

# State of Rhode Island and Providence Plantations

Donald L. Carcieri, Governor

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010



Prepared By:

**Department of Administration**

Rosemary Booth Gallogly, Director of Administration

**Office of Accounts and Control**

Marc A. Leonetti, CPA, State Controller

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# INTRODUCTORY SECTION



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

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Providence, RI 02908-5890

Office: (401) 222-2280  
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December 30, 2010

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

Dear Governor Carcieri:

In accordance with Section 35-6-1 of the General Laws, we are pleased to submit to you the Comprehensive Annual Financial Report of the State of Rhode Island and Providence Plantations for the fiscal year ended June 30, 2010. This report was prepared by the State's Department of Administration - Office of Accounts and Control. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with management. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of the government-wide and fund perspective financial statements; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

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

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

### **Accounting System and Budgetary Control**

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

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

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Preparation and submission of the budget is governed by both the State Constitution and the Rhode Island General Laws. The budget, as enacted by the General Assembly, contains a complete plan of appropriations supported by estimated revenues. Estimated general revenues are determined by a consensus of the Revenue Estimating Conference, which is made up of the State Budget Officer, House Fiscal Advisor, and the Senate Fiscal Advisor. The Conference was established to provide for a more stable and accurate method of financial planning and budgeting and to facilitate the adoption of a balanced budget wherein appropriations and expenditures do not exceed anticipated revenues, as is required by the statutes and constitution of Rhode Island. Appropriations for restricted and dedicated revenue sources are supported by estimates submitted by the agencies.

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

Internal administrative and accounting budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations and the supervisory powers and functions exercised by management. In FY2010 a number of new measures were implemented to enhance controls over spending and better monitor actual spending versus the amounts appropriated.

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

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

In addition, a State Budget Reserve Account (Reserve) is maintained within the General Fund. In FY2010, according to the State's Constitution, general revenue appropriations in the General Fund could not exceed 97.6% of available general revenue sources, which consist of the current fiscal year's general revenue plus the General Fund undesignated fund balance from the prior fiscal year. Excess revenue is transferred to the Reserve. If the balance in the Reserve exceeds 3.8% of the total general revenues and opening surplus, the excess is transferred to the RI Capital Plan Fund to be used for capital projects. Incremental changes in the percentage allocations will continue until FY2013 when the spending cap will be 97% of the total general revenues and opening surplus, and the Reserve will be five percent of the total general revenues and opening surplus. The Reserve, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year, such appropriations to be approved by a majority of each chamber of the General Assembly.

## 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 Generally Accepted Accounting Principles. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the

State to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the State. More information about the State reporting entity can be found in Note 1 to the basic financial statements.

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

## General Fund

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

## Cash Management

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

The General Treasurer is also responsible for the investment of certain funds and accounts of the State on a day-to-day basis. In addition, the General Treasurer is the custodian of certain other funds and accounts and, in conjunction with the State Investment Commission, invests the amounts on deposit in such funds and accounts. In fiscal year 2010 the General Treasurer implemented new policies requiring the collateralization of deposits. The General Treasurer submits an annual report to the General Assembly on the performance of the State's investments.

## Audit

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

## Acknowledgements

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

Respectfully submitted,



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Rosemary Booth Gallogly  
Director

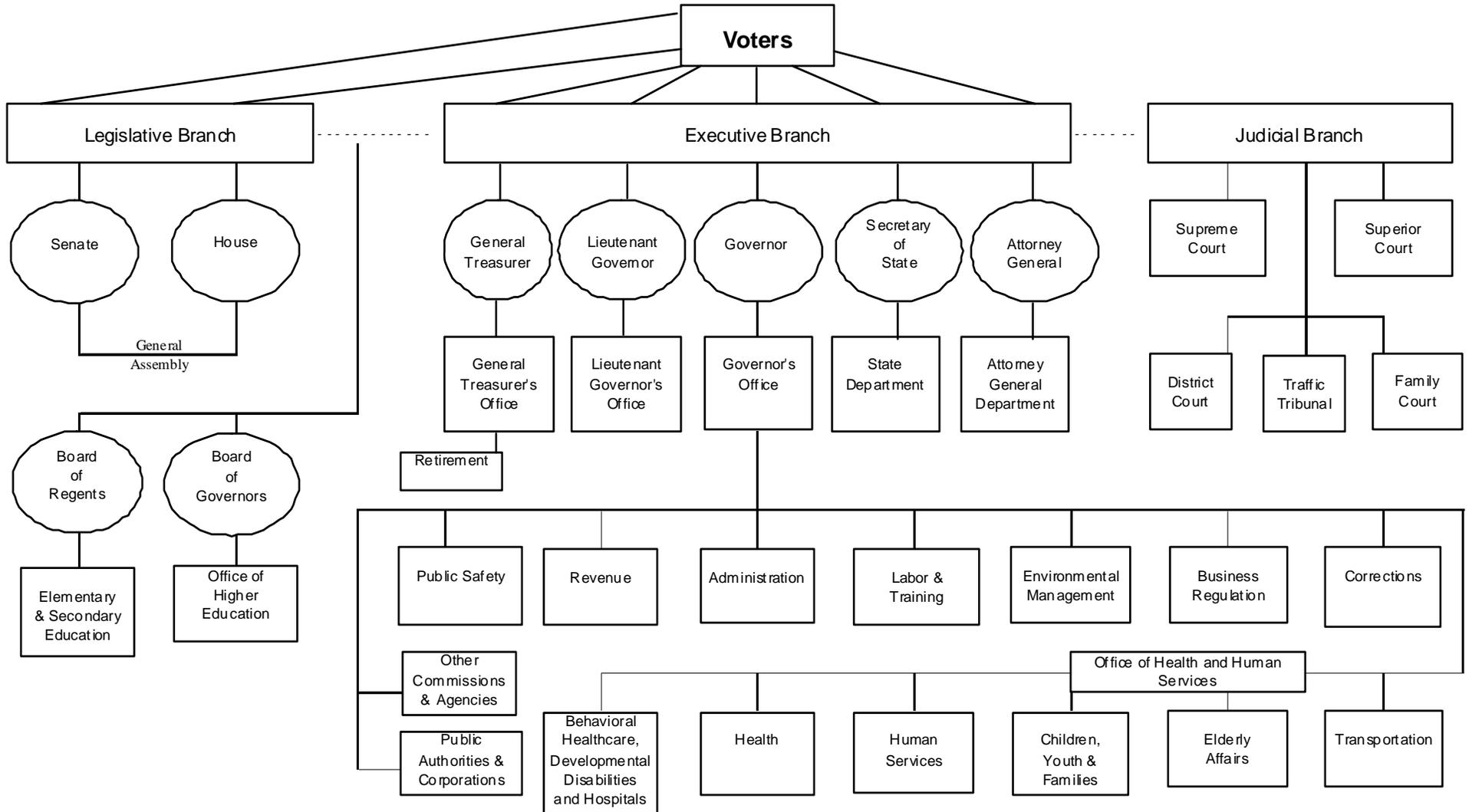


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Marc A. Leonetti, CPA  
State Controller

# Rhode Island State Government

## Organization Chart



**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**

**OFFICIALS OF STATE GOVERNMENT**

**EXECUTIVE BRANCH**

**Governor**

Donald L. Carcieri

**Lieutenant Governor**

Elizabeth H. Roberts

**Secretary of State**

A. Ralph Mollis

**General Treasurer**

Frank T. Caprio

**Attorney General**

Patrick C. Lynch

**LEGISLATIVE BRANCH**

**Senate**

**President of the Senate**

M. Teresa Paiva-Weed

**House of Representatives**

**Speaker of the House**

Gordon D. Fox

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**

Paul A. Suttell

# FINANCIAL SECTION



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

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, 2010, 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 63% of the assets and 1% of the revenues of the business-type activities; and
- component units which represent 100% of the assets and 100% of the revenues of the aggregate discretely presented component units.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test

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

basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 6J, the State has borrowed \$225 million from the federal Unemployment Insurance Trust Fund to fund employment insurance benefits paid from the Employment Security Fund, a major fund, to eligible unemployed individuals. The Employment Security Fund had a deficit net asset balance of \$116 million at June 30, 2010.

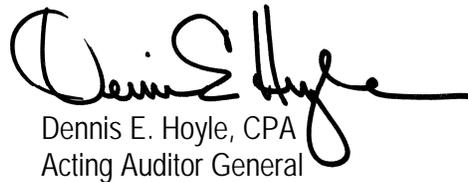
In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of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

The Management's Discussion and Analysis, on pages 9 through 21, the Budgetary Comparison Schedules on pages 104 through 106, and the Schedules of Funding Progress on pages 107 through 108 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 financial statements, and statistical section as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of

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

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



Dennis E. Hoyle, CPA  
Acting Auditor General

December 30, 2010

**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, 2010. 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, 2010 by \$801.1 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, (\$1,597.1) million was reported as unrestricted net assets (deficit), \$380.9 million as restricted net assets, and \$2,017.3 million as invested in capital assets, net of related debt.
- **Changes in Net Assets:** In the Statement of Activities, the State's total net assets increased by \$3.3 million in fiscal year 2010. Net assets of governmental activities increased by \$128.3 million, while net assets of the business-type activities decreased by \$125.0 million.

### Fund Financial Statements

#### Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$883.7 million, a decrease of \$14.8 million in comparison with the previous fiscal year, primarily as a result of expenditure of bond and note proceeds in the various capital projects funds.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance of \$17.9 million, an increase of \$80.2 million from June 30, 2009.
  - This significant increase in fund balance is primarily attributable to the inclusion in the final revised FY2010 budget of sufficient resources to fully fund the deficit that existed at the end of FY2009. In addition, very careful management of expenditures in FY2010 resulted in actual general revenue expenditures being \$23.2 million less than the amount included in the final revised budget.
  - The Budget Reserve and Cash Stabilization Account ended the fiscal year with a balance of \$112.3 million, the maximum allowed by law. This is an increase of \$32.2 million in comparison with the previous fiscal year.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of \$3.4 million, which was an increase of \$3.2 million from the previous year.
- The GARVEE Fund ended its fiscal year with a fund balance of \$162.2 million, a decrease of \$105.9 million in comparison with the previous fiscal year. Of the fund balance, \$17.3 million is reserved for debt. The decrease in fund balance resulted from planned expenditures for a number of infrastructure projects.
- The Bond Capital Fund ended the fiscal year with a fund balance of \$139.5 million, an increase of \$78.0 million from the previous year. This increase is primarily attributable to the issuance of \$143.8 million of new bonds in the latter part of the fiscal year.

