discipline	133	128	96	32
Rhode Island Governor's Justice Commission				
General Revenue Total	163	162	162	0
Federal Funds Total	5,701	5,899	4,749	1,150
Restricted Receipts Total	90	90	20	70
General Revenue Fund Total-RI Gov Just Comm	163	162	162	0
Federal Grant Fund Total-RI Gov Just Comm	5,701	5,899	4,749	1,150
Restricted Fund Total-RI Gov Just Comm	90	90	20	70
Total-Rhode Island Governor's Justice Commission	5,954	6,151	4,931	1,220

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Municipal Police Training School				
General Revenue Total	356	352	343	9
Federal Funds Total	35	73	22	51
General Revenue Fund Total-Municipal Police Training School	356	352	343	9
Federal Grant Fund Total-Municipal Police Training School	35	73	22	51
Total-Municipal Police Training School	391	425	365	60
Rhode Island State Police				
RICAP - Barracks & Training Headquarters'	425	89	85	4
RICAP-Headquarters Repair/Renovation	107	0	0	0
Traffic Enforcement-Municipal Training	150	119	141	(22)
Lottery Commission Assistance	124	116	114	2
Road Construction Reimbursement	1,499	1,587	2,106	(519)
General Revenue Total	40,686	39,381	39,147	234
Federal Funds Total	1,300	2,204	1,323	881
Restricted Receipts Total	223	590	379	211
General Revenue Fund Total-State Police	40,686	39,381	39,147	234
Federal Grant Fund Total-State Police	1,300	2,204	1,323	881
Restricted Fund Total-State Police	223	590	379	211
Other Fund Total-State Police	2,305	1,912	2,446	(534)
Total-Rhode Island State Police	44,515	44,087	43,296	791
Office of Public Defenders				
General Revenue Total	6,575	6,377	6,291	86
Federal Funds Total	442	526	384	142
General Revenue Fund Total-Office of Public Defenders	6,575	6,377	6,291	86
Federal Grant Fund Total-Office of Public Defenders	442	526	384	142
Total-Office of Public Defenders	7,017	6,903	6,675	228

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Department of Environmental Management				
Policy and Administration				
DOT Recreational Projects	21	21	25	(4)
Blackstone Bikepath Design	1,244	1,243	332	911
RICAP-Dam Repair	1,512	400	106	294
General Revenue Total	8,195	8,128	7,923	205
Permanent Streamlining	0	0	0	0
Federal Funds Total	2,939	3,100	549	2,551
Restricted Receipts Total	3,066	3,074	3,453	(379)
Total-Policy and Administration	16,977	15,966	12,387	3,579
Natural Resources				
RICAP-Westerly Boat Ramp	1	0	0	0
RICAP-Fort Adams Rehabilitation	250	250	250	0
RICAP-Recreational Facilities Improvement	687	1,137	133	1,004
RICAP-Fish and Wildlife Office/Laboratory	0	0	0	0
RICAP-Wickford Marine facility	50	0	0	0
RICAP-Galilee Piers	1,552	800	303	497
RICAP-Newport Piers	2	2	0	2
RICAP-Boyd's Marsh Habitat Restoration	400	0	0	0
General Revenue Total	15,053	15,067	15,447	(380)
Federal Funds Total	13,668	14,019	7,306	6,713
Restricted Receipts Total	3,677	3,239	2,767	472
Total-Natural Resources	35,339	34,513	26,206	8,307
Environmental Protection				
Aquafund	0	0	0	0
General Revenue Total	7,769	7,638	8,079	(441)
Rose Hill	299	0	0	0
RIPDES-State	663	663	0	663
Federal Funds Total	8,566	8,950	6,781	2,169
RIPDES-Federal	180	180	0	180
Restricted Receipts Total	3,305	3,283	3,637	(354)
Total-Environmental Protection	20,782	20,713	18,497	2,216
General Revenue Fund Total-DEM	31,978	31,496	31,448	48
Federal Grant Fund Total-DEM	25,353	26,249	14,636	11,613
Restricted Fund Total-DEM	10,048	9,595	9,856	(261)
Other Fund Total-DEM	5,719	3,852	1,149	2,703
Total-Department of Environmental Management	73,098	71,192	57,090	14,102
Coastal Resources Management Council				
RICAP - South Coast Restoration Project	968	0	0	0
RICAP - Allins Cove	172	172	172	0
General Revenue Total	1,550	1,462	1,458	4
Federal Funds Total	1,466	2,362	1,541	821
Restricted Total	4,500	5,210	5,210	0

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
General Revenue Fund Total-Coastal Resources	1,550	1,462	1,458	4
Federal Grant Fund Total-Coastal Resources	1,466	2,362	1,541	821
Restricted Fund Total-Coastal Resources	4,500	5,210	5,210	0
Other Fund Total-Coastal Resources	1,140	172	172	0
 Total-Coastal Resources Management Council	 8,657	 9,206	 8,381	 825
 Water Resources Board				
RICAP-Big River Management Area	105	105	92	13
RICAP-Groundwater Protection/Acquisition	0	0	0	0
RICAP-Water Allocation Plan	70	70	70	0
RICAP-Supplemental Water Supplies Development	39	39	39	0
General Revenue Total	941	905	911	(6)
Federal Total	0	828	554	274
Restricted Receipts Total	984	984	538	446
			0	
General Revenue Fund Total-Water Resources Board	941	905	911	(6)
Federal Grant Fund Total-Water Resources Board	0	828	554	274
Restricted Fund Total-Water Resources Board	984	984	538	446
Other Fund Total-Water Resources Board	214	214	202	12
	0	0	0	0
Total-Water Resources Board	2,139	2,930	2,205	725
Departmental Expenditures	4,635,955	4,704,007	4,594,643	109,364
 Transfer of Excess Budget Reserve to Bond Capital Fund			55,548	(55,548)
Total Expenditures	4,635,955	4,704,007	4,650,191	53,816
 Change in Fund Balance	<u>\$ 13,677</u>	<u>\$ 51,265</u>	<u>(15,546)</u>	<u>66,811</u>
 Beginning Fund Balance			171,840	
Ending Fund Balance			<u>\$ 156,294</u>	
 General Revenue Funds Total	\$ 2,791,768	\$ 2,789,670	\$ 2,726,473	63,197
Federal Grants Funds Total	1,632,389	1,700,783	1,664,496	36,287
Restricted Funds Total	108,229	109,393	109,566	(173)
Other funds total	103,569	104,161	94,108	10,053
General Fund Grand Total	<u>\$ 4,635,955</u>	<u>\$ 4,704,007</u>	<u>\$ 4,594,643</u>	<u>109,364</u>

*May not add due to rounding.

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 141,600	\$ 141,600	\$ 142,487	\$ 887
Departmental restricted revenue	37,408	27,000	1,670	(25,330)
Federal grants	197,231	197,341	167,207	(30,134)
Other revenues	4,000	4,590	2,119	(2,471)
Total revenues	<u>380,239</u>	<u>370,531</u>	<u>313,483</u>	<u>(57,048)</u>
Other financing sources:				
Operating transfers in			64,288	64,288
Total revenues and other financing sources	<u>380,239</u>	<u>370,531</u>	<u>377,771</u>	<u>7,240</u>
Expenditures:				
Central Management				
Gasoline Tax	3,264	3,442	3,160	282
Federal Funds	9,222	9,218	3,829	5,389
Total - Central Management	<u>12,486</u>	<u>12,660</u>	<u>6,989</u>	<u>5,671</u>
Management and Budget				
Gasoline Tax	2,066	1,902	1,871	31
Total - Management and Budget	<u>2,066</u>	<u>1,902</u>	<u>1,871</u>	<u>31</u>
Infrastructure - Engineering				
Gasoline Tax	53,609	52,064	55,387	(3,323)
RICAP - RIPTA Land and Buildings		590		590
State Infrastructure Bank	1,000	1,000		1,000
Land Sale Revenue	4,000	4,000		4,000
Federal Funds	188,009	188,124	158,974	29,150
Restricted Receipts	36,408	26,000	31,105	(5,105)
Subtotal - Infrastructure - Engineering	<u>283,026</u>	<u>271,778</u>	<u>245,466</u>	<u>26,312</u>
State Match - FHWA			25,761	(25,761)
Total - Infrastructure - Engineering	<u>283,026</u>	<u>271,778</u>	<u>271,227</u>	<u>551</u>
Infrastructure - Maintenance				
Gasoline Tax	39,178	39,447	41,123	(1,676)
Total - Infrastructure - Maintenance	<u>39,178</u>	<u>39,447</u>	<u>41,123</u>	<u>(1,676)</u>
Total Expenditures	<u>336,756</u>	<u>325,787</u>	<u>321,210</u>	<u>4,577</u>
Other financing uses:				
Transfers to other funds			44,219	(44,219)
Total expenditures and other financing uses	<u>336,756</u>	<u>325,787</u>	<u>365,429</u>	<u>(39,642)</u>
Net change in net assets	<u>\$ 43,483</u>	<u>\$ 44,744</u>	<u>12,342</u>	<u>(32,402)</u>
Net assets, beginning			<u>25,454</u>	
Net assets, ending			<u>\$ 37,796</u>	

