

State of Rhode Island and Providence Plantations

Donald L. Carcieri, Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006

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, 2006**

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INTRODUCTORY SECTION



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

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December 29, 2006

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, 2006. This report was prepared by the State's Department of Administration - Office of Accounts and Control. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with management. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of the government-wide and fund perspective financial statements; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

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

Accounting System and Budgetary Control

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

Governor Donald L. Carcieri
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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, 2006 was \$95.4 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* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the State. More information about the State reporting entity can be found in Note 1 to the basic financial statements.

The State provides a full range of services contemplated by statute or function. These include education, health and social services, transportation, 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

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totaled \$5,069.8 million in fiscal year 2006, an increase of \$208.6 million (4.29%) 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):

	2006	2005	Increase (decrease) from 2005	
			Amount	Percent
Taxes:				
Personal income	\$ 996,792	\$ 979,082	\$ 17,710	1.81%
Sales and use	1,059,031	1,043,704	15,327	1.47%
General business	366,444	302,589	63,855	21.10%
Other	57,287	51,395	5,892	11.46%
Subtotal	2,479,554	2,376,770	102,784	4.32%
Federal grants	1,713,287	1,655,563	57,724	3.49%
Restricted revenues	105,765	105,367	398	0.38%
Licenses, fines, sales, and services	253,768	238,256	15,512	6.51%
Other general revenues	33,546	32,563	983	3.02%
Subtotal	2,106,366	2,031,749	74,617	3.67%
Total revenues	4,585,920	4,408,519	177,401	4.02%
Other sources	483,880	452,701	31,179	6.89%
Total revenue and other sources	\$ 5,069,800	\$ 4,861,220	\$ 208,580	4.29%

Expenditures and other uses totaled \$5,051.4 million in fiscal year 2006, an increase of \$218.7 million (4.53%) from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (amounts in thousands):

	2006	2005	Increase (decrease) from 2005	
			Amount	Percent
General government	\$ 318,675	\$ 329,197	\$ (10,522)	-3.20%
Human services	2,614,712	2,504,107	110,605	4.42%
Education	263,735	255,762	7,973	3.12%
Public safety	361,567	328,824	32,743	9.96%
Natural resources	69,538	62,338	7,200	11.55%
Capital outlay	35,479	33,105	2,374	7.17%
Intergovernmental	1,186,887	1,121,818	65,069	5.80%
Debt Service:				
Principal	73,700	72,848	852	1.17%
Interest	51,381	52,293	(912)	-1.74%
Total expenditures	4,975,674	4,760,292	215,382	4.52%
Other uses	75,731	72,420	3,311	4.57%
Total expenditures and other uses	\$ 5,051,405	\$ 4,832,712	\$ 218,693	4.53%

As a result of the operating performance discussed above, the State's general fund ended fiscal year 2006 with an undesignated fund balance of \$38.3 million a decrease of \$0.4 million.

Governor Donald L. Carcieri
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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.

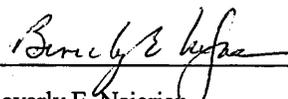
Audit

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.

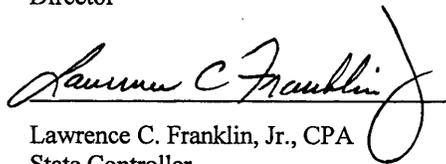
Acknowledgements

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,



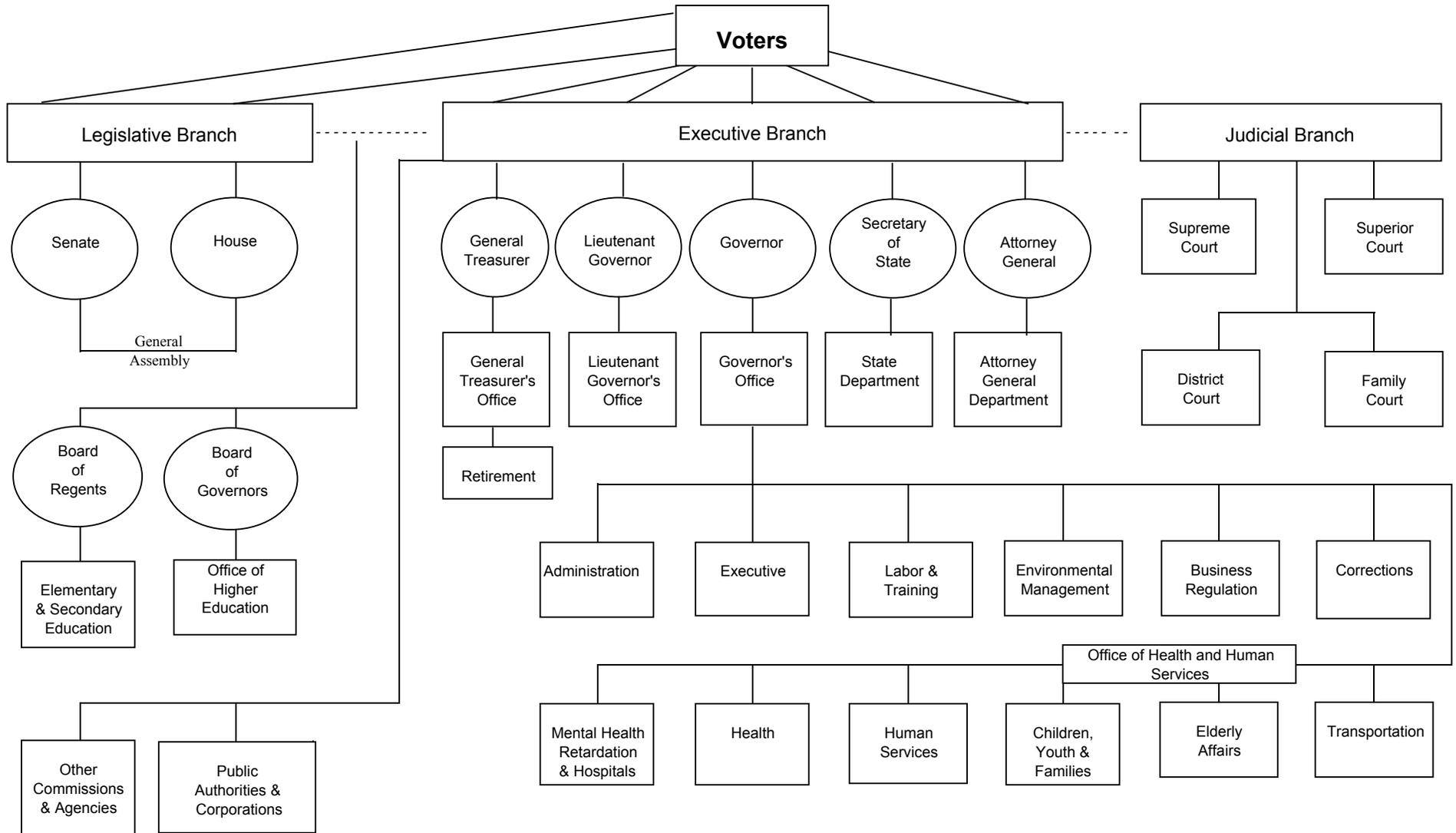
Beverly E. Najarian
Director



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
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STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2006 which collectively comprise the State's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- certain component units which represent 2% of the assets and 1% of the revenues of the governmental activities and 1% of the assets and 3% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 48% of the assets and 1% of the revenues of the business-type activities; and
- component units which represent 100% of the assets and 100% of the revenues of the aggregate discretely presented component units.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our 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 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 accounts payable, amounts due from other governments and agencies, deferred revenue and related expenditures and federal revenue reported for the Intermodal Surface Transportation (IST) Fund, a major fund, due to weaknesses in accounting controls over the accumulation and reporting of information included in these account classifications.

We were unable to obtain sufficient evidence regarding the completeness and valuation of encumbrances outstanding at June 30, 2006 disclosed in the notes to the basic financial statements for the Intermodal Surface Transportation and Grant Anticipation Revenue Vehicle (GARVEE) major funds.

In our opinion, except for the effects of such adjustments, if any, on the IST Fund as might have been considered to be necessary had we been provided sufficient evidence regarding accounts payable, amounts due from other governments and agencies, deferred revenue and related expenditures and federal revenue, and except for the effects of such adjustments, if any, on the amount of encumbrances outstanding disclosed for the IST and GARVEE major funds at June 30, 2006, 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 each major fund and the aggregate remaining fund information of the State as of June 30, 2006 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities,

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

and the aggregate discretely presented component units of the State as of June 30, 2006, 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 note 17 to the basic financial statements, beginning net assets of the governmental activities on the statement of net assets were increased by \$747 million for the retroactive recognition of the State's investment in infrastructure (net of accumulated depreciation) for fiscal years 1981 to 2001.

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 23, the Budgetary Comparison Schedules on pages 98 through 122, and the Schedules of Funding Progress on page 123 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual non-major fund statements, combining statements for discretely presented component units, and statistical section as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund statements and combining statements for discretely presented component units have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in

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

relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "Ernest A. Almonte".

Ernest A. Almonte, CPA, CFE
Auditor General

December 29, 2006

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, 2006. Readers are encouraged to consider the information presented here in conjunction with the letter of transmittal, which can be found at the front of this report, and with the State's financial statements, which follow this section.

Financial Highlights – Primary Government

Government-wide Financial Statements

- **Net Assets** The total assets of the State exceeded total liabilities at June 30, 2006 by \$1,190.7 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$940.2) million was reported as unrestricted net assets, \$671.8 million was restricted net assets, and \$1,459.1 million was invested in capital assets, net of related debt.
- **Changes in Net Assets** In the Statement of Activities the State's total net assets increased by \$96.6 million in fiscal year 2006. Net assets of governmental activities increased by \$88.4 million, while net assets of the business-type activities increased by \$8.2 million.

Fund Financial Statements

- The State's governmental funds reported a combined ending fund balance of \$916.6 million, an increase of \$85.0 million in comparison with the previous fiscal year.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance of \$38.3 million, a decrease of \$0.4 million in comparison with the previous fiscal year.
 - ◆ The Budget Reserve Account ended the fiscal year with a balance of \$95.4 million, an increase of \$4.5 million in comparison with the previous fiscal year.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of \$22.7 million, which was a decrease of \$9.9 million from the previous year.
- The GARVEE Fund ended its fiscal year with a fund balance of \$314.3 million of which \$8.1 million is reserved for debt. The fund balance increased by \$118.4 million as a result of the issuance of additional bonds.
- The Rhode Island State Lottery transferred \$323.9 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$16.3 million in comparison with the previous fiscal year.

Overview of the Financial Statements

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

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

Management's Discussion and Analysis

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

Government-wide Financial Statements

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

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

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

- **Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, human services, education, public safety, natural resources, and transportation. The net assets and change in net assets of the internal service funds are also included in this column.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority and the Employment Security Trust Fund.
- **Discretely Presented Component Units:** Component units are entities that are legally separate from the State, but for which the State is financially accountable. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government.

Fund Financial Statements

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

Management's Discussion and Analysis

statements focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide financial statements. The State's funds are divided into three categories: governmental, proprietary and fiduciary.

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

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

Governmental funds include the general fund and special revenue, capital projects and permanent funds. The State has several governmental funds, of which GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* defines the general fund as a major fund. The criteria for determining if any of the other governmental funds are major funds are detailed in Note 1(D). The Intermodal Surface Transportation Fund and the GARVEE Fund are also major funds. Each of the major funds is presented in a separate column in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column on these financial statements. Individual fund data for each of these nonmajor governmental funds can be found in the supplementary information section of the State's Comprehensive Annual Financial Report (CAFR).

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

Management’s Discussion and Analysis

proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of the State’s CAFR.

- Fiduciary funds:** These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension trust, private-purpose trust and agency funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found in the supplementary information section of the State’s CAFR.

Major Features of the Basic Financial Statements

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

Management's Discussion and Analysis

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

Government-Wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled \$1,190.7 million at the end of fiscal year 2006, compared to \$347.4 million at the end of the prior fiscal year, before restatement. The primary reason for the \$843.3 million increase was the \$774.5 million increase in investment in capital assets net of related debt, primarily caused by addition of the State's infrastructure assets for fiscal years 1981 through 2001 as required by GASB Statement No. 34. The governmental activities has unrestricted net assets of (\$929.5) million.

A portion of the State's net assets reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets), less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. An additional portion of the State's net assets represents resources that are subject to external restrictions on how they may be used.

State of Rhode Island's Net Assets as of June 30, 2006
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 1,581,097	\$ 1,464,055	\$ 329,272	\$ 257,003	\$ 1,910,369	\$ 1,721,058
Capital assets	2,405,706	1,456,908	151,591	124,874	2,557,297	1,581,782
Total assets	<u>3,986,803</u>	<u>2,920,963</u>	<u>480,863</u>	<u>381,877</u>	<u>4,467,666</u>	<u>3,302,840</u>
Long-term liabilities outstanding	2,219,442	1,992,541	286,281	199,987	2,505,723	2,192,528
Other liabilities	736,626	732,911	34,525	30,010	771,151	762,921
Total liabilities	<u>2,956,068</u>	<u>2,725,452</u>	<u>320,806</u>	<u>229,997</u>	<u>3,276,874</u>	<u>2,955,449</u>
Net assets:						
Invested in capital assets, net of related debt	1,591,074	816,578	(131,941)	(71,413)	1,459,133	745,165
Restricted	369,137	315,370	302,689	233,476	671,826	548,846
Unrestricted	(929,476)	(936,437)	(10,691)	(10,183)	(940,167)	(946,620)
Total net assets	<u>\$ 1,030,735</u>	<u>\$ 195,511</u>	<u>\$ 160,057</u>	<u>\$ 151,880</u>	<u>\$ 1,190,792</u>	<u>\$ 347,391</u>

As indicated above, the State reported a deficit balance in unrestricted net assets of \$940.2 million at June 30, 2006 in the Government-wide Statement of Net Assets. This deficit results primarily from the State's use of general obligation bond proceeds (which are reported as debt of

Management's Discussion and Analysis

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

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

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

Changes in Net Assets

The State's net assets increased by \$96.6 million during the current fiscal year. Total revenues of \$7,253.3 million were more than expenses of \$7,156.7 million. Approximately 38.5% of the State's total revenue came from taxes, while 27.3% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 31.8% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services, 36.7% and intergovernmental, 16.9%. In fiscal year 2006, governmental activity expenses exceeded program revenues, which resulted in the use of \$2,949.0 million in general revenues (mostly taxes). On the other hand, net program revenues from business-type activities in fiscal year 2006 exceeded expenses by \$305.4 million.

Management's Discussion and Analysis

State of Rhode Island's Changes in Net Assets For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 360,728	\$ 351,784	\$ 1,947,732	\$ 1,835,511	\$ 2,308,460	\$ 2,187,295
Operating grants and contributions	1,821,134	1,794,965	2,342	2,633	1,823,476	1,797,598
Capital grants and contributions	156,828	97,681			156,828	97,681
General revenues:						
Taxes	2,794,230	2,687,684			2,794,230	2,687,684
Interest and investment earnings	25,644	14,443	8,826	10,875	34,470	25,318
Miscellaneous	114,362	104,411	6,752	7,633	121,114	112,044
Gain on sale of capital assets		853				853
Payments from component units	14,715	18,503			14,715	18,503
Total revenues	5,287,641	5,070,324	1,965,652	1,856,652	7,253,293	6,926,976
Program expenses:						
General government	527,841	503,659			527,841	503,659
Human services	2,622,935	2,512,628			2,622,935	2,512,628
Education	287,119	264,385			287,119	264,385
Public safety	370,706	336,069			370,706	336,069
Natural resources	74,695	65,913			74,695	65,913
Transportation	323,517	226,529			323,517	226,529
Intergovernmental	1,213,050	1,127,496			1,213,050	1,127,496
Interest	92,121	116,171			92,121	116,171
Lottery			1,409,134	1,330,298	1,409,134	1,330,298
Convention Center			37,862	35,746	37,862	35,746
Employment insurance			197,724	209,018	197,724	209,018
Total expenses	5,511,984	5,152,850	1,644,720	1,575,062	7,156,704	6,727,912
Change in net assets before transfers and special items	(224,343)	(82,526)	320,932	281,590	96,589	199,064
Special items				11,948		11,948
Transfers	312,755	293,993	(312,755)	(293,993)		
Change in net assets	88,412	211,467	8,177	(455)	96,589	211,012
Net assets - Beginning	195,511	(15,956)	151,880	152,335	347,391	136,379
Cumulative effect of prior period adjustments	746,812				746,812	
Net assets - Beginning, as restated	942,323	(15,956)	151,880	152,335	1,094,203	136,379
Net assets - Ending	<u>\$ 1,030,735</u>	<u>\$ 195,511</u>	<u>\$ 160,057</u>	<u>\$ 151,880</u>	<u>\$ 1,190,792</u>	<u>\$ 347,391</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 \$916.6 million, an increase of \$85.0 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) \$95.4 million for a "rainy day" account, (2) \$69.5 million for continuing appropriations, (3) \$83.5

Management's Discussion and Analysis

million principally for liquidating debt, (4) \$135.8 million for employment insurance programs and (5) \$1.4 million for other restricted purposes. Approximately 53.8% (\$492.8 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 \$38.3 million, while total fund balance was \$203.2 million. As a measurement of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.8% of total General Fund expenditures, while total fund balance represents 4.0% of the same amount. The General Fund's unreserved fund balance decreased from \$38.7 million to \$38.3 million, a decrease of \$0.4 million during the current fiscal year.

Intermodal Surface Transportation Fund. The Intermodal Surface Transportation Fund (ISTEA) is a special revenue fund that accounts for the collection of gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system. At the end of the current fiscal year, unreserved fund balance of the ISTEA fund was \$22.7 million, while the total fund balance was \$24.1 million. Total fund balance of the ISTEA fund decreased by \$9.9 million during the current fiscal year. Although the State did not have as harsh of a winter as expected and money was saved on that portion of the ISTEA fund's responsibility, it has been a busy construction season and the prior year's fund balance was used to partially fund this year's projects.

GARVEE Fund. The GARVEE Fund is a capital projects fund that accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents per gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds. The GARVEE Fund ended the fiscal year with a fund balance of \$314.3 million, an increase of \$118.4 million. The reason for this increase was that \$227.0 million of bonds were issued in March 2006.

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 revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to require State funds to match the federal funds. Agencies may get additional appropriations provided a need is established. Adjustments to general revenue receipt estimates resulted in a change of (\$30.3) million, -1.0%, between the original budget and the final budget. General revenue appropriations changed from the original budget by (\$15.2) million, -0.5%. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations are listed below.

Management's Discussion and Analysis

	Original Budget vs. Final Budget Change (In thousands)	Percent
General revenues		
Taxes		
Personal Income	\$ (39,134)	-3.8%
Business Corporations	48,475	44.3%
Sales and Use	(12,888)	-1.5%
Departmental Revenue	(26,529)	-8.5%
Other Miscellaneous	14,291	75.4%
Transfer from Lottery	(18,000)	-5.1%
Other General Revenue	3,452	
Total Change in Estimated Revenue	<u>\$ (30,333)</u>	-1.0%
General revenue appropriations		
Department		
Administration	\$ (6,276)	-1.4%
Children, Youth and Families	3,378	2.1%
Health	5,593	17.5%
Human Services	(46,102)	-6.0%
Mental Health, Retardation and Hospitals	9,571	4.0%
Corrections	12,291	8.3%
Judicial	4,106	5.7%
Other	2,217	
Total Change in Appropriations	<u>\$ (15,222)</u>	-0.5%

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, 2006, amounts to \$2,557.3 million, net of accumulated depreciation of \$1,423.7 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was about 61.7% in terms of net book value, primarily caused by addition of the State's infrastructure assets for fiscal years 1981 through 2001 as required by GASB Statement No. 34. The RICCA issued \$92.5 million in taxable bonds to acquire the land and net operating assets of the Dunkin' Donuts Center from the Providence Redevelopment Authority. The acquisition price was \$28.5 million with the balance being dedicated to renovation of the facility.

Actual expenditures to purchase or construct capital assets were \$327.6 million for the year. Of this amount, \$198.6 million was used to construct or reconstruct roads. Depreciation charges for the year totaled \$113.4 million.

Management's Discussion and Analysis

State of Rhode Island's Capital Assets as of June 30, 2006
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Capital assets not being depreciated						
Land	\$ 332,092	\$ 326,514	\$ 45,558	\$ 31,474	\$ 377,650	\$ 357,988
Intangibles	106,146	90,989			106,146	90,989
Construction in progress	401,673	133,878	3,272	306	404,945	134,184
Total capital assets not being depreciated	839,911	551,381	48,830	31,780	888,741	583,161
Capital assets being depreciated						
Land improvements	3,700	3,601			3,700	3,601
Buildings	438,954	430,678	161,258	148,481	600,212	579,159
Building improvements	208,343	199,469			208,343	199,469
Equipment	204,521	170,620	11,275	8,196	215,796	178,816
Intangibles	1,196	1,196			1,196	1,196
Infrastructure	2,062,959	530,050			2,062,959	530,050
	2,919,673	1,335,614	172,533	156,677	3,092,206	1,492,291
Less: Accumulated depreciation	1,353,878	430,087	69,772	63,583	1,423,650	493,670
Total capital assets being depreciated	1,565,795	905,527	102,761	93,094	1,668,556	998,621
Total capital assets (net)	\$ 2,405,706	\$ 1,456,908	\$ 151,591	\$ 124,874	\$ 2,557,297	\$ 1,581,782

Significant capital projects under construction include relocation of a segment of interstate highway, a county courthouse, a traffic tribunal courthouse, youth correctional facilities and a State Police headquarters.

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

Debt Administration

Under the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50,000 without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. At the end of the current fiscal year, the State's governmental activities had total bonded debt outstanding of \$1,990.5 million of which \$842.5 million is general obligation debt, \$418.3 million is special obligation debt and \$729.7 million is debt of the blended component units. The State's total bonded debt increased by \$211.2 million during the current fiscal year. This increase is the net of a \$41.2 million increase in general obligation debt, an increase of \$190.3 million in special obligation debt and a decrease of \$20.3 million in the blended component units debt. Additionally, the State has extended its credit through contractual agreements of a long-term nature, which are subject to annual appropriations.

During the current fiscal year, the State issued \$93.4 million of general obligation bonds and \$227.4 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).

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 \$302.1 million. Additional

Management's Discussion and Analysis

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

In October 2005, Standard and Poor's raised the underlying rating for general obligation bonds of the State from AA- to AA.

Conditions Expected to Affect Future Operations

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

In anticipation of the implementation of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the State has obtained an actuarial estimate of the unfunded liability relating to retiree medical benefits. The unfunded liability was estimated to be approximately \$600 million for State employees and \$29 million for the State's share for teachers as of December 2003. The actuarially based funding of this liability is reflected in the State's five-year budget forecast and would require an estimated rate of contribution of 8.57% of payroll. The State is obtaining an updated estimate based upon the actual standard adopted by GASB taking into account the pension reform provisions impacting the Employees' Retirement System which were enacted during the 2005 session of the General Assembly.

Economic Factors

As evidenced by Rhode Island's performance during the most recent national recession, Rhode Island's ability to weather a slowdown has strengthened significantly compared to prior recessionary periods. More recently, the State's economy has underperformed the region and nation as a whole, most likely because it had not experienced the declines that other states experienced during the recession. According to the U.S. Bureau of Labor Statistics, Rhode Island experienced an increase in non-farm employment of 3,108 jobs, or 0.6 percent in FY 2006. In FY 2005, Rhode Island gained 3,500, an increase of 0.7 percent over FY 2004. On a calendar year basis, Rhode Island added 7,500 jobs in 2004 and 2005. The November 2006 Revenue Estimating Conference's Consensus Economic Forecast projects Rhode Island non-farm employment to total 495,300 in FY 2007, an increase of 0.5 percent over FY 2006, and 499,200 in FY 2008, an increase of 0.8 percent over projected FY 2007.

According to Moody's Economy.com's November 2006 *Forecast Report: U.S., New England, and Rhode Island*, "[I]n recent years, housing growth entirely offset the drag from manufacturing. Yet as housing slows and with not much improvement expected in manufacturing, overall growth will weaken." The housing market in Rhode Island is contracting with 20 percent fewer housing starts year-to-date from the spring. However, Rhode Island's "[N]on-housing related jobs will offset some of the effects from the housing downturn." In addition, an upside risk to the forecast cited by Moody's Economy.com (11/2006) has come to fruition in that a \$50 million bond referendum for affordable housing construction passed on

Management's Discussion and Analysis

November 7. The bond is expected to result in a "spurring" of "the [S]tate's construction industry," as well as "boost the [S]tate's homeownership rate, a vital component to enhancing the economic well-being of the [S]tate's residents." Since FY2002, the State's construction activity has been enhanced as a result of the provision of historic structure tax credits which have created economic incentives to stimulate the redevelopment and reuse of Rhode Island's historic structures. As of September 2006, qualified construction costs totaled \$403.4 million for completed projects, and were estimated to be \$720.7 million for active and proposed projects. This would result in an estimated \$121.0 million in tax credits for completed projects, and \$216.2 million for active and proposed projects.

The education and health services sector accounts for 19.4 percent of Rhode Island total non-farm employment, well above the U.S. average of 13.1 percent. This sector was been responsible for the creation of 73.2 percent of the State's net jobs in 2005. Rhode Island construction employment increased since the fourth quarter of 2004 and peaked in the first quarter of 2006 fueled by the State's exceptionally strong housing and commercial real estate markets as well as substantial government spending on road improvement and pollution abatement projects. The State's manufacturing sector, which had begun to stabilize after an employment decline of 2.9 percent in 2004, once again has turned down, decreasing by 3.2 percent in 2005. Finally, Rhode Island's "small business economy" has performed well, recording a 13.0 percent increase in the "number of small business births between 2003 and 2004 to a level that now surpasses the previous high in 2000." In addition, to the sharp increase in small business births, Rhode Island's "small business terminations have fallen 15.0 percent since peaking in 2002." This confluence of rising small business births and declining small business terminations "is a positive development, as it brings new talent and ideas into the marketplace."

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 again during this period. In FY 2004, Rhode Island personal income growth was 4.61 percent versus 4.90 percent for U.S. personal income growth, a difference of 29 basis points. In FY 2005, Rhode Island personal income growth was 4.19 percent and U.S. personal income growth was 6.10 percent, a difference of 191 basis points. In FY 2006, Rhode Island personal income growth accelerated to an annual rate of 4.56 percent, however, for the country as a whole the personal income growth rate was 5.90 percent. The reversal of the spread between Rhode Island and U.S. personal income growth 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.

According to Moody's Economy.com (11/2006) Rhode Island payroll employment growth is forecast to stabilize at around a 1.0 percent annualized rate. One of the catalysts for near- to medium-term growth remains rising national defense spending. Moody's Economy.com (11/2006) notes that "the [S]tate is expected to gain about 861 jobs following the Base Realignment & Closure (BRAC) approvals, mostly at the Newport Naval Station" from the final approval of Commission's recommendations. These jobs tend to be ones that require high levels of human capital and are being added to complement the already existing job base not only at Naval Station Newport but also at nearby Raytheon. Aquidneck Island has become a national center for the development and testing of undersea surveillance, control and warfare systems.

Management's Discussion and Analysis

One of the “main threats” to the State’s economic performance is the high tax burden imposed on Rhode Island businesses and households. High property taxes at the local level and high personal income tax rates at the state level drive Rhode Island’s heavy tax burden. The former discourages businesses that are making relocation decisions from choosing Rhode Island. The latter discourage entrepreneurs and venture capitalists from enhancing new business development in the State giving Rhode Island a less dynamic economy than Connecticut and Massachusetts. However, it is expected that “Rhode Island’s economic competitiveness will be enhanced by several pro-business initiatives approved by the state legislature.” These include the personal income flat-tax option, the reduction in the annual cap on property tax, and the Biotechnology Jobs Growth Act.

The biotechnology industry cluster that has begun to emerge in Rhode Island should positively impact the State’s long term economic performance. According to Moody’s Economy.com (11/2006), “Presently, the industry employs 4,700 workers in the state and Amgen plans to add 450 workers over the remainder of the year.” The state’s “desire to keep biotech companies growing in the state and attracting new ones led to the recently legislated Biotechnology Jobs Growth Act, which extends the duration of the state’s investment tax credit from seven to 15 year for biotechnology companies, subject to their meeting specific wage and employment targets.” The State’s chief assets for the development of a viable biotechnology industry cluster are its “quality work force”, “educational programs at the Community College of Rhode Island and the University of Rhode Island that were developed to train workers specifically for the industry”, a compact geography, and its responsive government at the state and local levels.