### Proprietary Funds

- The Rhode Island State Lottery transferred \$344.7 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$7.2 million in comparison with the previous fiscal year.
- The Employment Security Fund ended the fiscal year with a deficit of (\$116.2) million, as compared with a fund balance of \$6.8 million at the end of fiscal year 2009. This change was primarily attributable to a significant increase in unemployment benefits paid as a result of the very high unemployment rate in the State. This necessitated the borrowing of an additional \$155.2 million from the Federal Unemployment Trust Fund.
- The R.I. Convention Center Fund ended the fiscal year with a net asset deficiency of (\$47.3) million, a reduction of \$2.7 million compared with the prior year. The Fund has historically had a net asset deficiency as the amount of debt related to capital assets has exceeded the net book value of the capital assets because the repayment term for the debt generally is longer than the depreciable life of the assets.

## Overview of the Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

- **Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, human services, education,

public safety, natural resources, and transportation. The net assets and change in net assets of the internal service funds are also included in this column.

- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority and the Employment Security Trust Fund.
- **Discretely Presented Component Units:** Component units are entities that are legally separate from the State, but for which the State is financially accountable. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of 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(C). The Intermodal Surface Transportation Fund, Bond Capital 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. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds, the Lottery Fund, Convention Center Authority Fund (RICCA) and the Employment Security Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of the State's CAFR.

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

### Discretely Presented Component Units

Discretely presented component units are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. The State does not distinguish between major and non-major component units and includes the combining statement for the discretely presented component units as part of the basic financial statements.

### Notes to the Financial Statements

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

### Required Supplementary Information

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

### Other Supplementary Information

Other supplementary information, which follows the required supplementary information in the State's CAFR, includes the combining financial statements for nonmajor governmental funds, grouped by fund type and presented in single columns in the basic financial statements, internal service funds, fiduciary funds 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 \$801.1 million at the

end of fiscal year 2010, compared to \$797.8 million at the end of the prior fiscal year. Governmental activities have unrestricted net assets (deficit) of (\$1,590.4) million.

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

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

State of Rhode Island's Net Assets as of June 30, 2010  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009*	2010	2009	2010	2009*
Current and other assets	\$ 1,673,986	\$ 1,610,728	\$ 150,798	\$ 120,086	\$ 1,824,784	\$ 1,730,814
Capital assets	3,048,505	2,855,128	196,283	205,282	3,244,788	3,060,410
Total assets	4,722,491	4,465,856	347,081	325,368	5,069,572	4,791,224
Long-term liabilities outstanding	2,848,899	2,796,056	482,646	335,548	3,331,545	3,131,604
Other liabilities	900,878	825,379	36,035	36,394	936,913	861,773
Total liabilities	3,749,777	3,621,435	518,681	371,942	4,268,458	3,993,377
Net assets:						
Invested in capital assets, net of related debt	2,079,153	1,958,718	(61,806)	(59,453)	2,017,347	1,899,265
Restricted	483,931	420,215	(103,022)	20,130	380,909	440,345
Unrestricted	(1,590,370)	(1,534,512)	(6,772)	(7,251)	(1,597,142)	(1,541,763)
Total net assets (as restated)	\$ 972,714	\$ 844,421	\$ (171,600)	\$ (46,574)	\$ 801,114	\$ 797,847

\* - Cumulative effect of prior period adjustments is fully explained in Note 17(F).

As indicated above, the State reported a balance in unrestricted net assets (deficit) of (\$1,597.1) million at June 30, 2010 in the Statement of Net Assets. This deficit results in part from the State's use of general obligation bond proceeds (which are reported as debt of the primary government) for other than the primary government's direct capital purposes. In these instances, proceeds are transferred to municipalities, discretely presented component units, and non-profit organizations within the State to fund specific projects. Examples of these uses of general obligation bond proceeds include but are not limited to the following:

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

- Capital improvements for privately-owned and operated group homes for developmentally disabled citizens of the State as well as children who are dependent on the State for care.

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

The long-term liabilities of business-type activities increased primarily as a result of the State borrowing \$225 million from the federal government (Unemployment Insurance Trust Fund) to fund employment insurance benefits from the Employment Insurance Fund to eligible unemployed individuals.

## Changes in Net Assets

The State's net assets increased by \$3.2 million during the current fiscal year. Total revenues of \$9,125.8 million were more than expenses of \$9,122.6 million. Approximately 28.2% of the State's total revenue came from taxes, while 32.2% resulted from grants and contributions (including federal financial aid). Charges for various goods and services provided 38.2% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services, 31.8%, and education, 14.0%. In fiscal year 2010, governmental activity expenses exceeded program revenues by \$2,870.6 million, with excess expenses being funded through general revenues. On the other hand, net program revenues from business-type activities in fiscal year 2010 exceeded expenses by \$173.4 million.

State of Rhode Island's Changes in Net Assets  
For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 462,226	\$ 428,854	\$ 3,021,260	\$ 2,772,889	\$ 3,483,486	\$ 3,201,743
Operating grants and contributions	2,361,446	2,114,821	418,270	194,857	2,779,716	2,309,678
Capital grants and contributions	162,090	103,515			162,090	103,515
General revenues:						
Taxes	2,577,519	2,588,417			2,577,519	2,588,417
Interest and investment earnings	4,309	9,435	164	4,279	4,473	13,714
Miscellaneous	91,110	95,758	20,224	11,782	111,334	107,540
Gain on sale of capital assets		1,656				1,656
Payments from component units	7,228	13,569			7,228	13,569
Total revenues	5,665,928	5,356,025	3,459,918	2,983,807	9,125,846	8,339,832
Program expenses:						
General government	741,329	754,386			741,329	754,386
Human services	2,900,673	2,719,346			2,900,673	2,719,346
Education	1,273,985	1,287,577			1,273,985	1,287,577
Public safety	418,485	414,830			418,485	414,830
Natural resources	73,551	75,103			73,551	75,103
Transportation	305,460	324,007			305,460	324,007
Interest	142,924	136,737			142,924	136,737
Lottery			2,431,562	2,215,602	2,431,562	2,215,602
Convention Center			50,732	48,764	50,732	48,764
Employment insurance			783,878	573,288	783,878	573,288
Total expenses	5,856,407	5,711,986	3,266,172	2,837,654	9,122,579	8,549,640
Change in net assets before transfers	(190,479)	(355,961)	193,746	146,153	3,267	(209,808)
Transfers	318,772	315,408	(318,772)	(315,408)		
Change in net assets	128,293	(40,553)	(125,026)	(169,255)	3,267	(209,808)
Net assets - Beginning	835,635	876,188	(46,574)	122,681	789,061	998,869
Cumulative effect of prior period adjustments	8,786				8,786	
Net assets - Beginning, as restated	844,421	876,188	(46,574)	122,681	797,847	998,869
Net assets - Ending	\$ 972,714	\$ 835,635	\$ (171,600)	\$ (46,574)	\$ 801,114	\$ 789,061

The cumulative effect of prior period adjustments are fully explained in Note 17(F).

## 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 \$883.7 million, a decrease of \$14.8 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) \$112.3 million for a "rainy day" account, (2) \$57.9 million for continuing appropriations, (3) \$90.4 million principally for liquidating debt, (4) \$149.9 million for employment insurance programs and (5) \$35.6 million for transportation capital projects. Additionally, \$371.6 million of the ending fund balance, are debt proceeds that were issued for specific capital projects.

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 \$17.9 million, while total fund balance was \$188.0 million.

Revenues and other sources of the General Fund totaled \$5,509.9 million in fiscal year 2010, an increase of \$291.6 million, 5.59%, from the previous year. The revenues from various sources and the change from the previous year are shown in the following tabulation (expressed in thousands):

	2010	2009	Increase (decrease) from 2009	
			Amount	Percent
Taxes:				
Personal income	\$ 879,007	\$ 897,305	\$ (18,298)	-2.04%
Sales and use	1,002,233	998,513	3,720	0.37%
General business	355,664	345,792	9,872	2.85%
Other	37,543	37,359	184	0.49%
Subtotal	2,274,447	2,278,969	(4,522)	-0.20%
Federal grants	2,275,606	2,001,605	274,001	13.69%
Restricted revenues	149,638	133,872	15,766	11.78%
Licenses, fines, sales, and services	310,505	295,069	15,436	5.23%
Other general revenues	27,351	30,307	(2,956)	-9.75%
Subtotal	2,763,100	2,460,853	302,247	12.28%
Total revenues	5,037,547	4,739,822	297,725	6.28%
Other sources	472,355	478,516	(6,161)	-1.29%
Total revenue and other sources	\$ 5,509,902	\$ 5,218,338	\$ 291,564	5.59%

The increase in Federal grants of \$274.0 million is primarily attributable to new funds received by the State under the American Recovery and Reinvestment Act (ARRA), which was enacted on

February 17, 2009. ARRA provided funding for a number of programs, primarily in the Human Services and Education categories.

Expenditures and other uses totaled \$5,391.8 million in fiscal year 2010, an increase of \$136.8 million, 2.60%, from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (expressed in thousands):

	2010	2009	Increase (decrease) from 2009	
			Amount	Percent
General government	\$ 552,229	\$ 586,628	\$ (34,399)	-5.86%
Human services	2,884,419	2,711,167	173,252	6.39%
Education	1,239,074	1,217,271	21,803	1.79%
Public safety	394,860	401,976	(7,116)	-1.77%
Natural resources	67,427	68,932	(1,505)	-2.18%
Debt Service:				
Principal	115,395	102,683	12,712	12.38%
Interest	73,960	67,273	6,687	9.94%
Total expenditures	5,327,364	5,155,930	171,434	3.32%
Other uses	64,448	99,104	(34,656)	-34.97%
Total expenditures and other uses	\$ 5,391,812	\$ 5,255,034	\$ 136,778	2.60%

#### *Intermodal Surface Transportation Fund*

The Intermodal Surface Transportation Fund (IST) is a special revenue fund that accounts for the collection of gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system. At the end of the current fiscal year, unreserved fund balance of the IST fund was \$3.4 million, while the total fund balance was \$39.0 million. Total fund balance of the IST fund increased by \$3.6 million during the current fiscal year. The primary reason for this was an increase in gasoline taxes and Federal grant revenue.