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, 2004
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 178,758	\$ 178,758	\$ 178,758	\$
Other revenues	1,088	1,088	1,088	
Total revenues	<u>179,846</u>	<u>179,846</u>	<u>179,846</u>	
Expenditures:				
Department of Labor and Training				
Income Support				
Temporary Disability Insurance Fund	177,671	162,518	163,463	(945)
Total - Income Support	<u>177,671</u>	<u>162,518</u>	<u>163,463</u>	<u>(945)</u>
Total - Department of Labor and Training	177,671	162,518	163,463	(945)
Treasury Department				
Temporary Disability Insurance Fund	246	255	219	36
Total - Treasury Department	<u>246</u>	<u>255</u>	<u>219</u>	<u>36</u>
Total Expenditures	<u>177,917</u>	<u>162,773</u>	<u>163,682</u>	<u>(909)</u>
Net change in fund balance	1,929	17,073	16,164	(909)
* Fund balance - beginning	114,094	114,094	114,094	
Fund balance - ending	<u>\$ 116,023</u>	<u>\$ 131,167</u>	<u>\$ 130,258</u>	<u>\$ (909)</u>

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

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
June 30, 2004
(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)
06/30/2003	5,695,358	8,746,641	3,051,283	65.1%	1,440,744	211.8%
06/30/2002	5,907,680	8,141,130	2,233,450	72.6%	1,378,905	162.0%
06/30/2001	6,026,141	7,768,536	1,742,395	77.6%	1,287,476	135.3%

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)
06/30/2003	20,966	28,443	7,477	73.7%	11,286	66.3%
06/30/2002	17,770	23,527	5,757	75.5%	10,933	52.7%
06/30/2001	14,386	16,650	2,264	86.4%	9,139	24.8%

Judicial Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2003	13,270	18,435	5,165	72.0%	5,303	97.4%
06/30/2002	11,129	16,243	5,114	68.5%	4,738	107.9%
06/30/2001	9,190	12,026	2,836	76.4%	4,092	69.3%

State of Rhode Island and Providence Plantations
Notes to Required Supplementary Information
June 30, 2004

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

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

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

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

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

**COMBINING
FUND STATEMENTS**

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Expressed in Thousands)

Special Revenue

	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Tobacco Settlement Trust
Assets			
Cash and cash equivalents	\$	\$ 67	\$
Funds on deposit with fiscal agent			
Investments	74,887		
Due from other funds			167
Due from component units		25	
Due from other governments and agencies			
Other assets	502	2	
Total assets	75,389	94	167
Liabilities and Fund Balances			
Liabilities			
Cash overdraft			167
Accounts payable		41	
Due to other funds			
Loans from other funds			
Deferred revenue			
Other liabilities		38	
Total liabilities		79	167
Fund balances			
Reserved for:			
Debt	75,389		
Self-insurance			
Unrestricted			
Special Revenue		15	
Capital Projects Fund			
Permanent Fund			
Total fund balances	75,389	15	
Total Liabilities and fund balances	\$ 75,389	\$ 94	\$ 167

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Expressed in Thousands)

Capital Project

	Bond Capital	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation
Assets				
Cash and cash equivalents	\$ 64,685	\$ 5,769	\$ 822	\$
Funds on deposit with fiscal agent				5,983
Investments				
Due from other funds				
Due from component units				
Due from other governments and agencies	4,242			
Other assets			989	
Total assets	68,927	5,769	1,811	5,983
Liabilities and Fund Balances				
Liabilities				
Cash overdraft	10,872			
Accounts payable	1,685		1	3,261
Due to other funds	1,060			11,646
Loans from other funds				18
Deferred revenue	66			
Other liabilities	323		1,516	
Total liabilities	14,006		1,517	14,925
Fund balances				
Reserved for:				
Debt				2,717
Self-insurance			100	
Unrestricted				
Special Revenue				
Capital Projects Fund	54,921	5,769	194	(11,659)
Permanent Fund				
Total fund balances	54,921	5,769	294	(8,942)
Total Liabilities and fund balances	\$ 68,927	\$ 5,769	\$ 1,811	\$ 5,983

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Expressed in Thousands)

	Debt Service	Permanent	
	Sinking Fund	Permanent School	Totals
Assets			
Cash and cash equivalents	\$ 175	\$ 875	\$ 72,393
Funds on deposit with fiscal agent			5,983
Investments			74,887
Due from other funds			167
Due from component units			25
Due from other governments and agencies			4,242
Other assets			1,493
Total assets	175	875	159,190
Liabilities and Fund Balances			
Liabilities			
Cash overdraft			11,039
Accounts payable			4,988
Due to other funds	175		12,881
Loans from other funds			18
Deferred revenue			66
Other liabilities			1,877
Total liabilities	175		30,869
Fund balances			
Reserved for:			
Debt			78,106
Self-insurance			100
Unrestricted			
Special Revenue			15
Capital Projects Fund			49,225
Permanent Fund		875	875
Total fund balances		875	128,321
Total Liabilities and fund balances	\$ 175	\$ 875	\$ 159,190

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Special Revenue		
	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Tobacco Settlement Trust
Revenues:			
Licenses, fines, sales, and services	\$	\$	\$
Federal grants			
Income from investments	4,618	1	156
Other revenues	45,644	76	
	50,262	77	156
Total operating revenues			
Expenditures:			
Current:			
General government	80	1,495	
Human services			
Education			
Public safety			
Natural resources			
Transportation			
Capital outlays			
Intergovernmental			
Grants			
Debt service:			
Principal	3,710		
Interest and other charges	42,234		
	46,024	1,495	
Total operating expenditures			
Excess (deficiency) of revenues over (under) expenditures	4,238	(1,418)	156
Nonoperating revenues (expenditures)			
Bonds and notes issued			
Premium and accrued interest			
Operating transfers in		1,428	
Operating transfers in from component units			
Payment to refunded bonds escrow agent			
Operating transfers out	(454)		(1,454)
Operating transfers out to component units			
	(454)	1,428	(1,454)
Total nonoperating revenues (expenditures) and other sources (uses)			
Change in fund balances	3,784	10	(1,298)
Fund balances - beginning	71,605	5	1,298
Fund balances - ending	\$ 75,389	\$ 15	\$

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

Capital Projects

	Bond Capital	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation
Revenues:				
Licenses, fines, sales, and services	\$	\$	\$ 2,919	\$
Federal grants	15,497			
Income from investments	677	52	3	73
Other revenues	1			
Total operating revenues	<u>16,175</u>	<u>52</u>	<u>2,922</u>	<u>73</u>
Expenditures:				
Current:				
General government	11		31	
Human services	245			17
Education	848			
Public safety				59
Natural resources	1,762			
Transportation	91			
Capital outlays	7,460			18,242
Intergovernmental		166		
Grants	6,145			
Debt service:				
Principal				
Interest and other charges	618	4	2,890	70
Total operating expenditures	<u>17,180</u>	<u>170</u>	<u>2,921</u>	<u>18,388</u>
Excess (deficiency) of revenues over (under) expenditures	(1,005)	(118)	1	(18,315)
Nonoperating revenues (expenditures)				
Bonds and notes issued	143,670	1,930		
Premium and accrued interest	9,230	60		
Operating transfers in	55,548			
Operating transfers in from component units				
Payment to refunded bonds escrow agent	(72,160)			
Operating transfers out	(108,047)			
Operating transfers out to component units	(29,861)	(1,811)		(90)
Total nonoperating revenues (expenditures) and other sources (uses)	<u>(1,620)</u>	<u>179</u>		<u>(90)</u>
Change in fund balances	<u>(2,625)</u>	<u>61</u>	<u>1</u>	<u>(18,405)</u>
Fund balances - beginning	<u>57,546</u>	<u>5,708</u>	<u>293</u>	<u>9,463</u>
Fund balances - ending	<u>\$ 54,921</u>	<u>\$ 5,769</u>	<u>\$ 294</u>	<u>\$ (8,942)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>Debt Service</u>	<u>Permanent</u>	
	<u>Sinking Fund</u>	<u>Permanent School</u>	<u>Totals</u>
Revenues:			
Licenses, fines, sales, and services	\$	\$ 29	\$ 2,948
Federal grants			15,497
Income from investments	2	8	5,590
Other revenues			45,721
Total operating revenues	<u>2</u>	<u>37</u>	<u>69,756</u>
Expenditures:			
Current:			
General government			1,617
Human services			262
Education			848
Public safety			59
Natural resources			1,762
Transportation			91
Capital outlays			25,702
Intergovernmental			166
Grants			6,145
Debt service:			
Principal			3,710
Interest and other charges			45,816
Total operating expenditures			<u>86,178</u>
Excess (deficiency) of revenues over (under) expenditures	2	37	(16,422)
Nonoperating revenues (expenditures)			
Bonds and notes issued			145,600
Premium and accrued interest			9,290
Operating transfers in			56,976
Operating transfers in from component units	173		173
Payment to refunded bonds escrow agent			(72,160)
Operating transfers out	(175)		(110,130)
Operating transfers out to component units			(31,762)
Total nonoperating revenues (expenditures) and other sources (uses)	<u>(2)</u>		<u>(2,013)</u>
Change in fund balances		<u>37</u>	<u>(18,435)</u>
Fund balances - beginning		<u>838</u>	<u>146,756</u>
Fund balances - ending	<u>\$</u>	<u>\$ 875</u>	<u>\$ 128,321</u>

(Concluded)

Internal Service Funds

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

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

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

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

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

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

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

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

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

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

Central Laundry – provides laundry service to the State institutions.