Requests for Information

This financial report is designed to provide a general overview of Rhode Island's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional information should be sent to finreport@mail.state.ri.us. The State’s Comprehensive Annual Financial Report may be found on the State Controller’s home page, <http://controller.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, 2006

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 453,969	\$ 13,800	\$ 467,769	\$ 450,264
Funds on deposit with fiscal agent	403,948	179,621	583,569	
Investments	185		185	228,150
Receivables (net)	305,476	57,446	362,922	206,433
Restricted assets:				
Cash and cash equivalents		16,574	16,574	182,102
Investments	72,452		72,452	149,208
Due from primary government				3,457
Due from component units	9,105		9,105	
Internal balances	2,823	(2,823)		
Due from other governments and agencies	240,889	1,152	242,041	3,699
Inventories	2,874	1,022	3,896	2,555
Other assets	48,207	852	49,059	17,399
Total current assets	<u>1,539,928</u>	<u>267,644</u>	<u>1,807,572</u>	<u>1,243,267</u>
Noncurrent assets:				
Investments				491,468
Receivables (net)	7,673		7,673	2,300,937
Restricted assets:				
Cash and cash equivalents				224,690
Investments		57,733	57,733	7,110
Other assets				166,452
Due from component units	22,683		22,683	
Capital assets - nondepreciable	839,911	48,830	888,741	530,220
Capital assets - depreciable (net)	1,565,795	102,761	1,668,556	1,036,937
Other assets	10,813	3,895	14,708	88,542
Total noncurrent assets	<u>2,446,875</u>	<u>213,219</u>	<u>2,660,094</u>	<u>4,846,356</u>
Total assets	<u>3,986,803</u>	<u>480,863</u>	<u>4,467,666</u>	<u>6,089,623</u>
Liabilities				
Current Liabilities:				
Cash overdraft	4,357		4,357	714
Accounts payable	433,746	12,330	446,076	75,640
Due to primary government				9,105
Due to component units	3,457		3,457	
Due to other governments and agencies		1,336	1,336	700
Deferred revenue	14,711	2,257	16,968	21,160
Other current liabilities	115,788	4,324	120,112	252,868
Current portion of long-term debt	164,567	7,250	171,817	266,928
Obligation for unpaid prize awards		7,028	7,028	
Total current liabilities	<u>736,626</u>	<u>34,525</u>	<u>771,151</u>	<u>627,115</u>
Noncurrent Liabilities:				
Due to primary government				21,979
Due to other governments and agencies				4,301
Deferred revenue		10,000	10,000	1,217
Notes payable				4,576
Loans payable				238,636
Obligations under capital leases	216,887		216,887	19,868
Compensated absences	22,658		22,658	23,700
Bonds payable	1,934,232	276,281	2,210,513	3,141,302
Other liabilities	45,665		45,665	129,402
Total noncurrent liabilities	<u>2,219,442</u>	<u>286,281</u>	<u>2,505,723</u>	<u>3,584,981</u>
Total liabilities	<u>2,956,068</u>	<u>320,806</u>	<u>3,276,874</u>	<u>4,212,096</u>
Net Assets				
Invested in capital assets, net of related debt	1,591,074	(131,941)	1,459,133	808,946
Restricted for:				
Budget reserve	95,376		95,376	
Transportation	1,354		1,354	
Capital projects	9,115		9,115	
Debt	83,496	74,306	157,802	554,319
Employment insurance programs	135,762	228,383	364,145	
Other	43,046		43,046	158,367
Nonexpendable-education	988		988	74,501
Unrestricted	(929,476)	(10,691)	(940,167)	281,394
Total net assets	<u>\$ 1,030,735</u>	<u>\$ 160,057</u>	<u>\$ 1,190,792</u>	<u>\$ 1,877,527</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, 2006
(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	\$ 527,841	\$ 146,575	\$ 67,422	\$ 139	\$ (313,705)	\$	\$ (313,705)	\$
Human services	2,622,935	127,738	1,392,154	470	(1,102,573)		(1,102,573)	
Education	287,119	5,638	31,004		(250,477)		(250,477)	
Public safety	370,706	53,851	38,718	5,889	(272,248)		(272,248)	
Natural resources	74,695	27,487	19,609	9,793	(17,806)		(17,806)	
Transportation	323,517	(561)	115,710	140,537	(67,831)		(67,831)	
Intergovernmental	1,213,050		156,517		(1,056,533)		(1,056,533)	
Interest and other charges	92,121				(92,121)		(92,121)	
Total governmental activities	<u>5,511,984</u>	<u>360,728</u>	<u>1,821,134</u>	<u>156,828</u>	<u>(3,173,294)</u>		<u>(3,173,294)</u>	
Business-type activities:								
State lottery	1,409,134	1,731,315				322,181	322,181	
Convention center	37,862	17,018				(20,844)	(20,844)	
Employment security	197,724	199,399	2,342			4,017	4,017	
Total business-type activities	<u>1,644,720</u>	<u>1,947,732</u>	<u>2,342</u>			<u>305,354</u>	<u>305,354</u>	
Total primary government	<u>\$ 7,156,704</u>	<u>\$ 2,308,460</u>	<u>\$ 1,823,476</u>	<u>\$ 156,828</u>	<u>(3,173,294)</u>	<u>305,354</u>	<u>(2,867,940)</u>	
Component units	<u>\$ 1,124,131</u>	<u>\$ 779,064</u>	<u>\$ 44,159</u>	<u>\$ 53,642</u>				<u>(247,266)</u>
General Revenues:								
Taxes					2,794,230		2,794,230	
Interest and investment earnings					25,644	8,826	34,470	49,639
Miscellaneous					114,362	6,752	121,114	24,869
Gain on sale of capital assets								13,661
Transfers					312,755	(312,755)		
Payments from component units					14,715		14,715	
Payments from primary government								275,590
Total general revenues and transfers					<u>3,261,706</u>	<u>(297,177)</u>	<u>2,964,529</u>	<u>363,759</u>
Change in net assets					88,412	8,177	96,589	116,493
Net assets - beginning, as restated					942,323	151,880	1,094,203	1,761,034
Net assets - ending					<u>\$ 1,030,735</u>	<u>\$ 160,057</u>	<u>\$ 1,190,792</u>	<u>\$ 1,877,527</u>

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

Major Funds

Governmental

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

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

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

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

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

Proprietary

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

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

Rhode Island Convention Center Authority - created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence on behalf of the State. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center in Providence.

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

State of Rhode Island and Providence Plantations
Balance Sheet
Governmental Funds
June 30, 2006
(Expressed in Thousands)

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 193,742	\$ 5,566	\$	\$ 208,571	\$ 407,879
Funds on deposit with fiscal agent			323,822	80,126	403,948
Investments				185	185
Restricted investments				72,452	72,452
Receivables (net)	239,491	13,440	1,870	40,671	295,472
Due from other funds	16,991				16,991
Due from component units	6,190				6,190
Due from other governments and agencies	159,515	81,374			240,889
Loans to other funds	5,572				5,572
Other assets	42,297			156	42,453
Total assets	\$ 663,798	\$ 100,380	\$ 325,692	\$ 402,161	\$ 1,492,031
Liabilities and Fund Balances					
Liabilities					
Accounts payable	344,889	41,715	8,500	16,124	411,228
Due to other funds		1,617	2,845	10,782	15,244
Due to component units		3,457			3,457
Loans from other funds				22	22
Deferred revenue	28,334	29,227			57,561
Other liabilities	87,378	303		264	87,945
Total liabilities	460,601	76,319	11,345	27,192	575,457
Fund Balances					
Reserved for:					
Budget reserve	95,376				95,376
Appropriations carried forward	69,490				69,490
Debt			8,117	75,379	83,496
State infrastructure bank		1,354			1,354
Employment insurance programs				135,762	135,762
Unreserved, reported in:					
General fund	38,331				38,331
Special revenue funds		22,707		52	22,759
Capital projects funds			306,230	162,788	469,018
Permanent fund				988	988
Total fund balances	203,197	24,061	314,347	374,969	916,574
Total liabilities and fund balances	\$ 663,798	\$ 100,380	\$ 325,692	\$ 402,161	\$ 1,492,031

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, 2006
 (Expressed in Thousands)

Fund balance - total governmental funds \$ 916,574

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. 2,405,706

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. (2,397,451)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 76,847

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net assets of the internal service funds are reported with governmental activities. 29,059

Net assets - total governmental activities \$ 1,030,735

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, 2006
(Expressed in Thousands)

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,479,554	\$ 142,410	\$	\$ 170,997	\$ 2,792,961
Licenses, fines, sales, and services	253,768	23		66	253,857
Departmental restricted revenue	105,765	(584)			105,181
Federal grants	1,713,287	249,088			1,962,375
Income from investments	2,000	271	7,443	15,227	24,941
Other revenues	31,546	5,395		42,221	79,162
Total revenues	4,585,920	396,603	7,443	228,511	5,218,477
Expenditures:					
Current:					
General government	318,675			197,002	515,677
Human services	2,614,712			1,896	2,616,608
Education	263,735			20,559	284,294
Public safety	361,567			80	361,647
Natural resources	69,538			2,001	71,539
Transportation		212,476	32,852	1,920	247,248
Capital outlays	35,479	114,471	99,727	50,727	300,404
Intergovernmental	1,186,887	18,344		7,819	1,213,050
Debt service:					
Principal	73,700	1,068	37,440	5,455	117,663
Interest and other charges	51,381	223	11,622	42,038	105,264
Total expenditures	4,975,674	346,582	181,641	329,497	5,833,394
Excess (deficiency) of revenues over (under) expenditures	(389,754)	50,021	(174,198)	(100,986)	(614,917)
Other financing sources (uses):					
Bonds and notes issued			227,435	93,385	320,820
Proceeds from the sale of Certificates of Participation				6,000	6,000
Premium and accrued interest			13,963	2,335	16,298
Operating transfers in	441,060	42,150	51,297	59,395	593,902
Payments from component units	14,715				14,715
Other	28,105			208	28,313
Operating transfers out	(75,731)	(102,050)		(102,395)	(280,176)
Total other financing sources (uses)	408,149	(59,900)	292,695	58,928	699,872
Net change in fund balances	18,395	(9,879)	118,497	(42,058)	84,955
Fund balances - beginning	184,802	33,940	195,850	417,027	831,619
Fund balances - ending	\$ 203,197	\$ 24,061	\$ 314,347	\$ 374,969	\$ 916,574

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, 2006
 (Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	84,955
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.		
		200,477
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.		
		(220,469)
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.		
		11,822
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.		
		11,627
Change in net assets - total governmental activities	\$	<u><u>88,412</u></u>

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, 2006
(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	\$ 9,926	\$ 2,436	\$ 1,438	\$ 13,800	\$ 46,090
Restricted cash and cash equivalents		16,574		16,574	
Funds on deposit with fiscal agent			179,621	179,621	
Receivables (net)	7,735	479	49,232	57,446	9,148
Due from other funds					2,343
Due from other governments and agencies			1,152	1,152	
Inventories	1,022			1,022	2,874
Other assets	271	581		852	5,754
Total current assets	<u>18,954</u>	<u>20,070</u>	<u>231,443</u>	<u>270,467</u>	<u>66,209</u>
Noncurrent assets:					
Restricted investments		57,733		57,733	
Capital assets - nondepreciable		48,830		48,830	
Capital assets - depreciable (net)	1,314	101,447		102,761	2,923
Other assets		3,895		3,895	130
Total noncurrent assets	<u>1,314</u>	<u>211,905</u>		<u>213,219</u>	<u>3,053</u>
Total assets	<u>20,268</u>	<u>231,975</u>	<u>231,443</u>	<u>483,686</u>	<u>69,262</u>
Liabilities					
Current Liabilities					
Cash overdraft					4,357
Accounts payable	10,706	1,624		12,330	22,519
Due to other funds	1,099		1,724	2,823	1,267
Due to other governments and agencies			1,336	1,336	
Loans from other funds					5,550
Deferred revenue	317	1,940		2,257	
Other current liabilities	1,743	2,581		4,324	3,587
Bonds payable		7,250		7,250	
Obligations under capital leases					215
Obligation for unpaid prize awards	7,028			7,028	
Total current liabilities	<u>20,893</u>	<u>13,395</u>	<u>3,060</u>	<u>37,348</u>	<u>37,495</u>
Noncurrent Liabilities:					
Unearned contract revenue	10,000			10,000	
Bonds payable		276,281		276,281	
Total noncurrent liabilities	<u>10,000</u>	<u>276,281</u>		<u>286,281</u>	
Total liabilities	<u>30,893</u>	<u>289,676</u>	<u>3,060</u>	<u>323,629</u>	<u>37,495</u>
Net Assets					
Invested in capital assets, net of related deb	1,314	(133,255)		(131,941)	2,708
Restricted for:					
Debt		74,306		74,306	
Employment insurance program			228,383	228,383	
Unrestricted	(11,939)	1,248		(10,691)	29,059
Total net assets	<u>\$ (10,625)</u>	<u>\$ (57,701)</u>	<u>\$ 228,383</u>	<u>\$ 160,057</u>	<u>\$ 31,767</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, 2006
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,731,315	\$ 16,570	\$ 198,420	\$ 1,946,305	\$ 332,741
Grants			2,342	2,342	
Miscellaneous		448	979	1,427	
Total operating revenues	1,731,315	17,018	201,741	1,950,074	332,741
Operating expenses:					
Personal services	4,232	7,162		11,394	20,457
Supplies, materials, and services	196,285	12,529		208,814	299,607
Prize awards	1,208,324			1,208,324	
Depreciation and amortization	293	6,964		7,257	676
Benefits paid			191,924	191,924	
Total operating expenses	1,409,134	26,655	191,924	1,627,713	320,740
Operating income (loss)	322,181	(9,637)	9,817	322,361	12,001
Nonoperating revenues (expenses):					
Interest revenue		668	8,158	8,826	703
Other nonoperating revenue	2,343		4,409	6,752	
Interest expense		(11,207)		(11,207)	
Other nonoperating expenses			(5,800)	(5,800)	54
Total nonoperating revenue (expenses)	2,343	(10,539)	6,767	(1,429)	757
Income (loss) before transfers	324,524	(20,176)	16,584	320,932	12,758
Transfers in		16,336	971	17,307	
Transfers out	(323,899)		(6,163)	(330,062)	(971)
Change in net assets	625	(3,840)	11,392	8,177	11,787
Total net assets - beginning	(11,250)	(53,861)	216,991	151,880	19,980
Total net assets - ending	\$ (10,625)	\$ (57,701)	\$ 228,383	\$ 160,057	\$ 31,767

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, 2006
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 1,738,318	\$ 18,314	\$ 201,590	\$ 1,958,222	\$ 335,907
Cash received from grants			2,342	2,342	
Cash payments to suppliers for goods and services	(3,964)	(12,528)		(16,492)	(290,823)
Cash payments to employees for services	(4,413)	(6,997)		(11,410)	(20,642)
Cash payments to prize winners	(1,214,133)			(1,214,133)	
Cash payments for commissions	(190,567)			(190,567)	
Cash payments for benefits			(192,019)	(192,019)	
Other operating revenue (expense)			979	979	54
Net cash provided by (used for) operating activities	325,241	(1,211)	12,892	336,922	24,496
Cash flows from noncapital financing activities:					
Loans from other funds					6,050
Repayment of loans to other funds					(500)
Operating transfers in		16,336	971	17,307	
Operating transfers out	(324,350)		(5,948)	(330,298)	(971)
Net transfers from (to) fiscal agent			(6,841)	(6,841)	
Negative cash balance implicitly financed					4,357
Repayment of prior year negative cash balance implicitly financed	(24)			(24)	(1,761)
Net cash provided by (used for) noncapital financing activities	(324,374)	16,336	(11,818)	(319,856)	7,175
Cash flows from capital and related financing activities:					
Principal paid on capital obligations		(75,780)		(75,780)	(517)
Interest paid on capital obligations		(10,149)		(10,149)	
Acquisition of capital assets	(57)	(33,028)		(33,085)	(320)
Proceeds from bonds		160,239		160,239	
Net cash provided by (used for) capital and related financing activities	(57)	41,282		41,225	(837)
Cash flows from investing activities:					
Proceeds from sale and maturity of investments		(57,733)		(57,733)	
Interest on investments	1,217	808		2,025	702
Net cash provided by (used for) investing activities	1,217	(56,925)		(55,708)	702
Net increase (decrease) in cash and cash equivalents	2,027	(518)	1,074	2,583	31,536
Cash and cash equivalents, July 1	7,899	19,528	364	27,791	14,554
Cash and cash equivalents, June 30	\$ 9,926	\$ 19,010	\$ 1,438	\$ 30,374	\$ 46,090
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	322,181	(9,637)	9,817	322,361	12,001
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	293	6,964		7,257	676
Other revenue (expense) and operating transfer in (out)	501			501	54
Net changes in assets and liabilities:					
Receivables, net	85	209	3,169	3,463	4,442
Inventory	(267)			(267)	(387)
Prepaid items		(71)		(71)	3,704
Other assets	(70)			(70)	
Accounts and other payables	1,339	(164)	(94)	1,081	4,194
Accrued expenses	567	400		967	(188)
Deferred revenue	137	1,088		1,225	
Prize awards payable	475			475	
Total adjustments	3,060	8,426	3,075	14,561	12,495
Net cash provided by (used for) operating activities	\$ 325,241	\$ (1,211)	\$ 12,892	\$ 336,922	\$ 24,496

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

Fiduciary Funds

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

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

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

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

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

State of Rhode Island and Providence Plantations
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(Expressed in Thousands)

	Pension Trust	Private Purpose	
		Touro Jewish Synagogue	Agency
Assets			
Cash and cash equivalents	\$ 22,026	\$	\$ 16,689
Deposits held as security for entities doing business in the State			66,899
Receivables			
Contributions	15,933		
Due from state for teachers	12,568		
Miscellaneous	2,203		
Total receivables	<u>30,704</u>		
Investments, at fair value			
Equity in Short-Term Investment Fund	21,663		
Equity in Pooled Trust	7,229,722		
Plan specific investments	20,486		
Other investments		2,155	
Total investments before lending activities	<u>7,271,871</u>	<u>2,155</u>	
Invested securities lending collateral	<u>1,400,373</u>		
Property and equipment, at cost, net of accumulated depreciation	<u>11,379</u>		
Total assets	<u>8,736,353</u>	<u>2,155</u>	<u>83,588</u>
Liabilities			
Securities lending liability	1,400,373		
Accounts payable	6,804		
Deposits held for others			83,588
Total liabilities	<u>1,407,177</u>		<u>83,588</u>
Net assets held in trust for pension and other benefits	<u>\$ 7,329,176</u>	<u>\$ 2,155</u>	<u>\$</u>

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

State of Rhode Island and Providence Plantations
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>Private Purpose Touro Jewish Synagogue</u>
Additions		
Contributions		
Member contributions	\$ 163,370	\$
Employer contributions	202,433	
State contributions for teachers	54,538	
Interest on service credits purchased	1,530	
Total contributions	<u>421,871</u>	
Investment income		
Net appreciation (depreciation) in fair value of investments	568,203	129
Interest	89,132	
Dividends	87,896	35
Other investment income	64,247	70
	<u>809,478</u>	<u>234</u>
Less investment expense	30,090	
Net income from investing activities	<u>779,388</u>	<u>234</u>
Securities Lending		
Securities lending income	27,076	
Less securities lending expense	24,320	
Net securities lending income	<u>2,756</u>	
Total net investment income	<u>782,144</u>	<u>234</u>
Total additions	<u>1,204,015</u>	<u>234</u>
Deductions		
Benefits		
Retirement benefits	462,439	
Cost of living adjustment	112,689	
SRA Plus Option	28,410	
Supplemental benefits	1,086	
Death benefits	3,254	
Total benefits	<u>607,878</u>	
Refund of contributions	9,826	
Administrative expense	6,959	
Distribution		89
Total deductions	<u>624,663</u>	<u>89</u>
Change in net assets	579,352	145
Net assets held in trust for pension benefits		
Net assets - beginning	6,749,824	2,010
Net assets - ending	<u>\$ 7,329,176</u>	<u>\$ 2,155</u>

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

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2006

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State of Rhode Island and Providence Plantations
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Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, defines component units as 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.

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

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

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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 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

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committee. The State administrator reports to the Commissioner of Elementary and Secondary Education. The District's purpose is to provide elementary and secondary education to residents of the City of Central Falls. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 21 Hadley Avenue, Central Falls, RI 02863.

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

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

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

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

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

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

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

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

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

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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 Responsibility (RIUSTR) – 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.

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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. The State does not allocate indirect costs to the functions. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

GARVEE Fund. This fund accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds,

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related expenditures and the two cents a gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds.

The State reports the following major proprietary funds:

State Lottery Fund. The State Lottery Fund operates games of chance for the purpose of generating resources for the State's General Fund. For more detailed information, a copy of the financial statements can be obtained by writing to the Office of The Financial Administrator, State Lottery, 1425 Pontiac Avenue, Cranston, RI 02920.

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

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

Internal Service Funds. These funds account for, among other things, employee and retiree medical benefits, State fleet management, unemployment compensation, workers' compensation, industrial prison operations, computer and related data processing services, surplus property, telecommunications and other utilities, and records maintenance.

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Fiduciary Fund Types:

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

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

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

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

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

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

E. Cash and Cash Equivalents

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

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

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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.

H. Receivables

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

I. Due From Other Governments and Agencies

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

J. Interfund Activity

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

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

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K. Inventories

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

L. Capital Assets

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

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

Asset Category	Capitalization Thresholds	Estimated Useful Lives
Capital Assets (Depreciable)		
Land improvements	\$100,000	20 years
Buildings	\$100,000	20 - 50 years
Building Improvements	\$250,000	10 - 20 years
Furniture and equipment	\$5,000	3 - 10 years
Intangibles	\$1 million	5 years
Infrastructure	\$1 million	7 - 75 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction of capital facilities is not capitalized.

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

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M. Bonds Payable

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

N. Obligations under Capital Leases

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

O. Compensated Absences

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

P. Other Liabilities

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

Q. Fund Balances

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

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

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R. New Pronouncements

The State implemented the following GASB statements:

Statement No. 42, *Accounting and Financial Reporting For Impairment of Capital Assets and for Insurance Recoveries* - No events occurred during the fiscal year that met the new reporting requirements.

Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1.*

Statement No. 46, *Net Assets Restricted by Enabling Legislation* - The changes are detailed in Note 8.

Statement No. 47, *Accounting for Termination Benefits* - No events occurred during the fiscal year that met the new reporting requirements.

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

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the policy of management to lapse all unexpended appropriations, except those of the legislative and judicial branches.

Note 3. Cash, Cash Equivalents and Investments

Cash

Primary Government

At June 30, 2006, the carrying amount of the State's cash deposits was \$116,729,000 and the bank balance was \$133,429,000. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a. Uncollateralized b. Collateralized with securities held by the pledging financial institution, or c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Of the bank balance, \$798,000 was covered by federal depository insurance and \$71,477,000 was collateralized with securities held by the pledging financial institution, as it's agent but not in the State's name. The remaining amount, \$61,153,000 was uninsured and uncollateralized. The carrying amount and bank balance includes \$21,724,000 of certificates of deposit.

The General Fund borrowed \$20,000,000 in December 2005, from the R.I. Temporary Disability Fund (TDI), as permitted under RIGL 35-3-23, and \$20,000,000 in March 2006, from the Health Insurance Internal Service fund to cover a cash shortfall. These loans were repaid in full as of June 30, 2006. TDI received \$442,650 in interest, which reflected the average General Fund investment rate for the applicable period. The ISTEAFund also borrowed \$10,000,000 from the General Fund in September 2005, which was repaid in June 2006.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2006.

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

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funds are made by investment managers in accordance with the Commission's stated investment objectives and policies. Investments of certain blended component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing body.

Of the State's investments equaling \$130,370,000 the Tobacco Settlement Financing Corporation, a non-major governmental fund, has restricted investments totaling \$72,452,000. Investment of certain blended component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing body.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by the State's minimum rating criteria policy, collateralization and maximum participation by any one issuer is limited to 35% of the total portfolio. As of June 30, 2006, the State's investments in Citigroup, Abbey National NA LLC, and GE Capital Corporation commercial paper were rated A1+ by Standard and Poors and P1 by Moody's. The State's investments in J. P. Morgan Chase and Morgan Stanley commercial paper were rated A1 by Standard and Poors and P1 by Moody's. The State's investments in US Government Agency Securities were rated AAA by Moody's. The State's investment in mutual funds were rated Aaa by Moody's. The State's Investment Agreements are not rated.

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: a. The counterparty or b. The counterparty's trust department or agent but not in the government's name. Of the State's \$82,134,000 investment in repurchase agreements, \$714,000 of underlying securities are held by the investment's counterparty, not in the name of the State.

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

Type	Issuer	Amount	Percentage
Commercial Paper	Morgan Stanley CP	51,528	5.7%
Investment Agreements	Morgan Stanley	49,796	5.5%
Investment Agreements	AIG Matched Funding Corp	208,363	23.1%
Repurchase Agreements	Bank of New York Trust Co.	57,734	6.4%

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

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The State's investments (expressed in thousands) at June 30, 2006 are as follows.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. Government Agency Securities	\$ 19,867	\$ 19,867	\$ 0
Money Market	241,770	241,770	0
Commercial Paper	154,213	154,213	0
Repurchase Agreements	82,134	24,400	57,734
	497,984	\$ 440,250	\$ 57,734
Less amounts classified as cash equivalents	367,614		
Investments	\$ 130,370		

The State's funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2006 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money Market	\$ 90,286	90,286	0	0	0
Investment Agreements	313,663	68,690	241,096	0	3,877
Funds on deposit with fiscal agent	\$ 403,949	\$ 158,976	\$ 241,096	\$ 0	\$ 3,877

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

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

Fiduciary Funds

Pension Trusts

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

Cash

At June 30, 2006, the carrying amounts of the ERS cash deposits was \$22,026,000 and the bank balance was \$22,444,000. The bank and book balances represent the ERS deposits in short-term trust accounts which include demand deposit accounts, bank money market accounts, overnight repurchase agreements and a certificate of deposit (ERSP \$8,500,000).

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Of the bank balance, \$9,034,000 is covered by federal depository insurance. The remaining bank balance of \$13,410,000 is fully collateralized.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the ERS's deposits were required to be collateralized at June 30, 2006.

Investments

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

On July 1, 1992, the State Investment Commission pooled the assets of the ERS with the assets of the MERS for investment purposes only, and assigned units to the plans based on their respective share of market value. On September 29, 1994 and November 1, 1995, the assets of the SPRBT and the JRBT, respectively, were added to the pool for investment purposes only. The custodian bank holds most assets of the ERS in two pooled trusts, Short-term Investment Trust and Pooled Trust. Each plan holds units in the trusts. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust. Certain investments are not pooled and are held by only one plan (Plan specific investments).

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

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The following table presents the fair value (expressed in thousands) of investments by type at June 30, 2006:

Investment Type	Fair Value
U.S. Government Securities	\$ 582,488
U.S. Government Agency Securities	469,461
Collateralized Mortgage Obligations	43,548
Corporate Bonds	586,883
International Corporate Bonds	34,754
Domestic Equity Securities	1,191,377
International Equity Securities	1,521,897
Foreign Currencies	31,154
Private Equity	436,470
Real Estate	294,751
Money Market Mutual Fund	170,432
Commingled Funds - Domestic Equity	1,779,963
Commingled Funds - International Equity	128,693
Investments at Fair Value	7,271,871
Securities Lending Collateral Pool	1,400,373
Total	<u>\$ 8,672,244</u>

Interest Rate Risk

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

Duration is a measure of a debt security's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The ERS manages its exposure to interest rate risk by comparing each fixed income manager portfolio's effective duration against a predetermined benchmark index based on that manager's mandate. Currently each portfolio's duration must be within +/- 20-35% of the effective duration of the appropriate index. The fixed income indices currently used by the ERS are:

- Salomon Brothers Broad Investment Grade Bond Index
- Lehman US TIPS Index
- Lehman Brothers MBS Fixed Rate Index
- CS First Boston High Yield Index
- Lehman Corporate Index

At June 30, 2006, no fixed income manager was outside of the policy guidelines.

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The following table shows the ERS's fixed income investments by type, fair value (expressed in thousands) and the effective duration at June 30, 2006:

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 582,488	5.56
U.S. Government Agency Securities	469,461	4.37
Collateralized Mortgage Obligations	43,548	3.29
Corporate Bonds	586,883	4.13
International Corporate Bonds	34,754	16.81
Total Fixed Income	<u>\$ 1,717,134</u>	4.92

The ERS also invested in a short-term money market mutual fund that held investments with an average maturity of 27 days. The maximum maturity of any instrument in the money market mutual fund is 13 months.

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

Credit Risk

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

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

- No single industry is expected to represent more than 20% of the portfolio's market value.
- No single issue is expected to represent more than 5% of the portfolio's market value.

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- The portfolio, once fully invested, is expected to include a minimum of 70 individual holdings.
- The portfolio quality is expected to be invested in high yield below investment grade fixed income securities.
- The weighted average credit quality is expected to maintain a minimum rating of "B" using either Moody's or Standard and Poor's credit ratings.

The ERS's exposure to credit risk (expressed in thousands) as of June 30, 2006 is as follows:

Quality Rating *	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds	International Corporate Bonds
Aaa	\$ 28,974	\$ 469,461	\$ 81,860	\$
Aa	138		46,736	
A	1,753		119,568	
Baa	6,165		88,012	11,034
Ba	473		62,736	
B			157,043	
Caa			14,972	
Ca			429	
C			1,384	
Not rated	6,045		14,143	23,719
Fair Value	<u>\$ 43,548</u>	<u>\$ 469,461</u>	<u>\$ 586,883</u>	<u>\$ 34,753</u>

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

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ERS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2006 all securities were registered in the name of the ERS and were held in the possession of the ERS's custodial bank, State Street Bank and Trust.

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Foreign Currency Risk

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

The ERS's exposure to foreign currency risk (expressed in thousands) at June 30, 2006, was as follows:

Currency	Currency	Equities	Fixed Income	Total
Australian Dollar	\$ (52)	\$ 89,743	\$	\$ 89,691
Brazilian Real		6,589		6,589
Canadian Dollar	(575)	68,815		68,240
Danish Krone	6	645		651
Euro Currency	15,262	527,160	23,719	566,141
Hong Kong Dollar	315	33,283		33,598
Hungarian Forint		1,794		1,794
Indian Rupee		7,709		7,709
Indonesian Rupiah	253	1,600		1,853
Japanese Yen	3,103	291,102		294,205
Mexican Peso	15	5,835	953	6,803
New Taiwan Dollar		12,443		12,443
New Zealand Dollar	13	5,230		5,243
Norwegian Krone	12	14,491		14,503
Pound Sterling	1,861	311,965		313,826
Russian Ruble		3,353		3,353
Singapore Dollar	101	21,753		21,854
South African Rand	81	6,941		7,022
South Korean Won	1,756	20,645		22,401
Swedish Krona	8,859	21,394	10,082	40,335
Swiss Franc	140	65,810		65,950
Thailand Baht	4	3,597		3,601
Total	<u>\$ 31,154</u>	<u>\$ 1,521,897</u>	<u>\$ 34,754</u>	<u>\$ 1,587,805</u>

The ERS also had exposure to foreign currency risk through its investment in international commingled equity funds.