#### *GARVEE Fund*

The GARVEE Fund is a capital projects fund that accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the R.I. 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 \$162.2 million, a decrease of \$105.9 million. This decrease was caused by significant expenditures for highway and bridge construction that were made this fiscal year from the proceeds of prior year bond issuances.

#### *Bond Capital Fund*

The Bond Capital Fund is a capital projects fund that accounts for the proceeds of the bonds issued and the related capital expenditures not required to be accounted for in another capital projects fund. The fund ended the fiscal year with a fund balance of \$139.5 million, an increase of \$77.9 million. This increase primarily resulted from the proceeds of new bonds that were issued in the latter part of fiscal year 2010.

### General Fund Budgetary Highlights

Prior to FY2009, according to the State's Constitution, general revenue appropriations in the general fund could not exceed 98% of available general revenue sources, which consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. Excess revenue was transferred to the State Budget Reserve Account. If the balance in the Reserve

exceeded three percent of the total general revenues and opening surplus, the excess was transferred to the R.I. Capital Plan Fund to be used for capital projects. In FY2009, the spending cap decreased by .2% and Reserve limitation increased by .4%. For FY2010 and subsequent years the spending cap decreases by .2% and the reserve limitation increases by .4% each year until FY2013, when the spending cap will be 97% of the total general revenues and opening surplus, and the Reserve will be five percent of the total general revenues and opening surplus. The budgets for the components of the current fiscal year's general revenue estimates are established by the State's revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to require State funds to match the federal funds. Agencies may get additional appropriations provided a need is established.

Adjustments to general revenue receipt estimates resulted in a decrease of \$57.8 million, 1.9%, between the original budget and the final budget. General revenue appropriations decreased from the original budget by \$113.6 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General revenues	Original Budget vs. Final Budget	
	Change	Percent
Taxes		
Personal Income	\$ (44,700)	-4.6%
Public Utilities Gross Earnings	(18,000)	-15.7%
Insurance Companies	16,100	19.7%
Sales and Use	(27,500)	-3.4%
Cigarettes	(8,400)	-5.7%
Other Miscellaneous	25,908	287.9%
Other General Revenue	(1,215)	
Total Change in Estimated Revenue	<u>\$ (57,807)</u>	<u>-1.9%</u>
General revenue appropriations		
Department		
Administration	\$ (10,736)	-2.5%
Revenue	(2,846)	-7.9%
Legislature	(1,931)	-5.4%
Children, Youth and Families	(6,538)	-4.1%
Elderly Affairs	(2,098)	-21.2%
Health	(2,595)	-8.8%
Human Services	1,887	0.3%
Behavioral Healthcare, Developmental		
Disabilities and Hospitals	(3,871)	-2.3%
Elementary and Secondary		
Education	(50,685)	-5.9%
Public Higher Education	(12,098)	-7.0%
Attorney General	(1,465)	-6.9%
Corrections	(6,271)	-3.5%
Judicial	(5,042)	-6.0%
Environmental Management	(3,055)	-8.6%
Other	(6,210)	
Total Change in Appropriations	<u>\$ (113,554)</u>	<u>-3.8%</u>

The significant variance of \$50.7 million in the general revenue budget of the Department of Elementary and Secondary Education was primarily caused by reductions in local school aid and the State share of teacher retirement contributions. These reductions were partially offset by an increase in ARRA funding for local school districts.

## 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, 2010, amounts to \$3,244.8 million, net of accumulated depreciation of \$1,895.0 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 6.0% of net book value. This increase is primarily caused by construction in progress for the building and rehabilitation of roads and other infrastructure as well as a number of significant building projects, as discussed in the second paragraph below.

Actual expenditures to purchase or construct capital assets were \$324.4 million for the year. Of this amount, \$217.0 million was used to construct or reconstruct roads. Depreciation charges for the year totaled \$138.6 million.

State of Rhode Island's Capital Assets as of June 30, 2010  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009*	2010	2009	2010	2009*
Capital assets not being depreciated						
Land	\$ 348,990	\$ 344,042	\$ 45,558	\$ 45,558	\$ 394,548	\$ 389,600
Works of Art	422	314			422	314
Intangibles	151,076	145,180			151,076	145,180
Construction in progress	588,133	494,250	649	412	588,782	494,662
Total capital assets not being depreciated	1,088,621	983,786	46,207	45,970	1,134,828	1,029,756
Capital assets being depreciated						
Land improvements	3,700	3,700			3,700	3,700
Buildings	582,779	577,823	234,086	233,047	816,865	810,870
Building improvements	210,608	208,342			210,608	208,342
Equipment	235,227	230,558	22,943	22,407	258,170	252,965
Intangibles	11,986	8,428			11,986	8,428
Infrastructure	2,703,672	2,509,729			2,703,672	2,509,729
	3,747,972	3,538,580	257,029	255,454	4,005,001	3,794,034
Less: Accumulated depreciation	1,788,088	1,667,238	106,953	96,142	1,895,041	1,763,380
Total capital assets being depreciated	1,959,884	1,871,342	150,076	159,312	2,109,960	2,030,654
Total capital assets (net)	\$ 3,048,505	\$ 2,855,128	\$ 196,283	\$ 205,282	\$ 3,244,788	\$ 3,060,410

\* - The restatement of the FY2009 balance is fully explained in Note 17(F).

At June 30, 2010, the State had a number of significant capital projects in process, including the construction of a new facility for the College of Pharmacy at the University of Rhode Island, relocation of office facilities for the Division of Motor Vehicles, construction of a new school facility for the School for the Deaf, and construction of a new headquarters building for use by the R.I. State Police. The latter three projects were completed in the summer and fall of 2010. Also, the State is investing in new technology to significantly enhance the operations of the Division of Motor Vehicles. In addition, a number of significant highway and bridge improvement projects are underway, including construction of a new Sakonnet River Bridge. Finally, the State has made a significant investment in commuter rail service by expanding service from Providence to Warwick's T.F. Green Airport and plans to further expand service to Wickford Station in Washington County.

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

## Debt Administration

Under the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50,000 without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. At the end of the current fiscal year, the State's governmental activities had total bonded debt outstanding of \$2,539.0 million of which \$1,118.0 million is general obligation debt, \$613.3 million is special obligation debt and \$807.7 million is debt of the blended component units. Additionally, accreted interest of \$13.5 million has been recognized for debt of one blended component unit, which will not be paid until 2052. The State's total bonded debt increased by \$15.9 million during the current fiscal year. This increase is the net of an \$81.8 million increase in general obligation debt, a decrease of \$45.2 million in special obligation debt, and a decrease of \$20.7 million in the blended component units' debt. The general obligation debt is supported by the full faith and credit of the State. Other obligations subject to annual appropriation by the R.I. General Assembly totaled \$399.5 million and are discussed in Note 6.

During the current fiscal year, the State issued \$223.6 million of general obligation bonds, of which \$79.0 million were refunding bonds used to defease \$78.3 million of outstanding bonds.

The State does not have any debt limitation. Bonds authorized by the voters that remain unissued as of the end of the current fiscal year amounted to \$84.6 million; other obligations that are authorized but unissued totaled \$416 million and are described in Note 6. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

## Conditions Expected to Affect Future Operations

### Fiscal Year 2011 Budget

At the November 2010 Revenue Estimating Conference (REC), the enacted FY 2011 estimate of general revenues was revised upward by \$16.7 million to \$3.037 billion. Of the nineteen general revenue sources that are estimated at the REC, eleven were revised upward from enacted estimates including sales and use and business corporation taxes. The most significant tax category, personal income tax, was revised downward by \$1.4 million based on year to date trends.

In addition, the first quarter report for FY 2011 prepared by the Budget Office and issued on November 15, 2010 projects that expenditures will exceed appropriations for a number of programs by \$41.6 million. The estimated opening surplus for FY 2011 and the upward revision of the revenue estimate for FY2011, as discussed in the preceding paragraph, help to offset the expenditure overages so that resources available approximately equal planned expenditures.

### Lottery Revenue

The General Fund derives more than 11% of general revenue from the Rhode Island Lottery. The Lottery's largest source of revenue, video lottery operations, currently competes with Indian gaming casinos in nearby Connecticut. Proposals are sometimes made in Rhode Island, as well as neighboring Massachusetts, to seek approval from the voters to allow other casinos in Rhode Island and Massachusetts. The Lottery's operations may be impacted by competition from future gaming interests that may be developed within Rhode Island or neighboring states. Revenues overall are down at many gaming venues throughout New England due to current economic conditions. Competition among gaming venues has increased, resulting in more promotional allowances and player reward incentives being offered.

### Pension and Other Post Employment Benefits

Independent actuarial valuations are conducted of the Employees' Retirement System each year. As part of this valuation, the progress toward funding pension obligations of the System is measured by comparing the actuarial value of assets to the actuarial accrued liability. This measure is referred to as

the funded ratio or funded status. As reflected in the most recent actuarial valuation (June 30, 2009), the funded ratio decreased to 59.0% for State Employees and 58.1% for Teachers within the Employees' Retirement System plan. The funded ratio for the Judges' plan decreased to 88.3%. The State Police plan's funded ratio increased to 79.8%. The Municipal Employees' Retirement System plan's funded ratio decreased with an overall average ratio of 88.3%.

During fiscal 2011, the Employees' Retirement System will be conducting another periodic experience study. These studies are routinely done to examine the actuarial assumptions underlying the development of the annual actuarial valuations of the plans and compare them to actual experience. As is customary, the experience study will include analysis of the investment rate of return assumption. Any changes in actuarial assumptions resulting from the experience study could affect the unfunded actuarial accrued liability of the plans and future employer contribution rates.

In May 2010, unions representing State employees and teachers filed a lawsuit against the State challenging legislative changes made in 2009 to the pension benefit provisions for State employees and teachers. The lawsuit was later amended to include the 2010 legislative changes made to pension benefits. Management cannot estimate the likelihood of loss to the State, if any, if the plaintiffs prevail. If these challenges to the statutory changes are successful, future State contributions as well as the unfunded actuarial liability could be materially impacted.