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004
(Expressed in Thousands)

	<u>Federal Surplus Property</u>	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Information Processing</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$	\$ 873	\$ 190	\$ 608	\$ 1,320
Receivables (net)		1,066	1,416	48	
Due from other funds					
Inventories					
Other assets					
Total current assets		<u>1,939</u>	<u>1,606</u>	<u>656</u>	<u>1,320</u>
Noncurrent assets:					
Loans receivable				475	
Capital assets (net)					311
Total noncurrent assets				<u>475</u>	<u>311</u>
Total assets		<u>1,939</u>	<u>1,606</u>	<u>1,131</u>	<u>1,631</u>
Liabilities:					
Current liabilities:					
Cash overdraft					
Accounts payable		80	2,642		375
Due to other funds		269	18		363
Loans from the general fund					
Accrued liabilities		252	33		805
Obligations under capital leases					92
Total current liabilities		<u>601</u>	<u>2,693</u>		<u>1,635</u>
Noncurrent liabilities:					
Obligations under capital leases					
Total noncurrent liabilities					
Total liabilities		<u>601</u>	<u>2,693</u>		<u>1,635</u>
Net Assets:					
Invested in capital assets, net of related debt					219
Unrestricted		1,338	(1,087)	1,131	(223)
Total net assets	\$	<u>\$ 1,338</u>	<u>\$ (1,087)</u>	<u>\$ 1,131</u>	<u>\$ (4)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004
(Expressed in Thousands)

	<u>Central Postage</u>	<u>Centrex</u>	<u>Pastore Communications</u>	<u>Central Pharmacy</u>	<u>Central Laundry</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 12	\$ 716	\$	\$	\$
Receivables (net)			121	117	
Due from other funds				899	45
Inventories	86			451	131
Other assets				503	155
Total current assets	<u>98</u>	<u>716</u>	<u>121</u>	<u>1,970</u>	<u>331</u>
Noncurrent assets:					
Loans receivable					
Capital assets (net)	221	4	19		436
Total noncurrent assets	<u>221</u>	<u>4</u>	<u>19</u>		<u>436</u>
Total assets	<u>319</u>	<u>720</u>	<u>140</u>	<u>1,970</u>	<u>767</u>
Liabilities:					
Current liabilities:					
Cash overdraft			100	623	507
Accounts payable	98	105	76	193	159
Due to other funds	68	572	93		
Loans from the general fund					
Accrued liabilities	1	41		51	30
Obligations under capital leases	71				
Total current liabilities	<u>238</u>	<u>718</u>	<u>269</u>	<u>867</u>	<u>696</u>
Noncurrent liabilities:					
Obligations under capital leases	112				
Total noncurrent liabilities	<u>112</u>				
Total liabilities	<u>350</u>	<u>718</u>	<u>269</u>	<u>867</u>	<u>696</u>
Net Assets:					
Invested in capital assets, net of related debt	38	4	19		436
Unrestricted	(69)	(2)	(148)	1,103	(365)
Total net assets	<u>\$ (31)</u>	<u>\$ 2</u>	<u>\$ (129)</u>	<u>\$ 1,103</u>	<u>\$ 71</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004
(Expressed in Thousands)