Derivatives and Other Similar Investments

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

Forward Foreign Currency Contracts – The ERS enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. These contracts involve risk in excess of the amount reflected in the ERS's Statements of Fiduciary Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the ERS has in that particular currency contract. By

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policy, no more than 25% of actively managed foreign equity securities (at fair value) may be hedged into the base currency (US Dollars). The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

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

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

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

Securities Lending

Policies of the State Investment Commission permit the ERS to enter into securities lending transactions. The ERS has contracted with State Street Bank & Trust Company (SSB) as third party securities lending agent to lend the ERS's debt and equity securities for cash, securities and sovereign debt of foreign countries as collateral at not less than 100% of the market value of the domestic securities on loan and at not less than 100% of the market value of the international securities on loan. In practice, securities on loan are collateralized at 102%. There are no restrictions on the amount of loans that can be made. The contract with the lending agent requires them to indemnify the ERS if the borrowers fail to return the securities. Either the ERS or the borrower can terminate all securities loans on demand. The cash collateral received on security loans was invested in the lending agent's short-term investment pool. At June 30, 2006 the investment pool had a weighted average maturity of 58 days and an average final maturity of 479 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The ERS is not permitted to pledge or sell collateral securities received unless the borrower defaults. There were no losses during the fiscal year resulting from default of the borrowers or lending agent.

At June 30, 2006, management believes the ERS has no credit risk exposure to borrowers because the amounts the ERS owes the borrowers do not exceed the amounts the borrowers owe the ERS. The securities on loan at year-end were \$1,381,551,261 (fair value), and the collateral received for those securities on loan was \$1,407,928,257 (fair value).

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Private Purpose Trusts

The private purpose trusts had investments of \$2,155,000 in a mutual fund. The average maturity of the fund was not available.

Note 4. Receivables

Receivables at June 30, 2006 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Allowance for Uncollectibles	Total Receivables
Governmental Activities:						
General	\$ 262,857	\$ 107,630	\$	\$ 485	\$ (123,082)	\$ 247,890
Intermodal Surface Transportation	12,440			1,000		13,440
Other governmental	41,377	875	1,870		(1,581)	42,541
Internal Service		9,148		130		9,278
Total - governmental activities	\$ 316,674	\$ 117,653	\$ 1,870	\$ 1,615	\$ (124,663)	\$ 313,149
Amounts not expected to be collected in the subsequent year and recorded as deferred revenue						
General	\$ 5,611	\$ 8,012				
Intermodal Surface Transportation		29,227				
Business-type activities:						
State Lottery	\$	\$ 8,091	\$	\$	\$ (356)	\$ 7,735
Convention Center		682			(203)	479
Employment Security	49,433	10,110			(10,311)	49,232
Total - business-type activities	\$ 49,433	\$ 18,883	\$	\$	\$ (10,870)	\$ 57,446
Component Units	\$	\$ 120,695	\$ 30,244	\$ 2,456,379	\$ (62,500)	\$ 2,544,818

Component Units

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

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Note 5. Intra-Entity Receivables and Payables

Intra-entity receivables and payables, as of June 30, 2006, 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	\$ 16,991	\$
Intermodal Surface Transportation Fund		1,617
GARVEE		2,845
Other		
Bond Capital		9,447
RI Temporary Disability Insurance		1,010
COPS		325
Total Other		10,782
Total Governmental	16,991	15,244
Proprietary Funds		
Enterprise		
RI Lottery		1,099
Employment Security Trust Fund		1,724
Total Enterprise		2,823
Internal Service		
Assessed Fringe Benefits		285
Central Utilities	219	
Information Processing		803
Central Postage		93
Centrex	1,081	
Pastore Communications		46
Central Pharmacy	661	
Central Laundry	92	
Automotive Maintenance		10
Central Warehouse	175	
Correctional Industries		27
Health Insurance	115	
Records Center		3
Total Internal Service	2,343	1,267
Totals	\$ 19,334	\$ 19,334

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Note 6. Capital Assets

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

Primary Government

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 326,513	\$ 5,579	\$	\$ 332,092
Intangibles	90,989	15,157		106,146
Construction in progress	233,216	243,371	(74,914)	401,673
Total capital assets not being depreciated	<u>650,718</u>	<u>264,107</u>	<u>(74,914)</u>	<u>839,911</u>
Capital assets being depreciated:				
Land improvements	3,601	99		3,700
Buildings	430,678	8,276		438,954
Building Improvements	199,470	8,873		208,343
Furniture and equipment	170,833	41,734	(8,046)	204,521
Intangibles	1,196			1,196
Infrastructure	2,001,572	61,387		2,062,959
Total capital assets being depreciated	<u>2,807,350</u>	<u>120,369</u>	<u>(8,046)</u>	<u>2,919,673</u>
Less accumulated depreciation for:				
Land improvements	2,339	183		2,522
Buildings	146,337	8,333		154,670
Building Improvements	117,583	8,778		126,361
Furniture and equipment	131,109	17,495	(7,369)	141,235
Intangibles	415	239		654
Infrastructure	856,565	71,871		928,436
Total accumulated depreciation	<u>1,254,348</u>	<u>106,899</u>	<u>(7,369)</u>	<u>1,353,878</u>
Total capital assets being depreciated, net	<u>1,553,002</u>	<u>13,470</u>	<u>(677)</u>	<u>1,565,795</u>
Governmental activities capital assets, net	<u>\$ 2,203,720</u>	<u>\$ 277,577</u>	<u>\$ (75,591)</u>	<u>\$ 2,405,706</u>

Certain beginning balances were restated due to the addition of retrospective infrastructure for fiscal years 1981 through 2001 and adjustments to other capital asset records.

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

General government	\$ 7,113
Human services	8,643
Education	2,939
Public safety	9,691
Natural resources	3,166
Transportation	75,347
Total depreciation expense - governmental activities	<u>\$ 106,899</u>

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Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 31,474	\$ 14,084	\$	\$ 45,558
Construction in progress	306	3,121	(155)	3,272
Total capital assets not being depreciated	31,780	17,205	(155)	48,830
Capital assets being depreciated:				
Buildings	148,481	12,777		161,258
Machinery and equipment	8,196	3,404	(325)	11,275
Total capital assets being depreciated	156,677	16,181	(325)	172,533
Less accumulated depreciation	63,583	6,511	(321)	69,772
Total capital assets being depreciated, net	93,094	9,670	(4)	102,761
Business-type activities capital assets, net	<u>\$ 124,874</u>	<u>\$ 26,875</u>	<u>\$ (159)</u>	<u>\$ 151,591</u>

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 79,898	\$ 6,478	\$ (2,188)	\$ 84,188
Construction in progress	339,728	161,372	(55,068)	446,032
Total capital assets not being depreciated	419,626	167,850	(57,256)	530,220
Capital assets being depreciated:				
Buildings	985,223	42,376	(1,572)	1,026,027
Land improvements	133,525	11,107		144,632
Machinery and equipment	246,631	32,570	(12,828)	266,373
Infrastructure	309,895	15,271		325,166
Total capital assets being depreciated	1,675,274	101,324	(14,400)	1,762,198
Less accumulated depreciation for:				
Buildings	363,500	36,364	(1,223)	398,641
Land improvements	66,960	9,551		76,511
Machinery and equipment	142,724	19,798	(10,222)	152,300
Infrastructure	91,877	5,932		97,809
Total accumulated depreciation	665,061	71,645	(11,445)	725,261
Total capital assets being depreciated, net	1,010,213	29,679	(2,955)	1,036,937
Total capital assets, net	<u>\$ 1,429,839</u>	<u>\$ 197,529</u>	<u>\$ (60,211)</u>	<u>\$ 1,567,157</u>

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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, 2006, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units	
	Governmental Activities		Business Type Activities		Principal	Interest
	Principal	Interest	Principal	Interest		
2007	\$ 92,178	\$ 111,675	\$ 7,250	\$ 14,275	\$ 151,098	\$ 144,051
2008	91,791	103,648	8,975	14,286	184,671	139,049
2009	96,599	96,276	9,285	13,853	123,175	131,475
2010	84,284	91,382	9,740	13,408	86,184	127,105
2011	78,660	87,337	10,205	12,938	84,784	123,587
2012-2016	488,860	363,525	59,010	56,507	519,877	553,411
2017-2021	311,915	258,248	73,445	40,602	491,535	439,856
2022-2026	206,295	191,297	58,070	22,225	466,577	320,308
2027-2031		167,686	27,305	11,745	480,807	217,207
2032-2036	168,260	126,462	23,900	3,727	387,297	115,453
2037-2041		116,156			309,520	21,988
2042-2046	371,700	23,231			7,945	1,242
	<u>\$ 1,990,542</u>	<u>\$ 1,736,923</u>	<u>\$ 287,185</u>	<u>\$ 203,566</u>	<u>\$ 3,293,470</u>	<u>\$ 2,334,732</u>

Primary Government

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

Included in the current interest bonds is \$19,665,000 of general obligation multi-modal variable rate demand bonds maturing in fiscal year 2020. These bonds were initially issued in the weekly rate mode but can be changed by the issuer (the State) to a daily, commercial paper or term rate mode. The interest rate is determined either weekly or daily based on the mode; interest is paid monthly. The owners of the bonds in a weekly mode can require the State (acting through its remarketing and tender agents) to repurchase the bonds. The remarketing agent is authorized to use its best efforts to resell any purchased bonds by adjusting the interest rate offered. The State has entered into a standby bond purchase agreement (liquidity facility) with the tender agent and a commercial bank (the bank). The remarketing agent is required to offer for sale all bonds properly tendered for purchase. In the event the remarketing agent is unable to remarket tendered bonds, the standby bond purchase agreement provides that the bank agrees to purchase any bonds from time to time in an amount not to exceed the principal amount plus accrued interest up to 37 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility. This agreement has been extended through December 15, 2015. The State is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus 1/2 of 1 percent, whichever is higher. The standby bond purchase agreement

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remains in effect until the payment in full of the principal and interest on all bonds purchased by the bank.

The Rhode Island Economic Development Corporation (RIEDC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds which are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty cents (\$.30) per gallon Motor Fuel Tax. The bonds provide the state matching funds for the Grant Anticipation Revenue Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The RIEDC has no taxing power. The obligation of the State to make payments to the trustee of future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly. During fiscal year 2006, RIEDC issued Grant Anticipation Revenue bonds and Motor Fuel Tax Revenue bonds of \$184,620,000 and \$42,815,000, respectively.

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

In June 2002, the Tobacco Settlement Financing Corporation (TSFC), a blended component unit, issued \$685,390,000 of Tobacco Asset-Backed Bonds (Bonds) that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent Decree and Final Judgment. As stated in the bond indenture, the Bonds are payable as to principal and interest solely out of the assets of the TSFC pledged for such purpose; neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal or of the interest on the Bonds; the Bonds do not constitute an indebtedness of the State or any political subdivision of the State; the Bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC; the Bonds do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof and the State has no obligation or intention to satisfy any deficiency or default of any payment of the Bonds. The TSFC has no taxing power. During the year ended June 30, 2006, TSFC utilized \$5,455,000 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 Financial Reports (CAFRs) with GASB Statement No. 14, *The Financial Reporting Entity* as the only guidance to a rather unique situation. Therefore, there was a lack of comparability amongst the CAFRs. GASB issued Technical Bulletin, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, which, amongst other things, made it clear that the TSFC should be blended rather than discretely presented.

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

During November 2001, the RICCA issued Refunding Revenue Bonds, 2001 Series A (the bonds), in the aggregate principal amount of \$101,315,000. The Bonds may bear interest at Daily Rates, Weekly Rates, or Term Rates, as defined in the Bond Resolution adopted by the RICCA on October 18, 2001, for periods selected from time to time by the RICCA and determined by UBS Painewebber, Inc. (UBS), as Remarketing Agent under the Remarketing Agreement (the Agreement) dated November 6, 2001. In addition, the RICCA may convert the Bonds to fixed rate bonds. The Bonds initially bear interest at the weekly rate as determined by UBS and are payable in monthly installments. Total interest paid to the Bondholders for the year ended June 30, 2006 was \$1,892,305. The Bonds mature in varying installments through May 15, 2027; \$63,205,000 of these bonds remain outstanding at June 30, 2006.

Concurrent with the issuance of the 2001 Series A Refunding Revenue Bonds, the RICCA entered into an interest rate swap agreement (the Swap Agreement) with UBSAG, Stamford Branch (UBSAG). Under the terms of the Swap Agreement, the RICCA agrees to pay to UBSAG a fixed interest rate of 3.924% on the outstanding principal amount of the Bonds each May 15th and November 15th through May 15, 2027. In exchange, UBSAG agrees to pay to the RICCA interest at the Weekly Rate on a monthly basis through May 15, 2027. The Swap Agreement contains a barrier option early termination date of November 15, 2006 and every fixed rate payment due date thereafter. In addition, UBSAG has the right, but not the obligation, on providing 30 calendar days notice prior to the early termination date, to terminate the Swap Agreement if the averaged Weekly Rate has exceeded 5.25% per annum within the preceding 180 days. Such termination shall not require the consent of the RICCA and no fees, payments or other amounts shall be payable by either party in respect of this termination. Total interest paid by the RICCA to UBSAG for the year ended June 30, 2006 under the Swap Agreement was \$2,232,900. Total interest received by the RICCA from UBSAG for the years ended June 30, 2006 under the Swap Agreement was \$1,711,600. By entering into the Swap Agreement, the RICCA converted variable rate bonds to fixed rate bonds to minimize interest rate fluctuation risk.

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At June 30, 2006, the fair value of RICCA's liability for the interest rate swap was approximately \$1,047,000.

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

The termination date of the standby bond purchase agreement is the later of November 1, 2006 or when all principal and interest on any bonds purchased by Dexia have been paid in full. Under the terms of the standby bond purchase agreement, the RICCA is obligated to pay a fee equal to .165% per annum of the outstanding bond principal and interest. Fees paid by the RICCA for the year ended June 30, 2006 totaled \$109,725.

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

During December 2005, RICCA issued Civic Center Revenue Bonds, 2005 Series A (federally taxable), in an aggregate principal amount of \$33,000,000 for the purpose of (i) financing the Center acquisition, (ii) paying capitalized interest on these bonds. The Civic Center Revenue Bonds, 2005 Series A were a short-term private placement with Merrill Lynch, Pierce, Fenner & Smith, maturing September 1, 2006. The bonds bore interest at a variable rate, initially 4.811%, based on the one month London InterBank Offered Rate (LIBOR) plus .50%. The bonds were subject to optional early redemption prior to maturity at the election of RICCA at any time on or after April 1, 2006, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest and unpaid interest at the redemption date. RICCA exercised this option during June 2006.

During June 2006, RICCA issued Civic Center Revenue Bonds, 2006 Series A, (federally taxable) (2006 Series A Bonds) in an aggregate principal amount of \$92,500,000 for the purpose of (i) financing or refinancing the acquisition, renovation, equipping, improvement and redevelopment of the Center, (ii) redeeming the \$33,000,000 Civic Center Revenue Bonds, 2005 Series A previously issued by RICCA, (iii) paying the costs of issuance, and

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(iv) paying capitalized interest on the 2006 Series A Bonds. The bonds mature between 2008 and 2035 and bear interest at rates ranging from 5.38% to 6.06%.

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

RICCA is limited to the issuance of bonds or notes in an aggregate principal amount of \$353,000,000. At June 30, 2006, total outstanding bond and note indebtedness equals \$287,200,000.

At June 30, 2006 general obligation bonds authorized by the voters and unissued amounted to \$302,100,000. 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) 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.

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

In June 2006, the Airport Corporation (RIAC), RIEDC and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the Intermodal Facility Project. RIAC is permitted under the agreement to make requisitions of funds for eligible project costs and it is anticipated that such requisitions will occur in fiscal years 2007-2010. Upon completion of the project, RIAC will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made on behalf of RIEDC (the borrower per the Agreement) and it is anticipated that repayments will commence in fiscal year 2010 with a final maturity of January 2042. Such repayments are payable solely from the net revenues derived from the Intermodal Facility. As of June 30, 2006, RIAC had no borrowings under this agreement.

The Narragansett Bay Commission (NBC) has entered into a standby bond purchase agreement (liquid facility) with the tender agent and a European bank (the bank). The remarketing agent is required to offer for sale all bonds properly tendered for purchase. In the event the remarketing agent is unable to remarket tendered bonds, the standby bond purchase agreement provides that the bank agrees to purchase any bonds from time to time in an amount not to exceed the principal amount plus accrued interest up to 183 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility. NBC is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus ½ of 1 percent, whichever is higher. The standby bond purchase agreement remains in effect until the payment in full of the principal and interest on all bonds purchased by the bank. The standby bond purchase agreement terminates on April 29, 2009 and carries a fee of 0.18% per annum on the amount available.

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

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

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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, \$21,924,000 at June 30, 2006 (See Note 21). The insured mortgages are guaranteed by the State.

B. Notes Payable

Notes payable (expressed in thousands) at June 30, 2006 are as follows:

Component Units	
Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024.	\$ 1,987
R.I. Housing and Mortgage Finance Corporation bank notes, 4.21% to 5.54% interest, payable through 2007.	78,000
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 4.15% interest, payable through 2015	857
R.I. Resource Recovery Corporation notes due in installments through 2010, 5 % interest.	3,550
	<u>84,394</u>
Less: current payable	(79,818)
	<u><u>\$ 4,576</u></u>

C. Loans Payable

Component Units

Loans payable include liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) of \$258,756,858.

D. Obligations Under Capital Leases

Primary Government

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

The State's obligation under capital leases at June 30, 2006 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, 2006.

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Fiscal Year Ending June 30	COPS
2007	\$ 25,425
2008	25,390
2009	24,901
2010	23,693
2011	20,852
2012 - 2016	92,977
2017 - 2021	68,890
2022 - 2026	37,421
Total future minimum lease payments	<u>319,549</u>
Amount representing interest	(92,794)
Present value of future minimum lease payments	<u>\$ 226,755</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

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

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G. Changes in Long-Term Debt

During the fiscal year ended June 30, 2006, 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	\$ 800,306	\$ 93,385	\$ (51,448)	\$ 842,243	\$ 46,192	\$ 796,051
Capital appreciation bonds	610		(306)	304	186	118
Accreted interest on capital appreciation bonds	9,570	2,633	(6,084)	6,119	4,724	1,395
Premium and deferred amount on refunding	33,147	2,238	(2,835)	32,550		32,550
	<u>843,633</u>	<u>98,256</u>	<u>(60,673)</u>	<u>881,216</u>	<u>51,102</u>	<u>830,114</u>
RIEDC Grant Anticipation Bonds	186,050	184,620	(32,290)	338,380	24,560	313,820
Premium	17,895	12,362	(2,400)	27,857		27,857
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	42,255	42,815	(5,150)	79,920	3,630	76,290
Premium	80	1,600	(45)	1,635		1,635
Revenue bonds - RIRBA	74,615		(14,295)	60,320	17,610	42,710
Net premium/discount and deferred amount on refunding	2,689		(2,098)	591		591
Tobacco Settlement Asset-Backed Bonds	674,830		(5,455)	669,375		669,375
Net premium/discount	(29,539)		1,379	(28,160)		(28,160)
Bonds payable	<u>1,812,508</u>	<u>339,653</u>	<u>(121,027)</u>	<u>2,031,134</u>	<u>96,902</u>	<u>1,934,232</u>
Certificates of Participation (COP)	230,760	6,000	(10,005)	226,755	15,215	211,540
Premium	5,650		(303)	5,347		5,347
Other capital leases	1,704		(1,704)			
Obligations under capital leases	<u>238,114</u>	<u>6,000</u>	<u>(12,012)</u>	<u>232,102</u>	<u>15,215</u>	<u>216,887</u>
Compensated absences	64,648	62,310	(55,537)	71,421	48,763	22,658
Other long-term liabilities	43,681	13,772	(8,101)	49,352	3,687	45,665
	<u>\$ 2,158,951</u>	<u>\$ 421,735</u>	<u>\$ (196,677)</u>	<u>\$ 2,384,009</u>	<u>\$ 164,567</u>	<u>\$ 2,219,442</u>
Business type activities						
Revenue bonds	\$ 202,855	\$ 160,110	\$ (75,780)	\$ 287,185	\$ 7,250	\$ 279,935
Add: bond premium	2,803	2,112	(357)	4,558		4,558
Less: issuance discounts	2,293		(1,441)	852		852
Deferred amounts on refunding	7,078	1,229	(947)	7,360		7,360
	<u>\$ 196,287</u>	<u>\$ 160,993</u>	<u>\$ (73,749)</u>	<u>\$ 283,531</u>	<u>\$ 7,250</u>	<u>\$ 276,281</u>

H. Defeased Debt

In prior years, the State and its component units defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources, in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements. On June 30, 2006, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 307,348
R.I. Convention Center Authority	39,910
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	310,570
R.I. Economic Development Corporation	65,820
R.I. Turnpike and Bridge Authority	31,000

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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, 2006 was \$120,000,000, \$1,861,192,452 and \$899,119,000 respectively. Certain issues of conduit debt are moral obligations of the State and the current amounts outstanding are disclosed in Note 13.

Note 8. Net Assets/Fund Balances

Governmental Activities Unrestricted Net Assets

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

	Governmental Activities
Deficit	\$ (1,014,247)
General Revenue	
Unrestricted balance	38,331
Appropriations carried forward	17,381
Internal Service Funds	29,059
Unrestricted Net Assets	<u>\$ (929,476)</u>

The State issues debt for various purposes that does not result in the acquisition of capital assets. Included in the liabilities of the governmental activities on the Statement of Activity is \$1,023,247,000 of such debt, which causes the above deficit.

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Certain portions of net assets were reclassified from unrestricted net assets to restricted net assets due to the implementation of GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. The changes are listed below (expressed in thousands).

Reclassified from Unrestricted Net Assets to Restricted Net Assets for	General Fund	Other Governmental Funds	Total Change
Capital Projects	\$ 9,115	\$	\$ 9,115
Nonexpendable-education		988	988
Other	42,994	52	43,046
	<u>\$ 52,109</u>	<u>\$ 1,040</u>	<u>\$ 53,149</u>

In the general fund, other is the balance in restricted receipt accounts where the revenues from fees are restricted as to use by enabling legislation. In other governmental funds, other is the fund balance of special revenue funds that are created by legislation for a particular purpose.

Changes in General Fund Reserved Fund Balances

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

	Reserved Fund Balance July 1	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	\$ 90,887	\$ 63,584	\$ (59,095)	\$ 95,376
Appropriations carried forward				
General revenue	13,489	17,381	(13,489)	17,381
Departmental restricted revenue	34,303	42,994	(34,303)	42,994
Other	7,424	9,115	(7,424)	9,115
Total	<u>\$ 146,103</u>	<u>\$ 133,074</u>	<u>\$ (114,311)</u>	<u>\$ 164,866</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, as authorized by the Governor, can only be used for the same purpose as intended in the original budget as enacted by the General Assembly.

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Note 9. Taxes

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

	Governmental Funds	Statement of Activities
	<u> </u>	<u> </u>
General Fund		
Personal Income Tax	\$ 996,792	\$ 995,777
General Business Taxes:		
Business Corporation Tax	164,984	165,092
Non-resident Contractor Tax	71	71
Gross Earnings Tax-Public Utilities	96,027	96,108
Income Tax-Financial Institutions	3,989	4,672
Tax on Insurance Companies	52,878	52,870
Tax on Deposits-Banking Institutions	1,494	1,505
Health Care Provider Assessment	11,205	11,206
Nursing Facilities Provider Assessments	35,798	35,785
Sub-total - General Business Taxes	<u>366,446</u>	<u>367,309</u>
Sales and Use Taxes:		
Sales and Use Tax	857,677	858,249
Providence Place Sales Tax	11,486	11,486
Motor Vehicle Tax	49,675	49,675
Rental Vehicle Surcharge	2,951	2,949
Fuel Use Tax on Motor Carriers	31	38
Cigarette Tax	123,844	124,409
Smokeless Tobacco Tax	2,497	2,556
Alcoholic Beverage Import Fees	10,845	10,845
Tax on Mfg. of Beers, Liquors, etc.	25	25
Sub-total - Sales and Use Taxes	<u>1,059,031</u>	<u>1,060,232</u>
Other Taxes:		
Inheritance Tax	39,204	39,424
Simulcast Wagering	2,241	2,241
Dog Racing - Pari-mutuel Betting	1,231	1,231
Dog Racing - Tax on Breakage	18	18
Realty Transfer Tax	14,571	14,571
Mobile Home Conveyance Tax	20	20
Sub-total - Other Taxes	<u>57,285</u>	<u>57,505</u>
Total - General Fund	<u>2,479,554</u>	<u>2,480,823</u>
Intermodal Surface Transportation Fund		
Gasoline	142,410	142,410
Other Governmental Funds	170,997	170,997
Total Taxes	<u>\$ 2,792,961</u>	<u>\$ 2,794,230</u>

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Note 10. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2006 are presented below (expressed in thousands):

Fund Financial Statements

	Transfers	Description
Governmental activities		
Major Funds		
General Fund		
Major Funds		
Intermodal Surface Transportation	\$ 50,753	Debt service and operating assistance
Nonmajor Funds		
Bond Capital	58,531	Debt service and capital projects
RI Temporary Disability Insurance	1,173	Operating assistance
COPS	541	Art Projects
Business-Type Activities		
Lottery	323,899	Net income
Employment Security	6,163	Operating assistance
ISTEA Fund		
Bond Capital	42,150	Infrastructure
GARVEE		
Intermodal Surface Transportation	51,297	Debt Service
Nonmajor Fund		
Bond Capital		
General Fund	59,095	Debt service and capital projects
Economic Policy Council		
General Fund	300	Operating assistance
Total Governmental Activities	593,902	
Business-Type Activities		
Employment Security		
Assessed Fringe Benefits	971	Reimbursement for State employee's unemployment compensation
Convention Center		
General Fund	16,336	Debt service
Total operating transfers	\$ 611,209	

Note 11. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$12,098,000 for the fiscal year ended June 30, 2006.

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

The following is a summary of material future minimum rental payments (expressed in thousands) required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2006:

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Fiscal Year Ending June 30		
2007	\$	10,288
2008		7,882
2009		7,596
2010		7,297
2011		6,129
2012 - 2016		20,546
2017 - 2021		5,809
Total	<u>\$</u>	<u>65,547</u>

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

Note 12. Commitments

Primary Government

Commitments arising from encumbrances outstanding as of June 30, 2006 are listed below (expressed in thousands).

Major funds		
General	\$	21,137
ISTEA		317,032
GARVEE		89,898
Total major funds		<u>428,067</u>
Other governmental funds		<u>106,321</u>
Total encumbrances outstanding	<u>\$</u>	<u>534,388</u>

The primary government is committed at June 30, 2006 under various contractual obligations for infrastructure construction and other capital projects, which will be principally financed with bond proceeds and federal grants. Encumbrances within the general fund will be principally financed through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years. The primary government is also committed at June 30, 2006 under contractual obligations with various service providers, which will be funded through appropriations of general revenue, and federal and restricted revenues in succeeding fiscal years.

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

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The R.I. Convention Center Authority (RICCA) has several active construction projects as of June 30, 2006, the most significant of which is the renovation of the Dunkin' Donuts Center. The Authority's construction related commitments at year-end are \$50,236,000. Also, RICCA has entered into management contracts with vendors under which these vendors will provide various services relating to the operation of the convention center and parking garages.

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.

On July 18, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc., the owners of Lincoln Park, to operate one of the State's licensed video lottery facilities. The agreement entitles UTGR, Inc. to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. The Lottery has authorized an additional 1,750 video lottery terminals to be installed at Lincoln Park and UTGR, Inc. has agreed to invest no less than \$125 million in the construction and development of its gaming facility during the first three (3) years of the agreement. UTGR, Inc. has the right and option to extend the term of the agreement for two (2) successive five (5) year periods by giving notice to the Lottery at least ninety (90) days prior to the expiration of the agreement. The option can be exercised if UTGR, Inc. is not in default of any major term or condition of the agreement and the full-time employee requirement at Lincoln Park has been met.

On November 23, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand, to continue to operate one of the State's licensed video lottery facilities. The agreement entitles Newport Grand to 26% of video lottery net terminal income at the facility. The Lottery has authorized an additional 800 video lottery terminals to be installed at Newport Grand, which has agreed to invest no less than \$20 million in the construction and development of its gaming facility during the first three (3) years of the agreement. Newport Grand has the right and option to extend the term of the agreement for one (1) additional five (5) year period by giving notice to the Lottery at least ninety (90) days prior to the expiration of the agreement. The option can be exercised if Newport Grand is not in default of any major term or condition and the full-time employee requirement at Newport Grand has been met.

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Component Units

The R.I. Airport Corporation (RIAC), a subsidiary and component unit of RIEDC, was obligated for completion of certain airport improvements under commitments of approximately \$84,910,000 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 \$74,121,000 at June 30, 2006.

A portion of the Rhode Island Resource Recovery Corporation (RIRRC) landfill is a designated Superfund site. During 1996, the RIRRC entered into a Consent Decree with the United States Environmental Protection Agency (EPA) concerning remedial actions taken by RIRRC for groundwater contamination. The Consent Decree requires the establishment of a trust in the amount of \$27,000,000 for remedial purposes. The Central Landfill Remediation Trust Fund Agreement was approved August 22, 1996 by the EPA. In accordance with the terms of the agreement, RIRRC has deposited approximately \$33,300,000 into the trust fund and has disbursed approximately \$5,200,000 for remediation expenses through June 30, 2006. Additionally, trust fund earnings, net of changes in market value have totaled approximately \$9,545,000.

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

The Environmental Protection Agency (EPA) established closure and postclosure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. In 2004, RIRRC reviewed and revised its estimates relating to methane gas monitoring as required by the EPA and leachate pretreatment costs and flows. In addition, the RIRRC began construction of the Phase I and Phase II/III caps. In 2005, RIRRC began landfilling in Phase V and further revised its estimates relating to capping, maintenance and leachate flow costs. In 2006, RIRRC reviewed and revised its estimates relating to closure costs, leachate pretreatment and gas collection system and maintenance costs as required by RIDEM. The net effect of the changes in assumptions on the provision for landfill closure and postclosure care costs was a decrease in operating income of approximately \$11,300,000 in 2006. The total estimate of future landfill closure and postclosure care costs was increased to approximately \$95,224,000 at June 30, 2006.