In accordance with GASB Statement No. 45, the State began accounting for retiree health care benefits on an actuarial basis in fiscal year 2008. An actuarial study completed as of June 30, 2007 has determined the State's unfunded actuarial liability to be approximately \$788.2 million. Based on a discount rate of 3.566%, the State and other participating employers' annual required contribution was determined to be \$55.8 million, and the actual contribution made was \$38.4 million. Consequently, the net Other Post Employment Benefit (OPEB) obligation as of June 30, 2010 increased by \$17.4 million to \$40.2 million. For fiscal year 2010, the State funded the retiree health care program on a pay as you go basis.

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

### **Liquidity and Short-term Borrowing**

The State sold \$350 million of General Obligation Tax Anticipation Notes in July 2010. The notes bear interest at 2.00% and are due on June 30, 2011. The proceeds from these Notes were used to provide working capital. In addition, the General Fund borrows from the R.I. Capital Plan Fund and the R.I. Temporary Disability Insurance Fund to provide short-term working capital. The State is continuing to carefully monitor cash flow in order to insure that there are sufficient resources available to retire these Notes at their maturity date. In addition, the State has undertaken a series of measures to improve the timing of receipts and disbursements and to reduce the level of short-term borrowing. These measures include accelerating the collection of certain taxes and the partial restructuring of the State's disbursement pattern.

### **Unemployment Insurance Program**

The State has borrowed from the Federal Unemployment Trust Fund to continue to pay benefits to unemployed individuals. Borrowings through November 2010 totaled approximately \$225 million. It is expected that additional borrowings will be needed in calendar year 2011. Effective January 1, 2011, the Job Development assessment rate is being increased from .21% to .51% to accumulate funds to begin to repay the balance borrowed.

### **Funding- American Reinvestment and Recovery Act**

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

federal and State government (e.g., Medicaid), the State share of program costs was temporarily decreased. This enhanced federal funding is being phased down and is scheduled to end on June 30, 2011. After that date, federal financial participation in the programs will be reduced to pre-ARRA levels. This and other reductions in ARRA funding will result in a gap in the FY2012 budget of approximately \$240 million. Measures to address this gap are currently being developed and will be included in the Governor's budget proposal that is submitted to the General Assembly in February 2011.

### **Local Government Financial Matters**

In June 2010, the General Assembly enacted "An Act Providing for the Financial Stability of Cities and Towns" to provide a mechanism for the State to work with cities and towns undergoing financial distress. The Act gives the State, acting through the Department of Revenue, three levels of State oversight and control: fiscal overseer, budget commission, and state receiver. The City of Central Falls is currently under the control of a State appointed executive receiver. The State appointed receiver released his report in December 2010 which includes recommendations to seek merging with a neighboring community and proposals to resolve the City's continued future deficits and severely underfunded pension and OPEB plans.

### **Economic Factors**

The unemployment rate for the State of Rhode Island was 11.6 percent in November 2010, which is a slight decrease from the rate of 11.7 percent during the third quarter of 2009. In their November 2010 forecast, Moody's Economy.com noted that the unemployment rate for Rhode Island may increase slightly in the near future as previously discouraged workers seek to reenter the labor force. The State's unemployment rate compares unfavorably with the U.S. unemployment rate of 9.6 percent as of September 2010. The State's high rate of unemployment is due to at least three factors: the prominent role of the housing sector in the State's economy; the high concentration of blue collar workers as a percent of the State's total labor force; and the small size of the State's economy relative to those of Connecticut, Massachusetts, and the country as a whole.

In their November 2010 forecast, Moody's Economy.com noted that construction in Rhode Island has started to recover and the housing market is showing initial signs of recovery despite a low level of sales. The number of foreclosures, one of the main initial catalysts of the local recession, is starting to decline. Retail sales have also stabilized but remain low relative to pre-recession totals. Rhode Island is expected to begin a slow recovery by the end of the year, although employment growth will lag the U.S. over the course of the recovery.

### **Requests for Information**

This report is designed to provide a general overview of the State's finances and accountability for all of the State's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be sent to [Peter.Keenan@doa.ri.gov](mailto:Peter.Keenan@doa.ri.gov). The State's Comprehensive Annual Financial Report may be found on the State Controller's home page, <http://controller.admin.ri.gov/index.php>. Requests for additional information related to component units should be addressed to the entities as listed in Note 1 of the financial statements.

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**BASIC FINANCIAL  
STATEMENTS**

**State of Rhode Island and Providence Plantations**

**Statement of Net Assets**

**June 30, 2010**

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 491,359	\$ 19,240	\$ 510,599	\$ 396,713
Funds on deposit with fiscal agent	249,764	39,676	289,440	
Investments	166		166	25,515
Receivables (net)	462,103	71,504	533,607	226,524
Restricted assets:				
Cash and cash equivalents		13,161	13,161	606,245
Investments	71,895		71,895	269,144
Receivables (net)				14
Other assets				38,720
Due from primary government				16,608
Due from component units	1,473		1,473	355
Internal balances	2,098	(2,098)		
Due from other governments and agencies	243,582	3,189	246,771	2,568
Inventories	1,571	1,191	2,762	10,350
Other assets	78,091	672	78,763	44,011
Total current assets	1,602,102	146,535	1,748,637	1,636,767
Noncurrent assets:				
Investments				131,413
Receivables (net)	18,379		18,379	1,921,085
Due from other governments and agencies	5,120		5,120	
Restricted assets:				
Cash and cash equivalents				135,734
Investments				232,218
Receivables (net)				1,521,595
Other assets				199,252
Due from component units	33,908		33,908	3,427
Capital assets - nondepreciable	1,088,621	46,207	1,134,828	530,672
Capital assets - depreciable (net)	1,959,884	150,076	2,109,960	1,665,302
Other assets	14,477	4,263	18,740	222,753
Total noncurrent assets	3,120,389	200,546	3,320,935	6,563,451
Total assets	4,722,491	347,081	5,069,572	8,200,218
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	539,994	14,734	554,728	119,015
Due to primary government				1,473
Due to component units	16,608		16,608	355
Due to other governments and agencies		3,210	3,210	212,999
Accrued expenses				78
Deferred revenue	16,467	786	17,253	34,264
Other current liabilities	111,967	3,263	115,230	334,258
Current portion of long-term debt	215,842	8,848	224,690	181,689
Obligation for unpaid prize awards		5,194	5,194	
Total current liabilities	900,878	36,035	936,913	884,131
Noncurrent Liabilities:				
Due to primary government				33,908
Due to other governments and agencies		225,473	225,473	371,130
Net OPEB obligation	36,212	139	36,351	32,897
Deferred revenue		7,500	7,500	7,970
Due to component units				3,427
Notes payable	13,100	607	13,707	1,406
Loans payable				590,817
Obligations under capital leases	228,603		228,603	12,405
Compensated absences	21,288	221	21,509	21,440
Bonds payable	2,483,098	248,634	2,731,732	3,679,407
Other liabilities	66,598	72	66,670	129,229
Total noncurrent liabilities	2,848,899	482,646	3,331,545	4,884,036
Total liabilities	3,749,777	518,681	4,268,458	5,768,167
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,079,153	(61,806)	2,017,347	1,240,443
Restricted for:				
Budget reserve	112,280		112,280	
Transportation	1,420		1,420	
Debt	90,407	13,161	103,568	373,506
Assistance to Other Entities	73,793		73,793	
Employment insurance program	149,892	(116,183)	33,709	
Other	54,514		54,514	479,403
Nonexpendable-education	1,625		1,625	92,904
Unrestricted	(1,590,370)	(6,772)	(1,597,142)	245,795
Total net assets	\$ 972,714	\$ (171,600)	\$ 801,114	\$ 2,432,051

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, 2010**  
**(Expressed in Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component Units
					Governmental activities	Business-type activities	Totals	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 741,329	\$ 179,646	\$ 108,172	\$ 1,003	\$ (452,508)	\$	\$ (452,508)	\$
Human services	2,900,673	198,555	1,833,078	4,130	(864,910)		(864,910)	
Education	1,273,985	18,263	264,321	97	(991,304)		(991,304)	
Public safety	418,485	35,272	43,599	2,051	(337,563)		(337,563)	
Natural resources	73,551	29,746	15,944	4,749	(23,112)		(23,112)	
Transportation	305,460	744	96,332	150,060	(58,324)		(58,324)	
Interest and other charges	142,924				(142,924)		(142,924)	
Total governmental activities	<u>5,856,407</u>	<u>462,226</u>	<u>2,361,446</u>	<u>162,090</u>	<u>(2,870,645)</u>		<u>(2,870,645)</u>	
Business-type activities:								
State lottery	2,431,562	2,775,832				344,270	344,270	
Convention center	50,732	23,623				(27,109)	(27,109)	
Employment security	783,878	221,805	418,270			(143,803)	(143,803)	
Total business-type activities	<u>3,266,172</u>	<u>3,021,260</u>	<u>418,270</u>			<u>173,358</u>	<u>173,358</u>	
Total primary government	<u>\$ 9,122,579</u>	<u>\$ 3,483,486</u>	<u>\$ 2,779,716</u>	<u>\$ 162,090</u>	<u>(2,870,645)</u>	<u>173,358</u>	<u>(2,697,287)</u>	
<b>Component units:</b>	<u>\$ 1,247,087</u>	<u>\$ 973,618</u>	<u>\$ 75,272</u>	<u>\$ 54,467</u>				<u>(143,730)</u>
<b>General Revenues:</b>								
Taxes					2,577,519		2,577,519	
Interest and investment earnings					4,309	164	4,473	30,315
Miscellaneous					91,110	20,224	111,334	29,311
Gain (loss) on sale of capital assets								(332)
Transfers (net)					318,772	(318,772)		
Payments from component units					7,228		7,228	
Payments from primary government								272,008
Total general revenues and transfers					<u>2,998,938</u>	<u>(298,384)</u>	<u>2,700,554</u>	<u>331,302</u>
Change in net assets					128,293	(125,026)	3,267	187,572
Net assets - beginning as restated					844,421	(46,574)	797,847	2,244,479
Net assets - ending					<u>\$ 972,714</u>	<u>\$ (171,600)</u>	<u>\$ 801,114</u>	<u>\$ 2,432,051</u>

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

## Major Funds

### Governmental

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

**Special Revenue Funds** - account for the proceeds of specific revenue sources that are legally restricted.

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

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

**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.

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

### Proprietary

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

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

**Rhode Island Convention Center Authority** - created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence. RICCA is responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veteran's Memorial Auditorium Arts and Cultural Center located in Providence.