	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>	<u>Records Center</u>	<u>Total</u>
Assets:						
Current assets:						
Cash and cash equivalents	\$ 1,362	\$ 379	\$ 343	\$	\$ 127	\$ 5,930
Receivables (net)	35	44	1,051			3,898
Due from other funds			966	33		1,943
Inventories	202	667	752			2,289
Other assets			88			746
Total current assets	<u>1,599</u>	<u>1,090</u>	<u>3,200</u>	<u>33</u>	<u>127</u>	<u>14,806</u>
Noncurrent assets:						
Loans receivable						475
Capital assets (net)		2,014	355		1	3,361
Total noncurrent assets		<u>2,014</u>	<u>355</u>		<u>1</u>	<u>3,836</u>
Total assets	<u>1,599</u>	<u>3,104</u>	<u>3,555</u>	<u>33</u>	<u>128</u>	<u>18,642</u>
Liabilities:						
Current liabilities:						
Cash overdraft						1,230
Accounts payable	1,413	170	421		57	5,789
Due to other funds	51	10			10	1,454
Loans from the general fund	100					100
Accrued liabilities	59	49	107		6	1,434
Obligations under capital leases		557				720
Total current liabilities	<u>1,623</u>	<u>786</u>	<u>528</u>		<u>73</u>	<u>10,727</u>
Noncurrent liabilities:						
Obligations under capital leases						112
Total noncurrent liabilities						<u>112</u>
Total liabilities	<u>1,623</u>	<u>786</u>	<u>528</u>		<u>73</u>	<u>10,839</u>
Net Assets:						
Invested in capital assets, net of related debt		1,457	355		1	2,529
Unrestricted	(24)	861	2,672	33	54	5,274
Total net assets	<u>\$ (24)</u>	<u>\$ 2,318</u>	<u>\$ 3,027</u>	<u>\$ 33</u>	<u>\$ 55</u>	<u>\$ 7,803</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>Federal Surplus Property</u>	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Information Processing</u>	<u>Central Postage</u>	<u>Centrex</u>	<u>Pastore Communications</u>
Operating revenues:								
Charges for services	\$	\$ 27,590	\$ 16,323	\$ 2	\$ 10,238	\$ 4,263	\$ 1,585	\$ 704
Total operating revenues		27,590	16,323	2	10,238	4,263	1,585	704
Operating expenses:								
Personal services		2,359	315		6,075	207	206	54
Supplies, materials, and services		25,135	17,319		4,405	4,421	1,850	659
Depreciation					219	63	15	2
Total operating expenses		27,494	17,634		10,699	4,691	2,071	715
Operating income (loss)		96	(1,311)	2	(461)	(428)	(486)	(11)
Nonoperating revenues (expenses):								
Interest revenue								
Interest expense								
Other nonoperating revenues and (expenses)	1	20			6			
Income (loss) before transfers	1	116	(1,311)	2	(455)	(428)	(486)	(11)
Operating transfers out		(1,224)						
Net income (loss)	1	(1,108)	(1,311)	2	(455)	(428)	(486)	(11)
Total net assets - beginning	(1)	2,446	224	1,129	451	397	488	(118)
Total net assets - ending	\$	\$ 1,338	\$ (1,087)	\$ 1,131	\$ (4)	\$ (31)	\$ 2	\$ (129)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>Central Pharmacy</u>	<u>Central Laundry</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>	<u>Records Center</u>	<u>Total</u>
Operating revenues:								
Charges for services	\$ 8,958	\$ 1,016	\$ 13,938	\$ 5,513	\$ 5,341	\$ 33	\$ 792	\$ 96,296
Total operating revenues	<u>8,958</u>	<u>1,016</u>	<u>13,938</u>	<u>5,513</u>	<u>5,341</u>	<u>33</u>	<u>792</u>	<u>96,296</u>
Operating expenses:								
Personal services	395	760	605	693	1,707		213	13,589
Supplies, materials, and services	8,101	514	13,928	4,627	2,938		724	84,621
Depreciation		75		154	174		3	705
Total operating expenses	<u>8,496</u>	<u>1,349</u>	<u>14,533</u>	<u>5,474</u>	<u>4,819</u>		<u>940</u>	<u>98,915</u>
Operating income (loss)	<u>462</u>	<u>(333)</u>	<u>(595)</u>	<u>39</u>	<u>522</u>	<u>33</u>	<u>(148)</u>	<u>(2,619)</u>
Nonoperating revenues (expenses):								
Interest revenue			11		10			21
Interest expense				(61)				(61)
Other nonoperating revenues and (expenses)			(2)					25
Income (loss) before transfers	<u>462</u>	<u>(333)</u>	<u>(586)</u>	<u>(22)</u>	<u>532</u>	<u>33</u>	<u>(148)</u>	<u>(2,634)</u>
Operating transfers out								<u>(1,224)</u>
Net income (loss)	<u>462</u>	<u>(333)</u>	<u>(586)</u>	<u>(22)</u>	<u>532</u>	<u>33</u>	<u>(148)</u>	<u>(3,858)</u>
Total net assets - beginning	<u>641</u>	<u>404</u>	<u>562</u>	<u>2,340</u>	<u>2,495</u>		<u>203</u>	<u>11,661</u>
Total net assets - ending	<u>\$ 1,103</u>	<u>\$ 71</u>	<u>\$ (24)</u>	<u>\$ 2,318</u>	<u>\$ 3,027</u>	<u>\$ 33</u>	<u>\$ 55</u>	<u>\$ 7,803</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>Federal Surplus Property</u>	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>
Cash flows from operating activities:			
Cash received from customers	\$	\$ 27,338	\$ 16,522
Cash payments to suppliers for goods and services		(25,130)	(17,327)
Cash payments to employees for services		(2,437)	(315)
Other operating revenue (expense)		20	
Net cash provided by (used for) operating activities		(209)	(1,120)
Cash flows from noncapital financing activities:			
Loans from the general fund		1,000	4,500
Repayment of loans to the general fund		(1,000)	(4,500)
Operating transfers out		(1,224)	
Negative cash balance implicitly financed			
Net cash provided by (used for) noncapital financing activities		(1,224)	
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations			
Interest paid on capital lease obligations			
Acquisition of capital assets			
Net cash provided by (used for) capital and related financing activities			
Cash flows from investing activities:			
Interest on investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents		(1,433)	(1,120)
Cash and cash equivalents - July 1		2,306	1,310
Cash and cash equivalents - June 30	\$	\$ 873	\$ 190
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$	\$ 96	\$ (1,311)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$	\$	\$
Other revenue (expense) and operating transfer in (out)		26	
(Increase) decrease in assets:			
Receivables		3,869	9,825
Inventory			
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable		(4,113)	(9,634)
Accrued expenses		(87)	
Total adjustments		(305)	191
Net cash provided by (used for) operating activities	\$	\$ (209)	\$ (1,120)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Energy Revolving	Information Processing	Central Postage
Cash flows from operating activities:			
Cash received from customers	\$ 183	\$ 11,371	\$ 4,707
Cash payments to suppliers for goods and services		(4,010)	(4,273)
Cash payments to employees for services		(6,281)	(208)
Other operating revenue (expense)		6	
Net cash provided by (used for) operating activities	<u>183</u>	<u>1,086</u>	<u>226</u>
Cash flows from noncapital financing activities:			
Loans from the general fund		200	
Repayment of loans to the general fund		(200)	
Operating transfers out			
Negative cash balance implicitly financed			
Net cash provided by (used for) noncapital financing activities			
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations		(105)	
Interest paid on capital lease obligations			(69)
Acquisition of capital assets			
Net cash provided by (used for) capital and related financing activities		<u>(105)</u>	<u>(69)</u>
Cash flows from investing activities:			
Interest on investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents	183	981	156
Cash and cash equivalents - July 1	425	339	(144)
Cash and cash equivalents - June 30	<u>\$ 608</u>	<u>\$ 1,320</u>	<u>\$ 12</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 2	\$ (461)	\$ (428)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$	\$ 219	\$ 63
Other revenue (expense) and operating transfer in (out)		223	
(Increase) decrease in assets:			
Receivables	23	4,706	2,123
Inventory			90
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable	158	(3,395)	(1,621)
Accrued expenses		(206)	(1)
Total adjustments	<u>181</u>	<u>1,547</u>	<u>654</u>
Net cash provided by (used for) operating activities	<u>\$ 183</u>	<u>\$ 1,086</u>	<u>226</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Centrex	Pastore Communications	Central Pharmacy
Cash flows from operating activities:			
Cash received from customers	\$ 2,449	\$ 952	\$ 8,849
Cash payments to suppliers for goods and services	(1,851)	(694)	(8,566)
Cash payments to employees for services	(213)	(54)	(427)
Other operating revenue (expense)			1
Net cash provided by (used for) operating activities	<u>385</u>	<u>204</u>	<u>(143)</u>
Cash flows from noncapital financing activities:			
Loans from the general fund			400
Repayment of loans to the general fund			(400)
Operating transfers out			
Negative cash balance implicitly financed		100	623
Net cash provided by (used for) noncapital financing activities		<u>100</u>	<u>623</u>
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations			
Interest paid on capital lease obligations			
Acquisition of capital assets		(21)	
Net cash provided by (used for) capital and related financing activities		<u>(21)</u>	
Cash flows from investing activities:			
Interest on investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents	385	283	480
Cash and cash equivalents - July 1	331	(283)	(480)
Cash and cash equivalents - June 30	<u>\$ 716</u>	<u>\$</u>	<u>\$</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (486)	\$ (11)	\$ 462
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 15	\$ 2	\$
Other revenue (expense) and operating transfer in (out)	3	3	1
(Increase) decrease in assets:			
Receivables	1,126	540	3,761
Inventory			(7)
Prepaid items			(150)
Increase (decrease) in liabilities:			
Vouchers and accounts payable	(266)	(330)	(4,179)
Accrued expenses	(7)		(31)
Total adjustments	<u>871</u>	<u>215</u>	<u>(605)</u>
Net cash provided by (used for) operating activities	<u>\$ 385</u>	<u>\$ 204</u>	<u>\$ (143)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Central Laundry	Automotive Maintenance	Central Warehouse
Cash flows from operating activities:			
Cash received from customers	\$ 1,022	\$ 14,784	\$ 5,866
Cash payments to suppliers for goods and services	(390)	(13,347)	(4,635)
Cash payments to employees for services	(770)	(606)	(797)
Other operating revenue (expense)	1	(24)	
Net cash provided by (used for) operating activities	<u>(137)</u>	<u>807</u>	<u>434</u>
Cash flows from noncapital financing activities:			
Loans from the general fund		3,369	200
Repayment of loans to the general fund		(3,369)	(200)
Operating transfers out			
Negative cash balance implicitly financed	507		
Net cash provided by (used for) noncapital financing activities	<u>507</u>		
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations			(160)
Interest paid on capital lease obligations			
Acquisition of capital assets	(124)		(1)
Net cash provided by (used for) capital and related financing activities	<u>(124)</u>		<u>(161)</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	246	818	273
Cash and cash equivalents - July 1	(246)	544	106
Cash and cash equivalents - June 30	<u>\$</u>	<u>\$ 1,362</u>	<u>\$ 379</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (333)	\$ (595)	\$ 39
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 75	\$	\$ 154
Other revenue (expense) and operating transfer in (out)	959		(44)
(Increase) decrease in assets:			
Receivables		1,101	2,003
Inventory	16	(121)	(42)
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable	(844)	423	(1,572)
Accrued expenses	(10)	(1)	(104)
Total adjustments	<u>196</u>	<u>1,402</u>	<u>395</u>
Net cash provided by (used for) operating activities	<u>\$ (137)</u>	<u>\$ 807</u>	<u>\$ 434</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Correctional Industries	Surplus Property	Records Center	Total
Cash flows from operating activities:				
Cash received from customers	\$ 5,938	\$	\$ 943	\$ 100,924
Cash payments to suppliers for goods and services	(3,649)		(726)	(84,598)
Cash payments to employees for services	(1,758)		(220)	(14,086)
Other operating revenue (expense)				4
Net cash provided by (used for) operating activities	<u>531</u>		<u>(3)</u>	<u>2,244</u>
Cash flows from noncapital financing activities:				
Loans from the general fund	1,350		60	11,079
Repayment of loans to the general fund	(1,350)		(60)	(11,079)
Operating transfers out				(1,224)
Negative cash balance implicitly financed				1,230
Net cash provided by (used for) noncapital financing activities				<u>6</u>
Cash flows from capital and related financing activities:				
Principal paid on capital lease obligations				(265)
Interest paid on capital lease obligations				(69)
Acquisition of capital assets	(124)			(270)
Net cash provided by (used for) capital and related financing activities	<u>(124)</u>			<u>(604)</u>
Cash flows from investing activities:				
Interest on investments	10			21
Net cash provided by (used for) investing activities	<u>10</u>			<u>21</u>
Net increase (decrease) in cash and cash equivalents	417		(3)	1,666
Cash and cash equivalents - July 1	(74)		130	4,264
Cash and cash equivalents - June 30	<u>\$ 343</u>	<u>\$</u>	<u>\$ 127</u>	<u>\$ 5,930</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 522	\$ 33	\$ (148)	\$ (2,619)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 174	\$	\$ 3	\$ 705
Other revenue (expense) and operating transfer in (out)	57	(33)	1	1,196
(Increase) decrease in assets:				
Receivables	136		216	29,429
Inventory	(168)			(232)
Prepaid items	(88)			(238)
Increase (decrease) in liabilities:				
Vouchers and accounts payable	(51)		(68)	(25,492)
Accrued expenses	(51)		(7)	(505)
Total adjustments	<u>9</u>	<u>(33)</u>	<u>145</u>	<u>4,863</u>
Net cash provided by (used for) operating activities	<u>\$ 531</u>	<u>\$</u>	<u>\$ (3)</u>	<u>\$ 2,244</u>