The liability for closure and postclosure care costs at June 30, 2006 of \$52,025,953 is recorded in the statements of net assets, as noted below, with \$39,400,000 remaining to be

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recognized at June 30, 2006. The detail of the recorded liability (expressed in thousands) is listed below.

	2006
Phase V	\$ 14,091
Phase IV	17,783
Phases II and III	4,086
Phase I	16,066
	<u>\$ 52,026</u>

Based on the estimates of RIRRC engineers, approximately 98% and 27% of capacity for Phase IV and Phase V, respectively, has been used to date, and it is expected that full capacity will be reached during fiscal 2007 for Phase IV and fiscal 2011 for Phase V.

Amounts provided for closure and postclosure care are based on current costs. These costs may be adjusted each year due to changes in the closure and postclosure care plan, inflation or deflation, technology, or applicable laws or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in restricted assets on the accompanying statement of net assets is \$31,176,982 at June 30, 2006, consisting of amounts placed in trust to meet the financial requirements of closure and postclosure care costs related to Phases II, III, IV, and V. RIRRC plans to make additional trust fund contributions each year to enable it to satisfy these costs.

The R.I. Housing and Mortgage Finance Corporation had loan commitments of \$39,884,000 under various loan programs at June 30, 2006.

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2006 remaining commitments on these contracts approximated \$11,210,000, primarily due in one year or less.

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$2,936,224 at June 30, 2006.

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. As of June 30, 2006, the amount outstanding is \$736,637, payable in two installments of \$368,319 and \$368,318 on September 1, 2006 and 2007, respectively.

The R.I. Children's Crusade has committed \$1,781,031 toward scholarships for tuition during the 2006/2007 school year. This represents approximately 820 students for an average award of approximately \$2,100 per student. As of June 30, 2006, the estimated value of the potential future scholarship costs through the year 2019 is estimated to be between \$4,600,000 and \$16,100,000.

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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.

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

Tobacco Settlement Financing Corporation

In June 2002, the Tobacco Settlement Financing Corporation (Corporation), a blended component unit, issued revenue bonds (asset-backed instruments that are secured solely by the Tobacco Settlement Revenues (TSR's) receivable by the Corporation) that are the sole obligation of 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 TSR payments are dependent on a variety of factors, which include, but are not limited to:

- 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.

Numerous lawsuits have been filed against tobacco manufacturers, states and public entities some alleging, that the Master Settlement Agreement (MSA) violates the U.S. Constitution, state constitutions, federal antitrust and civil rights laws, Medicaid agreements and state consumer protection laws. If these suits are successful, the MSA could be deemed void or unenforceable. Some of the lawsuits seek to prevent the states from receiving any monies under the MSA, and/or to prevent tobacco manufacturers from increasing prices to pay for MSA payments. In the event of an adverse court ruling, the Corporation may not have adequate financial resources to service its debt obligations.

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The Non-Participating Manufacturers (NPMs) adjustment would permit the Participating Manufacturers (PM) (Philip Morris, Inc., R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, and Lorillard Tobacco Company) to reduce their MSA payments provided that the Original Participating Manufacturers' (OPMs) Market Share Loss exceeds 2% of the OPMs' 1997 market share, that the MSA was a significant factor for the PMs' market share loss, and that the PMs prevailed in proving the states failed to diligently enforce the MSA and the escrow statutes. The State of Rhode Island has adopted the Model Statute (which is a Qualifying Statute under the MSA). "Diligently Enforcement" is not defined in the MSA or the Qualifying Statute.

In 2005, Rhode Island along with the other Settling States and the PMs initiated a Significant Factors Determination (SFD) proceeding to determine if the MSA was a significant fact in the PM's market share loss greater than 2% for calendar year 2003. On March 27, 2006, The Brattle Group made its final determination that the MSA was a significant factor contributing to the market share loss for calendar year 2003.

On March 31, 2006, Philip Morris made its full \$3.4 billion payment, even though it believes that it is entitled to a 2003 NPM adjustment. On March 31, 2006, Lorillard paid approximately \$558 million of its 2006 Annual MSA Payment to the Settling States and deposited the balance of the 2006 MSA Annual Payment, \$108 million into the Disputed Payments Account pending final non-appealable resolution of the 2003 NPM Adjustment. Reynolds American paid approximately \$ 1.3 billion of its Annual MSA Payment for 2006 to Settling States and deposited \$647 million in the Disputed Payment Account pending final non-appealable resolution of the 2003 NPM Adjustment issue. According to the co-chairs of the NAAG Tobacco Committee, in a statement released on April 18, 2006, the Annual Payments paid by Lorillard and Reynolds American to the Settling States constitute about 82% of the amount that was due. The three SPMs from whom the largest payments were due made substantial payments. However, one of the three SPMs paid a portion of its payment to the Disputed Payments Account, and the other two SPMs each withheld a portion of the payment due from them. As required by the MSA, the Settling States have given the PMs 30 day notices prior to initiating proceedings to compel the PMs to make the 2006 Annual Payment without diminution for the 2003 NPM Adjustment. Some Settling States initiated actions in their MSA courts, but the PMs countered with Motions to Compel Arbitration. There is a lack of continuity in the court decisions whether or not the NPM adjustment issues are the jurisdiction of state courts or arbitration. Twenty-four state trial courts have concluded that the 2003 NPM Adjustment is arbitrable. Many of those decisions are pending appeal. In addition, decisions are pending in approximately twenty-seven state courts concerning the 2003 NPM Adjustment issue.

In October 2006, The OPMs filed a Motion to Enforce the Arbitration Provision of the MSA and the SPMs filed for joinder in the OPMs' action. Rhode Island is vigorously opposing the Motion but agreed to the SPMs' joinder because of judicial economy and consistency of decision-making.

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The Independent Auditor calculated that the PMs payment should be \$6,568,524,931 but the PMs paid the Settling States \$5,754,873,469 for the MSA payment due April 15, 2006. The Corporation received \$41,545,702 for the MSA payment due April 15, 2006. The value of the April 15, 2006 MSA payment in dispute to Rhode Island is approximately \$5,858,291 which includes the ten (10) PMs that either withheld or deposited into a Disputed Escrow Accounts \$39,579,991 related to the 2005 NPM Adjustment.

Future NPM Adjustment remains possible for all future years. Philip Morris, Reynolds American and Lorillard have disputed the Independent Auditors' failure to include an NPM Adjustment for 2004. The resolution of the substance of such disputes could take years. A decision by the PMs to pay the amount of a claimed NPM Adjustment into the Disputed Payments Account or to withhold payment of such an amount pending the resolution of the dispute would have a material adverse effect on the amounts of TSRs available to the Corporation to make Turbo Redemptions and other payments on the bonds during such period. If a PM is determined, with finality, to be entitled to an NPM Adjustment in a future year, the operation of the NPM Adjustment would also have a material adverse effect on the amounts of TSRs available to the Corporation to make Turbo Redemptions and other payments on the bonds.

Rhode Island is working, independently and with other Settling States, to enforce the MSA and related statutes and encourage other tobacco companies to join the MSA and make MSA payments to Rhode Island and the other Settling States. Litigation continues to threaten the ability of the tobacco companies to pay the amounts owed under the MSA including but not limited to, bankruptcy, antitrust allegations, and constitutional challenges which potentially could affect the legality of the MSA and the MSA payments for Rhode Island. Rhode Island continues to work with the other Settling States to defend these challenges.

Lottery

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

Federal Grants

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

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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, 2006 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$246,139,574 and \$44,384,250 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 \$1,800,000 of the debt on the related economic development revenue bonds in fiscal year 2007.

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, 2012, for the January 1995 and April 1996 issue; b) the date the letter of credit is surrendered to the letter of credit provider; c) when an alternative facility is substituted for the letter of credit; d) when the bonds commence bearing interest at a fixed rate; e) when an event of default has occurred or f) when no amount becomes available to the trustee under the letter of credit.

R.I. Higher Education Assistance Authority

Under an agreement with Alliance Bernstein L.P., the Administrative Fund receives account maintenance, direct commission and other fees from the Program Fund. All the Administrative Fund’s operating revenues, totaling \$5,917,614, 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

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students to provide up to \$10,000 to each student over a four-year scholarship period. During 2006, \$1,000,000 was transferred to RIHEAA and RIHEAA in turn invested that amount in the CollegeBoundfund on behalf of unnamed beneficiaries. 5 and 10 Matching Grant Program: up to \$500,000 may be made available annually by the Authority to invest through RIHEAA into the CollegeBoundfund as matching contribution accounts for individual accounts established for the benefit of income-qualifying individuals.

During 2006, the Board of Directors authorized the transfer of \$5,660,746 to supplement amounts available for need-based scholarships under the State's grant program.

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, 2006.

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 8.00 % at June 30, 2006. There was an outstanding balance of \$800,000 as of June 30, 2006. Total interest expense for the fiscal year ended June 30, 2006 was \$12,149.

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

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structures. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the 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 withheld from payroll. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Dividend income is recorded on the ex-dividend date. The gains or losses on foreign currency exchange contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed. 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 which principally include additional investments and partnership distributions. 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. Short-term investments are stated at cost, which approximates fair value.

Funding Policy and Annual Pension Cost

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

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	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	14.84%	31.35%	35.51%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	6.31% and 6.75%		
Annual pension cost	\$145,792	\$3,175	\$2,292
Contributions made - state employees	\$91,254	\$3,175	\$2,292
Contributions made - teachers	\$54,538		
Actuarial valuation date	June 30, 2003	June 30, 2003	June 30, 2003
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	26 years	26 years	26 years
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.50% to 8.25%	5% to 15.00%	5.25%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	3% compounded	\$1,500 per annum	3%
Level of benefits established by:			
General Law(s)	36-8 to 10 16-15 to 17	42-28-22.1	8-3-16, 8-8-10.1, 8-8-2-7 and 28-30-18.1

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/04	\$ 100,739	100%	\$ 0
	6/30/05	114,923	100%	0
	6/30/06	145,792	100%	0
State Police Retirement Benefits Trust	6/30/04	2,224	100%	0
	6/30/05	2,615	100%	0
	6/30/06	3,175	100%	0
Judicial Retirement Benefits Trust	6/30/04	1,830	100%	0
	6/30/05	2,057	100%	0
	6/30/06	2,292	100%	0

Other

Certain employees of the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. Total expenditures by the institutions for such annuity contracts amounted to \$13,221,928 during the year ended June 30, 2006.

The Rhode Island Public Transit Authority has a funded pension plan for all employees, for which eligibility to participate begins immediately upon employment. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of age 62 and 10 years of continuous service. Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. The plan also provides death and disability benefits. Employees are required to contribute 3% of their base salary to the plan. The remaining contributions to the plan are made by the Authority. Employer

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contributions paid in fiscal year 2006 totaled \$4,868,363. At January 1, 2006, the most recent valuation date, the total actuarial accrued liability was \$60,329,000 and the actuarial value of assets was \$35,405,271. The Authority contributed 47.98% of its annual pension cost for fiscal year 2006 and had a net pension obligation of \$1,833,401 at June 30, 2006.

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 cost of healthcare coverage for active employees. This subsidy cost approximately \$7.9 million in FY 2006. 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 2006, the State contributed 2.25% 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, 2006 were \$9,865,857 net of retirees' contributions for the 5,101 retirees receiving benefits.

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 State's financial statements.

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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	\$ 195,511	\$ 746,812	\$ 942,323
	<u>\$ 195,511</u>	<u>\$ 746,812</u>	<u>\$ 942,323</u>
Component Units			
RIWRBC	\$ (1,934)	\$ 62	\$ (1,872)
Other	1,762,906		1,762,906
	<u>\$ 1,760,972</u>	<u>\$ 62</u>	<u>\$ 1,761,034</u>

In accordance with GASB Statement No. 34, the State restated its net assets - invested in capital assets, net of related debt, at June 30, 2006. Infrastructure assets of approximately \$1,572 million, before accumulated depreciation of \$824 million, were recorded for fiscal years 1981 through 2001 using historical cost or estimated historical cost amounts. The State also restated net assets - invested in capital assets, net of related debt, for previously recorded construction in progress that did not meet the State's criteria for capitalization.

In addition, a discretely presented component unit of the State restated its beginning net assets to recognize net earnings relating to a prior fiscal period.

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Note 18. Condensed Financial Statement Information

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

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTFR	NBC
Other assets	\$ 1,792,938	\$ 900,145	\$ 41,341	\$ 327,075	\$ 1,631	\$ 89,972
Capital assets - nondepreciable			9,387	109,053		332,877
Capital assets - depreciable (net)		17	60,483	242,162	38	218,027
Due from primary government						
Long term debt	1,293,021	793,902	29,819	375,260		364,329
Other liabilities	221,124	34,319	3,929	14,006	15	19,919
Due to primary government				15,447		
Net assets:						
Invested in capital assets, net of related debt	9,951	17	37,600	134,408	38	186,576
Restricted						
Debt service	168,915	71,200	8,931			
Other				96,455		85
Other nonexpendable						
Unrestricted	99,927	724	30,932	42,714	1,616	69,967
Operating expenses	80,528	52,197	5,741	65,567	2,997	37,879
Depreciation, depletion, and amortization	4,053	259	1,641	15,979	19	6,386
Program revenue						
Charges for services	66,100	48,640	12,085	56,425	2,566	59,026
Operating grants and contributions		2,667		(74)		21
Capital grants and contributions				10,913		1,166
Net program (expense) revenue	(18,481)	(1,149)	4,703	(14,282)	(450)	15,948
Interest and investment earnings	22,358	7,443	360	6,914	78	2,483
Miscellaneous	13,305		(9)	9,208		(729)
Payments from primary government				15,256		
Change in net assets	17,182	6,294	5,054	17,096	(372)	17,702
Beginning net assets	261,611	65,647	72,409	256,481	2,026	238,926
Ending net assets	278,793	71,941	77,463	273,577	1,654	256,628

	RIHEBC	RIRRC	RIHEAA	RIPTA	RIIFC
Other assets	\$ 9,112	\$ 114,960	\$ 25,856	\$ 14,242	\$ 1,273
Capital assets - nondepreciable		8,078	194	2,834	
Capital assets - depreciable (net)	65	61,333	1,086	90,149	
Due from primary government				3,457	
Long term debt		20,448	399		
Other liabilities	433	83,445	1,695	19,748	794
Due to primary government		3,000			
Net assets:					
Invested in capital assets, net of related debt	65	77,967	1,280	92,983	
Restricted					
Debt service		1,687			
Other			18,533		
Other nonexpendable					
Unrestricted	8,679	(2,176)	5,229	(2,049)	479
Operating expenses	1,767	52,849	22,839	79,646	33
Depreciation, depletion, and amortization	33	14,322	231	10,066	
Program revenue					
Charges for services	2,016	68,119	15,306	30,117	126
Operating grants and contributions				13,793	
Capital grants and contributions				13,174	
Net program (expense) revenue	216	948	(7,764)	(32,628)	93
Interest and investment earnings	276	2,758	765	278	19
Miscellaneous	(3,700)	(7,202)		3,098	
Payments from primary government			7,729	34,841	
Change in net assets	(3,208)	(3,496)	730	5,589	112
Beginning net assets	11,952	80,974	24,312	85,345	367
Ending net assets	8,744	77,478	25,042	90,934	479

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	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>
Other assets	\$ 874,918	\$ 1,560	\$ 10,001	\$ 1,716	\$ 8,214
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	43	382	3	6,453	40
Due from primary government					
Long term debt	549,200		12,698	2,627	
Other liabilities	7,572	68	758	898	3,417
Due to primary government				654	
Net assets:					
Invested in capital assets, net of related debt	43	563		4,369	40
Restricted					
Debt service	303,586				
Other			(3,744)		389
Other nonexpendable					
Unrestricted	14,560	1,492	292	442	4,408
Operating expenses	26,623	167	586	3,762	7,866
Depreciation, depletion, and amortization	320	57	107	676	26
Program revenue					
Charges for services	29,439	398	1,258	2,107	4,944
Operating grants and contributions	23,931		(2,408)		
Capital grants and contributions					
Net program (expense) revenue	26,427	174	(1,843)	(2,331)	(2,948)
Interest and investment earnings		142	263	93	216
Miscellaneous				1,006	76
Payments from primary government				3,222	1,409
Change in net assets	26,427	316	(1,580)	1,990	(1,247)
Beginning net assets	291,762	1,739	(1,872)	2,821	6,084
Ending net assets	318,189	2,055	(3,452)	4,811	4,837

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
Other assets	\$ 233,436	\$ 48,743	\$ 14,860	\$ 7,016	\$ 4,519,009
Capital assets - nondepreciable	60,704	4,600	1,491		530,220
Capital assets - depreciable (net)	252,596	52,874	47,555	3,631	1,036,937
Due from primary government					3,457
Long term debt	219,778	20,200	11,078	2,251	3,695,010
Other liabilities	48,681	13,870	5,616	5,695	486,002
Due to primary government		9,447	2,536		31,084
Net assets:					
Invested in capital assets, net of related debt	173,105	42,993	43,783	3,165	808,946
Restricted					
Debt service					554,319
Other	31,300	9,209	5,543	597	158,367
Other nonexpendable	61,356	13,145			74,501
Unrestricted	12,516	(2,647)	(4,650)	(1,061)	281,394
Operating expenses	353,913	109,089	91,516	51,136	1,046,701
Depreciation, depletion, and amortization	16,443	4,026	2,517	269	77,430
Program revenue					
Charges for services	261,854	62,709	45,020	10,809	779,064
Operating grants and contributions		5,763	466		44,159
Capital grants and contributions	21,747	4,067	2,575		53,642
Net program (expense) revenue	(86,755)	(40,576)	(45,972)	(40,596)	(247,266)
Interest and investment earnings	3,251	1,500	420	22	49,639
Miscellaneous	22,886	419		172	38,530
Payments from primary government	82,378	44,069	45,445	41,241	275,590
Change in net assets	21,760	5,412	(107)	839	116,493
Beginning net assets	256,517	57,288	44,783	1,862	1,761,034
Ending net assets	278,277	62,700	44,676	2,701	1,877,527

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Significant transactions between primary government and component units

	Revenue (Expenses)	Description
Governmental activities		
General Fund		
R.I. Higher Education Assistance Authority	\$ 7,729	Operating assistance
R.I. Economic Development Corporation	10,989	Operating and capital assistance
R.I. Resource Recovery Corporation	(7,500)	Surplus
University of Rhode Island	82,492	Educational assistance
Rhode Island College	44,069	Educational assistance
Community College of Rhode Island	45,445	Educational assistance
Central Falls School District	41,241	Educational assistance
ISTEA Fund		
R.I. Public Transit Corporation	35,759	Operating assistance
Capital Projects		
University of Rhode Island	28,221	Construction, improvement or purchase of assets
Rhode Island College	5,684	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 294,129</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 has a contract with an insurance company to provide health care benefits to employees. The State reimburses the company for the costs of all claims paid plus administrative fees. The estimated liability for incurred but not reported (IBNR) claims at June 30, 2006 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30
Health Insurance Fund				
Liability for unpaid claims	\$ 15,767	\$ 210,580	\$ 207,959	\$ 18,388

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

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that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

Note 20. Other Information

A. Reconciliation of government-wide and fund financial statements

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds." The details of this difference are as follows (expressed in thousands).

	\$	3,759,584
Capital assets		
Accumulated depreciation		(1,353,878)
		2,405,706
Net adjustment to reconcile fund balance-total governmental funds to net assets-governmental activities	\$	2,405,706

Another element of that reconciliation explains that "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." The details of this difference are as follows (expressed in thousands).

	\$	(71,421)
Compensated absences		
Bonds payable		(2,006,861)
Net premium/discount and deferred amount on refunding		(24,272)
Cost of issuance		9,518
Obligations under capital leases		(226,452)
Premium		(5,650)
Cost of issuance		1,295
Interest payable		(24,256)
Other Liabilities		(49,352)
		(2,397,451)
Net adjustment to reconcile fund balance-total governmental funds to net assets-governmental activities	\$	(2,397,451)

Another element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this difference are as follows (expressed in thousands).

	\$	8,399
Receivables		
Due from component units		25,598
Deferred revenue		42,850
		76,847
Net adjustment to reconcile fund balance-total governmental funds to net assets-governmental activities	\$	76,847

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Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of certain activities to individual funds. The net assets of the internal service funds are reported with governmental activities.” The details of this difference are as follows (expressed in thousands).

	\$	31,767
Internal service fund net assets		
Capital assets		(7,740)
Accumulated depreciation		4,817
Obligations under capital leases		215
		215
Net adjustment to reconcile fund balance-total governmental		
funds to net assets-governmental activities	\$	29,059
		29,059

Since internal service funds often share costs of a capital asset acquisition and related debt with their general fund counterpart, the internal service funds were converted to the governmental basis to avoid duplication in the government-wide financial statements.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this difference are as follows (expressed in thousands).

	\$	308,051
Capital outlay		
Depreciation expense		(106,899)
Loss on disposal of assets		(675)
		(675)
Net adjustment to reconcile net changes in fund balances-		
total governmental funds to changes in net assets of		
governmental activities	\$	200,477
		200,477

Another element of that reconciliation explains that “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.” The details of this difference are as follows (expressed in thousands).

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Compensated absences	\$	(6,773)
Debt service		
Principal		120,653
Interest and other charges		624
Bond proceeds		(320,820)
Deferral of premium		(16,200)
Amortization of premium		5,999
Deferral of issuance costs		2,341
Amortization of issuance costs		(646)
Proceeds from issuance of Certificates of Participation		(6,000)
Amortization of premium		303
Deferral of issuance costs		50
Amortization of issuance costs		0
Net adjustment to reconcile net changes in fund balances- total governmental funds to changes in net assets of governmental activities	\$	(220,469)

Another element of that reconciliation explains that “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.” The details of this difference are as follows (expressed in thousands).

Program expenses related to long-term liabilities	\$	(5,174)
Recognition of deferred revenue and refunds payable		
Program revenue		1,756
Operating grant revenue		7,159
General revenue- taxes		584
Recognition of long-term receivable		
General revenue-misc		7,497
Net adjustment to reconcile net changes in fund balances- total governmental funds to changes in net assets of governmental activities	\$	11,822

Another element of that reconciliation explains that “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.” The details of this difference are as follows (expressed in thousands).

Internal service funds change in net assets	\$	11,787
Capital outlay		(319)
Depreciation expense		676
Debt service principal		(517)
Net adjustment to reconcile net changes in fund balances- total governmental funds to changes in net assets of governmental activities	\$	11,627

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B. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 16,991	\$ 2,343	\$ 19,334	\$ (16,511)	\$ 2,823
Loans to other funds	5,572		5,572	(5,572)	
Total assets	\$ 22,563	\$ 2,343	\$ 24,906	\$ (22,083)	\$ 2,823
Liabilities					
Due to other funds	\$ 15,244	\$ 1,267	\$ 16,511	\$ (16,511)	\$
Loans from other funds	22	5,550	5,572	(5,572)	
Total liabilities	\$ 15,266	\$ 6,817	\$ 22,083	\$ (22,083)	\$
Other financing sources (uses):					
Operating transfers in	\$ 593,902	\$	\$ 593,902	\$ (281,147)	\$ 312,755
Operating transfers out	(280,176)	(971)	(281,147)	281,147	
Total other financing sources (uses):	\$ 313,726	\$ (971)	\$ 312,755	\$	\$ 312,755
Total Business-type Activities					
			Total	Eliminations	Internal Balances
Nonoperating revenues (expenses):					
Operating transfers in	\$ 17,307	\$	\$ 17,307	\$ (17,307)	\$
Operating transfers out	(330,062)		(330,062)	17,307	(312,755)
Total nonoperating revenues (expenses):	\$ (312,755)	\$	\$ (312,755)	\$	\$ (312,755)

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

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

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Transactions between RISLA and RIHEAA as of and during the year ended June 30, 2006 were as follows:

Guaranteed loans outstanding at June 30, 2006	\$446,953,000
Loans guaranteed during the year	136,517,000
Guarantee claims paid during the year	15,026,000

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 made, nor have any payments for advances totaling \$35,935,000 made during the years ended June 30, 1998 through 2006 been made.

Note 22. Subsequent Events

Primary Government

On July 1, 2006, the Division of Lotteries of the Rhode Island Department of Administration became the State Lottery Division of the State of Rhode Island Department of Revenue.

On September 28, 2006, the State of Rhode Island issued \$95,515,000 in General Obligation Bonds with interest ranging from 4.00% to 5.00% with maturity dates of February 2007 through August 2026. This issuance includes a \$74,835,000 Consolidated Capital Development Loan of 2006, Refunding Series A to advance refund \$72,930,000 of the State's General Obligation Bonds. The remaining \$20,680,000 will be utilized by the State to finance capital projects.

On October 24, 2006, the State of Rhode Island issued \$98,105,000 in General Obligation Bonds with interest ranging from 4.25% to 5.00% with maturity dates of November 2007 through November 2025.

On December 21, 2006, the State of Rhode Island issued \$120,000,000 of General Obligation Tax Anticipation Notes due June 29, 2007.

In November 2005, the Employees Retirement System (System) obtained title to commercial real estate located in Providence, Rhode Island as a result of bankruptcy foreclosure proceedings in the U.S. Bankruptcy Court. The System held a first lien on the commercial real estate owned by an obligor of a mortgage loan receivable previously held as a plan specific investment. In August 2006, the System sold the real estate for \$20 million. The mortgage loan receivable was guaranteed by the R. I. Economic Development

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Corporation (RIEDC) to the extent of \$3 million. The System has requested payment of the guarantee by RIEDC to the extent of its incurred loss related to the default on the mortgage note receivable and liquidation of the real estate obtained through foreclosure. Payment of the guarantee by RIEDC is dependent upon appropriation by the Rhode Island General Assembly.

Component Units

Subsequent to June 2006, the R.I. Housing and Mortgage Finance Corporation instructed its trustee to redeem the Homeownership Opportunity Bonds in the amount of \$3,740,000.

On September 13, 2006 the R.I. Housing and Mortgage Finance Corporation issued \$70,000,000 of Homeownership Opportunity Bonds.

On November 14, 2006 the R.I. Housing and Mortgage Finance Corporation issued \$68,085,000 of Homeownership Opportunity Bonds.

On or about December 21, 2006, the R.I. Housing and Mortgage Finance Corporation issued \$26,785,000 of 2006 Series A-1 Housing Bonds.

On or about December 21, 2006, the R.I. Housing and Mortgage Finance Corporation issued \$4,660,000 of 2006 Series A-2T Housing Bonds.

On December 21, 2006 the R.I. Clean Water Finance Agency issued \$57,795,000 in Series 2006 A Water Pollution Control Revolving Fund Revenue Bonds.

On December 21, 2006 Narragansett Bay Commission closed on a \$30,000,000 loan with the R.I. Clean Water Finance Agency.

In July 2006, the R.I. Student Loan Authority issued \$30,000,000 2006 Series I, \$30,000,000 2006 Series 2 tax-exempt auction rate and \$40,000,000 2006 Series 3 tax-exempt fixed rate Student Loan Program Revenue Bonds. Proceeds of this issuance will be used to originate and purchase eligible student loans.

Subsequent to June, 30, 2006 the R.I. Health & Educational Building Corporation, the R.I. Economic Development Corporation and the R.I. Industrial Facilities Corporation have issued various conduit debt obligations. These are not obligations of the respective corporations or the State.

On July 27, 2006, the R.I. Children's Crusade for Higher Education (RICCE) entered into an agreement with a financial institution to increase the existing line of credit from \$850,000 to \$1,200,000. The increase in the line of credit was necessary to provide the Crusade with the cash flow for the GEARUP program until reimbursement of program expenses is received. The Crusade has been notified by the U.S. Department of Education that \$2,726,514 will be available to the State of Rhode Island, the fiscal agent of the GEARUP program, on September 1, 2006 and should be received by the Crusade shortly thereafter. It is the Crusade's intent to pay the outstanding balance on the line of credit

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upon reimbursement by GEARUP for expenses paid during the fiscal year ended June 30, 2006.

Effective July 1, 2006, the R.I. Underground Storage Tank Financial Responsibility Fund and all its assets were transferred to the R.I. Department of Environmental Management pursuant to the enactment of Chapter 06-246 of the Rhode Island Public Laws. The R.I. Department of Environmental Management has assumed all responsibilities of the Fund and all activity from July 1, 2006.