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

**State of Rhode Island and Providence Plantations**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>General</b>	<b>Intermodal Surface Transportation</b>	<b>Bond Capital</b>	<b>GARVEE</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 153,730	\$ 22,423	\$ 167,247	\$	\$ 117,521	\$ 460,921
Funds on deposit with fiscal agent				175,810	73,954	249,764
Investments					166	166
Restricted investments					71,895	71,895
Receivables (net)	417,603	14,484		32	39,789	471,908
Due from other funds	5,586	6,282			2,857	14,725
Due from component units	139					139
Due from other governments and agencies	191,993	51,357	2			243,352
Loans to other funds	12,777				78,648	91,425
Other assets	69,222					69,222
<b>Total assets</b>	<b>\$ 851,050</b>	<b>\$ 94,546</b>	<b>167,249</b>	<b>\$ 175,842</b>	<b>\$ 384,830</b>	<b>\$ 1,673,517</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	454,057	21,719	9,071	9,950	23,586	518,383
Due to other funds			6,280	887	3,300	10,467
Due to component units	7,948	4,487	2,745		1,428	16,608
Loans from other funds	78,646		9,500		817	88,963
Deferred revenue	32,512	18,501				51,013
Other liabilities	89,838	10,845	144	2,850	695	104,372
<b>Total liabilities</b>	<b>663,001</b>	<b>55,552</b>	<b>27,740</b>	<b>13,687</b>	<b>29,826</b>	<b>789,806</b>
<b>Fund Balances</b>						
<b>Reserved for:</b>						
Budget reserve	112,280					112,280
Appropriations carried forward	57,879					57,879
Debt				17,346	73,061	90,407
Transportation capital projects		35,628				35,628
Employment insurance programs					149,892	149,892
<b>Unreserved, reported in:</b>						
General fund	17,890					17,890
Special revenue funds		3,366			43,144	46,510
Capital projects funds			139,509	144,809	87,282	371,600
Permanent fund					1,625	1,625
<b>Total fund balances</b>	<b>188,049</b>	<b>38,994</b>	<b>139,509</b>	<b>162,155</b>	<b>355,004</b>	<b>883,711</b>
<b>Total liabilities and fund balances</b>	<b>\$ 851,050</b>	<b>\$ 94,546</b>	<b>\$ 167,249</b>	<b>\$ 175,842</b>	<b>\$ 384,830</b>	<b>\$ 1,673,517</b>

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

State of Rhode Island and Providence Plantations  
Reconciliation of the Balance Sheet of the Governmental Funds  
to Statement of Net Assets for Governmental Activities  
June 30, 2010  
(Expressed in Thousands)

Fund balance - total governmental funds \$ 883,711

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

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

Capital assets	4,830,399	
Accumulated depreciation	(1,784,671)	
		3,045,728

Bonds, notes, certificates of participation, accrued interest and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds.

Compensated absences	(78,756)	
Bonds payable	(2,576,485)	
Net premium/discount and deferred amount on refunding	(28,660)	
Refunding costs	7,252	
Cost of issuance	12,037	
Obligations under capital leases	(244,805)	
Premium	(6,025)	
Refunding costs	1,467	
Cost of issuance	2,440	
Interest payable	(22,500)	
Other liabilities	(122,071)	
		(3,056,106)

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

Receivables	7,642	
Due from component units	35,242	
Deferred revenue	34,546	
		77,430

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.

21,951

Net assets - total governmental activities	\$ 972,714
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The notes to the financial statements are an integral part of this statement.

**State of Rhode Island and Providence Plantations**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	General	Intermodal Surface Transportation	Bond Capital	GARVEE	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 2,274,447	\$ 137,266	\$	\$	\$ 165,693	\$ 2,577,406
Licenses, fines, sales, and services	310,505				535	311,040
Departmental restricted revenue	149,638	719				150,357
Federal grants	2,275,606	242,442				2,518,048
Income from investments	285	37	87	34	3,764	4,207
Other revenues	27,066	3,524			48,661	79,251
Total revenues	<u>5,037,547</u>	<u>383,988</u>	<u>87</u>	<u>34</u>	<u>218,653</u>	<u>5,640,309</u>
<b>Expenditures:</b>						
Current:						
General government	552,229				162,632	714,861
Human services	2,884,419					2,884,419
Education	1,239,074				184	1,239,258
Public safety	394,860					394,860
Natural resources	67,427				8	67,435
Transportation		306,672			58	306,730
Capital outlays			30,168	107,356	113,129	250,653
Debt service:						
Principal	115,395	2,568		30,390	14,710	163,063
Interest and other charges	73,960	314	1,369	25,167	38,913	139,723
Total expenditures	<u>5,327,364</u>	<u>309,554</u>	<u>31,537</u>	<u>162,913</u>	<u>329,634</u>	<u>6,161,002</u>
Excess (deficiency) of revenues over (under) expenditures	(289,817)	74,434	(31,450)	(162,879)	(110,981)	(520,693)
<b>Other financing sources (uses):</b>						
Bonds and notes issued			143,765		11,900	155,665
Refunding bonds issued			78,960			78,960
Premium and accrued interest			9,839			9,839
Operating transfers in	450,691	35,530		56,970	42,834	586,025
Payments from component units	7,228					7,228
Other	14,436					14,436
Payment to refunded bonds escrow agent			(84,769)			(84,769)
Operating transfers out	(64,448)	(106,370)	(38,372)		(52,283)	(261,473)
Total other financing sources (uses)	<u>407,907</u>	<u>(70,840)</u>	<u>109,423</u>	<u>56,970</u>	<u>2,451</u>	<u>505,911</u>
Net change in fund balances	118,090	3,594	77,973	(105,909)	(108,530)	(14,782)
Fund balances - beginning (as restated)	69,959	35,400	61,536	268,064	463,534	898,493
Fund balances - ending	<u>\$ 188,049</u>	<u>\$ 38,994</u>	<u>\$ 139,509</u>	<u>\$ 162,155</u>	<u>\$ 355,004</u>	<u>\$ 883,711</u>

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, 2010  
 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (14,782)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Current year acquisitions are therefore deducted from expenses on the Statement of Activities, less current year depreciation expense and revenue resulting from current year disposals.

Capital outlay	319,509	
Depreciation expense	(127,096)	
	<u>192,413</u>	192,413

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

Principal paid on debt	163,063	
Debt defeased in refunding	78,290	
Interest and other charges	(9,976)	
Proceeds from sale of debt	(234,625)	
Deferral of premium/discount	(9,838)	
Amortization of premium/discount	12,268	
Deferral of issuance costs	548	
Amortization of issuance costs	(2,209)	
Deferral of refunding costs	4,030	
Amortization of refunding costs	(1,384)	
	<u>167</u>	167

Revenues (expenses) in the Statement of Activities that do not provide (use) current financial resources are not reported as revenues (expenditures) in the governmental funds.

Compensated absences	(17,383)	
Program expenses	(25,271)	
Program revenue	831	
Capital grant revenue	5,227	
General revenue - taxes	113	
General revenue-misc	(1,969)	
	<u>(38,452)</u>	(38,452)

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. (11,053)

Change in net assets - total governmental activities \$ 128,293

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, 2010**  
**(Expressed in Thousands)**

	<b>Business-type Activities-- Enterprise Funds</b>			<b>Governmental Activities</b>	
	<b>R.I. State Lottery</b>	<b>R.I. Convention Center</b>	<b>Employment Security</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 14,443	\$ 2,199	\$ 2,598	\$ 19,240	\$ 30,436
Restricted cash and cash equivalents		13,161		13,161	
Funds on deposit with fiscal agent			39,676	39,676	
Receivables (net)	2,773	1,367	67,364	71,504	6,237
Due from other funds					194
Due from other governments and agencies			3,189	3,189	
Inventories	1,191			1,191	1,575
Other assets	152	520		672	8,918
Total current assets	<u>18,559</u>	<u>17,247</u>	<u>112,827</u>	<u>148,633</u>	<u>47,360</u>
Noncurrent assets:					
Capital assets - nondepreciable		46,207		46,207	
Capital assets - depreciable (net)	691	149,385		150,076	2,773
Other assets		4,263		4,263	
Total noncurrent assets	<u>691</u>	<u>199,855</u>		<u>200,546</u>	<u>2,773</u>
Total assets	<u>19,250</u>	<u>217,102</u>	<u>112,827</u>	<u>349,179</u>	<u>50,133</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	10,465	4,269		14,734	21,611
Due to other funds	1,771		327	2,098	2,354
Due to other governments and agencies			3,210	3,210	
Loans from other funds					2,462
Deferred revenue	786			786	
Other current liabilities	1,299	1,964		3,263	1,546
Bonds and notes payable		8,848		8,848	
Obligation for unpaid prize awards	5,194			5,194	
Total current liabilities	<u>19,515</u>	<u>15,081</u>	<u>3,537</u>	<u>38,133</u>	<u>27,973</u>
Noncurrent Liabilities:					
Due to other governments and agencies			225,473	225,473	
Deferred revenue	7,500			7,500	
Bonds and notes payable		249,241		249,241	
Compensated absences	221			221	
Net OPEB obligation	139			139	209
Other liabilities		72		72	
Total noncurrent liabilities	<u>7,860</u>	<u>249,313</u>	<u>225,473</u>	<u>482,646</u>	<u>209</u>
Total liabilities	<u>27,375</u>	<u>264,394</u>	<u>229,010</u>	<u>520,779</u>	<u>28,182</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	691	(62,497)		(61,806)	2,773
Restricted for:					
Debt		13,161		13,161	
Employment insurance programs			(116,183)	(116,183)	
Unrestricted	(8,816)	2,044		(6,772)	19,178
Total net assets	<u>\$ (8,125)</u>	<u>\$ (47,292)</u>	<u>\$ (116,183)</u>	<u>\$ (171,600)</u>	<u>\$ 21,951</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, 2010**  
**(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	\$ 2,775,832	\$ 23,343	\$ 221,805	\$ 3,020,980	\$ 299,704
Grants			418,270	418,270	
Miscellaneous		280		280	
Total operating revenues	<u>2,775,832</u>	<u>23,623</u>	<u>640,075</u>	<u>3,439,530</u>	<u>299,704</u>
Operating expenses:					
Personal services	4,728	13,296		18,024	10,346
Supplies, materials, and services	212,149	10,126		222,275	294,484
Prize awards, net of prize recoveries	2,214,438			2,214,438	
Depreciation and amortization	247	11,022		11,269	268
Benefits paid			769,997	769,997	
Total operating expenses	<u>2,431,562</u>	<u>34,444</u>	<u>769,997</u>	<u>3,236,003</u>	<u>305,098</u>
Operating income (loss)	344,270	(10,821)	(129,922)	203,527	(5,394)
Nonoperating revenues (expenses):					
Interest revenue	98	60	6	164	103
Other nonoperating revenue	930		19,294	20,224	18
Interest expense		(16,288)		(16,288)	
Other nonoperating expenses			(13,881)	(13,881)	
Total nonoperating revenue (expenses)	<u>1,028</u>	<u>(16,228)</u>	<u>5,419</u>	<u>(9,781)</u>	<u>121</u>
Income (loss) before transfers	345,298	(27,049)	(124,503)	193,746	(5,273)
Transfers in		24,348	1,813	26,161	
Transfers out	(344,673)		(260)	(344,933)	(5,780)
Change in net assets	625	(2,701)	(122,950)	(125,026)	(11,053)
Total net assets - beginning	<u>(8,750)</u>	<u>(44,591)</u>	<u>6,767</u>	<u>(46,574)</u>	<u>33,004</u>
Total net assets - ending	<u>\$ (8,125)</u>	<u>\$ (47,292)</u>	<u>\$ (116,183)</u>	<u>\$ (171,600)</u>	<u>\$ 21,951</u>