(Concluded)

Pension Trust Funds

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Plan Net Assets
Pension Trust Funds
June 30, 2004
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Assets					
Cash and cash equivalents	\$ 8,559	\$ 547	\$ 218	\$ 171	\$ 9,495
Receivables					
Contributions	24,791	2,948		18	27,757
Due from state for teachers	18,428				18,428
Due from other plans	1,255	23,582			24,837
Miscellaneous	3,483				3,483
Total receivables	47,957	26,530		18	74,505
Investments, at fair value					
Equity in Short-Term Investment Fund		6,526			6,526
Equity in Pooled Trust	5,327,152	797,601	24,273	15,650	6,164,676
Plan specific investments	22,629				22,629
Total investments before lending activities	5,349,781	804,127	24,273	15,650	6,193,831
Invested securities lending collateral	696,928	104,347	3,175	2,047	806,497
Property and equipment, at cost, net of accumulated depreciation					
Line of Business System in Development	12,488	1,839	31	20	14,378
Computer Equipment	143	21			164
Total Property and Equipment	12,631	1,860	31	20	14,542
Total assets	6,115,856	937,411	27,697	17,906	7,098,870
Liabilities					
Securities lending liability	696,928	104,347	3,175	2,047	806,497
Accounts payable	6,443	1,159	26	15	7,643
Due to other plans	23,582	1,255			24,837
Total liabilities	726,953	106,761	3,201	2,062	838,977
Net assets held in trust for pension benefits	\$ 5,388,903	\$ 830,650	\$ 24,496	\$ 15,844	\$ 6,259,893

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Additions					
Contributions					
Member contributions	\$ 134,023	\$ 19,554	\$ 727	\$ 472	\$ 154,776
Employer contributions	128,030	9,406	2,224	1,830	141,490
State contributions for teachers	45,039				45,039
Interest on service credits purchased	898	89			987
Total contributions	<u>307,990</u>	<u>29,049</u>	<u>2,951</u>	<u>2,302</u>	<u>342,292</u>
Investment income					
Net appreciation (depreciation) in fair value of investments	740,815	111,278	2,974	1,905	856,972
Interest	62,533	14,547	275	176	77,531
Dividends	35,054	5,241	148	95	40,538
Other investment income	41,226	6,166	178	114	47,684
	<u>879,628</u>	<u>137,232</u>	<u>3,575</u>	<u>2,290</u>	<u>1,022,725</u>
Less investment expense	12,225	1,827	53	34	14,139
Net income from investing activities	<u>867,403</u>	<u>135,405</u>	<u>3,522</u>	<u>2,256</u>	<u>1,008,586</u>
Securities Lending					
Securities lending income	5,633	841	26	16	6,516
Less securities lending expense	4,204	629	19	12	4,864
Net securities lending income	<u>1,429</u>	<u>212</u>	<u>7</u>	<u>4</u>	<u>1,652</u>
Total net investment income	<u>868,832</u>	<u>135,617</u>	<u>3,529</u>	<u>2,260</u>	<u>1,010,238</u>
Total additions	<u>1,176,822</u>	<u>164,666</u>	<u>6,480</u>	<u>4,562</u>	<u>1,352,530</u>
Deductions					
Benefits					
Retirement benefits	357,334	34,042	69	145	391,590
Cost of living adjustment	92,141	4,521	1	4	96,667
SRA Plus (option)	25,336	1,195			26,531
Supplemental benefits	1,035				1,035
Death benefits	3,165	596			3,761
Total benefits	<u>479,011</u>	<u>40,354</u>	<u>70</u>	<u>149</u>	<u>519,584</u>
Refund of contributions	6,422	1,419	11		7,852
Administrative expense	4,738	713	15	10	5,476
Total deductions	<u>490,171</u>	<u>42,486</u>	<u>96</u>	<u>159</u>	<u>532,912</u>
Net increase (decrease)	686,651	122,180	6,384	4,403	819,618
Net assets held in trust for pension benefits					
Net assets - beginning	4,702,252	708,470	18,112	11,441	5,440,275
Net assets - ending	<u>\$ 5,388,903</u>	<u>\$ 830,650</u>	<u>\$ 24,496</u>	<u>\$ 15,844</u>	<u>\$ 6,259,893</u>

Agency Funds

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2004
(Expressed in Thousands)

Statutory Deposits

Assets	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Cash and cash equivalents	\$ 5,007	\$ 127	\$	\$ 5,134
Investments	65,500		4,089	61,411
Total assets	\$ 70,507	\$ 127	\$ 4,089	\$ 66,545
Liabilities				
Deposits held for others	\$ 70,507	\$	\$ 3,962	\$ 66,545
Total liabilities	\$ 70,507	\$	\$ 3,962	\$ 66,545

Court Deposits

Assets	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Cash and cash equivalents	\$ 13,534	\$	\$ 1,592	\$ 11,942
Total assets	\$ 13,534	\$	\$ 1,592	\$ 11,942
Liabilities				
Deposits held for others	\$ 13,534	\$	\$ 1,592	\$ 11,942
Total liabilities	\$ 13,534	\$	\$ 1,592	\$ 11,942

Total - All Agency Funds

Assets	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Cash and cash equivalents	\$ 18,541	\$ 127	\$ 1,592	\$ 17,076
Investments	65,500		4,089	61,411
Total assets	\$ 84,041	\$ 127	\$ 5,681	\$ 78,487
Liabilities				
Deposits held for others	\$ 84,041	\$	\$ 5,554	\$ 78,487
Total liabilities	\$ 84,041	\$	\$ 5,554	\$ 78,487

Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2004
(Expressed in Thousands)

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTRF	NBC
Assets						
Current Assets:						
Cash and cash equivalents	\$ 243,387	\$ 138,486	\$ 6,355	\$ 100,513	\$ 1,635	\$ 84,852
Investments	657,597	12,964				
Receivables (net)	914,087	57,530	177	10,009	1,070	15,898
Due from primary government				601	14	
Due from other governments				7,000		
Inventories						
Other assets		1,152	188	219		187
Rentals due						
Total current assets	<u>1,815,071</u>	<u>210,132</u>	<u>6,720</u>	<u>118,342</u>	<u>2,719</u>	<u>100,937</u>
Noncurrent Assets:						
Investments			31,088	28,582		
Receivables (net)		686,864	46	44,657		
Capital assets - nondepreciable			5,803	79,439		205,601
Capital assets - depreciable (net)			58,497	249,560	55	199,706
Rentals due						
Other assets, net of amortization	38,476	4,001	202	3,965	4	3,929
Total noncurrent assets	<u>38,476</u>	<u>690,865</u>	<u>95,636</u>	<u>406,204</u>	<u>59</u>	<u>409,236</u>
Total assets	<u>1,853,547</u>	<u>900,997</u>	<u>102,356</u>	<u>524,546</u>	<u>2,778</u>	<u>510,173</u>
Liabilities						
Current liabilities:						
Cash overdraft		437				
Accounts payable			2,116	2,314	11	12,896
Due to primary government				24		
Due to (from) other component units				1		
Due to other governments		542				
Accrued liabilities	29,648	2,133	532	3,372	1,178	4,837
Deferred revenue		8,146	881			1,212
Other liabilities						
Current portion of long-term debt	236,585	2,815	1,919	15,467		9,226
Total current liabilities	<u>266,233</u>	<u>14,073</u>	<u>5,448</u>	<u>21,178</u>	<u>1,189</u>	<u>28,171</u>
Noncurrent liabilities:						
Due to other governments						
Accrued liabilities		18,508		5,242		457
Deferred revenue	3,062					
Notes payable	2,000					
Loans payable						179,367
Obligations under capital leases						264
Escrow deposits	186,505					
Other liabilities						
Compensated absences						
Bonds payable	1,142,448	803,361	31,794	256,439		79,454
Total noncurrent liabilities	<u>1,334,015</u>	<u>821,869</u>	<u>31,794</u>	<u>261,681</u>		<u>259,542</u>
Total liabilities	<u>1,600,248</u>	<u>835,942</u>	<u>37,242</u>	<u>282,859</u>	<u>1,189</u>	<u>287,713</u>
Net assets						
Invested in capital assets, net of related debt	18,497		30,586	138,550	55	136,539
Restricted for debt service	163,976	62,937	7,714	77,041	685	34
Unrestricted	70,826	2,118	26,814	26,096	849	85,887
Total net assets	<u>\$ 253,299</u>	<u>\$ 65,055</u>	<u>\$ 65,114</u>	<u>\$ 241,687</u>	<u>\$ 1,589</u>	<u>\$ 222,460</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2004
(Expressed in Thousands)