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, 2006
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,033,495	\$ 994,361	\$ 996,792	\$ 2,431
General Business Taxes:				
Business Corporations	109,525	158,000	165,054	7,054
Public Utilities Gross Earnings	90,000	95,000	96,027	1,027
Financial Institutions	100	(300)	3,989	4,289
Insurance Companies	58,078	53,500	52,878	(622)
Bank Deposits	1,640	1,600	1,494	(106)
Health Care Provider Assessment	49,300	48,000	47,002	(998)
Sales and Use Taxes:				
Sales and Use	887,888	875,000	869,163	(5,837)
Motor Vehicle	49,211	48,800	52,626	3,826
Motor Fuel	1,000	1,200	31	(1,169)
Cigarettes	126,300	126,600	126,341	(259)
Controlled Substances	11,400	10,700	10,870	170
Other Taxes:				
Inheritance and Gift	31,700	32,000	39,204	7,204
Racing and Athletics	4,020	3,500	3,490	(10)
Realty Transfer Tax	14,900	15,300	14,592	(708)
Total Taxes	<u>2,468,557</u>	<u>2,463,261</u>	<u>2,479,553</u>	<u>16,292</u>
Departmental Revenue	<u>312,587</u>	<u>286,058</u>	<u>287,315</u>	<u>1,257</u>
Total Taxes and Departmental Revenue	<u>2,781,144</u>	<u>2,749,319</u>	<u>2,766,868</u>	<u>17,549</u>
Other Sources				
Gas Tax Transfer	4,760	4,760	4,322	(438)
Other Miscellaneous	18,950	33,241	31,163	(2,078)
Lottery	350,500	332,500	323,899	(8,601)
Unclaimed Property	10,199	15,400	14,243	(1,157)
Total Other Sources	<u>384,409</u>	<u>385,901</u>	<u>373,627</u>	<u>(12,274)</u>
Total General Revenues	<u>3,165,553</u>	<u>3,135,220</u>	<u>3,140,495</u>	<u>5,275</u>
Federal Revenues	1,756,638	1,799,324	1,713,287	(86,037)
Restricted Revenues	108,785	113,706	105,765	(7,941)
Other Revenues	135,807	120,890	110,253	(10,637)
Total Revenues	<u>5,166,783</u>	<u>5,169,140</u>	<u>5,069,800</u>	<u>(99,340)</u>
Expenditures:				
Department of Administration				
Central Management				
General Revenue Total	1,775	1,886	1,747	139
Federal Funds Total	323	353	290	63
** Restricted Receipts	100	147	168	(21)
Total-Central Management	2,198	2,385	2,205	180
Legal Services				
Legal Support/DOT				
General Fund Total	2,164	2,147	2,804	(657)
Total-Legal Services	2,164	2,147	2,804	(657)

State of Rhode Island and Providence Plantations
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General Fund
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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Accounts & Control				
General Revenue	4,265	4,404	4,522	(118)
Total-Accounts & Control	4,265	4,404	4,522	(118)
Budgeting				
General Revenue Total	3,058	3,029	2,881	148
Total-Budgeting	3,058	3,029	2,881	148
Purchasing				
General Revenue Total	2,140	2,299	2,224	75
Total-Purchasing	2,140	2,299	2,224	75
Auditing				
General Revenue Total	1,802	1,672	1,613	59
Total-Auditing	1,802	1,672	1,613	59
Human Resources				
General Revenue Total	6,619	6,574	6,303	271
Federal Funds Total				
Total-Human Resources	6,619	6,574	6,303	271
Personnel Appeal Board				
General Revenue Total	94	91	80	11
Total-Personnel Appeal Board	94	91	80	11
Taxation				
Motor Fuel Tax Evasion Program	56	34	69	(35)
Temporary Disability Insurance	806	845	746	99
General Revenue Total	18,224	18,210	18,105	105
Federal Funds Total	1,094	1,145	1,048	97
Restricted Receipts Total	838	769	677	92
Total-Taxation	21,018	21,003	20,645	358
Registry of Motor Vehicles				
General Revenue Total	16,381	16,961	17,018	(57)
Federal Funds Total	247	862	481	381
Restricted Receipts Total	17	16	15	1
Total-Registry of Motor Vehicles	16,645	17,839	17,514	325
Central Services				
Restricted Receipts Total			488	(488)
Total-Central Services			488	(488)
Facilities Management				
General Revenue Total	12,134	14,029	12,758	1,271
Federal Fund Total	17,071	18,352	20,045	(1,693)
Restricted Receipts	1,522	1,068	142	926
Total-Facilities Management	30,728	33,449	32,945	504

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital Projects & Property Management				
General Revenue Total	2,737	3,282	3,201	81
Total-Capital Project & Property Management	2,737	3,282	3,201	81
Office of Library & Information Service				
Federal Funds Total			7	(7)
Total-Office of Library & Information Service			7	(7)
Information Technology				
General Revenue Total	3,033	6,334	4,564	1,770
Federal Funds Total		428	197	231
Total-Information Technology	3,033	6,762	4,762	2,000
Library Program				
General Revenue Total	1,007	1,007	1,006	1
Federal Funds Total	1,397	1,397	1,140	257
Restricted Receipts	8	5		5
Total-Library Program	2,412	2,408	2,146	262
Statewide Planning				
General Revenue Total	1,685	5,621	5,087	534
Federal Funds Total	5,045	7,191	5,808	1,383
Federal Highway - PL Systems	1,478	1,833	1,402	431
Air Quality Modeling	21	21	9	12
Total ISTEPA Funds	1,499	1,854	1,411	443
Total-Statewide Planning	8,228	14,666	12,306	2,360
General				
RICAP-State House Terrace/South Stairs		22	(2)	24
RICAP-Pastore Center Sewer Improvements	907	1,077	898	179
RICAP-Chapin Health Laboratory	157	57	47	10
RICAP-Cranston Street Armory	978	3,101	2,769	332
RICAP-Cannon Building	160	60	30	30
RICAP-Veterans' Auditorium	1,150	1,150	537	613
RICAP-Old State House	424	30	11	19
RICAP-State Office Building	439	439	22	417
RICAP-Veterans Office Building	404	404	404	
RICAP-Old Colony House	254	120	1	119
RICAP-Washington County Government Center	265	265	26	239
RICAP-State House Renovations - Phase II	1,053	1,053	640	413
RICAP-William Powers Building	543	993	685	308
RICAP-State House Renovations-Phase III	153	153	148	5
RICAP-Powers Building Tech Infrastructure	488			
RICAP-Environmental Compliance	481	236	244	(8)
RICAP-Fox Point Hurricane Barrier	50	50	50	
RICAP-Bio Tech Training Lab-Planning Funds	200	200	114	86
RICAP-Fire Code Compliance State Building	1,050	50	13	37
Eisenhower House	50	50	33	17
RICAP-Elderly Affairs One Stop	25	25	14	11
McCoy Stadium Repair	1,480			
RICAP-Lead Mitigation-Group Homes	272			

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	Original Budget	Final Budget	Actual	Variance
Information Processing Rotary Account-Overhead	870	870	870	
Property Tax Relief Credit	10,000			
Rhode Island Sports Foundation	300	300	300	
Miscellaneous Grants and Payments	355	355	355	
Torts-Court Awards	400	400	877	(477)
Asset Inventory	99	99	35	64
State Employees/Teachers Retiree Health	7,850	8,549	8,326	223
Governor's Contingency Fund	1,679	679	350	329
Economic Development Corporation Grant	7,342	7,167	7,159	8
Slater Centers of Excellence	3,000	3,000	3,000	
Economic Policy Council	300	300	300	
Housing Resources Commission	3,791			
Neighborhood Opportunities Program	97	97	97	
Motor Vehicle Excise Tax Payment	112,286	117,775	117,649	126
Property Valuation	1,212	1,212	932	280
General Revenue Sharing Program	65,348	64,974	64,974	
Payment in Lieu of Tax Exempt Properties	26,975	26,975	26,975	
Distressed Communities Relief Program	9,967	10,640	10,640	
Resource Sharing and State Library Aid	8,441	8,441	8,391	50
Library Construction Aid	2,652	2,652	2,634	18
Domestic Partners IRS Penalty		475	475	
Federal Funds	256	256	199	57
Restricted Receipts Total	1,117	1,283	704	579
Total-General	275,319	266,034	261,927	4,107
Debt Service Payments				
RICAP-DEM-Narragansett Bay Commission	1,974	1,927	1,927	
RICAP-DEM-Clean Water Finance Agency	2,798	3,010	3,010	
RICAP-DEM-Wastewater Treatment	4,162	4,190	4,190	
RICAP-DEM-Debt Service-Recreation	10,233	10,503	10,503	
RIPTA Debt Service	685	650	650	
RICAP-MHRH Com Services	5,751	5,777	5,777	
RICAP-MHRH Comm. Mental Health	2,247	2,380	2,380	
Transportation Debt Service	31,597	36,807	36,615	192
RIRBA-DLT Temporary Disability Insurance	46	46	62	(16)
COPS-DLT Building-TDI	363	356	363	(7)
COPS-DLT Building-Reed Act	37	26	8	18
Debt-URI Education and General	1,089			
Debt-URI Housing Loan Funds	1,752			
Debt-URI Dining Services	267			
Debt-URI Health Services	126			
Debt-W. Alton Jones Service	113			
Debt-URI Memorial Union	98			
Debt-URI Sponsored Research (Indirect Cost)	101			
Debt-RIC Education and General	297			
Debt-RIC Housing	568			
Debt-RIC Student Center and Dining	178			
Debt-RIC Student Union	217			
Debt-CCRI Bookstore	177			
Investment Receipts-Bond Funds			528	(528)
RICAP-DEM Hazardous Waste	1,116	2,452	2,452	

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
RICAP-Water Resources Board	2,157	2,294	2,294	
RICAP-University of Rhode Island-Debt Service	5,644			
RICAP-Rhode Island College-Debt Service	515			
RICAP-Comm. College Of Rhode Island-Debt Svc.	1,438			
RICAP-Third Rail/Quonset Point debt Service	1,367			
Debt Service Payments	83,190	71,414	72,644	(1,230)
Federal Funds	1,124	1,178	1,157	21
Restricted Receipts Fund	6,649	1,028	360	668
Total-Debt Service Payments	168,073	144,038	144,920	(882)
Sheriffs				
General Revenue Total	17,023	18,439	18,585	(146)
Total Sheriffs	17,023	18,439	18,585	(146)
Retirement Alternative				
Pay Plan Reserve General Revenue	(1,658)			
Other Funds Total	(303)			
Federal Funds Total	(667)			
Restricted Receipts	(105)			
Total-Retirement Alternative	(2,734)			
General Revenue Fund Total-Dept Of Admin	438,635	432,359	429,484	2,875
Federal Grant Fund Total-Dept of Admin	25,888	31,160	30,373	787
Restricted Fund Total-Dept of Admin	10,145	4,315	2,553	1,762
Other Fund Total-Dept of Admin	90,152	82,687	79,668	3,019
Total-Department of Administration	564,821	550,521	542,078	8,443
Department of Business Regulation				
Central Management				
General Revenue Total	1,733	1,830	1,629	201
Total-Central Management	1,733	1,830	1,629	201
Banking Regulation				
General Revenue Total	1,759	1,849	1,699	150
Total-Banking Regulation	1,759	1,849	1,699	150
Security Regulation				
General Revenue Total	817	876	844	32
Total-Securities Regulation	817	876	844	32
Commercial Licensing and Regulation				
General Revenue Total	1,254	1,156	1,133	23
Restricted Revenue Total	100	100	17	83
Total-Commercial Licensing and Regulation	1,354	1,256	1,151	105
Racing and Athletics				
General Revenue Total	417	508	476	32
Total-Racing and Athletics	417	508	476	32

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Insurance Regulation				
General Revenue Total	4,416	4,170	3,846	324
Restricted Receipts Total	708	694	652	42
Total-Insurance Regulation	5,124	4,864	4,497	367
Board of Accountancy				
General Revenue Total	139	150	142	8
Total-Board of Accountancy	139	150	142	8
General Revenue Fund Total-DBR	10,535	10,540	9,768	772
Restricted Fund Total-DBR	808	794	669	125
Total-Department of Business Regulation	11,344	11,334	10,437	897
Department of Labor and Training				
Central Management				
General Revenue Total	423	271	232	39
Director of Workers' Compensation	836	896	557	339
Total-Central Management	1,260	1,167	788	379
Workforce Development Services				
Reed Act-Woonsocket Network Office Renovations		557	467	90
Reed Act-Rapid Job Development	1,650	1,014	705	309
Reed Act-Workforce Development	5,534	5,385	4,617	768
General Revenue Total	673	293	293	
Federal Funds Total	14,135	19,563	16,234	3,329
Restricted Receipts	7,963	8,452	1,979	6,473
Total-Workforce Development Services	29,956	35,264	24,296	10,968
Workforce Regulation and Safety				
General Revenue Total	3,076	3,198	3,268	(70)
Total-Workforce Regulation and Safety	3,076	3,198	3,268	(70)
Income Support				
General Revenue Total	2,942	3,127	3,156	(29)
Federal Funds Total	14,434	16,288	17,597	(1,309)
Restricted Receipt Total	1,772	1,593	1,598	(5)
Total-Income Support	19,148	21,009	22,351	(1,342)
Injured Workers Services				
Restricted Receipts Total	10,113	11,647	11,222	425
Total-Injured Workers Services	10,113	11,647	11,222	425

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	Original Budget	Final Budget	Actual	Variance
Labor Relations Board				
General Revenue Total	328	437	376	61
Total-Labor Relations Board	328	437	376	61
General Revenue Fund Total-DLT	7,442	7,326	7,325	1
Federal Grants Fund Total-DLT	28,569	35,851	33,831	2,020
Restricted Fund Total-DLT	20,685	22,588	15,356	7,232
Other Fund Total-DLT	7,185	6,956	5,789	1,167
Total-Department of Labor and Training	63,880	72,721	62,301	10,420
General Assembly				
General Revenue Fund Total-Gen Assembly	31,408	32,612	29,355	3,257
Restricted Fund Total-Gen Assembly	1,272	1,352	1,352	
Total-General Assembly	32,681	33,963	30,707	3,256
Office of the Lieutenant Governor				
General Revenue Total	918	959	900	59
Total-Office of the Lieutenant Governor	918	959	900	59
Department of State Administration				
General Revenue Total	1,614	1,820	1,740	80
Total-Administration	1,614	1,820	1,740	80
Corporations				
General Revenue Total	1,555	1,749	1,815	(66)
Total-Corporation	1,555	1,749	1,815	(66)
State Archives				
General Revenue Total	96	100	101	(1)
Federal Funds Total		23	5	18
Restricted Receipts total	486	475	459	16
Total-State Archives	582	597	565	32
Elections				
General Revenue Total	380	470	474	(4)
Federal Funds Total	982	6,279	6,491	(212)
Total-Elections	1,362	6,749	6,966	(217)
State Library				
General Revenue Total	699	702	706	(4)
Total-State Library	699	702	706	(4)

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Office of Public Information				
General Revenue Total	456	405	382	23
Total-Office of Public Information	456	405	382	23
General Revenue Fund Total-Sec of State	4,799	5,246	5,218	28
Federal Grant Fund Total-Sec of State	982	6,301	6,496	(195)
Restricted Fund Total-Sec of State	486	475	459	16
Total-Department of State	6,267	12,022	12,173	(151)
Treasury Department				
Treasury				
General Revenue Total	2,588	2,509	2,495	14
Federal Funds Total	269	279	211	68
Restricted Receipts Total	10	10	10	10
Total-Treasury	2,866	2,798	2,706	92
State Retirement System				
Administrative Expenses-State Retirement System	4,522	6,644	4,760	1,884
Retirement-Treasury Investment Operations	703	717	933	(216)
Total-State Retirement System	5,225	7,361	5,693	1,668
Unclaimed Property				
Restricted Receipts Total	18,394	25,175	26,775	(1,600)
Total-Unclaimed Property	18,394	25,175	26,775	(1,600)
RI Refunding Bond Authority				
General Revenue Total	53	55	34	21
Total-RI Refunding Bond Authority	53	55	34	21
Crime Victim Compensation Program				
General Revenue Total	258	239	220	19
Federal Funds Total	1,230	2,059	384	1,675
Restricted Receipts Total	1,744	1,665	1,376	289
Total-Crime Victim Compensation Program	3,232	3,963	1,979	1,984
General Revenue Fund Total-Treasury	2,899	2,803	2,749	54
Federal Grant Fund Total-Treasury	1,499	2,338	594	1,744
Restricted Fund Total-Treasury	20,148	26,850	28,150	(1,300)
Other Fund Total-Treasury	5,224	7,361	5,693	1,668
Total-Treasury Department	29,771	39,351	37,186	2,165
Boards For Professional Design				
General Revenue Total	360	381	381	
General Revenue Fund Total-Board of Professional Design	360	381	381	
Total-Boards For Professional Designs-PL	360	381	381	

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Board of Elections				
General Revenue Total	1,436	1,434	1,440	(6)
Federal Funds Total	1,087	1,029	953	76
Total-Board Of Elections	2,523	2,463	2,393	70
Rhode Island Ethics Commission				
General Revenue Total	1,207	1,191	1,156	35
General Revenue Fund Total-RI Ethics Commision	1,207	1,191	1,156	35
Total-Rhode Island Ethics Commission	1,207	1,191	1,156	35
Office of Governor				
General Revenue Total	4,607	4,771	4,763	8
Restricted Receipts		104	118	(14)
Other Fund Total	76	85	49	36
Total-Office of the Governor	4,683	4,960	4,930	30
Public Utilities Commission				
General Revenue Total	710	694	657	37
Federal Funds Total	75	84	76	8
Restricted Receipts Total	5,635	5,822	4,446	1,376
Total-Public Utilities Commission	6,420	6,599	5,179	1,420
Rhode Island Commission on Women				
General Revenue Total	87	92	89	3
Total-Rhode Island Commission on Women	87	92	89	3
Department of Children, Youth, and Families				
Central Management				
General Revenue Total	8,238	8,500	8,447	53
Federal Funds Total	3,998	3,994	3,484	510
Total-Central Management	12,236	12,494	11,931	563
Children's Behavioral Health Services				
RICAP-Groden Center-Mt. Hope	80	80		80
General Revenue Total	30,777	34,589	33,833	756
Federal Funds Total	28,949	36,466	34,986	1,480
Total-Children's Behavioral Health Services	59,806	71,135	68,819	2,316
Juvenile Correctional Services				
RICAP-RI Training School-Girls Facilities	2,175	700	492	208
RICAP-Community Facilities-Training	725			
RICAP-NAFI Center	50			
General Revenue Total	30,020	32,067	30,773	1,294
Federal Funds Total	2,919	3,429	3,821	(392)
Restricted Receipts Total	5	645	189	456
Total-Juvenile Correctional Services	35,893	36,842	35,276	1,566

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Child Welfare				
General Revenue Total	95,443	92,701	94,712	(2,011)
Federal Funds Total	71,291	73,382	72,703	679
Restricted Receipts Total	1,624	1,639	1,844	(205)
RICAP-Fire Codes Upgrade	500	50	63	(13)
Total-Child Welfare	168,858	167,772	169,323	(1,551)
Higher Education Incentive Grant				
General Revenue Total	200	200	200	
Total-Higher Education Incentive Grants	200	200	200	
General Revenue Fund Total-DCYF	164,678	168,056	167,965	91
Federal Grant Fund Total-DCYF	107,156	117,271	114,995	2,276
Restricted Fund Total-DCYF	1,628	2,285	2,033	252
Other Fund Total-DCYF	3,530	830	555	275
Total-Department of Children, Youth, and Families	276,993	288,442	285,549	2,893
Department of Elderly Affairs				
Intermodel Surface Transportation Fund	4,760	4,760	4,757	3
General Revenues Total	15,436	15,327	15,628	(301)
Safety and Care of the Elderly	1	1	1	
RIPAE	5,657	6,551	6,495	56
Federal Funds Total	13,911	15,458	15,196	262
Restricted Revenue	3,325	2,400	2,362	38
General Revenue Fund Total-Dept of Elderly Affairs	21,094	21,879	22,124	(245)
Federal Grant Fund Total-Dept of Elderly Affairs	13,911	15,458	15,196	262
Other Fund Totals-Dept of Elderly Affairs	4,760	4,760	4,757	3
Restricted Receipts Total-Dept of Elderly Affairs	3,325	2,400	2,362	38
Total-Department of Elderly Affairs	43,089	44,497	44,440	57
Department of Health				
Central Management				
General Revenues Total	7,067	7,837	7,743	94
Federal Funds Total	4,292	7,016	3,696	3,320
Restricted Receipts Total	3,795	4,088	4,033	55
Total-Central Management	15,154	18,941	15,472	3,469
State Medical Examiner				
General Revenue Total	1,830	1,872	1,897	(25)
Federal Funds Total	138	226	144	82
Total-State Medical Examiners	1,968	2,098	2,042	56
Family Health				
General Revenues Total	2,214	2,158	2,205	(47)
Federal Funds Total	30,855	30,504	28,841	1,663
Restricted Receipts Total	5,707	6,272	5,131	1,141
Total-Family Health	38,776	38,934	36,177	2,757

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Health Services Regulation				
General Revenues Total	5,007	5,175	4,994	181
Federal Funds Total	5,730	5,671	5,437	234
Restricted Receipts Total	380	375	343	32
Total-Health Services Regulation	11,117	11,221	10,774	447
Environmental Health				
General Revenue Total	4,696	4,551	4,418	133
Federal Funds Total	4,415	4,715	3,546	1,169
Restricted Receipts Total	1,606	1,909	1,482	427
Total-Environmental Health	10,717	11,175	9,446	1,729
Health Laboratories				
General Revenue Total	6,000	6,128	6,234	(106)
Federal Funds Total	1,986	2,892	3,139	(247)
Total-Health Laboratories	7,987	9,020	9,374	(354)
Disease Prevention and Control				
General Revenue Total	5,060	9,745	9,832	(87)
Federal Funds Total	19,387	19,921	15,065	4,856
Restricted Receipts Total	91		(17)	17
Child Safety Program	87		(2)	2
Walkable Communities Initiative	28	30	24	6
Total-Disease Prevention and Control	24,653	29,697	24,902	4,795
General Revenue Fund Total-Health	31,874	37,467	37,325	142
Federal Grant Fund Total-Health	66,803	70,945	59,869	11,076
Restricted Fund Total-Health	11,580	12,645	10,972	1,673
Other Fund Total-Health	115	30	21	9
Total-Department of Health	110,372	121,086	108,187	12,899
Department of Human Services				
Central Management				
General Revenue Total	8,890	8,732	7,988	744
Federal Funds Total	6,649	6,667	4,463	2,204
Restricted Receipts Total	2,710	1,966	1,999	(33)
Total-Central Management	18,249	17,365	14,451	2,914
Child Support Enforcement				
General Revenue Total	3,464	3,614	3,523	91
Federal Fund Total	6,998	7,323	6,921	402
Total-Child Support Enforcement	10,462	10,937	10,444	493
Individual and Family Support				
RICAP-Blind Vending Facilities	50	50	50	
General Revenue Total	22,792	23,363	22,384	979
Federal Funds Total	54,906	54,795	49,754	5,041
Restricted Receipts Total	89	92	92	
Total-Individual and Family Support	77,836	78,300	72,280	6,020

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	Original Budget	Final Budget	Actual	Variance
Veterans' Affairs				
General Revenue Total	17,892	18,655	18,325	330
Federal Funds Total	6,958	6,662	5,339	1,323
Restricted Receipts Total	2,398	2,625	619	2,006
Total-Veterans' Affairs	27,248	27,942	24,283	3,659
Health Care Quality, Financing and Purchases				
General Revenue Total	29,942	21,174	21,233	(59)
Federal Funds Total	43,428	44,349	35,640	8,709
Restricted Receipts Total	401	540	438	102
Total-Health Care Quality, Financing & Purchase	73,770	66,063	57,311	8,752
Medical Benefits				
General Revenue				
Managed Care	199,614	182,922	176,686	6,236
Hospital	113,646	116,662	121,929	(5,267)
Other	62,855	65,943	74,216	(8,273)
Pharmacy	67,454	65,162	50,793	14,369
Special Education	16,632			
Nursing Facilities	137,118	135,024	135,532	(508)
General Revenue Total	597,319	565,713	559,157	6,556
Federal Funds				
Managed Care	245,194	246,147	240,578	5,569
Hospitals	133,566	135,838	134,544	1,294
Nursing Facilities	165,493	162,976	162,965	11
Other	77,982	79,595	92,886	(13,291)
Pharmacy	80,340	55,438	39,180	16,258
Special Education	20,068	20,068	20,130	(62)
Federal Funds Total	722,643	700,062	690,283	9,779
Restricted Receipts Total	15	15	11	4
Total-Medical Benefits	1,319,977	1,265,790	1,249,450	16,340
Supplemental Security Income Program				
General Revenue Total	28,195	27,610	27,037	573
Total-Supplemental Security Income Program	28,195	27,610	27,037	573
Family Independence Program				
TANF/Families Independence Program	13,317	12,846	16,162	(3,316)
Child Care	48,726	42,194	39,068	3,126
Federal Funds Total	82,864	89,801	89,801	
Total-Family Independence Program	144,907	144,841	145,031	(190)

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	Original Budget	Final Budget	Actual	Variance
State Funded Programs				
General Public Assistance	3,015	3,547	3,605	(58)
Citizen Participation Program	50	50	50	
Federal Funds Total	78,579	80,406	79,265	1,141
Total-State Funded Programs	81,644	84,003	82,920	1,083
General Revenue Fund Total-Human Services	773,600	727,498	718,532	8,966
Federal Grant Fund Total-Human Services	1,003,026	990,064	961,466	28,598
Restricted Fund Total-Human Services	5,613	5,238	3,159	2,079
Other Fund Total-Human Services	50	50	50	
Total-Department of Human Services	1,782,288	1,722,850	1,683,207	39,643
Department of Mental Health, Retardation, and Hospital Central Management				
General Revenue Total	2,449	2,270	2,294	(24)
Total-Central Management	2,449	2,270	2,294	(24)
Hospital & Community System Support				
RICAP-Utilities Upgrade	884	884	668	216
RICAP-Medical Center Rehabilitation	625	375	146	229
RICAP-Utilities Systems Water Tanks and Pipes	331	331	6	325
RICAP-DD Private Community Firecode		50		50
RICAP-Central Power Plant Rehabilitation	236	236	1	235
RICAP-Community Fire Code Compliance	1,545	300	256	44
Pastore Fire Code Compliance	500	100	76	24
General Revenue Total	22,914	28,595	29,459	(864)
Federal Funds Total		61		61
Total-Hospital & Community System Support	27,036	30,932	30,611	321
Service for the Developmentally Disabled				
RICAP-MR/DD Residential Development	1,175	925	925	
RICAP-Dev. Disability Group Homes	1,279	1,048	1,047	1
RICAP-Regional Center Repair/Rehabilitation	281	181	130	51
General Revenue Total	110,527	110,945	109,403	1,542
Federal Funds Total	134,326	134,925	132,094	2,831
Total-Service for the Developmentally Disabled	247,589	248,024	243,600	4,424
Integrated Mental Health Services				
General Revenue Total	41,368	42,762	42,091	671
Federal Funds Total	37,849	38,024	36,566	1,458
Total-Integrated Mental Health Services	79,216	80,786	78,657	2,129
Hospital & Community Rehabilitation Svcs				
RICAP-Zambarano Buildings and Utilities	397	197	46	151
General Revenue Total	47,515	49,799	51,622	(1,823)
Federal Funds Total	55,070	55,178	57,625	(2,447)
Total-Hospital & Community Rehabilitation Svcs	102,982	105,174	109,292	(4,118)

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	Original Budget	Final Budget	Actual	Variance
Substance Abuse				
RICAP-Asset Protection	251	125	83	42
General Revenues Total	15,313	15,287	14,999	288
Federal Funds Total	14,942	14,815	14,064	751
Restricted Receipts Total	100	90	7	83
Total-Substance Abuse	30,606	30,317	29,152	1,165
General Revenue Fund Total-MHRH	240,087	249,658	249,868	(210)
Federal Grant Fund Total-MHRH	242,185	243,003	240,349	2,654
Restricted Fund Total-MHRH	100	90	7	83
Other Fund Total-MHRH	7,505	4,752	3,383	1,369
Total-Department of Mental Health, Retardation, and Hospital	489,877	497,502	493,607	3,895
Office of Child Advocate				
General Revenue Total	499	536	446	90
Federal Funds Total	48	10	11	(1)
Total-Office of the Child Advocate	547	547	456	91
Rhode Island Commission of the Deaf and Hard of Hearing				
General Revenue Total	328	337	300	37
Federal Fund Total	45	15		15
Total-Rhode Island Commission of the Deaf and Hard of Hearing	373	352	300	52
State Council on Developmental Disabilities				
Federal Funds Total	512	459	468	(9)
Total-State Council on Developmental Disabilities	512	459	468	(9)
Governor's Commission on Disabilities				
General Revenue Total	531	548	540	8
Federal Funds Total	117	226	72	154
Restricted Receipts Total	64	86	67	19
RICAP-Handicapped Accessibility Facility Renovation	196	200	114	86
Total-Governor's Commission on Disabilities	908	1,061	793	268
Rhode Island Commission for Human Rights				
General Revenue Total	979	1,006	984	22
Federal Funds Total	270	312	198	114
Total-Rhode Island Commission for Human Rights	1,249	1,318	1,182	136
Office of Mental Health Advocate				
General Revenue Total	351	382	377	5
Total-Office of Mental Health Advocate	351	382	377	5

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	Original Budget	Final Budget	Actual	Variance
Department of Elementary and Secondary Education				
Education Aid				
State Support Local School Operations	642,631	643,996	643,995	1
Federal Funds Total	2,241	2,022	1,228	794
Restricted Funds Total	2,060	1,835	1,614	221
Total-Education Aid	646,932	647,852	646,836	1,016
School Construction				
General Revenue Total	47,172	46,624	46,624	
Total-School Construction	47,172	46,624	46,624	
Teachers' Retirement				
General Revenue Total	58,633	56,113	54,538	1,575
Total-Teachers' Retirement	58,633	56,113	54,538	1,575
RI School for the Deaf				
RICAP-School for the Deaf-Physical Education Fac	54			
RICAP-DEAF-Building Planning	200	150	150	
General Revenue Total	5,981	6,206	6,064	142
Federal Funds Total	382	392	239	153
Total-RI School for the Deaf	6,617	6,748	6,453	295
Central Falls School District				
General Revenue Total	41,241	41,242	41,241	1
Total-Central Falls School District	41,241	41,242	41,241	1
Davies Career and Technical School				
RICAP-Davies HVAC	137	137	13	124
General Revenue Total	12,906	13,166	12,985	181
Federal Funds Total	1,359	1,508	1,287	221
Restricted Receipts Total	2	12	10	2
Total-Davies Career and Technical School	14,405	14,824	14,295	529
Metropolitan Career and Technical School				
General Revenue Total	8,815	8,815	8,815	
Total-Metropolitan Career and Technical School	8,815	8,815	8,815	