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

**State of Rhode Island and Providence Plantations**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Business-type Activities-- Enterprise Funds</b>			<b>Governmental Activities</b>	
	<b>R.I. State Lottery</b>	<b>R.I. Convention Center</b>	<b>Employment Security</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 2,781,753	\$ 22,438	\$ 212,901	\$ 3,017,092	\$ 302,916
Cash received from grants			417,121	417,121	
Cash payments to suppliers for goods and services	(4,965)	(9,771)		(14,736)	(293,725)
Cash payments to employees for services	(4,568)	(12,914)		(17,482)	(9,987)
Cash payments to prize winners	(2,218,829)			(2,218,829)	
Cash payments for commissions	(205,949)			(205,949)	
Cash payments for benefits			(770,007)	(770,007)	
Other operating revenue (expense)			2,958	2,958	18
Net cash provided by (used for) operating activities	<u>347,442</u>	<u>(247)</u>	<u>(137,027)</u>	<u>210,168</u>	<u>(778)</u>
<b>Cash flows from noncapital financing activities:</b>					
Loan from federal government			150,437	150,437	
Loans from other funds					623
Loans to other funds					(3,090)
Repayment of loans to other funds					1,770
Repayment of loans from other funds					(3,072)
Operating transfers in		25,398	1,813	27,211	27
Operating transfers out	(344,579)		(260)	(344,839)	(5,804)
Net transfers from (to) fiscal agent			(13,418)	(13,418)	
Net cash (used for) noncapital financing activities	<u>(344,579)</u>	<u>25,398</u>	<u>138,572</u>	<u>(180,609)</u>	<u>(9,546)</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital obligations		(7,765)		(7,765)	
Interest paid on capital obligations		(14,984)		(14,984)	
Acquisition of capital assets	(132)	(3,022)		(3,154)	(135)
Net cash provided by (used for) capital and related financing activities	<u>(132)</u>	<u>(25,771)</u>		<u>(25,903)</u>	<u>(135)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	99	62		161	104
Net cash provided by investing activities	<u>99</u>	<u>62</u>		<u>161</u>	<u>104</u>
Net increase (decrease) in cash and cash equivalents	2,830	(558)	1,545	3,817	(10,355)
Cash and cash equivalents, July 1	11,613	15,918	1,053	28,584	40,791
Cash and cash equivalents, June 30	<u>\$ 14,443</u>	<u>\$ 15,360</u>	<u>\$ 2,598</u>	<u>\$ 32,401</u>	<u>\$ 30,436</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	344,270	(10,821)	(129,922)	203,527	(5,394)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	247	11,022		11,269	268
Other revenue (expense) and operating transfer in (out)	307		2,510	2,817	18
Net changes in assets and liabilities:					
Receivables, net	1,919	(254)	(9,615)	(7,950)	2,554
Inventory	(453)			(453)	87
Prepaid items		81		81	
Other assets	253			253	
Due to / due from transactions	(13)			(13)	
Accounts and other payables	1,695	657		2,352	1,353
Accrued expenses	212			212	336
Deferred revenue	(152)	(932)		(1,084)	
Prize awards payable	(843)			(843)	
Total adjustments	<u>3,172</u>	<u>10,574</u>	<u>(7,105)</u>	<u>6,641</u>	<u>4,616</u>
Net cash provided by (used for) operating activities	<u>\$ 347,442</u>	<u>\$ (247)</u>	<u>\$ (137,027)</u>	<u>\$ 210,168</u>	<u>\$ (778)</u>

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

## Fiduciary Funds

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

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

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

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

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

**State of Rhode Island and Providence Plantations**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Private Purpose</b>	
		<b>Touro Jewish Synagogue</b>	<b>Agency</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,065	\$	\$ 29,593
Deposits held as security for entities doing business in the State			89,788
Receivables			
Contributions	33,074		
Due from state for teachers	23,343		
Miscellaneous	613		1,838
Total receivables	<u>57,030</u>		<u>1,838</u>
Investments, at fair value			
Equity in Pooled Trust	6,512,473		
Other investments		1,821	
Total investments	<u>6,512,473</u>	<u>1,821</u>	
Property and equipment, at cost, net of accumulated depreciation	<u>4,070</u>		
Total assets	<u>6,580,638</u>	<u>1,821</u>	<u>121,219</u>
<b>Liabilities</b>			
Accounts payable	3,163		4,729
Deferred revenue	226		
Net OPEB liability	112		
Deposits held for others			116,490
Total liabilities	<u>3,501</u>		<u>121,219</u>
Net assets held in trust for pension and other benefits	<u>\$ 6,577,137</u>	<u>\$ 1,821</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, 2010**  
**(Expressed in Thousands)**

	<u>Pension Trust</u>	<u>Private Purpose Touro Jewish Synagogue</u>
<b>Additions</b>		
Contributions		
Member contributions	\$ 171,327	\$
Employer contributions	270,983	
State contributions for teachers	68,543	
Interest on service credits purchased	1,054	
Service credit transfer payments	2	
Total contributions	<u>511,909</u>	
Investment income		
Net appreciation in fair value of investments	752,814	214
Interest	78,722	
Dividends	2,484	44
Other investment income	9,870	1
	<u>843,890</u>	<u>259</u>
Less investment expense	13,053	
Net income from investing activities	<u>830,837</u>	<u>259</u>
Total additions	<u>1,342,746</u>	<u>259</u>
<b>Deductions</b>		
Benefits		
Retirement benefits	618,454	
Cost of living adjustment	164,598	
SRA Plus Option	29,697	
Supplemental benefits	1,105	
Death benefits	3,110	
Total benefits	<u>816,964</u>	
Refund of contributions	9,777	
Administrative expense	7,892	
Service credit transfer payments	2	
Distribution		116
Total deductions	<u>834,635</u>	<u>116</u>
Change in net assets	<u>508,111</u>	<u>143</u>
Net assets held in trust for pension benefits		
Net assets - beginning	<u>6,069,026</u>	<u>1,678</u>
Net assets - ending	<u>\$ 6,577,137</u>	<u>\$ 1,821</u>

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

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>RIHMFC</b>	<b>RISLA</b>	<b>RITBA</b>	<b>RIEDC</b>	<b>NBC</b>	<b>RIHEBC</b>	<b>RIRRC</b>
<b>Assets</b>							
Current Assets:							
Cash and cash equivalents	\$ 1,802	\$ 437	\$ 3,200	\$ 44,553	\$ 13,673	\$ 233	\$ 18,827
Investments						5,152	
Receivables (net)	1,299	84,847	128	10,115	13,751	795	7,741
Restricted assets:							
Cash and cash equivalents	286,749	277,147	5,332	26,294			
Investments	38,086	15,298	54,635	3,386			
Receivables (net)							
Other assets	28,865		485	8,864			
Due from primary government				1,491			
Due from other governments				1,224	113		
Due from other component units				83			
Inventories			386				3,684
Other assets	1,988	30,887	104	2,067	238	32	498
Total current assets	<u>358,789</u>	<u>408,616</u>	<u>64,270</u>	<u>98,077</u>	<u>27,775</u>	<u>6,212</u>	<u>30,750</u>
Noncurrent Assets:							
Investments	7,062		16,591			750	
Receivables (net)		1,199,686		6,582		1,997	
Restricted assets:							
Cash and cash equivalents				77,091	43,823		658
Investments	212,076			953			1,645
Receivables (net)	1,521,595						
Other assets				32,077			82,375
Capital assets - nondepreciable			1,507	237,773	196,598		15,159
Capital assets - depreciable (net)		1,912	87,935	413,346	476,758	43	36,016
Due from other component units				696			
Other assets, net of amortization	172,753	4,527	1,072	5,616	5,851		14,474
Total noncurrent assets	<u>1,913,486</u>	<u>1,206,125</u>	<u>107,105</u>	<u>774,134</u>	<u>723,030</u>	<u>2,790</u>	<u>150,327</u>
Total assets	<u>2,272,275</u>	<u>1,614,741</u>	<u>171,375</u>	<u>872,211</u>	<u>750,805</u>	<u>9,002</u>	<u>181,077</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable		619	2,549	45,171	5,422		7,946
Due to primary government							
Due to other component units		258					
Due to other governments		212,920					
Accrued liabilities							
Deferred revenue		9,176		5,429	274		
Other liabilities	260,535	3,278	2,088	6,332	6,323	160	4,091
Current portion of long-term debt	110,103	5,993	2,270	1,950	18,914		895
Total current liabilities	<u>370,638</u>	<u>232,244</u>	<u>6,907</u>	<u>58,882</u>	<u>30,933</u>	<u>160</u>	<u>12,932</u>
Noncurrent liabilities:							
Due to primary government				8,260			
Due to other governments		371,130					
Due to other component units		2,035					
Deferred revenue	6,301			360			
Notes payable		1,365					
Loans payable				350,629	238,613		
Obligations under capital leases				882	154		
Net OPEB obligation	2,429				121		202
Other liabilities		9,695		4,935			85,947
Compensated absences					70		
Bonds payable	1,607,266	913,609	68,439		152,927		12,856
Total noncurrent liabilities	<u>1,615,996</u>	<u>1,297,834</u>	<u>68,439</u>	<u>365,066</u>	<u>391,885</u>		<u>99,005</u>
Total liabilities	<u>1,986,634</u>	<u>1,530,078</u>	<u>75,346</u>	<u>423,948</u>	<u>422,818</u>	<u>160</u>	<u>111,937</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	9,120	(135)	66,573	350,511	264,347	43	44,591
Restricted for:							
Debt	229,964	83,613	59,929				
Other				50,165	146		284
Other nonexpendable	2,014						
Unrestricted	44,543	1,185	(30,473)	47,587	63,494	8,799	24,265
Total net assets	<u>\$ 285,641</u>	<u>\$ 84,663</u>	<u>\$ 96,029</u>	<u>\$ 448,263</u>	<u>\$ 327,987</u>	<u>\$ 8,842</u>	<u>\$ 69,140</u>