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 309	\$ 10,562	\$ 6,506	\$ 4,316	\$ 1,208
Investments	8,137		1,618		
Receivables (net)	512	8,154	40	3,961	72
Due from primary government				1,472	
Due from other governments			692		
Inventories				2,210	
Other assets	32		62	248	
Rentals due		1,776			
Total current assets	<u>8,990</u>	<u>20,492</u>	<u>8,918</u>	<u>12,207</u>	<u>1,280</u>
Noncurrent Assets:					
Investments		1,819	15,741		
Receivables (net)	2,174		346		
Capital assets - nondepreciable		18,268	194	2,382	
Capital assets - depreciable (net)	109	48,227	1,304	91,132	
Rentals due					
Other assets, net of amortization		81,916			
Total noncurrent assets	<u>2,283</u>	<u>150,230</u>	<u>17,585</u>	<u>93,514</u>	
Total assets	<u>11,273</u>	<u>170,722</u>	<u>26,503</u>	<u>105,721</u>	<u>1,280</u>
Liabilities					
Current liabilities:					
Cash overdraft					
Accounts payable	49	10,240	394	5,303	7
Due to primary government					
Due to (from) other component units					573
Due to other governments			278		
Accrued liabilities	21	711	94	3,315	
Deferred revenue				6	262
Other liabilities				53	
Current portion of long-term debt		710			
Total current liabilities	<u>70</u>	<u>11,661</u>	<u>766</u>	<u>8,677</u>	<u>842</u>
Noncurrent liabilities:					
Due to other governments			313		
Accrued liabilities			213	9,193	
Deferred revenue			372	251	
Notes payable					
Loans payable					
Obligations under capital leases					
Escrow deposits					
Other liabilities		64,697			
Compensated absences					
Bonds payable		17,591			
Total noncurrent liabilities		<u>82,288</u>	<u>898</u>	<u>9,444</u>	
Total liabilities	<u>70</u>	<u>93,949</u>	<u>1,664</u>	<u>18,121</u>	<u>842</u>
Net assets					
Invested in capital assets, net of related debt	109	48,194	1,498	93,514	
Restricted for debt service		(9,878)	18,585		
Unrestricted	11,094	38,457	4,756	(5,914)	438
Total net assets	<u>\$ 11,203</u>	<u>\$ 76,773</u>	<u>\$ 24,839</u>	<u>\$ 87,600</u>	<u>\$ 438</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2004
(Expressed in Thousands)

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 35,888	\$ 4,507	\$ 7,123	\$ 247	\$ 1,744
Investments	198,034			995	9,598
Receivables (net)	24,873	2	178	79	334
Due from primary government			8		
Due from other governments					
Inventories				21	
Other assets	77		35	6	1,769
Rentals due			825		
Total current assets	<u>258,872</u>	<u>4,509</u>	<u>8,169</u>	<u>1,348</u>	<u>13,445</u>
Noncurrent Assets:					
Investments			1,837		
Receivables (net)	437,224				
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	58	410	6	3,864	50
Rentals due			4,730		
Other assets, net of amortization	4,153		285	348	10,731
Total noncurrent assets	<u>441,435</u>	<u>592</u>	<u>6,857</u>	<u>5,033</u>	<u>10,781</u>
Total assets	<u>700,307</u>	<u>5,101</u>	<u>15,026</u>	<u>6,381</u>	<u>24,226</u>
Liabilities					
Current liabilities:					
Cash overdraft					
Accounts payable	2,276		3	141	548
Due to primary government				214	
Due to (from) other component units		28			
Due to other governments					
Accrued liabilities	5,144		204	141	
Deferred revenue		25	723	51	
Other liabilities					3,669
Current portion of long-term debt	11,885		1,476	534	
Total current liabilities	<u>19,305</u>	<u>53</u>	<u>2,406</u>	<u>1,081</u>	<u>4,217</u>
Noncurrent liabilities:					
Due to other governments					
Accrued liabilities					
Deferred revenue				924	
Notes payable					
Loans payable					
Obligations under capital leases			4	2,791	
Escrow deposits					
Other liabilities	847	3,200			22,391
Compensated absences				188	
Bonds payable	415,873		14,228		
Total noncurrent liabilities	<u>416,720</u>	<u>3,200</u>	<u>14,232</u>	<u>3,903</u>	<u>22,391</u>
Total liabilities	<u>436,025</u>	<u>3,253</u>	<u>16,638</u>	<u>4,984</u>	<u>26,608</u>
Net assets					
Invested in capital assets, net of related debt	58	592		436	50
Restricted for debt service	255,615		(2,037)		
Unrestricted	8,609	1,256	425	961	(2,432)
Total net assets	<u>\$ 264,282</u>	<u>\$ 1,848</u>	<u>\$ (1,612)</u>	<u>\$ 1,397</u>	<u>\$ (2,382)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2004
(Expressed in Thousands)

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 36,340	\$ 9,348	\$ 4,940	\$ 3,312	\$ 701,578
Investments					888,943
Receivables (net)	36,528	3,664	2,275	52	1,079,495
Due from primary government				1,001	3,096
Due from other governments					7,692
Inventories	4,277	481	513		7,502
Other assets	209		1,146		5,330
Rentals due					2,601
Total current assets	<u>77,354</u>	<u>13,493</u>	<u>8,874</u>	<u>4,365</u>	<u>2,696,237</u>
Noncurrent Assets:					
Investments	72,228	11,185	1,199		163,679
Receivables (net)	12,475	4,436	116		1,188,338
Capital assets - nondepreciable	7,465	7,456	14,333	322	342,265
Capital assets - depreciable (net)	247,478	49,102	30,798	2,746	983,102
Rentals due					4,730
Other assets, net of amortization	9,101	4,639	702		162,452
Total noncurrent assets	<u>348,746</u>	<u>76,818</u>	<u>47,148</u>	<u>3,068</u>	<u>2,844,566</u>
Total assets	<u>426,100</u>	<u>90,311</u>	<u>56,022</u>	<u>7,433</u>	<u>5,540,803</u>
Liabilities					
Current liabilities:					
Cash overdraft	100			112	649
Accounts payable	25,940	6,457	2,769	983	72,447
Due to primary government			557		795
Due to (from) other component units					602
Due to other governments					820
Accrued liabilities				2,056	53,386
Deferred revenue	11,010	1,608	1,436		25,360
Other liabilities	1,004	2,797	545		8,068
Current portion of long-term debt	3,157	3,344	3,255	83	290,456
Total current liabilities	<u>41,212</u>	<u>14,206</u>	<u>8,562</u>	<u>3,234</u>	<u>452,584</u>
Noncurrent liabilities:					
Due to other governments		3,864			4,177
Accrued liabilities					33,613
Deferred revenue					4,609
Notes payable		2,050	395		4,445
Loans payable	243				179,610
Obligations under capital leases	15,012	195	1,821		20,087
Escrow deposits					186,505
Other liabilities	11,532	295	40		103,002
Compensated absences	15,644	2,410	2,558	1,750	22,550
Bonds payable	95,767	12,538	3,470		2,872,963
Total noncurrent liabilities	<u>138,198</u>	<u>21,352</u>	<u>8,284</u>	<u>1,750</u>	<u>3,431,561</u>
Total liabilities	<u>179,410</u>	<u>35,558</u>	<u>16,846</u>	<u>4,984</u>	<u>3,884,145</u>
Net assets					
Invested in capital assets, net of related debt	141,511	41,185	39,050	3,069	693,493
Restricted for debt service	91,444	14,903	4,911	191	686,121
Unrestricted	13,735	(1,335)	(4,785)	(811)	277,044
Total net assets	<u>\$ 246,690</u>	<u>\$ 54,753</u>	<u>\$ 39,176</u>	<u>\$ 2,449</u>	<u>\$ 1,656,658</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Year Ended June 30, 2004
(Expressed in Thousands)