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	Original Budget	Final Budget	Actual	Variance
Administration of the Comprehensive Education Strategy				
RICAP-Chariho Wells	66	71	25	46
Vision Service	140	140		140
RICAP-Davies Roof Repair	5			
RICAP-State Owned Schools-Fire Alarm Systems	20	20	20	
General Revenue Total	20,205	20,031	19,985	46
Federal Funds Total	174,785	175,752	177,355	(1,603)
Restricted Receipts Total	2,797	2,143	1,871	272
Total-Administration of the Comprehensive Education Strategy	198,018	198,157	199,257	(1,100)
General Revenue Fund Total-Dept of Elem & Sec Education	837,583	836,192	834,246	1,946
Federal Grant Fund Total-Dept of Elem & Sec Education	178,767	179,673	180,108	(435)
Restricted Fund Total-Dept of Elem & Sec Education	4,859	3,989	3,496	493
Other Fund Total-Dept of Elem & Sec Education	623	519	208	311
Total-Department of Elementary and Secondary Education	1,021,832	1,020,373	1,018,059	2,314
Public Higher Education				
Board Of Governors/Office of Higher Education				
General revenues	7,314	7,039	7,035	4
Debt-People Soft Lease		1,211	1,211	
Federal Funds	3,086	3,086	1,348	1,738
Restricted Funds		502	151	351
Total Board of Governors	10,400	11,838	9,745	2,093
University of Rhode Island				
General Revenues	84,303	82,378	82,378	
Total University of Rhode Island	84,304	82,378	82,378	
Rhode Island College				
General Revenues	44,981	44,069	44,069	
RIRBA-Rhode Island College		232	232	
Total Rhode Island College	44,981	44,301	44,301	
Community College of Rhode Island				
General Revenue	45,770	45,445	45,445	
Total Community College of Rhode Island	45,770	45,445	45,445	
General Revenue Total - Public Higher Education	182,369	180,376	180,372	4
Federal Grant Total-Public Higher Education	3,086	3,086	1,348	1,738
Restricted Receipts Total-Public Higher Education		502	151	351
Total-Public Higher Education	185,455	183,964	181,871	2,093

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	Original Budget	Final Budget	Actual	Variance
Rhode Island State Council on the Arts				
Operating Support	1,411	1,429	1,405	24
Grants	1,234	1,212	582	630
Federal Funds Total	758	675	584	91
Art for Public Facilities Fund	600	600	55	545
General Revenue Fund Total-RI State Council on the Arts	2,646	2,642	1,988	654
Federal Grant Fund Total-RI State Council on the Arts	758	675	584	91
Other Fund Total-RI State Council on the Arts	600	600	55	545
Total-Rhode Island State Council on the Arts	4,004	3,916	2,626	1,290
Rhode Island Atomic Energy Commission				
URI Sponsored Research	157	161	160	1
RICAP-Paint Interior Reactor Building Walls	2			
General Revenue Total	766	770	799	(29)
Federal Funds Total	325	375	136	239
General Revenue Fund Total-RI Atomic Energy Council	766	770	799	(29)
Federal Grant Fund Total-RI Atomic Energy Council	325	375	136	239
Other Fund Total-RI Atomic Energy Council	159	161	160	1
Total-Rhode Island Atomic Energy Commission	1,249	1,306	1,095	211
R I Higher Education Assistance Authority				
Needs Based Grants and Work Opportunities	8,923	6,723	6,723	
Authority Operations and Other Grants	978	1,006	1,006	
General Revenue Total-RIHEAA	9,901	7,729	7,729	
Total-R I Higher Education Assistance Authority	9,901	7,729	7,729	
Historical Preservation and Heritage Commission				
General Revenue Total	1,414	1,415	1,395	20
Federal Funds Total	584	606	582	24
Restricted Receipts Total	237	560	307	253
Total-Historical Preservation and Heritage Commission	2,235	2,581	2,284	297
R I Public Telecommunication Authority				
General Revenue Total	1,286	1,316	1,258	58
Total-R I Public Telecommunication Authority	1,286	1,316	1,258	58
Department of Attorney General				
Criminal				
General Revenue Total	11,823	12,624	12,271	353
Federal Funds Total	1,035	1,197	1,161	36
Restricted Receipts Total	360	468	220	248
Total-Criminal	13,218	14,289	13,651	638

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	Original Budget	Final Budget	Actual	Variance
Civil				
General Revenue Total	3,672	4,240	4,505	(265)
Restricted Receipts Total	502	519	499	20
Total-Civil	4,174	4,759	5,004	(245)
Bureau of Criminal Identification				
General Revenue Total	849	944	948	(4)
Federal Funds Total	124	271	230	41
Total-Bureau of Criminal Identification	973	1,215	1,178	37
General				
General Revenue Total	1,977	2,155	2,172	(17)
RICAP-Building Renovations & Repairs	466	466	219	247
Total-General	2,442	2,621	2,392	229
General Revenue Fund Total-Dept of Attorney General	18,321	19,963	19,896	67
Federal Grant Fund Total-Dept of Attorney General	1,159	1,468	1,391	77
Restricted Fund Total-Dept of Attorney General	862	987	719	268
Other Fund Total-Dept of Attorney General	466	466	219	247
Total-Department of Attorney General	20,807	22,884	22,225	659
Department of Corrections				
Central Management				
General Revenue Total	10,702	10,623	10,216	407
Federal Funds Total	400	426	216	210
Total-Central Management	11,101	11,049	10,432	617
Parole Board				
General Revenue Total	1,141	1,213	1,146	67
Federal Fund Total	33	45	32	13
Total-Parole Board	1,174	1,258	1,178	80

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	Original Budget	Final Budget	Actual	Variance
Institutional Corrections				
RICAP-Fire Code Safety Improvements	299	300	300	
RICAP-Security Camera Installation	442			
RICAP-Bernadette Guay Bldg. Roof	207	57	1	56
RICAP-Heating & Temperature Controls	326	326	66	260
RICAP-Medium HVAC Renovations	31			
RICAP-Reintegration Center State Match	540	540		540
RICAP-General Renovations-Maximum	684	234	74	160
RICAP-Roof/Masonry Renovations-Women's	1,455	1,355	1,082	273
RICAP-Perimeter/Security Upgrades	146	146		146
RICAP-Women's Bath Renovation	613	113	113	
RICAP-Correctional Industries Roof	6			
RICAP-Minimum-Infrastructure	100			
High-Infrastructure Improvement	200	200	39	161
RICAP-Price:Window/HVAC Renovations	215			
RICAP-MIS/Admin Units Relocation	50			
General Revenue Total	123,003	134,946	127,822	7,124
Federal Funds Total	7,127	9,510	7,822	1,688
Restricted Receipts Total		3	2	1
Total-Institutional Corrections	135,443	147,729	137,322	10,407
Community Corrections				
General Revenue Total	12,373	12,728	11,933	795
Federal Funds Total	1,914	1,569	994	575
Total-Community Corrections	14,287	14,297	12,927	1,370
General Revenue Fund Total-Corrections	147,219	159,510	151,117	8,393
Federal Grant Fund Total-Corrections	9,474	11,550	9,064	2,486
Restricted Fund Total-Corrections		3	2	1
Other Fund Total-Corrections	5,314	3,270	1,675	1,595
Total-Department of Corrections	162,006	174,333	161,859	12,474
Judicial Department				
Supreme Court				
RICAP-McGrath Judicial Complex Interior	232	32	30	2
RICAP-Blackston Valley Courthouse Study	250	155	154	1
RICAP-Judicial HVAC	480	480	390	90
RICAP-Murray Judicial Complex - Interior Refurbishment	3			
RICAP-Fogarty Judicial Annex	23	23	21	2
RICAP-Licht Judicial Complex Foundation	35	35	32	3
RICAP-Licht Window Restoration Project	550	825	814	11
General Revenue Total	21,786	23,251	23,406	(155)
Defense of Indigents	3,217	2,817	3,185	(368)
Federal Funds Total	185	381	221	160
Restricted Receipts Total	961	1,082	1,031	51
Total-Supreme Court	27,722	29,081	29,284	(203)

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Superior Court				
Federal Funds Total	568	728	335	393
General Revenue Total	18,138	18,845	18,398	447
Total-Superior Court	18,706	19,573	18,733	840
Family Court				
General Revenue Total	13,917	15,362	16,338	(976)
Federal Funds Total	2,376	3,650	1,778	1,872
Restricted Receipts Total	142			
Total-Family Court	16,435	19,012	18,116	896
District Court				
General Revenue Total	8,651	9,327	9,353	(26)
Federal Funds Total		6		6
Total-District Court	8,651	9,334	9,353	(19)
Traffic Tribunal				
General Revenue Total	6,863	7,075	6,741	334
Restricted Receipts				
Total-Traffic Tribunal	6,863	7,075	6,741	334
Worker's Compensation Court				
Restricted Receipts Total	6,287	7,154	6,601	553
Total-Worker's Compensation Court	6,287	7,154	6,601	553
Justice Link - State Match			239	(239)
General Revenue Fund Total-Judicial Dept	72,571	76,677	77,660	(983)
Federal Grant Fund Total-Judicial Dept	3,129	4,766	2,334	2,432
Restricted Fund Total-Judicial Dept	7,390	8,236	7,632	604
Other Fund Total-Judicial Dept	1,574	1,550	1,441	109
Total-Judicial Department	84,664	91,229	89,067	2,162
Militia of the State				

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National Guard				
RICAP-Logistic/Maintenance Facilities	63			
RICAP-Camp Fogarty Training Site	40			
RICAP-Benefit St. Arsenal Rehabilitation	219	17		17
RICAP-Schofield Armory Rehabilitation	220	200	24	176
RICAP-State Armories Fire Code Comp	119	75		75
RICAP-Warwick Armory Boiler	50			
RICAP-Emergency Operations Center	10	10	9	1
RICAP-Federal Armories Fire Code Comp	72			
RICAP-Command Readiness Center-Roof	30			
RICAP-Combined Support Maintenance Shop	25			
RICAP-North Smithfield Armory			(1)	1
RICAP-Warren Armory			(5)	5
RICAP-AMC Roof Rehabilitation	46	4	2	2
RICAP-Army Aviation Support Facility	25			
RICAP-Command Readiness Center	13			
General Revenue Total	1,760	1,962	1,869	93
Federal Funds Total	6,805	8,018	6,591	1,427
Restricted Receipts Total	145	145	153	(8)
Total-National Guard	9,640	10,431	8,642	1,789
Emergency Management				
General Revenue Total	572	773	1,113	(340)
Federal Funds Total	19,676	31,963	18,322	13,641
Restricted Receipts Total	276	212	112	100
Total-Emergency Management	20,524	32,948	19,547	13,401
General Revenue Fund Total-Militia of the State	2,332	2,735	2,982	(247)
Federal Grant Fund Total-Militia of the State	26,481	39,981	24,913	15,068
Restricted Fund Total-Militia of the State	421	357	265	92
Other Fund Total-Militia of the State	931	306	28	278
Total-Militia of the State	30,165	43,379	28,188	15,191
E-911 Uniform Emergency Telephone System				
General Revenue Total	4,170	4,130	4,341	(211)
Federal Funds Total	219	305	171	134
Restricted Receipts Total	1,657	1,828	1,746	82
Total-E-911 Uniform Emergency Telephone System	6,046	6,263	6,259	4
Fire Safety Code Board of Appeal and Review				
Fire Code Commission				
General Revenue Total	272	288	295	(7)
Total-Fire Safety Code Board of Appeal and Review	272	288	295	(7)

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	Original Budget	Final Budget	Actual	Variance
Division of Fire Safety				
Fire Safety & Training Academy				
General Revenue Total	2,369	2,306	2,244	62
Federal Funds Total	342	367	130	237
Other Funds	13	13		13
Total-Division of Fire Safety	2,723	2,686	2,373	313
Commission on Judicial Tenure & Discipline				
General Revenue Total	107	113	112	1
Total-Commission on Judicial Tenure & Discipline	107	113	112	1
Rhode Island Governor's Justice Commission				
General Revenue Total	253	254	253	1
Federal Funds Total	5,452	5,307	5,140	167
Restricted Receipts Total	30	30		30
Total-Rhode Island Governor's Justice Commission	5,735	5,591	5,394	197
Municipal Police Training School				
General Revenue Total	374	374	331	43
Federal Funds Total	30	117	5	112
Total-Municipal Police Training School	404	491	336	155
Rhode Island State Police				
RICAP-Barracks & Training Headquarters'	190			
RICAP-Headquarters Repair/Renovation	116	10	8	2
Traffic Enforcement-Municipal Training	88	467	172	295
Lottery Commission Assistance	141	147	129	18
Road Construction Reimbursement	2,367	2,367	2,723	(356)
General Revenue Total	45,422	46,373	45,222	1,151
Federal Funds Total	1,979	2,058	1,331	727
Restricted Receipts Total	301	357	165	192
General Revenue Fund Total-State Police	45,422	46,373	45,222	1,151
Federal Grant Fund Total-State Police	1,979	2,058	1,331	727
Restricted Fund Total-State Police	301	357	165	192
Other Fund Total-State Police	2,901	2,990	3,031	(41)
Total-Rhode Island State Police	50,604	51,778	49,748	2,030
Office of Public Defenders				
General Revenue Total	7,757	8,430	8,270	160
Federal Funds Total	238	266	128	138
Total-Office of Public Defenders	7,995	8,696	8,398	298

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For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Environmental Management				
Office of Director				
DOT Recreational Projects			70	(70)
Blackstone Bikepath Design			(75)	75
General Revenue Total	7,309	7,482	6,851	631
Federal Funds Total	1,277	1,277	286	991
Restricted Receipts Total	1,734	1,868	2,084	(216)
Total-Office of Director	10,320	10,626	9,217	1,409
Natural Resources				
RICAP-Jamestown Fishing Pier	318	68	65	3
RICAP-Recreational Facilities Improvement	771	300	148	152
RICAP-Fort Adams Rehabilitation	250	50	50	
RICAP-Wickford Marine facility	748	525	6	519
Blackstone Bikepath Design	1,295	1,295	776	519
RICAP-Galilee Piers	391	100	74	26
RICAP-Dam Repair	234	686	406	280
DOT Recreational Projects	25	25	86	(61)
RICAP-Great Swamp Management Area	100			
RICAP-Newport Piers	122	75		75
General Revenue Total	17,074	18,255	18,650	(395)
Federal Funds Total	16,607	16,663	8,593	8,070
Restricted Receipts Total	3,485	3,529	3,109	420
Total-Natural Resources	41,418	41,571	31,963	9,608
Environmental Protection				
General Revenue Total	11,414	11,804	12,588	(784)
Federal Funds Total	12,307	13,217	9,805	3,412
Restricted Receipts Total	5,175	5,239	4,625	614
Total-Environmental Protection	28,896	30,259	27,018	3,241
General Revenue Fund Total-DEM	35,796	37,540	38,090	(550)
Federal Grant Fund Total-DEM	30,190	31,157	18,684	12,473
Restricted Fund Total-DEM	10,394	10,635	9,818	817
Other Fund Total-DEM	4,253	3,125	1,606	1,519
Total-Department of Environmental Management	80,634	82,457	68,198	14,259
Coastal Resources Management Council				
RICAP-Allins Cove	50	50	45	5
General Revenue Total	1,580	1,677	1,682	(5)
Federal Funds Total	1,753	2,539	2,087	452
Restricted Total	806	816	670	146
Total-Coastal Resources Management Council	4,189	5,082	4,483	599

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, 2006
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Water Resources Board				
RICAP-Big River Management Area	131	131	84	47
General Revenue Total	1,857	1,627	1,359	268
Federal Total	500	500	204	296
Restricted Receipts Total	339	362	327	35
Total-Water Resources Board	2,827	2,620	1,974	646
Departmental Expenditures	5,116,661	5,134,129	4,992,310	141,819
Transfer of Excess Budget Reserve to Bond Capital Fund			59,095	(59,095)
Total Expenditures	<u>5,116,661</u>	<u>5,134,129</u>	<u>5,051,405</u>	<u>82,724</u>
Change in Fund Balance	<u>\$ 50,122</u>	<u>\$ 35,011</u>	<u>18,395</u>	<u>\$ (16,616)</u>
Fund balance - beginning			<u>184,802</u>	
Fund balance - ending			<u>\$ 203,197</u>	
General Revenue Funds Total	\$ 3,115,431	\$ 3,100,209	\$ 3,073,388	\$ 26,821
Federal Grants Funds Total	1,756,638	1,799,324	1,713,287	86,037
Restricted Funds Total	108,785	113,706	97,002	16,704
Other Funds Total	135,807	120,890	108,633	12,257
Total Expenditures	<u>\$ 5,116,661</u>	<u>\$ 5,134,129</u>	<u>\$ 4,992,310</u>	<u>\$ 141,819</u>

** Certain totals may not add due to rounding.

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 142,800	\$ 142,715	\$ 142,410	\$ (305)
Departmental restricted revenue	6	3,061	(584)	(3,645)
Federal grants	207,853	244,187	249,088	4,901
Other revenues	5,490	7,480	5,688	(1,792)
Total revenues	<u>356,149</u>	<u>397,443</u>	<u>396,602</u>	<u>(841)</u>
Other financing sources:				
Operating transfers in			42,150	42,150
Total revenues and other financing sources	<u>356,149</u>	<u>397,443</u>	<u>438,752</u>	<u>41,309</u>
Expenditures:				
Central Management				
Gasoline Tax	3,614	3,650	3,602	48
Federal Funds	9,608	5,408	3,213	2,195
Total - Central Management	<u>13,222</u>	<u>9,058</u>	<u>6,815</u>	<u>2,243</u>
Management and Budget				
Gasoline Tax	2,067	3,046	4,578	(1,532)
Total - Management and Budget	<u>2,067</u>	<u>3,046</u>	<u>4,578</u>	<u>(1,532)</u>
Infrastructure - Engineering				
Gasoline Tax	50,815	46,551	49,692	(3,141)
RICAP - RIPTA Land and Buildings	330	330	21	309
Train Station	100	75		75
State Infrastructure Bank	1,000	1,000		1,000
Land Sale Revenue	4,000	6,000	2,875	3,125
Federal Funds	198,244	238,779	213,862	24,917
FHWA Pledged Revenues			41,801	(41,801)
Restricted Receipts	6	3,061	(12)	3,073
Subtotal - Infrastructure - Engineering	<u>254,495</u>	<u>295,796</u>	<u>308,239</u>	<u>(12,443)</u>
State Match - FHWA			41,603	(41,603)
Total - Infrastructure - Engineering	<u>254,495</u>	<u>295,796</u>	<u>349,842</u>	<u>(54,046)</u>
Infrastructure - Maintenance				
Gasoline Tax	42,259	42,491	41,283	1,208
Outdoor Advertising	61	75	3	72
Nonland Surplus		288		288
Total - Infrastructure - Maintenance	<u>42,320</u>	<u>42,854</u>	<u>41,286</u>	<u>1,568</u>
Total Expenditures	<u>312,104</u>	<u>350,754</u>	<u>402,521</u>	<u>(51,767)</u>
Other financing uses:				
Transfers to other funds				
Gas tax			45,877	
Other			233	
Total expenditures and other financing uses			<u>448,631</u>	
Net change in fund balance			<u>(9,879)</u>	
Fund balance - beginning			<u>33,940</u>	
Fund balance - ending			<u>\$ 24,061</u>	

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
June 30, 2006
(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)
06/30/2005	5,444,369	9,762,675	4,318,306	55.8%	1,504,526	287.0%
06/30/2004	5,543,427	9,328,983	3,785,556	59.4%	1,472,620	257.1%
06/30/2003 **	5,695,358	8,858,979	3,163,621	64.3%	1,440,744	219.6%

State Police Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2005	29,617	37,511	7,894	79.0%	13,225	59.7%
06/30/2004	24,767	32,689	7,922	75.8%	11,422	69.4%
06/30/2003	20,966	28,443	7,477	73.7%	11,286	66.3%

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)
06/30/2005	19,347	22,251	2,904	86.9%	5,685	51.0%
06/30/2004	16,019	21,846	5,827	73.3%	5,638	103.3%
06/30/2003	13,270	18,435	5,165	72.0%	5,303	97.4%

** Restated June 30, 2003 actuarial accrued liability due to the adoption of Article 7, Substitute A as Amended

State of Rhode Island and Providence Plantations
Notes to Required Supplementary Information
June 30, 2006

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

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

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

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

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

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

Appropriations for Medical Benefits in the Department of Human Services are divided into six categories by the Caseload Estimating Conference. The category Pharmacy was first designated by the Caseload Estimating Conference in FY 2005 to subdivide those expenditures for pharmaceuticals formerly recorded in accounts assigned to the category Other. In FY 2006, not all of the appropriate charges were recorded in the account established for Pharmacy. A portion of the pharmacy charges are included in the Other category.

COMBINING
STATEMENTS

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Expressed in Thousands)

	Special Revenue			Capital Project	
	R.I. Temporary Disability	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Bond Capital	R.I. Clean Water Act Environmental Trust
Assets					
Cash and cash equivalents	\$ 96,317	\$	\$ 5	\$ 104,542	\$ 6,375
Funds on deposit with fiscal agent					
Investments		185			
Restricted investments		72,452			
Receivables (net)	40,671				
Other assets			155		
Total assets	<u>\$ 136,988</u>	<u>\$ 72,637</u>	<u>\$ 160</u>	<u>\$ 104,542</u>	<u>\$ 6,375</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	216		50	5,850	49
Due to other funds	1,010			9,447	
Loans from other funds					
Other liabilities			58	170	
Total liabilities	<u>1,226</u>		<u>108</u>	<u>15,467</u>	<u>49</u>
Fund balances					
Reserved for:					
Debt		72,637			
Employment Insurance Programs	135,762				
Unreserved					
Special revenue			52		
Capital projects				89,075	6,326
Permanent fund					
Total fund balances	<u>135,762</u>	<u>72,637</u>	<u>52</u>	<u>89,075</u>	<u>6,326</u>
Total Liabilities and fund balances	<u>\$ 136,988</u>	<u>\$ 72,637</u>	<u>\$ 160</u>	<u>\$ 104,542</u>	<u>\$ 6,375</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Expressed in Thousands)

	Capital Project		Permanent	
	R.I. Refunding Bond Authority	Certificates of Participation	Permanent School	Totals
Assets				
Cash and cash equivalents	\$ 344	\$	\$ 988	\$ 208,571
Funds on deposit with fiscal agent		80,126		80,126
Investments				185
Restricted investments				72,452
Receivables (net)				40,671
Other assets	1			156
Total assets	<u>\$ 345</u>	<u>\$ 80,126</u>	<u>\$ 988</u>	<u>\$ 402,161</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable		9,959		16,124
Due to other funds		325		10,782
Loans from other funds		22		22
Other liabilities	36			264
Total liabilities	<u>36</u>	<u>10,306</u>		<u>27,192</u>
Fund balances				
Reserved for:				
Debt		2,742		75,379
Employment Insurance Programs				135,762
Unreserved				
Special revenue				52
Capital projects	309	67,078		162,788
Permanent fund			988	988
Total fund balances	<u>309</u>	<u>69,820</u>	<u>988</u>	<u>374,969</u>
Total Liabilities and fund balances	<u>\$ 345</u>	<u>\$ 80,126</u>	<u>\$ 988</u>	<u>\$ 402,161</u>

(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, 2006
(Expressed in Thousands)

	Special Revenue			Capital Projects	
	R.I. Temporary Disability	Tobacco Settlement Financing Corporation	R.I. Economic Policy Council	Bond Capital	R.I. Clean Water Act Environmental Trust
Revenues:					
Taxes	\$ 170,997	\$	\$	\$	\$
Licenses, fines, sales, and services					
Income from investments	3,959	2,996		4,814	257
Other revenues	383	41,546	292		
Total revenues	175,339	44,542	292	4,814	257
Expenditures:					
Current:					
General government	170,388	40	738	25,782	
Human services				1,712	
Education				20,541	
Public safety				80	
Natural resources				554	1,447
Transportation				1,920	
Capital outlays	52			7,072	
Intergovernmental				7,228	591
Debt service:					
Principal		5,455			
Interest and other charges		41,609		363	
Total expenditures	170,440	47,104	738	65,252	2,038
Excess (deficiency) of revenues over (under) expenditures	4,899	(2,562)	(446)	(60,438)	(1,781)
Other financing sources (uses)					
Bonds and notes issued				90,705	2,680
Certificates of Participation					
Premium and accrued interest				2,271	64
Operating transfers in			300	59,095	
Other			197		
Operating transfers out	(1,173)			(100,681)	
Total other financing sources (uses)	(1,173)		497	51,390	2,744
Net change in fund balances	3,726	(2,562)	51	(9,048)	963
Fund balances - beginning	132,036	75,199	1	98,123	5,363
Fund balances - ending	\$ 135,762	\$ 72,637	\$ 52	\$ 89,075	\$ 6,326

(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, 2006
(Expressed in Thousands)

	Capital Projects		Permanent	
	R.I. Refunding Bond Authority	Certificates of Participation	Permanent School	Totals
Revenues:				
Taxes	\$	\$	\$	\$ 170,997
Licenses, fines, sales, and services	34		32	66
Income from investments		3,162	39	15,227
Other revenues				42,221
Total revenues	34	3,162	71	228,511
Expenditures:				
Current:				
General government	34	20		197,002
Human services		184		1,896
Education		18		20,559
Public safety				80
Natural resources				2,001
Transportation				1,920
Capital outlays		43,603		50,727
Intergovernmental				7,819
Debt service:				
Principal				5,455
Interest and other charges		66		42,038
Total expenditures	34	43,891		329,497
Excess (deficiency) of revenues over (under) expenditures		(40,729)	71	(100,986)
Other financing sources (uses)				
Bonds and notes issued				93,385
Certificates of Participation		6,000		6,000
Premium and accrued interest				2,335
Operating transfers in				59,395
Other	11			208
Operating transfers out		(541)		(102,395)
Total other financing sources (uses)	11	5,459		58,928
Net change in fund balances	11	(35,270)	71	(42,058)
Fund balances - beginning	298	105,090	917	417,027
Fund balances - ending	\$ 309	\$ 69,820	\$ 988	\$ 374,969

(Concluded)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Temporary Disability Insurance Fund
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 170,997	\$ 170,997	\$ 170,997	\$
Other Revenues	4,342	4,342	4,342	
Total Revenues	<u>175,339</u>	<u>175,339</u>	<u>175,339</u>	
Expenditures:				
Department of Labor and Training				
Income Support				
Temporary Disability Insurance Fund	177,570	172,445	171,455	990
Total - Income Support	<u>177,570</u>	<u>172,445</u>	<u>171,455</u>	<u>990</u>
Total - Department of Labor and Training	<u>177,570</u>	<u>172,445</u>	<u>171,455</u>	<u>990</u>
Treasury Department				
Temporary Disability Insurance Fund	275	285	158	127
Total - Treasury Department	<u>275</u>	<u>285</u>	<u>158</u>	<u>127</u>
Total Expenditures	<u>177,845</u>	<u>172,730</u>	<u>171,613</u>	<u>1,117</u>
Net change in fund balance	<u>(2,506)</u>	<u>2,609</u>	<u>3,726</u>	<u>1,117</u>
* Fund balance - beginning	132,036	132,036	132,036	
Fund balance - ending	<u>\$ 129,530</u>	<u>\$ 134,645</u>	<u>\$ 135,762</u>	<u>\$ 1,117</u>

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

Internal Service Funds

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

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

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

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

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 – provides job training for inmates through prison industries.

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

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

Health Insurance – pays employee and retiree health benefits.