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

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>
<b>Assets</b>							
Current Assets:							
Cash and cash equivalents	\$ 6,556	\$ 4,499	\$ 512	\$ 158,609	\$ 3,267	\$ 770	\$ 213
Investments	13,205	3,778					
Receivables (net)	496	3,079	4	64,207	5	252	514
Restricted assets:							
Cash and cash equivalents				9,446			
Investments				155,844			
Receivables (net)							
Other assets:							
Due from primary government		6,541		2,403			
Due from other governments	928						
Due from other component units	258		14				
Inventories		2,760					
Other assets	195	146		7,391		36	44
Total current assets	<u>21,638</u>	<u>20,803</u>	<u>530</u>	<u>397,900</u>	<u>3,272</u>	<u>1,058</u>	<u>771</u>
Noncurrent Assets:							
Investments	4,088					1,163	
Receivables (net)	67			686,300			
Restricted assets:							
Cash and cash equivalents	623		696				
Investments							
Receivables (net)							
Other assets:							
Capital assets - nondepreciable	194	40,811			181		820
Capital assets - depreciable (net)	975	73,000		37	353		5,473
Due from other component units	2,035				696		
Other assets, net of amortization				6,963		74	50
Total noncurrent assets	<u>7,982</u>	<u>113,811</u>	<u>696</u>	<u>693,300</u>	<u>1,230</u>	<u>1,237</u>	<u>6,343</u>
Total assets	<u>29,620</u>	<u>134,614</u>	<u>1,226</u>	<u>1,091,200</u>	<u>4,502</u>	<u>2,295</u>	<u>7,114</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	381	6,453	4	459		20	537
Due to primary government		678					39
Due to other component units			42		55		
Due to other governments	79						
Accrued liabilities:							
Deferred revenue	50	100	22		21	78	66
Other liabilities	648	6,319	2	26,471		5	84
Current portion of long-term debt				32,030		860	
Total current liabilities	<u>1,158</u>	<u>13,550</u>	<u>70</u>	<u>58,960</u>	<u>76</u>	<u>963</u>	<u>726</u>
Noncurrent liabilities:							
Due to primary government		8,483					
Due to other governments							
Due to other component units			696		696		
Deferred revenue	1,141		95		73		
Notes payable							
Loans payable							
Obligations under capital leases:							
Net OPEB obligation	83	17,027					29
Other liabilities	254	7,417		4,209			
Compensated absences	213						214
Bonds payable				643,731		4,089	
Total noncurrent liabilities	<u>1,691</u>	<u>32,927</u>	<u>791</u>	<u>647,940</u>	<u>769</u>	<u>4,089</u>	<u>243</u>
Total liabilities	<u>2,849</u>	<u>46,477</u>	<u>861</u>	<u>706,900</u>	<u>845</u>	<u>5,052</u>	<u>969</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	1,170	104,650		37	534		6,294
Restricted for:							
Debt							
Other	25,601			358,371		(2,757)	918
Other nonexpendable							
Unrestricted		(16,513)	365	25,892	3,123		(1,067)
Total net assets	<u>\$ 26,771</u>	<u>\$ 88,137</u>	<u>\$ 365</u>	<u>\$ 384,300</u>	<u>\$ 3,657</u>	<u>\$ (2,757)</u>	<u>\$ 6,145</u>

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

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<u>TCCRI</u>	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 171	\$ 93,268	\$ 23,929	\$ 20,723	\$ 1,471	\$ 396,713
Investments	3,380					25,515
Receivables (net)	457	31,653	4,219	2,748	214	226,524
Restricted assets:						
Cash and cash equivalents	4	1,273				606,245
Investments	1,895					269,144
Receivables (net)				14		14
Other assets		506				38,720
Due from primary government					6,173	16,608
Due from other governments					303	2,568
Due from other component units						355
Inventories		2,326	562	632		10,350
Other assets	15	159	5	206		44,011
Total current assets	<u>5,922</u>	<u>129,185</u>	<u>28,715</u>	<u>24,323</u>	<u>8,161</u>	<u>1,636,767</u>
Noncurrent Assets:						
Investments		99,917		1,842		131,413
Receivables (net)		22,069	4,329	55		1,921,085
Restricted assets:						
Cash and cash equivalents		172	10,246	2,425		135,734
Investments			17,544			232,218
Receivables (net)						1,521,595
Other assets		83,331	699	770		199,252
Capital assets - nondepreciable		27,701	4,382	5,546		530,672
Capital assets - depreciable (net)	1	436,750	87,580	41,662	3,461	1,665,302
Due from other component units						3,427
Other assets, net of amortization		11,338	35			222,753
Total noncurrent assets	<u>1</u>	<u>681,278</u>	<u>124,815</u>	<u>52,300</u>	<u>3,461</u>	<u>6,563,451</u>
Total assets	<u>5,923</u>	<u>810,463</u>	<u>153,530</u>	<u>76,623</u>	<u>11,622</u>	<u>8,200,218</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	176	27,432	9,057	7,731	5,058	119,015
Due to primary government			756			1,473
Due to other component units						355
Due to other governments						212,999
Accrued liabilities						78
Deferred revenue	127	14,806	1,816	2,377		34,264
Other liabilities	552	3,249	8,803	5,318		334,258
Current portion of long-term debt		7,719	585	221	149	181,689
Total current liabilities	<u>855</u>	<u>53,206</u>	<u>21,017</u>	<u>15,647</u>	<u>5,207</u>	<u>884,131</u>
Noncurrent liabilities:						
Due to primary government			17,165			33,908
Due to other governments						371,130
Due to other component units						3,427
Deferred revenue						7,970
Notes payable			9	32		1,406
Loans payable		1,575				590,817
Obligations under capital leases		9,757		1,519	93	12,405
Net OPEB obligation		4,104	2,924	1,485	4,493	32,897
Other liabilities		12,725	4,047			129,229
Compensated absences		17,156	2,072	277	1,438	21,440
Bonds payable		252,517	21,873	2,100		3,679,407
Total noncurrent liabilities		<u>297,834</u>	<u>48,090</u>	<u>5,413</u>	<u>6,024</u>	<u>4,884,036</u>
Total liabilities	<u>855</u>	<u>351,040</u>	<u>69,107</u>	<u>21,060</u>	<u>11,231</u>	<u>5,768,167</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	1	287,723	61,603	40,049	3,332	1,240,443
Restricted for:						
Debt						373,506
Other	1,895	38,782	2,452	2,839	707	479,403
Other nonexpendable		75,914	14,976			92,904
Unrestricted	3,172	57,004	5,392	12,675	(3,648)	245,795
Total net assets	<u>\$ 5,068</u>	<u>\$ 459,423</u>	<u>\$ 84,423</u>	<u>\$ 55,563</u>	<u>\$ 391</u>	<u>\$ 2,432,051</u>

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

(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, 2010**  
**(Expressed in Thousands)**

	<u>RIHMFC</u>	<u>RISLA</u>	<u>RITBA</u>	<u>RIEDC</u>	<u>NBC</u>
<b>Operating revenues:</b>					
Charges for services	\$ 9,961	\$	\$ 17,217	\$ 59,180	\$ 71,736
Interest income on loans	87,650	38,868		724	
Investment income (net)	15,121	526			
Other operating income		1,379	745	3,473	38
Total operating revenues	<u>112,732</u>	<u>40,773</u>	<u>17,962</u>	<u>63,377</u>	<u>71,774</u>
<b>Operating expenses:</b>					
Personal services	12,515	3,563	2,687	24,636	18,767
Supplies, materials, and services	4,706	6,383	5,801	17,594	13,936
Interest expense	66,865	18,651			
Grants, scholarships and contract programs	9,335			525	
Depreciation, depletion and amortization	2,526	452	3,758	21,215	9,065
Other operating expenses	7,160	10,818		7,713	1,603
Total operating expenses	<u>103,107</u>	<u>39,867</u>	<u>12,246</u>	<u>71,683</u>	<u>43,371</u>
Operating income (loss)	<u>9,625</u>	<u>906</u>	<u>5,716</u>	<u>(8,306)</u>	<u>28,403</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue			1,304	5,545	48
Grants				12,811	280
Payments (to) from primary government				21,192	
Gain (loss) on sale of property				(213)	(15)
Interest expense			(1,058)	(18,144)	(10,820)
Investment income (net)					
Other nonoperating revenue (expenses)		7,916	(36)	(11,241)	259
Total nonoperating revenue (expenses)		<u>7,916</u>	<u>210</u>	<u>9,950</u>	<u>(10,248)</u>
Income (loss) before contributions	<u>9,625</u>	<u>8,822</u>	<u>5,926</u>	<u>1,644</u>	<u>18,155</u>
Capital contributions				17,679	4,906
Change in net assets	<u>9,625</u>	<u>8,822</u>	<u>5,926</u>	<u>19,323</u>	<u>23,061</u>
Total net assets - beginning as restated	<u>276,016</u>	<u>75,841</u>	<u>90,103</u>	<u>428,940</u>	<u>304,926</u>
Total net assets - ending	<u>\$ 285,641</u>	<u>\$ 84,663</u>	<u>\$ 96,029</u>	<u>\$ 448,263</u>	<u>\$ 327,987</u>

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

(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, 2010**  
**(Expressed in Thousands)**