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTFR	NBC
Operating revenues:						
Charges for services	\$ 5,535	\$	\$ 12,131	\$ 50,000	\$ 4,541	\$ 50,413
Interest income on loans	59,273	33,997				
Interest on investments	26,109					
Net increase (decrease) in fair value of investments	(4,241)					
Other operating income	897					
Total operating revenues	<u>87,573</u>	<u>33,997</u>	<u>12,131</u>	<u>50,000</u>	<u>4,541</u>	<u>50,413</u>
Operating expenses:						
Personal services	9,672	1,740	1,597	21,661	299	14,984
Supplies, materials, and services	3,655	6,085	2,593	17,962	3,579	10,521
Interest expense	58,653	11,752				
Grants, scholarships and contract programs				1,446		
Depreciation, depletion and amortization	5,934	459	1,482	15,378	15	6,266
Other operating expenses	5,920	8,326	626	5,040		
Total operating expenses	<u>83,834</u>	<u>28,362</u>	<u>6,298</u>	<u>61,487</u>	<u>3,893</u>	<u>31,771</u>
Operating income (loss)	<u>3,739</u>	<u>5,635</u>	<u>5,833</u>	<u>(11,487)</u>	<u>648</u>	<u>18,642</u>
Nonoperating revenues (expenses):						
Interest revenue		970	(60)	5,115	7	516
Grants				(852)		75
Operating transfers in from primary government				12,031		
Operating transfers out to primary government						
Gain (loss) on sale of property		(3)		(2,049)		
Interest expense			(1,265)	(13,625)		(5,721)
Net increase (decrease) in fair value of investments		(18)	1,491			
Other nonoperating revenue (expenses)			(5)	12,207	2	(50)
Total nonoperating revenue (expenses)		<u>949</u>	<u>161</u>	<u>12,827</u>	<u>9</u>	<u>(5,180)</u>
Income (loss) before contributions	3,739	6,584	5,994	1,340	657	13,462
Capital contributions				4,523		2,223
Special or Extraordinary Items		(1,205)				
Change in net assets	<u>3,739</u>	<u>5,379</u>	<u>5,994</u>	<u>5,863</u>	<u>657</u>	<u>15,685</u>
Total net assets - beginning, as restated	<u>249,560</u>	<u>59,676</u>	<u>59,120</u>	<u>235,824</u>	<u>932</u>	<u>206,775</u>
Total net assets - ending	<u>\$ 253,299</u>	<u>\$ 65,055</u>	<u>\$ 65,114</u>	<u>\$ 241,687</u>	<u>\$ 1,589</u>	<u>\$ 222,460</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
Operating revenues:					
Charges for services	\$ 1,515	\$ 62,641	\$ 14,439	\$ 21,952	\$ 116
Interest income on loans	119				
Interest on investments					
Net increase (decrease) in fair value of investments					
Other operating income		1,558	1,278		2
Total operating revenues	<u>1,634</u>	<u>64,198</u>	<u>15,717</u>	<u>21,952</u>	<u>118</u>
Operating expenses:					
Personal services	277	12,752	2,604	49,854	
Supplies, materials, and services	1,056	16,024	6,062	21,170	34
Interest expense					
Grants, scholarships and contract programs		949	12,886		
Depreciation, depletion and amortization	29	12,846	229	9,002	
Other operating expenses		14,250	128		
Total operating expenses	<u>1,362</u>	<u>56,821</u>	<u>21,909</u>	<u>80,026</u>	<u>34</u>
Operating income (loss)	<u>272</u>	<u>7,377</u>	<u>(6,192)</u>	<u>(58,074)</u>	<u>84</u>
Nonoperating revenues (expenses):					
Interest revenue	80	3,346	233	20	7
Grants				12,735	
Operating transfers in from primary government			11,051	30,687	
Operating transfers out to primary government		(1,535)		(388)	
Gain (loss) on sale of property		9		(5)	
Interest expense		(918)		(17)	
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)		(1,595)	375	3,731	(250)
Total nonoperating revenue (expenses)	<u>80</u>	<u>(693)</u>	<u>11,659</u>	<u>46,763</u>	<u>(243)</u>
Income (loss) before contributions	352	6,684	5,467	(11,311)	(159)
Capital contributions				9,181	
Special or Extraordinary Items					
Change in net assets	<u>352</u>	<u>6,684</u>	<u>5,467</u>	<u>(2,130)</u>	<u>(159)</u>
Total net assets - beginning, as restated	<u>10,851</u>	<u>70,089</u>	<u>19,372</u>	<u>89,730</u>	<u>597</u>
Total net assets - ending	<u>\$ 11,203</u>	<u>\$ 76,773</u>	<u>\$ 24,839</u>	<u>\$ 87,600</u>	<u>\$ 438</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>
Operating revenues:					
Charges for services	\$ 2,239	\$ 155	\$ 1,351	\$ 807	\$
Interest income on loans	15,850				276
Interest on investments					
Net increase (decrease) in fair value of investments					
Other operating income	2,272	81		1,409	7,827
Total operating revenues	<u>20,362</u>	<u>236</u>	<u>1,351</u>	<u>2,216</u>	<u>8,103</u>
Operating expenses:					
Personal services	355			2,128	2,614
Supplies, materials, and services	2,558	67	29	1,442	780
Interest expense	16,245				5
Grants, scholarships and contract programs					5,580
Depreciation, depletion and amortization	210	14	107	621	41
Other operating expenses		764			65
Total operating expenses	<u>19,368</u>	<u>845</u>	<u>136</u>	<u>4,191</u>	<u>9,085</u>
Operating income (loss)	<u>994</u>	<u>(609)</u>	<u>1,215</u>	<u>(1,975)</u>	<u>(982)</u>
Nonoperating revenues (expenses):					
Interest revenue		37	222	157	
Grants	16,434		(1,087)		
Operating transfers in from primary government				2,779	1,739
Operating transfers out to primary government					
Gain (loss) on sale of property					
Interest expense			(993)	(158)	
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)				163	98
Total nonoperating revenue (expenses)	<u>16,434</u>	<u>37</u>	<u>(1,858)</u>	<u>2,941</u>	<u>1,837</u>
Income (loss) before contributions	17,428	(572)	(643)	966	855
Capital contributions					
Special or Extraordinary Items			(425)		
Change in net assets	<u>17,428</u>	<u>(572)</u>	<u>(1,068)</u>	<u>966</u>	<u>855</u>
Total net assets - beginning, as restated	246,854	2,420	(544)	431	(3,237)
Total net assets - ending	<u>\$ 264,282</u>	<u>\$ 1,848</u>	<u>\$ (1,612)</u>	<u>\$ 1,397</u>	<u>\$ (2,382)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Year Ended June 30, 2004
(Expressed in Thousands)

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 150,741	\$ 40,844	\$ 29,463	\$ 1,983	\$ 450,866
Interest income on loans					109,515
Interest on investments				38	26,147
Net increase (decrease) in fair value of investment					(4,241)
Other operating income	99,097	13,505	12,580	6,785	147,291
Total operating revenues	<u>249,838</u>	<u>54,349</u>	<u>42,043</u>	<u>8,806</u>	<u>729,578</u>
Operating expenses:					
Personal services	213,042	73,921	59,987	44,574	512,061
Supplies, materials, and services	84,599	17,683	15,469	1,360	212,728
Interest expense					86,655
Grants, scholarships and contract programs	13,006	4,802	7,071		45,740
Depreciation, depletion and amortization	14,674	5,101	2,384	187	74,979
Other operating expenses			122		35,241
Total operating expenses	<u>325,321</u>	<u>101,507</u>	<u>85,033</u>	<u>46,121</u>	<u>967,404</u>
Operating income (loss)	<u>(75,483)</u>	<u>(47,158)</u>	<u>(42,990)</u>	<u>(37,315)</u>	<u>(237,826)</u>
Nonoperating revenues (expenses):					
Interest revenue					10,650
Grants		2,869	671	195	31,040
Operating transfers in from primary government	83,074	43,100	40,115	35,692	260,268
Operating transfers out to primary government					(1,923)
Gain (loss) on sale of property					(2,048)
Interest expense	(6,170)	(845)	(312)		(30,024)
Net increase (decrease) in fair value of investments	1,149	1,817	241		4,680
Other nonoperating revenue (expenses)	9,142	11		35	23,864
Total nonoperating revenue (expenses)	<u>87,195</u>	<u>46,952</u>	<u>40,715</u>	<u>35,922</u>	<u>296,507</u>
Income (loss) before contributions	11,712	(206)	(2,275)	(1,393)	58,681
Capital contributions	6,678	4,382	10,369		37,356
Special or Extraordinary Items					(1,630)
Change in net assets	<u>18,390</u>	<u>4,176</u>	<u>8,094</u>	<u>(1,393)</u>	<u>94,407</u>
Total net assets - beginning, as restated	228,300	50,577	31,082	3,842	1,562,251
Total net assets - ending	<u>\$ 246,690</u>	<u>\$ 54,753</u>	<u>\$ 39,176</u>	<u>\$ 2,449</u>	<u>\$ 1,656,658</u>