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>	<u>Information Processing</u>	<u>Central Postage</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,894	\$ 2,679	\$ 1,196	\$	\$ 128
Receivables (net)		3,684	13	2,488	336
Due from other funds		219			
Inventories					428
Other assets					
Total current assets	<u>4,894</u>	<u>6,582</u>	<u>1,209</u>	<u>2,488</u>	<u>892</u>
Noncurrent assets:					
Loans receivable			130		
Capital assets (net)				433	121
Total noncurrent assets			<u>130</u>	<u>433</u>	<u>121</u>
Total assets	<u>4,894</u>	<u>6,582</u>	<u>1,339</u>	<u>2,921</u>	<u>1,013</u>
Liabilities:					
Current liabilities:					
Cash overdraft				1,578	
Accounts payable	62	1,751		283	69
Due to other funds	285			803	93
Loans from the general fund		4,750			
Other current liabilities	207	73		1,397	49
Obligations under capital leases				106	61
Total current liabilities	<u>554</u>	<u>6,574</u>		<u>4,167</u>	<u>272</u>
Net Assets:					
Invested in capital assets, net of related debt				327	60
Unrestricted	4,340	8	1,339	(1,573)	681
Total net assets	<u>\$ 4,340</u>	<u>\$ 8</u>	<u>\$ 1,339</u>	<u>\$ (1,246)</u>	<u>\$ 741</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
(Expressed in Thousands)

	<u>Centrex</u>	<u>Pastore Communications</u>	<u>Central Pharmacy</u>	<u>Central Laundry</u>	<u>Automotive Maintenance</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$	\$	\$ 416	\$	\$ 736
Receivables (net)		73	92		559
Due from other funds	1,081		661	92	
Inventories			424	91	270
Other assets			503	155	
Total current assets	<u>1,081</u>	<u>73</u>	<u>2,096</u>	<u>338</u>	<u>1,565</u>
Noncurrent assets:					
Loans receivable					
Capital assets (net)	17	28		232	
Total noncurrent assets	<u>17</u>	<u>28</u>		<u>232</u>	
Total assets	<u>1,098</u>	<u>101</u>	<u>2,096</u>	<u>570</u>	<u>1,565</u>
Liabilities:					
Current liabilities:					
Cash overdraft	1,018	286		1,021	
Accounts payable	45	182	506	52	509
Due to other funds		46			10
Loans from the general fund					500
Other current liabilities	35		79	56	86
Obligations under capital leases					
Total current liabilities	<u>1,098</u>	<u>514</u>	<u>585</u>	<u>1,129</u>	<u>1,105</u>
Net Assets:					
Invested in capital assets, net of related debt	17	28		232	
Unrestricted	(17)	(441)	1,511	(791)	460
Total net assets	<u>\$</u>	<u>\$ (413)</u>	<u>\$ 1,511</u>	<u>\$ (559)</u>	<u>\$ 460</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
(Expressed in Thousands)

	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance</u>	<u>Total</u>
Assets:						
Current assets:						
Cash and cash equivalents	\$	\$ 2,451	\$ 44	\$ 309	\$ 33,237	\$ 46,090
Receivables (net)	73	811		85	934	9,148
Due from other funds	175				115	2,343
Inventories	817	844				2,874
Other assets					5,096	5,754
Total current assets	<u>1,065</u>	<u>4,106</u>	<u>44</u>	<u>394</u>	<u>39,382</u>	<u>66,209</u>
Noncurrent assets:						
Loans receivable						130
Capital assets (net)	1,728	354	10			2,923
Total noncurrent assets	<u>1,728</u>	<u>354</u>	<u>10</u>			<u>3,053</u>
Total assets	<u>2,793</u>	<u>4,460</u>	<u>54</u>	<u>394</u>	<u>39,382</u>	<u>69,262</u>
Liabilities:						
Current liabilities:						
Cash overdraft	454					4,357
Accounts payable	220	392		60	18,388	22,519
Due to other funds		27		3		1,267
Loans from the general fund				300		5,550
Other current liabilities	93	151		17	1,344	3,587
Obligations under capital leases	48					215
Total current liabilities	<u>815</u>	<u>570</u>		<u>380</u>	<u>19,732</u>	<u>37,495</u>
Net Assets:						
Invested in capital assets, net of related debt	1,680	354	10			2,708
Unrestricted	298	3,536	44	14	19,650	29,059
Total net assets	<u>\$ 1,978</u>	<u>\$ 3,890</u>	<u>\$ 54</u>	<u>\$ 14</u>	<u>\$ 19,650</u>	<u>\$ 31,767</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, 2006
(Expressed in Thousands)

	<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	\$ 29,680	\$ 22,534	\$	\$ 13,934	\$ 5,674	\$ 2,727	\$ 680
Total operating revenues	<u>29,680</u>	<u>22,534</u>	<u></u>	<u>13,934</u>	<u>5,674</u>	<u>2,727</u>	<u>680</u>
Operating expenses:							
Personal services	2,451	795		10,431	622	1,091	19
Supplies, materials, and services	24,206	21,745		4,159	4,513	2,212	937
Depreciation				228	66	2	6
Total operating expenses	<u>26,657</u>	<u>22,540</u>	<u></u>	<u>14,818</u>	<u>5,201</u>	<u>3,305</u>	<u>962</u>
Operating income (loss)	<u>3,023</u>	<u>(6)</u>	<u></u>	<u>(884)</u>	<u>473</u>	<u>(578)</u>	<u>(282)</u>
Nonoperating revenues (expenses):							
Interest revenue	119						
Other nonoperating revenues and (expenses)	<u>7</u>						
Income (loss) before transfers	3,149	(6)		(884)	473	(578)	(282)
Operating transfers out	<u>(971)</u>						
Change in net assets	2,178	(6)		(884)	473	(578)	(282)
Total net assets - beginning	<u>2,162</u>	<u>14</u>	<u>1,339</u>	<u>(362)</u>	<u>268</u>	<u>578</u>	<u>(131)</u>
Total net assets - ending	<u>\$ 4,340</u>	<u>\$ 8</u>	<u>\$ 1,339</u>	<u>\$ (1,246)</u>	<u>\$ 741</u>	<u>\$</u>	<u>\$ (413)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2006
(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>Health Insurance</u>	<u>Total</u>
Operating revenues:									
Charges for services	\$ 9,741	\$ 1,116	\$ 12,659	\$ 5,786	\$ 6,806	\$	\$ 1,064	\$ 220,340	\$ 332,741
Total operating revenues	<u>9,741</u>	<u>1,116</u>	<u>12,659</u>	<u>5,786</u>	<u>6,806</u>	<u></u>	<u>1,064</u>	<u>220,340</u>	<u>332,741</u>
Operating expenses:									
Personal services	458	774	704	975	1,838		299		20,457
Supplies, materials, and services	8,818	527	12,167	4,659	4,351	3	730	210,580	299,607
Depreciation		97		156	118	3			676
Total operating expenses	<u>9,276</u>	<u>1,398</u>	<u>12,871</u>	<u>5,790</u>	<u>6,307</u>	<u>6</u>	<u>1,029</u>	<u>210,580</u>	<u>320,740</u>
Operating income (loss)	<u>465</u>	<u>(282)</u>	<u>(212)</u>	<u>(4)</u>	<u>499</u>	<u>(6)</u>	<u>35</u>	<u>9,760</u>	<u>12,001</u>
Nonoperating revenues (expenses):									
Interest revenue			38		48			498	703
Other nonoperating revenues and (expenses)			2					45	54
Income (loss) before transfers	<u>465</u>	<u>(282)</u>	<u>(172)</u>	<u>(4)</u>	<u>547</u>	<u>(6)</u>	<u>35</u>	<u>10,303</u>	<u>12,758</u>
Operating transfers out									<u>(971)</u>
Change in net assets	<u>465</u>	<u>(282)</u>	<u>(172)</u>	<u>(4)</u>	<u>547</u>	<u>(6)</u>	<u>35</u>	<u>10,303</u>	<u>11,787</u>
Total net assets - beginning	<u>1,046</u>	<u>(277)</u>	<u>632</u>	<u>1,982</u>	<u>3,343</u>	<u>60</u>	<u>(21)</u>	<u>9,347</u>	<u>19,980</u>
Total net assets - ending	<u>\$ 1,511</u>	<u>\$ (559)</u>	<u>\$ 460</u>	<u>\$ 1,978</u>	<u>\$ 3,890</u>	<u>\$ 54</u>	<u>\$ 14</u>	<u>\$ 19,650</u>	<u>\$ 31,767</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Energy Revolving</u>
Cash flows from operating activities:			
Cash received from customers	\$ 30,440	\$ 18,782	\$ 286
Cash payments to suppliers for goods and services	(24,210)	(19,994)	
Cash payments to employees for services	(2,524)	(794)	
Other operating revenue (expense)	7		
Net cash provided by (used for) operating activities	<u>3,713</u>	<u>(2,006)</u>	<u>286</u>
Cash flows from noncapital financing activities:			
Loans from the general fund		4,750	
Repayment of loans to the general fund			
Operating transfers out	(971)		
Negative cash balance implicitly financed			
Repayment of prior year negative cash balance implicitly financed		(65)	
Net cash provided by (used for) noncapital financing activities	<u>(971)</u>	<u>4,685</u>	
Cash flows from capital and related financing activities:			
Principal 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	119		
Net cash provided by (used for) investing activities	<u>119</u>		
Net increase (decrease) in cash and cash equivalents	2,861	2,679	286
Cash and cash equivalents - July 1	2,033		910
Cash and cash equivalents - June 30	<u>\$ 4,894</u>	<u>\$ 2,679</u>	<u>\$ 1,196</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ 3,023</u>	<u>\$ (6)</u>	<u>\$</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$	\$	\$
Other revenue (expense) and operating transfer in (out)	7		
(Increase) decrease in assets:			
Receivables	1,156	(3,752)	286
Inventory			
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable	(400)	1,751	
Accrued expenses	(73)	1	
Total adjustments	<u>690</u>	<u>(2,000)</u>	<u>286</u>
Net cash provided by (used for) operating activities	<u>\$ 3,713</u>	<u>\$ (2,006)</u>	<u>\$ 286</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	Information Processing	Central Postage	Centrex
Cash flows from operating activities:			
Cash received from customers	\$ 12,035	\$ 5,309	\$ 2,889
Cash payments to suppliers for goods and services	(4,097)	(4,673)	(2,223)
Cash payments to employees for services	(10,542)	(620)	(1,089)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities	<u>(2,604)</u>	<u>16</u>	<u>(423)</u>
Cash flows from noncapital financing activities:			
Loans from the general fund			
Repayment of loans to the general fund			
Operating transfers out			
Negative cash balance implicitly financed	1,578		1,018
Repayment of prior year negative cash balance implicitly financed			(576)
Net cash provided by (used for) noncapital financing activities	<u>1,578</u>		<u>442</u>
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations	(129)	(53)	
Acquisition of capital assets	(88)	(30)	(19)
Net cash provided by (used for) capital and related financing activities	<u>(217)</u>	<u>(83)</u>	<u>(19)</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	(1,243)	(67)	
Cash and cash equivalents - July 1	1,243	195	
Cash and cash equivalents - June 30	<u>\$</u>	<u>\$ 128</u>	<u>\$</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (884)	\$ 473	\$ (578)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 228	\$ 66	\$ 2
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables	(1,061)	(335)	162
Inventory		(165)	
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable	(775)	(24)	(11)
Accrued expenses	(112)	1	2
Total adjustments	<u>(1,720)</u>	<u>(457)</u>	<u>155</u>
Net cash provided by (used for) operating activities	<u>\$ (2,604)</u>	<u>16</u>	<u>\$ (423)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Pastore Communications</u>	<u>Central Pharmacy</u>	<u>Central Laundry</u>
Cash flows from operating activities:			
Cash received from customers	\$ 761	\$ 9,855	\$ 1,066
Cash payments to suppliers for goods and services	(862)	(8,807)	(520)
Cash payments to employees for services	(19)	(456)	(769)
Other operating revenue (expense)			
Net cash provided by (used for) operating activities	<u>(120)</u>	<u>592</u>	<u>(223)</u>
Cash flows from noncapital financing activities:			
Loans from the general fund			
Repayment of loans to the general fund			
Operating transfers out			
Negative cash balance implicitly financed	286		1,021
Repayment of prior year negative cash balance implicitly financed	(146)	(176)	(798)
Net cash provided by (used for) noncapital financing activities	<u>140</u>	<u>(176)</u>	<u>223</u>
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations			
Acquisition of capital assets	(20)		
Net cash provided by (used for) capital and related financing activities	<u>(20)</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		416	
Cash and cash equivalents - July 1			
Cash and cash equivalents - June 30	<u>\$</u>	<u>\$ 416</u>	<u>\$</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (282)	\$ 465	\$ (282)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 6	\$	\$ 97
Other revenue (expense) and operating transfer in (out)			
(Increase) decrease in assets:			
Receivables	79	113	(50)
Inventory		55	(17)
Prepaid items		(69)	
Increase (decrease) in liabilities:			
Vouchers and accounts payable	77	25	24
Accrued expenses		3	5
Total adjustments	<u>162</u>	<u>127</u>	<u>59</u>
Net cash provided by (used for) operating activities	<u>\$ (120)</u>	<u>\$ 592</u>	<u>\$ (223)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	Automotive Maintenance	Central Warehouse	Correctional Industries
Cash flows from operating activities:			
Cash received from customers	\$ 12,177	\$ 5,756	\$ 7,814
Cash payments to suppliers for goods and services	(12,069)	(5,052)	(4,688)
Cash payments to employees for services	(702)	(970)	(1,856)
Other operating revenue (expense)	2		
Net cash provided by (used for) operating activities	<u>(592)</u>	<u>(266)</u>	<u>1,270</u>
Cash flows from noncapital financing activities:			
Loans from the general fund	1,000		
Repayment of loans to the general fund	(500)		
Operating transfers out			
Negative cash balance implicitly financed		454	
Repayment of prior year negative cash balance implicitly financed			
Net cash provided by (used for) noncapital financing activities	<u>500</u>	<u>454</u>	
Cash flows from capital and related financing activities:			
Principal paid on capital lease obligations		(335)	
Acquisition of capital assets		(24)	(139)
Net cash provided by (used for) capital and related financing activities		<u>(359)</u>	<u>(139)</u>
Cash flows from investing activities:			
Interest on investments	38		47
Net cash provided by (used for) investing activities	<u>38</u>		<u>47</u>
Net increase (decrease) in cash and cash equivalents	(54)	(171)	1,178
Cash and cash equivalents - July 1	790	171	1,273
Cash and cash equivalents - June 30	<u>\$ 736</u>	<u>\$</u>	<u>\$ 2,451</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (212)	\$ (4)	\$ 499
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$	\$ 156	\$ 118
Other revenue (expense) and operating transfer in (out)	2		
(Increase) decrease in assets:			
Receivables	(445)	(30)	955
Inventory	(42)	(127)	(91)
Prepaid items			
Increase (decrease) in liabilities:			
Vouchers and accounts payable	103	(266)	(192)
Accrued expenses	2	5	(19)
Total adjustments	<u>(380)</u>	<u>(262)</u>	<u>771</u>
Net cash provided by (used for) operating activities	<u>\$ (592)</u>	<u>\$ (266)</u>	<u>\$ 1,270</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$	\$ 947	\$ 227,790	\$ 335,907
Cash payments to suppliers for goods and services	(3)	(781)	(202,844)	(290,823)
Cash payments to employees for services		(301)		(20,642)
Other operating revenue (expense)			45	54
Net cash provided by (used for) operating activities	(3)	(135)	24,991	24,496
Cash flows from noncapital financing activities:				
Loans from the general fund		300		6,050
Repayment of loans to the general fund				(500)
Operating transfers out				(971)
Negative cash balance implicitly financed				4,357
Repayment of prior year negative cash balance implicitly financed				(1,761)
Net cash provided by (used for) noncapital financing activities		300		7,175
Cash flows from capital and related financing activities:				
Principal paid on capital lease obligations				(517)
Acquisition of capital assets				(320)
Net cash provided by (used for) capital and related financing activities				(837)
Cash flows from investing activities:				
Interest on investments			498	702
Net cash provided by (used for) investing activities			498	702
Net increase (decrease) in cash and cash equivalents	(3)	165	25,489	31,536
Cash and cash equivalents - July 1	47	144	7,748	14,554
Cash and cash equivalents - June 30	\$ 44	\$ 309	\$ 33,237	\$ 46,090
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6)	\$ 35	\$ 9,760	\$ 12,001
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 3	\$	\$	\$ 676
Other revenue (expense) and operating transfer in (out)			45	54
(Increase) decrease in assets:				
Receivables		(85)	7,449	4,442
Inventory				(387)
Prepaid items			3,773	3,704
Increase (decrease) in liabilities:				
Vouchers and accounts payable		(82)	3,964	4,194
Accrued expenses		(3)		(188)
Total adjustments	3	(170)	15,231	12,495
Net cash provided by (used for) operating activities	\$ (3)	\$ (135)	\$ 24,991	\$ 24,496

(Concluded)

Pension Trust Funds

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2006
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Assets					
Cash and cash equivalents	\$ 20,713	\$ 541	\$ 456	\$ 316	\$ 22,026
Receivables					
Contributions	12,272	3,661			15,933
Due from state for teachers	12,568				12,568
Due from other plans	234	53			287
Miscellaneous	1,819	366	11	7	2,203
Total receivables	<u>26,893</u>	<u>4,080</u>	<u>11</u>	<u>7</u>	<u>30,991</u>
Investments, at fair value					
Equity in Short-Term Investment Fund	18,199	3,464			21,663
Equity in Pooled Trust	6,166,732	1,000,360	37,781	24,849	7,229,722
Plan specific investments	<u>20,486</u>				<u>20,486</u>
Total investments before lending activities	<u>6,205,417</u>	<u>1,003,824</u>	<u>37,781</u>	<u>24,849</u>	<u>7,271,871</u>
Invested securities lending collateral	<u>1,195,024</u>	<u>193,289</u>	<u>7,275</u>	<u>4,785</u>	<u>1,400,373</u>
Property and equipment, at cost, net of accumulated depreciation	<u>9,879</u>	<u>1,457</u>	<u>26</u>	<u>17</u>	<u>11,379</u>
Total assets	<u>7,457,926</u>	<u>1,203,191</u>	<u>45,549</u>	<u>29,974</u>	<u>8,736,640</u>
Liabilities					
Securities lending liability	1,195,024	193,289	7,275	4,785	1,400,373
Accounts payable	5,728	1,035	26	15	6,804
Due to other plans	53		116	118	287
Total liabilities	<u>1,200,805</u>	<u>194,324</u>	<u>7,417</u>	<u>4,918</u>	<u>1,407,464</u>
Net assets held in trust for pension benefits	<u>\$ 6,257,121</u>	<u>\$ 1,008,867</u>	<u>\$ 38,132</u>	<u>\$ 25,056</u>	<u>\$ 7,329,176</u>

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Additions					
Contributions					
Member contributions	\$ 141,192	\$ 20,727	\$ 886	\$ 565	\$ 163,370
Employer contributions	176,839	20,127	3,175	2,292	202,433
State contributions for teachers	54,538				54,538
Interest on service credits purchased	1,381	149			1,530
Total contributions	<u>373,950</u>	<u>41,003</u>	<u>4,061</u>	<u>2,857</u>	<u>421,871</u>
Investment income					
Net appreciation (depreciation) in fair value of investments	486,504	77,183	2,728	1,788	568,203
Interest	76,187	12,224	435	286	89,132
Dividends	75,105	12,071	435	285	87,896
Other investment income	55,145	8,601	303	198	64,247
	<u>692,941</u>	<u>110,079</u>	<u>3,901</u>	<u>2,557</u>	<u>809,478</u>
Less investment expense	26,174	3,690	137	89	30,090
Net income from investing activities	<u>666,767</u>	<u>106,389</u>	<u>3,764</u>	<u>2,468</u>	<u>779,388</u>
Securities Lending					
Securities lending income	22,975	3,835	160	106	27,076
Less securities lending expense	20,622	3,455	146	97	24,320
Net securities lending income	<u>2,353</u>	<u>380</u>	<u>14</u>	<u>9</u>	<u>2,756</u>
Total net investment income	<u>669,120</u>	<u>106,769</u>	<u>3,778</u>	<u>2,477</u>	<u>782,144</u>
Total additions	<u>1,043,070</u>	<u>147,772</u>	<u>7,839</u>	<u>5,334</u>	<u>1,204,015</u>
Deductions					
Benefits					
Retirement benefits	422,203	39,942	145	149	462,439
Cost of living adjustment	106,761	5,912	4	12	112,689
SRA Plus (option)	26,887	1,523			28,410
Supplemental benefits	1,086				1,086
Death benefits	2,587	667			3,254
Total benefits	<u>559,524</u>	<u>48,044</u>	<u>149</u>	<u>161</u>	<u>607,878</u>
Refund of contributions	8,196	1,630			9,826
Administrative expense	6,066	867	16	10	6,959
Total deductions	<u>573,786</u>	<u>50,541</u>	<u>165</u>	<u>171</u>	<u>624,663</u>
Change in net assets	<u>469,284</u>	<u>97,231</u>	<u>7,674</u>	<u>5,163</u>	<u>579,352</u>
Net assets held in trust for pension benefits					
Net assets - beginning	5,787,837	911,636	30,458	19,893	6,749,824
Net assets - ending	<u>\$ 6,257,121</u>	<u>\$ 1,008,867</u>	<u>\$ 38,132</u>	<u>\$ 25,056</u>	<u>\$ 7,329,176</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 Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2006
(Expressed in Thousands)

Statutory Deposits

Assets	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Cash and cash equivalents	\$ 3,190	\$ 169	\$	\$ 3,359
Deposits held as security for entities doing business in the State	67,148		249	66,899
Total assets	\$ 70,338	\$ 169	\$ 249	\$ 70,258
Liabilities				
Deposits held for others	\$ 70,337	\$	\$ 79	\$ 70,258
Total liabilities	\$ 70,337	\$	\$ 79	\$ 70,258

Court Deposits

Assets	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Cash and cash equivalents	\$ 12,096	\$ 1,234	\$	\$ 13,330
Total assets	\$ 12,096	\$ 1,234	\$	\$ 13,330
Liabilities				
Deposits held for others	\$ 12,096	\$ 1,234	\$	\$ 13,330
Total liabilities	\$ 12,096	\$ 1,234	\$	\$ 13,330

Total - All Agency Funds

Assets	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Cash and cash equivalents	\$ 15,286	\$ 1,403	\$	\$ 16,689
Deposits held as security for entities doing business in the State	67,148		249	66,899
Total assets	\$ 82,434	\$ 1,403	\$ 249	\$ 83,588
Liabilities				
Deposits held for others	\$ 82,433	\$ 1,234	\$ 79	\$ 83,588
Total liabilities	\$ 82,433	\$ 1,234	\$ 79	\$ 83,588

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

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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, 2006
(Expressed in Thousands)

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTRF	NBC
Assets						
Current Assets:						
Cash and cash equivalents	\$ 208,256	\$ 1,340	\$ 6,515	\$ 64,558	\$ 1,467	\$ 15,879
Investments	152,995					
Receivables (net)	25,705	68,833	236	11,823	159	18,789
Restricted assets:						
Cash and cash equivalents		176,868				
Investments		5,309				
Due from primary government						
Due from other governments				3,221		
Inventories						
Other assets	8,625	1,121	91	530	1	218
Total current assets	<u>395,581</u>	<u>253,471</u>	<u>6,842</u>	<u>80,132</u>	<u>1,627</u>	<u>34,886</u>
Noncurrent Assets:						
Investments	327,680		28,099	29,594		
Receivables (net)	1,045,706	643,155	68	5,743		
Restricted assets:						
Cash and cash equivalents			1,831	166,813		50,027
Investments			4,327	943		
Other assets				37,447		
Capital assets - nondepreciable			9,387	109,053		332,877
Capital assets - depreciable (net)		17	60,483	242,162	38	218,027
Other assets, net of amortization	23,971	3,519	174	6,403	4	5,059
Total noncurrent assets	<u>1,397,357</u>	<u>646,691</u>	<u>104,369</u>	<u>598,158</u>	<u>42</u>	<u>605,990</u>
Total assets	<u>1,792,938</u>	<u>900,162</u>	<u>111,211</u>	<u>678,290</u>	<u>1,669</u>	<u>640,876</u>
Liabilities						
Current liabilities:						
Cash overdraft		714				
Accounts payable			2,709	1,085		17,288
Due to primary government				2,915		
Due to (from) other component units				(632)		
Due to other governments		435				
Deferred revenue		4,550	766			
Other liabilities	216,198	4,227	454	7,774	15	2,536
Current portion of long-term debt	184,914	4,350	1,975	23,586		12,737
Total current liabilities	<u>401,112</u>	<u>14,276</u>	<u>5,904</u>	<u>34,728</u>	<u>15</u>	<u>32,561</u>
Noncurrent liabilities:						
Due to primary government				12,532		
Due to other governments						
Deferred revenue						
Notes payable				781		
Loans payable						236,681
Obligations under capital leases				2,615		261
Other liabilities	4,926	24,393		5,779		95
Compensated absences						
Bonds payable	1,108,107	789,552	27,844	348,278		114,650
Total noncurrent liabilities	<u>1,113,033</u>	<u>813,945</u>	<u>27,844</u>	<u>369,985</u>		<u>351,687</u>
Total liabilities	<u>1,514,145</u>	<u>828,221</u>	<u>33,748</u>	<u>404,713</u>	<u>15</u>	<u>384,248</u>
Net assets						
Invested in capital assets, net of related debt	9,951	17	37,600	134,408	38	186,576
Restricted for:						
Debt	168,915	71,200	8,931			
Other				96,455		85
Other nonexpendable						
Unrestricted	99,927	724	30,932	42,714	1,616	69,967
Total net assets	<u>\$ 278,793</u>	<u>\$ 71,941</u>	<u>\$ 77,463</u>	<u>\$ 273,577</u>	<u>\$ 1,654</u>	<u>\$ 256,628</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2006
(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	\$ 276	\$ 1,506	\$ 11,454	\$ 6,777	\$ 634
Investments	3,720		9,007	806	
Receivables (net)	775	7,621	33	3,967	6
Restricted assets:					
Cash and cash equivalents		2,947			
Investments					
Due from primary government				3,457	
Due from other governments			478		
Inventories				2,534	
Other assets	39	2,278	186	158	
Total current assets	<u>4,810</u>	<u>14,352</u>	<u>21,158</u>	<u>17,699</u>	<u>640</u>
Noncurrent Assets:					
Investments			3,901		
Receivables (net)	4,302		224		
Restricted assets:					
Cash and cash equivalents			573		633
Investments		1,840			
Other assets		68,738			
Capital assets - nondepreciable		8,078	194	2,834	
Capital assets - depreciable (net)	65	61,333	1,086	90,149	
Other assets, net of amortization		30,030			
Total noncurrent assets	<u>4,367</u>	<u>170,019</u>	<u>5,978</u>	<u>92,983</u>	<u>633</u>
Total assets	<u>9,177</u>	<u>184,371</u>	<u>27,136</u>	<u>110,682</u>	<u>1,273</u>
Liabilities					
Current liabilities:					
Cash overdraft					
Accounts payable	302	10,521	594	5,176	
Due to primary government		3,000			
Due to (from) other component units					570
Due to other governments			265		
Deferred revenue				12	224
Other liabilities	131	1,061		4,790	
Current portion of long-term debt		2,435	120		
Total current liabilities	<u>433</u>	<u>17,017</u>	<u>979</u>	<u>9,978</u>	<u>794</u>
Noncurrent liabilities:					
Due to primary government					
Due to other governments			441		
Deferred revenue			395	333	
Notes payable		1,875			
Loans payable					
Obligations under capital leases					
Other liabilities		71,863		9,437	
Compensated absences			279		
Bonds payable		16,138			
Total noncurrent liabilities		<u>89,876</u>	<u>1,115</u>	<u>9,770</u>	
Total liabilities	<u>433</u>	<u>106,893</u>	<u>2,094</u>	<u>19,748</u>	<u>794</u>
Net assets					
Invested in capital assets, net of related debt	65	77,967	1,280	92,983	
Restricted for:					
Debt		1,687			
Other			18,533		
Other nonexpendable					
Unrestricted	8,679	(2,176)	5,229	(2,049)	479
Total net assets	<u>\$ 8,744</u>	<u>\$ 77,478</u>	<u>\$ 25,042</u>	<u>\$ 90,934</u>	<u>\$ 479</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2006
(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	\$ 53,513	\$ 1,556	\$ 3,945	\$ 417	\$ 59
Investments	48,988			686	6,613
Receivables (net)	37,064	4	218	491	1,064
Restricted assets:					
Cash and cash equivalents	1,898				389
Investments	143,899				
Due from primary government					
Due from other governments					
Inventories				21	
Other assets	131		950	3	18
Total current assets	<u>285,493</u>	<u>1,560</u>	<u>5,113</u>	<u>1,618</u>	<u>8,143</u>
Noncurrent Assets:					
Investments			1,723		
Receivables (net)	584,044				
Restricted assets:					
Cash and cash equivalents					
Investments					
Other assets					
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	43	382	3	6,453	40
Other assets, net of amortization	5,381		3,165	98	71
Total noncurrent assets	<u>589,468</u>	<u>563</u>	<u>4,891</u>	<u>7,372</u>	<u>111</u>
Total assets	<u>874,961</u>	<u>2,123</u>	<u>10,004</u>	<u>8,990</u>	<u>8,254</u>
Liabilities					
Current liabilities:					
Cash overdraft					
Accounts payable	519		9	253	1,418
Due to primary government				654	
Due to (from) other component units		62			
Due to other governments					
Deferred revenue			583	69	
Other liabilities	6,323	6	166	87	1,999
Current portion of long-term debt	21,830		1,606	761	
Total current liabilities	<u>28,672</u>	<u>68</u>	<u>2,364</u>	<u>1,824</u>	<u>3,417</u>
Noncurrent liabilities:					
Due to primary government					
Due to other governments					
Deferred revenue				489	
Notes payable					
Loans payable					
Obligations under capital leases			1	1,654	
Other liabilities	730				
Compensated absences				212	
Bonds payable	527,370		11,091		
Total noncurrent liabilities	<u>528,100</u>	<u></u>	<u>11,092</u>	<u>2,355</u>	<u></u>
Total liabilities	<u>556,772</u>	<u>68</u>	<u>13,456</u>	<u>4,179</u>	<u>3,417</u>
Net assets					
Invested in capital assets, net of related debt	43	563		4,369	40
Restricted for:					
Debt	303,586				
Other			(3,744)		389
Other nonexpendable					
Unrestricted	14,560	1,492	292	442	4,408
Total net assets	<u>\$ 318,189</u>	<u>\$ 2,055</u>	<u>\$ (3,452)</u>	<u>\$ 4,811</u>	<u>\$ 4,837</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2006
(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	\$ 42,980	\$ 17,285	\$ 6,599	\$ 5,248	\$ 450,264
Investments	4,120	485	730		228,150
Receivables (net)	21,014	5,956	2,616	59	206,433
Restricted assets:					
Cash and cash equivalents					182,102
Investments					149,208
Due from primary government					3,457
Due from other governments					3,699
Inventories					2,555
Other assets			1,341	1,709	17,399
Total current assets	<u>68,114</u>	<u>23,726</u>	<u>11,286</u>	<u>7,016</u>	<u>1,243,267</u>
Noncurrent Assets:					
Investments	84,835	14,331	1,305		491,468
Receivables (net)	13,299	4,266	130		2,300,937
Restricted assets:					
Cash and cash equivalents	23	3,365	1,425		224,690
Investments					7,110
Other assets	58,832	721	714		166,452
Capital assets - nondepreciable	60,704	4,600	1,491		530,220
Capital assets - depreciable (net)	252,596	52,874	47,555	3,631	1,036,937
Other assets, net of amortization	8,333	2,334			88,542
Total noncurrent assets	<u>478,622</u>	<u>82,491</u>	<u>52,620</u>	<u>3,631</u>	<u>4,846,356</u>
Total assets	<u>546,736</u>	<u>106,217</u>	<u>63,906</u>	<u>10,647</u>	<u>6,089,623</u>
Liabilities					
Current liabilities:					
Cash overdraft					714
Accounts payable	25,318	4,281	3,702	2,465	75,640
Due to primary government			2,536		9,105
Due to (from) other component units					
Due to other governments					700
Deferred revenue	11,048	2,213	1,695		21,160
Other liabilities	438	3,257	176	3,230	252,868
Current portion of long-term debt	4,780	3,720	3,864	250	266,928
Total current liabilities	<u>41,584</u>	<u>13,471</u>	<u>11,973</u>	<u>5,945</u>	<u>627,115</u>
Noncurrent liabilities:					
Due to primary government		9,447			21,979
Due to other governments		3,860			4,301
Deferred revenue					1,217
Notes payable		1,920			4,576
Loans payable	1,557		148	250	238,636
Obligations under capital leases	13,345	97	1,791	104	19,868
Other liabilities	11,877	259	43		129,402
Compensated absences	16,631	2,556	2,375	1,647	23,700
Bonds payable	183,465	11,907	2,900		3,141,302
Total noncurrent liabilities	<u>226,875</u>	<u>30,046</u>	<u>7,257</u>	<u>2,001</u>	<u>3,584,981</u>
Total liabilities	<u>268,459</u>	<u>43,517</u>	<u>19,230</u>	<u>7,946</u>	<u>4,212,096</u>
Net assets					
Invested in capital assets, net of related debt	173,105	42,993	43,783	3,165	808,946
Restricted for:					
Debt					554,319
Other	31,300	9,209	5,543	597	158,367
Other nonexpendable	61,356	13,145			74,501
Unrestricted	12,516	(2,647)	(4,650)	(1,061)	281,394
Total net assets	<u>\$ 278,277</u>	<u>\$ 62,700</u>	<u>\$ 44,676</u>	<u>\$ 2,701</u>	<u>\$ 1,877,527</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
For the Year Ended June 30, 2006
(Expressed in Thousands)

	RIHMFC	RISLA	RITBA	RIEDC	RIUSTRF	NBC
Operating revenues:						
Charges for services	\$ 6,590	\$	\$ 12,085	\$ 56,425	\$ 2,566	\$ 59,026
Interest income on loans	57,800	48,640				
Interest on investments	25,806					
Net increase (decrease) in fair value of investments	(3,448)					
Other operating income	1,710					
Total operating revenues	<u>88,458</u>	<u>48,640</u>	<u>12,085</u>	<u>56,425</u>	<u>2,566</u>	<u>59,026</u>
Operating expenses:						
Personal services	10,908	275	1,671	23,797	339	15,681
Supplies, materials, and services	6,398	7,076	2,249	19,367	2,658	12,362
Interest expense	57,558	25,877				
Grants, scholarships and contract programs				4,863		
Depreciation, depletion and amortization	4,053	259	1,641	15,979	19	6,386
Other operating expenses	5,664	18,969	505	4,075		
Total operating expenses	<u>84,581</u>	<u>52,456</u>	<u>6,066</u>	<u>68,081</u>	<u>3,016</u>	<u>34,429</u>
Operating income (loss)	<u>3,877</u>	<u>(3,816)</u>	<u>6,019</u>	<u>(11,656)</u>	<u>(450)</u>	<u>24,597</u>
Nonoperating revenues (expenses):						
Interest revenue		7,443	360	6,914	78	2,483
Grants		2,667		(74)		21
Payments from primary government				15,256		
Gain (loss) on sale of property	13,305			52		
Interest expense			(1,316)	(13,465)		(9,836)
Net increase (decrease) in fair value of investments						
Other nonoperating revenue (expenses)			(9)	9,156		(729)
Total nonoperating revenue (expenses)	<u>13,305</u>	<u>10,110</u>	<u>(965)</u>	<u>17,839</u>	<u>78</u>	<u>(8,061)</u>
Income (loss) before contributions	17,182	6,294	5,054	6,183	(372)	16,536
Capital contributions				10,913		1,166
Change in net assets	<u>17,182</u>	<u>6,294</u>	<u>5,054</u>	<u>17,096</u>	<u>(372)</u>	<u>17,702</u>
Total net assets - beginning, as restated	261,611	65,647	72,409	256,481	2,026	238,926
Total net assets - ending	<u>\$ 278,793</u>	<u>\$ 71,941</u>	<u>\$ 77,463</u>	<u>\$ 273,577</u>	<u>\$ 1,654</u>	<u>\$ 256,628</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, 2006
(Expressed in Thousands)

	RIHEBC	RIRRC	RIHEAA	RIPTA	RIIFC
Operating revenues:					
Charges for services	\$ 1,839	\$ 65,261	\$ 14,496	\$ 30,117	\$ 120
Interest income on loans	177				
Interest on investments					
Net increase (decrease) in fair value of investments					
Other operating income		2,858	810		6
Total operating revenues	<u>2,016</u>	<u>68,119</u>	<u>15,306</u>	<u>30,117</u>	<u>126</u>
Operating expenses:					
Personal services	306	13,211	2,963	12,923	
Supplies, materials, and services	1,461	19,288	5,522	66,720	33
Interest expense					
Grants, scholarships and contract programs		1,495	14,236		
Depreciation, depletion and amortization	33	14,322	231	10,066	
Other operating expenses		17,832	118		
Total operating expenses	<u>1,800</u>	<u>66,148</u>	<u>23,070</u>	<u>89,709</u>	<u>33</u>
Operating income (loss)	<u>216</u>	<u>1,971</u>	<u>(7,764)</u>	<u>(59,592)</u>	<u>93</u>
Nonoperating revenues (expenses):					
Interest revenue	276	2,758	765	278	19
Grants				13,793	
Payments from primary government			7,729	34,841	
Gain (loss) on sale of property		312		(8)	
Interest expense		(1,023)		(3)	
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)	(3,700)	(7,514)		3,106	
Total nonoperating revenue (expenses)	<u>(3,424)</u>	<u>(5,467)</u>	<u>8,494</u>	<u>52,007</u>	<u>19</u>
Income (loss) before contributions	(3,208)	(3,496)	730	(7,585)	112
Capital contributions				13,174	
Change in net assets	<u>(3,208)</u>	<u>(3,496)</u>	<u>730</u>	<u>5,589</u>	<u>112</u>
Total net assets - beginning, as restated	11,952	80,974	24,312	85,345	367
Total net assets - ending	<u>\$ 8,744</u>	<u>\$ 77,478</u>	<u>\$ 25,042</u>	<u>\$ 90,934</u>	<u>\$ 479</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, 2006
(Expressed in Thousands)

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>RICCHE</u>
Operating revenues:					
Charges for services	\$ 3,190	\$ 218	\$ 1,258	\$ 540	\$
Interest income on loans	23,771				
Interest on investments					216
Net increase (decrease) in fair value of investments					
Other operating income	2,478	180		1,567	4,944
Total operating revenues	<u>29,439</u>	<u>398</u>	<u>1,258</u>	<u>2,107</u>	<u>5,160</u>
Operating expenses:					
Personal services	456			2,423	2,737
Supplies, materials, and services	2,790	81	36	1,214	686
Interest expense	23,377				12
Grants, scholarships and contract programs					4,376
Depreciation, depletion and amortization	320	57	107	676	26
Other operating expenses					55
Total operating expenses	<u>26,943</u>	<u>138</u>	<u>143</u>	<u>4,313</u>	<u>7,892</u>
Operating income (loss)	<u>2,496</u>	<u>260</u>	<u>1,115</u>	<u>(2,206)</u>	<u>(2,732)</u>
Nonoperating revenues (expenses):					
Interest revenue		142	263	93	
Grants	23,931		(2,408)		
Payments from primary government				3,222	1,409
Gain (loss) on sale of property					
Interest expense		(86)	(550)	(125)	
Net increase (decrease) in fair value of investments					
Other nonoperating revenue (expenses)				1,006	76
Total nonoperating revenue (expenses)	<u>23,931</u>	<u>56</u>	<u>(2,695)</u>	<u>4,196</u>	<u>1,485</u>
Income (loss) before contributions	26,427	316	(1,580)	1,990	(1,247)
Capital contributions					
Change in net assets	<u>26,427</u>	<u>316</u>	<u>(1,580)</u>	<u>1,990</u>	<u>(1,247)</u>
Total net assets - beginning, as restated	291,762	1,739	(1,872)	2,821	6,084
Total net assets - ending	<u>\$ 318,189</u>	<u>\$ 2,055</u>	<u>\$ (3,452)</u>	<u>\$ 4,811</u>	<u>\$ 4,837</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, 2006
(Expressed in Thousands)

	URI	RIC	CCRI	CFSD	Totals
Operating revenues:					
Charges for services	\$ 177,483	\$ 48,330	\$ 31,869	\$ 1,569	\$ 512,982
Interest income on loans					130,388
Interest on investments					26,022
Net increase (decrease) in fair value of investments					(3,448)
Other operating income	84,371	14,379	13,151	9,240	135,694
Total operating revenues	<u>261,854</u>	<u>62,709</u>	<u>45,020</u>	<u>10,809</u>	<u>801,638</u>
Operating expenses:					
Personal services	232,871	81,755	67,854	49,557	519,727
Supplies, materials, and services	101,773	21,748	16,264	1,551	289,277
Interest expense				28	106,852
Grants, scholarships and contract programs	14,951	4,713	7,034		51,668
Depreciation, depletion and amortization	16,443	4,026	2,517	269	77,430
Other operating expenses			111		47,329
Total operating expenses	<u>366,038</u>	<u>112,242</u>	<u>93,780</u>	<u>51,405</u>	<u>1,092,283</u>
Operating income (loss)	<u>(104,184)</u>	<u>(49,533)</u>	<u>(48,760)</u>	<u>(40,596)</u>	<u>(290,645)</u>
Nonoperating revenues (expenses):					
Interest revenue				22	21,894
Grants		5,763	466		44,159
Payments from primary government	82,378	44,069	45,445	41,241	275,590
Gain (loss) on sale of property					13,661
Interest expense	(4,318)	(873)	(253)		(31,848)
Net increase (decrease) in fair value of investments	3,251	1,500	420		5,171
Other nonoperating revenue (expenses)	22,886	419		172	24,869
Total nonoperating revenue (expenses)	<u>104,197</u>	<u>50,878</u>	<u>46,078</u>	<u>41,435</u>	<u>353,496</u>
Income (loss) before contributions	13	1,345	(2,682)	839	62,851
Capital contributions	21,747	4,067	2,575		53,642
Change in net assets	<u>21,760</u>	<u>5,412</u>	<u>(107)</u>	<u>839</u>	<u>116,493</u>
Total net assets - beginning, as restated	256,517	57,288	44,783	1,862	1,761,034
Total net assets - ending	<u>\$ 278,277</u>	<u>\$ 62,700</u>	<u>\$ 44,676</u>	<u>\$ 2,701</u>	<u>\$ 1,877,527</u>

(Concluded)

STATISTICAL SECTION

Statistical Section

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

Contents	Page
Financial Trends	158
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
Revenue Capacity	163
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity	169
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
Demographic and Economic Information	171
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
Operating Information	173
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

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

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

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

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

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

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

(Continued)

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

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

(Concluded)

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

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

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

	Fiscal Year				
	2006	2005	2004	2003	2002
Revenues:					
Taxes	\$ 2,792,961	\$ 2,687,482	\$ 2,477,878	\$ 2,330,076	\$ 2,181,956
Licenses, fines, sales, and services	253,857	238,344	242,280	230,917	198,737
Departmental restricted revenue	105,181	113,589	107,407	78,126	79,840
Federal grants	1,962,375	1,884,104	1,847,200	1,597,545	1,487,126
Income from investments	24,941	13,770	10,310	7,808	9,632
Net increase in the fair value of investments					182
Other revenues	79,162	80,872	93,051	123,637	60,688
Total operating revenues	<u>5,218,477</u>	<u>5,018,161</u>	<u>4,778,126</u>	<u>4,368,109</u>	<u>4,018,161</u>
Expenditures:					
Current:					
General government	515,677	512,896	461,741	445,497	428,884
Human services	2,616,608	2,506,929	2,409,774	2,232,252	2,103,198
Education	284,294	265,001	72,838	101,270	92,035
Public safety	361,647	328,839	311,701	297,070	288,363
Natural resources	71,539	64,138	59,678	53,207	64,568
Transportation	247,248	209,470	161,974	143,635	122,208
Capital outlays	300,404	241,306	200,880	195,611	203,729
Intergovernmental	1,213,050	1,127,496	1,047,537	947,791	896,513
Grants			6,145		287
Debt service:					
Principal	117,663	116,322	75,892	58,161	91,576
Interest and other charges	105,264	110,243	107,720	100,628	74,084
Total operating expenditures	<u>5,833,394</u>	<u>5,482,640</u>	<u>4,915,880</u>	<u>4,575,122</u>	<u>4,365,445</u>
Excess (deficiency) of revenues over (under) expenditures	(614,917)	(464,479)	(137,754)	(207,013)	(347,284)
Other financing sources (uses):					
Bonds and notes issued	320,820	87,095	415,435	139,905	175,205
Refunding bonds issued		117,010			
Proceeds from the sale of Certificates of Participation	6,000	139,410		3,890	
Premium and accrued interest	16,298	17,602	30,097	10,881	6,115
Operating transfers in	593,902	537,618	513,356	625,085	569,602
Payments from component units	14,715	18,503	15,568	18,770	26,721
Other	28,313	35,083	25,391	8,990	83,142
Payment to refunded bonds escrow agent		(123,300)	(72,160)	(85,358)	(335,539)
Operating transfers out	(280,176)	(242,515)	(245,246)	(388,351)	(360,543)
Operating transfers out to component units			(293,236)	(291,208)	(402,509)
Total other financing sources (uses)	<u>699,872</u>	<u>586,506</u>	<u>389,205</u>	<u>42,604</u>	<u>(237,806)</u>
Net change in fund balances	<u>\$ 84,955</u>	<u>\$ 122,027</u>	<u>\$ 251,451</u>	<u>\$ (164,409)</u>	<u>\$ (585,090)</u>
Debt Service as a Percentage of Noncapital Expenditures					
	4.2%	4.5%	4.1%	3.8%	4.1%

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

Taxable Sales By Industry	Calendar Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Grocery, Food Stores, Delis, Bakeries	\$ 920.93	\$ 879.14	\$ 818.60	\$ 708.51	\$ 710.82	\$ 679.48	\$ 471.14	\$ 535.56	\$ 471.25	\$ 379.16
Restaurants and Bars	1,651.39	1,616.72	1,425.54	1,363.23	1,251.22	1,181.70	1,067.59	952.75	891.63	819.00
Room Rentals - Motels, Hotels	412.93	345.85	280.21	311.45	331.33	319.21	275.71	222.65	198.43	170.00
Utilities - Telephone, Electric, Gas, Water	549.40	582.11	570.53	553.80	788.43	759.32	590.38	620.36	668.13	606.46
Total	<u><u>\$ 3,534.64</u></u>	<u><u>\$ 3,423.82</u></u>	<u><u>\$ 3,094.89</u></u>	<u><u>\$ 2,936.99</u></u>	<u><u>\$ 3,081.79</u></u>	<u><u>\$ 2,939.71</u></u>	<u><u>\$ 2,404.82</u></u>	<u><u>\$ 2,331.32</u></u>	<u><u>\$ 2,229.44</u></u>	<u><u>\$ 1,974.62</u></u>
Direct sales tax rate	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

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

Source: *Division of Taxation*

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

	Calendar Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Farm Earnings	\$ 21	\$ 20	\$ 18	\$ 17	\$ 15	\$ 16	\$ 16	\$ 16	\$ 16	\$ 24
Forestry, Fishing and Other	49	53	51	51	8	126	116	108	101	97
Mining	24	19	18	15	1	13	14	12	8	14
Construction	1,591	1,488	1,423	1,123	1,215	1,142	1,072	921	813	752
Manufacturing	3,310	3,264	3,171	3,222	3,326	3,486	3,455	3,441	3,389	3,311
Wholesale Trade	1,238	1,136	1,093	1,044	998	1,155	1,003	923	863	826
Retail Trade	1,736	1,733	1,682	1,597	1,482	2,107	1,859	1,712	1,610	1,502
Transportation and Warehousing	447	446	436	838	765	1,134	1,019	1,013	976	1,041
Utilities (a)	276	273	276	N/A						
Information	958	887	799	772	776	N/A	N/A	N/A	N/A	N/A
Finance, Insurance and Real Estate	2,029	2,508	2,339	2,162	2,090	1,820	1,658	1,534	1,307	1,159
Services	9,945	9,409	8,854	8,206	7,746	6,466	6,092	5,836	5,409	5,093
Federal/Civilian	952	936	864	849	798	776	715	702	706	673
Military	508	485	473	431	401	385	359	342	353	340
State and Local	3,434	3,228	3,089	2,922	2,755	2,645	2,448	2,312	2,223	2,111
Total Personal Income	\$ 26,518	\$ 25,885	\$ 24,586	\$ 23,249	\$ 22,376	\$ 21,271	\$ 19,826	\$ 18,872	\$ 17,774	\$ 16,943
Average Effective Rate	2.623%	2.429%	2.374%	2.448%	2.879%	2.757%	2.705%	2.708%	2.498%	2.365%

N/A=not available

Sources : US Bureau of Economic Analysis

(a) prior to 2003 was included with Transportation

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

	Calendar Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Personal Income Tax Revenue	\$ 979	\$ 870	\$ 813	\$ 808	\$ 914	\$ 817	\$ 758	\$ 723	\$ 632	\$ 569
Personal Income	37,318	35,817	34,239	33,000	31,747	29,639	28,020	26,695	25,303	24,055
Average Effective Rate	2.623%	2.429%	2.374%	2.448%	2.879%	2.757%	2.705%	2.708%	2.498%	2.365%

(Continued)

Source : Budget Office

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

		Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 2005						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 29,700	\$ 29,700 - 71,950	\$ 71,950 - 150,150	\$ 150,150 - 326,450	over \$ 326,450
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 49,650	\$ 49,650 - 119,950	\$ 119,950 - 182,800	\$ 182,800 - 326,450	over \$ 326,450
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 24,825	\$ 24,825 - 59,975	\$ 59,975 - 91,400	\$ 91,400 - 163,225	over \$ 163,225
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 39,800	\$ 39,800 - 102,800	\$ 102,800 - 166,450	\$ 166,450 - 326,450	over \$ 326,450
Tax Year 2004						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 29,050	\$ 29,050 - 70,350	\$ 70,350 - 146,750	\$ 146,750 - 319,100	over \$ 319,100
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 48,500	\$ 48,500 - 117,250	\$ 117,250 - 178,650	\$ 178,650 - 319,100	over \$ 319,100
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 24,250	\$ 24,250 - 58,625	\$ 58,625 - 89,325	\$ 89,325 - 159,550	over \$ 159,550
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 38,900	\$ 38,900 - 100,500	\$ 100,500 - 162,700	\$ 162,700 - 319,100	over \$ 319,100
Tax Year 2003						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 28,400	\$ 28,400 - 68,800	\$ 68,800 - 143,500	\$ 143,500 - 311,950	over \$ 311,950
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 47,450	\$ 47,450 - 114,650	\$ 114,650 - 174,700	\$ 174,700 - 311,950	over \$ 311,950
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 23,725	\$ 23,725 - 57,325	\$ 57,325 - 87,350	\$ 87,350 - 155,975	over \$ 155,975
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 38,050	\$ 38,050 - 98,250	\$ 98,250 - 159,100	\$ 159,100 - 311,950	over \$ 311,950

(continued)

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

Tax Year 2002						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 27,950	\$ 27,950 - 67,700	\$ 67,700 - 141,250	\$ 141,250 - 307,050	over \$ 307,050
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 46,700	\$ 46,700 - 112,850	\$ 112,850 - 171,950	\$ 171,950 - 307,050	over \$ 307,050
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 23,350	\$ 23,350 - 56,425	\$ 56,425 - 85,975	\$ 85,975 - 153,525	over \$ 153,525
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 37,450	\$ 37,450 - 96,700	\$ 96,700 - 156,600	\$ 156,600 - 307,050	over \$ 307,050

Tax Year 2001						
Single Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 27,050	\$ 27,050 - 65,550	\$ 65,550 - 136,750	\$ 136,750 - 297,350	over \$ 297,350
Married Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 45,200	\$ 45,200 - 109,250	\$ 109,250 - 166,500	\$ 166,500 - 297,350	over \$ 297,350
Married Filing Separate Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 22,600	\$ 22,600 - 54,625	\$ 54,625 - 83,250	\$ 83,250 - 148,675	over \$ 148,675
Head of Household Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	\$ 0 - 36,250	\$ 36,250 - 93,650	\$ 93,650 - 151,650	\$ 151,650 - 297,350	over \$ 297,350

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

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

Tax Year 1998		
Percentage of Federal Tax Liability	Tax Rate	27.000%

Tax Years 1996 and 1997		
Percentage of Federal Tax Liability	Tax Rate	27.500%

(concluded)

Source: RI 1040 Instructions

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2002 through 2004

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

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

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

Source: Division of Taxation

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

	Fiscal Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Governmental Activities										
General obligation bonds	\$ 810,485	\$ 770,070	\$ 728,644	\$ 687,455	\$ 888,014	\$ 917,404	\$ 824,646	\$ 802,352	\$ 807,391	\$ 769,171
Revenue bonds (blended component units)(b)	749,445	766,410	786,095	818,495	147,385	161,210	174,315	188,420	208,115	222,615
Capital leases (c)	232,464	102,885	113,446	116,929	442,275	424,943	426,530	436,525	407,945	389,370
Special purpose bonds (a)	228,305	264,210								
Total governmental activities	<u>2,020,699</u>	<u>1,903,575</u>	<u>1,628,185</u>	<u>1,622,879</u>	<u>1,477,674</u>	<u>1,503,557</u>	<u>1,425,491</u>	<u>1,427,297</u>	<u>1,423,451</u>	<u>1,381,156</u>
Business-type Activities										
Revenue bonds (d)	202,855	302,320	310,005	319,435						
Bonds Payable (d)		153	153	1,153						
Total business-type activities	<u>202,855</u>	<u>302,473</u>	<u>310,158</u>	<u>320,588</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total primary Government	<u>\$ 2,223,554</u>	<u>\$ 2,206,048</u>	<u>\$ 1,938,343</u>	<u>\$ 1,943,467</u>	<u>\$ 1,477,674</u>	<u>\$ 1,503,557</u>	<u>\$ 1,425,491</u>	<u>\$ 1,427,297</u>	<u>\$ 1,423,451</u>	<u>\$ 1,381,156</u>
Debt as a Percentage of Personal Income	5.9%	6.0%	5.7%	5.9%	4.6%	4.9%	4.9%	5.2%	5.6%	5.6%
Amount of Debt Per Capita	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1

Source: *Financials/notes*

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

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

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenue Bonds-Refunding Bond Authority										
Revenue -lease and rental payments (a)	\$ 34	\$ 30	\$ 2,919	\$ 7,184	\$ 8,474	\$ 9,178	\$ 9,074	\$ 9,596	\$ 10,334	\$ 487
Less: operating expenses	34	31	2,921	8,219	8,123	8,217	9,940	10,539	15,439	487
Net available revenue	\$ 0	\$ (1)	\$ (2)	\$ (1,035)	\$ 351	\$ 961	\$ (866)	\$ (943)	\$ (5,105)	\$ 0
Debt service										
Principal	\$ 14,295	\$ 10,115	\$ 15,975	\$ 15,115	\$ 14,280	\$ 13,825	\$ 13,105	\$ 14,105	\$ 4,175	\$ 4,155
Interest	3,562	3,981	4,415	6,838	7,545	8,221	9,952	9,164	7,722	7,927
Coverage (b)	0.00%	-0.01%	-0.01%	-4.71%	1.61%	4.36%	-3.76%	-4.05%	-42.91%	0.00%
Revenue Bonds-Tobacco Settlement Finance Corporation										
Revenue - Tobacco Settlement Revenue	\$ 41,546	\$ 45,831	\$ 45,644	\$ 52,749	\$	\$	\$	\$	\$	\$
Less: operating expenses	40	65	80	32						
Net available revenue	\$ 41,506	\$ 45,766	\$ 45,564	\$ 52,717	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Debt service										
Principal	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest	41,609	42,015	42,234							
Coverage (b)	99.75%	108.93%	107.88%							
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - federal FHWA participation	\$ 41,801	\$ 41,809	\$	\$	\$	\$	\$	\$	\$	\$
Less: operating expenses (c)										
Net available revenue	\$ 41,801	\$ 41,809	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Debt service										
Principal	\$ 32,290	\$ 30,755	\$	\$	\$	\$	\$	\$	\$	\$
Interest	9,517	11,054	6,141							
Coverage (b)	99.99%	100.00%	0							
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	\$ 9,496	\$ 9,513	\$ 9,499	\$	\$	\$	\$	\$	\$	\$
Less: operating expenses (c)										
Net available revenue	\$ 9,496	\$ 9,513	\$ 9,499	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Debt service										
Principal	\$ 5,150	\$ 5,150	\$ 5,625	\$	\$	\$	\$	\$	\$	\$
Interest	2,105	1,653	981							
Coverage (b)	130.89%	139.84%	143.79%							

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

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

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

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

	Personal Income				Per Capita Personal Income			
	<i>(in billions)</i>				<i>(in dollars)</i>			
	United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
2005	\$ 10,224.8	5.4%	37.9	2.7%	\$ 34,495	4.4%	\$ 35,219	3.0%
2004	9,702.5	5.5%	36.9	8.5%	33,041	4.5%	34,180	7.1%
2003	9,199.0	3.4%	34.0	3.0%	31,632	2.3%	31,916	3.4%
2002	8,900.0	2.6%	33.0	2.8%	30,906	1.6%	30,859	2.0%
2001	8,677.5	4.4%	32.1	4.9%	30,413	3.3%	30,256	3.8%
2000	8,312.3	6.8%	30.6	5.2%	29,451	3.2%	29,158	-0.7%
1999	7,783.1	5.4%	29.1	5.1%	28,542	4.5%	29,377	4.9%
1998	7,383.7	6.6%	27.7	9.1%	27,322	5.6%	28,012	5.2%
1997	6,928.6	6.0%	25.4	2.4%	25,874	5.0%	26,631	6.0%
1996	6,538.2	5.6%	24.8	4.2%	24,651	4.6%	25,123	4.5%

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

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

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

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

2005			1996		
Rank	Employer	Employed	Rank	Employer	Employed
1	Lifespan	10,597	1	Lifespan	9,150
2	Care New England	6,526	2	Care New England	4,766
3	Royal Bank of Scotland	5,500	4	Citizen's Financial Group (Royal Bank of Scotland)	3,200
4	CVS Corporation	5,314	9	CVS Corporation	1,970
5	Stop & Shop Supermarket Co., Inc.	4,455	3	Stop & Shop Supermarket Co., Inc.	3,880
6	Brown University	3,251	5	Brown University	3,000
7	Bank of America	3,240	6	Fleet Financial Group, Inc (Bank of America)	2,415
8	Shaw's Super Market	2,240	8	Metropolitan Life Insurance	1,975
9	General Dynamics Corp	2,200	10	St. Joseph Health Services of RI	1,969
10	The Jan Company	2,115	7	Naval Sea System Command	2,168

Source: Rhode Island Economic Development Corporation.

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

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

Full Time State Employees as of June 30

<u>Full-time Employees</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General Government	2,480	2,531	2,528	2,639	2,784	2,553	2,576	2,848	2,794	2,780
Human Service	4,370	4,176	4,269	4,425	4,571	4,600	4,594	4,572	4,489	4,474
Education	373	364	364	368	383	380	378	383	377	385
Public Safety	2,939	2,953	2,851	2,866	2,929	3,077	3,160	3,043	2,983	2,942
Natural Resources	1,015	963	957	928	990	944	946	918	888	909
Transportation	828	813	826	861	890	884	890	859	875	856
State Total	<u>12,005</u>	<u>11,800</u>	<u>11,795</u>	<u>12,087</u>	<u>12,547</u>	<u>12,438</u>	<u>12,544</u>	<u>12,623</u>	<u>12,406</u>	<u>12,346</u>

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

	Fiscal Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<u>General Government</u>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$1,810,045	\$1,672,875	\$1,523,094	\$1,386,651	\$1,299,485	\$1,099,262	\$925,401	\$842,433	\$712,136	\$475,956
Number of business transactions electronically	661,209	622,115	548,073	520,643	477,523	410,225	371,154	309,755	191,324	77,658
Personal Income Tax returns filed electronically -Tax Year	217,524	185,154	128,763	92,721	59,024	48,581	35,451	25,815	22,966	16,830
Department of Labor and Training										
Labor force total (in thousands)	541	533	538	528	521	521	519	510	504	490
Unemployment rate (percentage)	5.0	5.2	5.4	5.1	4.5	4.2	4.2	4.6	5.2	5.3
<u>Human Services</u>										
Department of Children, Youth and Families										
Average number of foster children	2,346	2,331	2,227	2,210	2,192	2,230	2,230	2,274	2,075	1,924
Department of Human Services										
FIP(AFDC) recipients expenditures (state share in millions)	\$15.5	\$18.9	\$14.0	\$17.8	\$18.8	\$38.5	\$39.1	\$40.6	\$51.5	\$58.0
Health Department										
Diagnosed AIDS cases	105	139	98	99	99	88	96	121	137	125
Number of births (in thousands)	13	14	14	14	13	13	13	13	13	14
<u>Education</u>										
Enrollment	40,008	39,920	39,937	38,867	39,149	38,458	38,650	38,368	37,251	n/a
Number of certificates and degrees awarded	5,404	5,567	5,330	5,453	5,240	5,142	5,309	5,356	5,557	n/a
<u>Public Safety</u>										
Department of Corrections										
Incarcerated offenders (male)	3,175	3,354	3,329	3,179	3,133	2,992	3,165	3,180	3,028	2,827
Incarcerated offenders (female)	186	200	208	208	215	212	219	214	212	174
<u>Natural Resources</u>										
Department of Environmental Management										
Hatchery fish raised and restocked (approx.in thousands)	140	140	140	140	140	130	130	130	130	130
Park visitations (in thousands)	6,010	5,861	5,976	7,499	6,990	6,399	n/a	n/a	n/a	n/a
Recreational registrations (boats)	41,366	42,759	41,696	41,024	40,432	35,614	35,133	33,602	28,182	30,513
<u>Transportation</u>										
Department of Transportation										
Percentage of pavement that is deficient	n/a	8.30%	n/a	n/a	3.50%	n/a	n/a	2.80%	n/a	n/a
Vehicle miles traveled (in millions)	8,405	8,473	8,365	8,142	7,991	8,359	8,283	7,983	7,071	7,120

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

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