(Concluded)

STATISTICAL SECTION

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

Last Ten Fiscal Years
(Expressed in thousands)

Revenues by Source	2004	2003	2002	2001	2000
Taxes	\$ 2,477,878	\$ 2,330,076	\$ 2,181,956	\$ 2,282,436	\$ 2,082,906
Licenses, fines, sales and services	242,280	230,917	198,737	216,843	183,753
Departmental restricted revenues	107,407	78,126	79,840	77,339	114,462
Federal grants	1,847,200	1,597,545	1,487,126	1,416,685	1,257,203
Income from investments	10,310	7,808	9,814	24,592	19,270
Other revenues	93,051	123,637	60,688	53,565	36,631
Total revenues	\$ 4,778,126	\$ 4,368,109	\$ 4,018,161	\$ 4,071,460	\$ 3,694,225

Expenditures by Function	2004	2003	2002	2001	2000
Current:					
General government	\$ 461,741	\$ 445,497	\$ 428,884	\$ 267,920	\$ 222,125
Human services	2,409,774	2,232,252	2,103,198	2,077,462	1,880,477
Education	72,838	101,270	92,035	63,324	59,869
Public safety	311,701	297,070	288,363	279,626	257,625
Natural resources	59,678	53,207	64,568	56,483	52,450
Transportation	161,974	143,635	122,208	53,390	45,368
Capital outlay	200,880	195,611	203,729	234,221	229,678
Intergovernmental	1,053,682	947,791	896,800	856,770	765,670
Debt service	183,612	158,789	165,660	155,409	150,191
Total expenditures	\$ 4,915,880	\$ 4,575,122	\$ 4,365,445	\$ 4,044,605	\$ 3,663,453

(Continued)

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

Last Ten Fiscal Years
(Expressed in thousands)

Revenues by Source	1999	1998	1997	1996	1995
Taxes	\$ 1,919,008	\$ 1,851,224	\$ 1,686,265	\$ 1,584,277	\$ 1,533,559
Licenses, fines, sales and services	175,925	169,496	179,634	173,736	182,646
Departmental restricted revenues	107,208	119,561	91,317	92,854	135,687
Federal grants	1,215,433	1,079,633	1,082,058	1,009,558	1,009,331
Income from investments	20,426	17,568	11,658	12,118	14,542
Other revenues	32,657	32,113	23,793	19,966	15,766
Total revenues	\$ 3,470,657	\$ 3,269,595	\$ 3,074,725	\$ 2,892,509	\$ 2,891,531

Expenditures by Function	1999	1998	1997	1996	1995
Current:					
General government	\$ 211,525	\$ 227,620	\$ 198,800	\$ 197,233	\$ 247,873
Human services	1,761,940	1,644,950	1,596,517	1,539,547	1,438,725
Education	43,723	43,222	39,877	33,415	62,328
Public safety	246,057	233,031	215,939	211,777	196,174
Natural resources	54,729	46,568	43,532	39,000	50,061
Transportation	43,660	32,934	33,275	43,391	37,560
Capital outlay	227,573	145,846	138,758	148,942	247,579
Intergovernmental	684,890	591,766	561,001	535,455	494,819
Debt service	125,062	123,086	115,358	107,870	108,658
Total expenditures	\$ 3,399,159	\$ 3,089,023	\$ 2,943,057	\$ 2,856,630	\$ 2,883,777

State of Rhode Island and Providence Plantations

Ratio of Annual Debt Service to General Expenditures

Last Ten Fiscal Years

(Expressed in thousands)

Fiscal Year	Debt Service (Principal and Interest)	Total General Expenditures	Ratio
2004	\$ 183,612	\$ 4,915,880	3.74%
2003	158,789	4,575,122	3.47%
2002	165,660	4,365,445	3.79%
2001	155,409	4,044,605	3.84%
2000	150,191	3,663,453	4.10%
1999	125,062	3,399,159	3.68%
1998	123,086	3,089,023	3.98%
1997	115,358	2,943,057	3.92%
1996	107,870	2,856,630	3.78%
1995	108,658	2,883,777	3.77%

State of Rhode Island and Providence Plantations

General Obligation Debt Per Capita

Last Ten Fiscal Years

(Expressed in thousands except per capita)

Fiscal Year	Rhode Island Population	General Obligation Bonds Outstanding	G.O. Debt per Capita
2004	1,081	\$ 770,070	674.05
2003	1,076	728,644	677.18
2002	1,070	827,057	772.95
2001	1,059	1,035,400	977.71
2000	1,048	1,078,614	1,029.21
1999	991	998,961	1,008.03
1998	988	990,772	1,002.81
1997	987	1,015,506	1,028.88
1996	988	991,786	1,003.83
1995	989	987,367	998.35

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

State of Rhode Island and Providence Plantations
Schedule of the Largest Private Employers in 2004

Rank	Employer	Employed	Primary Business Activity
1	Lifespan	11,110	Hospital
2	Care New England	5,858	Hospital
3	CVS Corporation	5,183	Pharmacies
4	Royal Bank of Scotland	4,984	Bank
5	Stop & Shop Supermarket Co., Inc.	4,555	Grocery Stores
6	Brown University	4,450	University
7	Bank of America	3,636	Bank
8	Shaw's super Market	2,260	Grocery Stores
9	Metropolitan Life Insurance	2,150	Insurance
10	General Dynamics Corp	2,075	Ship & Boat Building Mfg.

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
SCHEDULE OF MISCELLANEOUS STATISTICS

Adoption of Constitution	November 5, 1842
Land area (square miles)	<u>1,545</u>
Miles of state highway	<u>5,978</u>
State Police Protection:	
Number of stations	<u>5</u>
Number of officers	<u>195</u>
Higher Education:	
Number of institutions	<u>13</u>
Number of educators	<u>5,459</u>
Number of students	<u>80,395</u>
Recreation:	
Number of state parks, beaches, bike paths	<u>21</u>
Area of state parks, beaches (acres)	<u>13,289</u>
Length of bike paths (miles)	<u>32</u>
Area of state-owned forests (square miles)	<u>63</u>
Percent of state covered with forest (all ownership)	<u>55%</u>

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

State of Rhode Island and Providence Plantations
Schedule of Personal Income and Per Capita Personal Income
1994 Through 2003

	Personal Income				Per Capita Personal Income			
	<i>(in billions)</i>				<i>(in dollars)</i>			
	United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
2003	\$ 9,199.0	3.4%	34.0	3.0%	\$ 31,632	2.3%	\$ 31,916	3.4%
2002	8,900.0	2.6%	33.0	2.8%	30,906	1.6%	30,859	3.8%
2001	8,677.5	4.4%	32.1	4.9%	30,413	3.3%	30,256	(.7)%
2000	8,312.3	6.8%	30.6	5.2%	29,451	3.2%	29,158	-0.7%
1999	7,783.1	5.4%	29.1	5.1%	28,542	4.5%	29,377	4.9%
1998	7,383.7	6.6%	27.7	9.1%	27,322	5.6%	28,012	5.2%
1997	6,928.6	6.0%	25.4	2.4%	25,874	5.0%	26,631	6.0%
1996	6,538.2	5.6%	24.8	4.2%	24,651	4.6%	25,123	4.5%
1995	6,192.2	5.3%	23.8	5.3%	23,562	4.3%	24,046	5.6%
1994	5,878.4	5.0%	22.6	2.3%	22,581	4.0%	22,762	2.8%

State of Rhode Island and Providence Plantations
Schedule of Economic Indicators
1994 Through 2003

	Civilian Labor Force		Unemployment Rate		Home Sales	
	<i>(in thousands)</i>		Rate	Percent Change	Number of Sales	Percent Change
	Number in Labor Force	Percent Change				
2003	573	3.1%	5.4%	5.9%	20,200	2.5%
2002	556	10.3%	5.1%	8.5%	19,700	(9.2)%
2001	504	(0.2)%	4.7%	14.6%	21,700	11.3%
2000	505	0.2%	4.1%	0.0%	19,500	(5.8)%
1999	504	1.2%	4.1%	(16.3)%	20,700	22.5%
1998	498	(1.4)%	4.9%	(7.5)%	16,900	17.4%
1997	505	1.8%	5.3%	3.9%	14,400	21.0%
1996	496	2.3%	5.1%	(27.1)%	11,900	0.0%
1995	485	(2.4)%	7.0%	(1.4)%	11,900	2.6%
1994	497	(2.9)%	7.1%	(9.0)%	11,600	5.5%

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