	<u>RIHEBC</u>	<u>RIRRC</u>	<u>RIHEAA</u>	<u>RIPTA</u>	<u>RIIFC</u>
<b>Operating revenues:</b>					
Charges for services	\$ 2,159	\$ 45,224	\$ 19,602	\$ 26,641	\$ 62
Interest income on loans	122				
Investment income (net)					
Other operating income		3,560	200	1,055	4
Total operating revenues	<u>2,281</u>	<u>48,784</u>	<u>19,802</u>	<u>27,696</u>	<u>66</u>
<b>Operating expenses:</b>					
Personal services	1,038	11,604	2,714	72,060	
Supplies, materials, and services		18,476	9,108	20,276	130
Interest expense					
Grants, scholarships and contract programs		1,241	12,627		
Depreciation, depletion and amortization	12	11,024		9,484	
Other operating expenses	404	1,063		3,927	12
Total operating expenses	<u>1,454</u>	<u>43,408</u>	<u>24,449</u>	<u>105,747</u>	<u>142</u>
Operating income (loss)	<u>827</u>	<u>5,376</u>	<u>(4,647)</u>	<u>(78,051)</u>	<u>(76)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	8	1,735	323	42	
Grants			635	21,854	
Payments (to) from primary government	(1,500)		6,612	41,788	
Gain (loss) on sale of property	(2)	10		(198)	
Interest expense		(723)		(387)	
Investment income (net)	(3)				
Other nonoperating revenue (expenses)		3,467	120	3,383	125
Total nonoperating revenue (expenses)	<u>(1,497)</u>	<u>4,489</u>	<u>7,690</u>	<u>66,482</u>	<u>125</u>
Income (loss) before contributions	<u>(670)</u>	<u>9,865</u>	<u>3,043</u>	<u>(11,569)</u>	<u>49</u>
Capital contributions				25,166	
Change in net assets	<u>(670)</u>	<u>9,865</u>	<u>3,043</u>	<u>13,597</u>	<u>49</u>
Total net assets - beginning as restated	<u>9,512</u>	<u>59,275</u>	<u>23,728</u>	<u>74,540</u>	<u>316</u>
Total net assets - ending	<u>\$ 8,842</u>	<u>\$ 69,140</u>	<u>\$ 26,771</u>	<u>\$ 88,137</u>	<u>\$ 365</u>

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

(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, 2010**  
**(Expressed in Thousands)**

	<u>RICWFA</u>	<u>RIIRBA</u>	<u>RIWRBC</u>	<u>RIPTCA</u>	<u>TCCRI</u>
<b>Operating revenues:</b>					
Charges for services	\$	\$ 176	\$ 986	\$ 1,650	\$
Interest income on loans	16,880				
Investment income (net)	10,391				336
Other operating income	6,455			2,287	836
Total operating revenues	<u>33,726</u>	<u>176</u>	<u>986</u>	<u>3,937</u>	<u>1,172</u>
<b>Operating expenses:</b>					
Personal services	553			3,218	2,138
Supplies, materials, and services		137	31	132	52
Interest expense	28,153				3
Grants, scholarships and contract programs				135	1,156
Depreciation, depletion and amortization	448	15	106	653	7
Other operating expenses	2,879	11		1,596	452
Total operating expenses	<u>32,033</u>	<u>163</u>	<u>137</u>	<u>5,734</u>	<u>3,808</u>
Operating income (loss)	<u>1,693</u>	<u>13</u>	<u>849</u>	<u>(1,797)</u>	<u>(2,636)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue		13	54		
Grants	22,356				2,857
Payments (to) from primary government				1,001	528
Gain (loss) on sale of property					86
Interest expense			(233)	(7)	
Investment income (net)					
Other nonoperating revenue (expenses)			3		
Total nonoperating revenue (expenses)	<u>22,356</u>	<u>13</u>	<u>(176)</u>	<u>994</u>	<u>3,471</u>
Income (loss) before contributions	<u>24,049</u>	<u>26</u>	<u>673</u>	<u>(803)</u>	<u>835</u>
Capital contributions					
Change in net assets	<u>24,049</u>	<u>26</u>	<u>673</u>	<u>(803)</u>	<u>835</u>
Total net assets - beginning as restated	<u>360,251</u>	<u>3,631</u>	<u>(3,430)</u>	<u>6,948</u>	<u>4,233</u>
Total net assets - ending	<u>\$ 384,300</u>	<u>\$ 3,657</u>	<u>\$ (2,757)</u>	<u>\$ 6,145</u>	<u>\$ 5,068</u>

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

(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, 2010**  
**(Expressed in Thousands)**

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>CFSD</u>	<u>Totals</u>
<b>Operating revenues:</b>					
Charges for services	\$ 369,911	\$ 63,382	\$ 32,021	\$ 1,151	\$ 721,059
Interest income on loans					144,244
Investment income (net)					26,374
Other operating income	3,598	23,578	34,721	12	81,941
Total operating revenues	<u>373,509</u>	<u>86,960</u>	<u>66,742</u>	<u>1,163</u>	<u>973,618</u>
<b>Operating expenses:</b>					
Personal services	259,188	90,496	89,112	43,692	637,981
Supplies, materials, and services	116,384	25,558	9,744	11,050	259,498
Interest expense					113,672
Grants, scholarships and contract programs	20,949	6,019	6,026		58,013
Depreciation, depletion and amortization	22,693	5,528	3,285	259	90,530
Other operating expenses	7,792		136		45,566
Total operating expenses	<u>427,006</u>	<u>127,601</u>	<u>108,303</u>	<u>55,001</u>	<u>1,205,260</u>
Operating income (loss)	<u>(53,497)</u>	<u>(40,641)</u>	<u>(41,561)</u>	<u>(53,838)</u>	<u>(231,642)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	20,932			7	30,011
Grants		2,229		12,250	75,272
Payments (to) from primary government	79,789	37,654	42,720	42,224	272,008
Gain (loss) on sale of property					(332)
Interest expense	(8,772)	(1,564)	(119)		(41,827)
Investment income (net)	(1,420)	1,525	202		304
Other nonoperating revenue (expenses)	25,164	(418)	569		29,311
Total nonoperating revenue (expenses)	<u>115,693</u>	<u>39,426</u>	<u>43,372</u>	<u>54,481</u>	<u>364,747</u>
Income (loss) before contributions	<u>62,196</u>	<u>(1,215)</u>	<u>1,811</u>	<u>643</u>	<u>133,105</u>
Capital contributions		4,263	2,453		54,467
Change in net assets	<u>62,196</u>	<u>3,048</u>	<u>4,264</u>	<u>643</u>	<u>187,572</u>
Total net assets - beginning as restated	<u>397,227</u>	<u>81,375</u>	<u>51,299</u>	<u>(252)</u>	<u>2,244,479</u>
Total net assets - ending	<u>\$ 459,423</u>	<u>\$ 84,423</u>	<u>\$ 55,563</u>	<u>\$ 391</u>	<u>\$ 2,432,051</u>

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

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## Note 1. Summary of Significant Accounting Policies

### A. Basis of Presentation

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

### B. Reporting Entity

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

#### Blended Component Units

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

##### *Rhode Island Convention Center Authority (RICCA)*

This authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence. RICCA is responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veteran's Memorial Auditorium Arts and Cultural Center located in Providence. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One West Exchange Street, Dome Building, 3<sup>rd</sup> Floor, Providence, RI 02903.

##### *Rhode Island Refunding Bond Authority (RIRBA)*

This authority was created by law for the purpose of loaning money to the State to provide funds to pay, redeem, or retire certain general obligation bonds. In fiscal 1998, the State abolished the R.I. Public Buildings Authority (RIPBA) and assigned the responsibility for managing RIPBA's outstanding debt to the RIRBA. RIPBA was previously reported as a blended component unit. The RIRBA is authorized to issue bonds. Even though it is legally separate, the RIRBA is reported as if it were part of the primary government because it provides services entirely to the primary government. All remaining obligations of the RIRBA were retired during fiscal 2010. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Investment Officer, Office of General Treasurer, 40 Fountain Street, Providence, RI 02903.

#### *Tobacco Settlement Financing Corporation (TSFC)*

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

#### *Rhode Island Public Rail Corporation (RIPRC)*

This corporation was created and established for the purpose of enhancing and preserving the viability of commuter rail operations in the State. Separately issued financial statements are not available for the RIPRC.

### **Discretely Presented Component Units**

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. The State does not distinguish between major and non-major component units and includes the combining statement for the discretely presented component units as part of the basic financial statements. Discretely presented component units are:

#### *University and Colleges*

The Board of Governors for Higher Education has oversight responsibility for the University of Rhode Island, Rhode Island College and the Community College of Rhode Island. The Board is appointed by the Governor with approval of the Senate. The university and colleges are funded through State appropriations, tuition, federal grants, private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805. The financial statements can also be viewed at [www.ribghe.org](http://www.ribghe.org).

#### *Central Falls School District*

The Rhode Island General Assembly passed an act which established the Central Falls School District. This act provided for the State to assume administrative responsibility for the School District effective July 1, 1991. Chapter 16-2 of the R.I. General Laws established a seven member Board of Trustees, which governs the School District and has the powers and duties of a School Committee. The District's purpose 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, or at [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org).

*Rhode Island Student Loan Authority (RISLA)*

This authority, established in 1981, was created in order to provide a statewide student loan program through the acquisition of student loans. It has the power to issue bonds and notes, payable solely from its revenues. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Student Loan Authority, 560 Jefferson Boulevard, Warwick, RI 02886, or at [www.risla.com](http://www.risla.com).

*Rhode Island Turnpike and Bridge Authority (RITBA)*

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

*Rhode Island Economic Development Corporation (RIEDC)*

This corporation was created in 1995, and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State, so as to promote economic development. It has the power to issue tax-exempt industrial development bonds to accomplish its corporate purpose. The RIEDC has four subsidiary corporations. The R. I. Airport Corporation manages the State's six airports. The Quonset Development Corporation oversees the Quonset Point/Davisville Industrial Park. In addition, the RIEDC operates the Small Business Loan Fund Corporation and the R.I. Economic Policy Council. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.riedc.com](http://www.riedc.com).

*Narragansett Bay Commission (NBC)*

This commission was created for the purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities. NBC receives contributed capital from the State to upgrade its facilities. For more detailed information, a copy of the financial statements can be obtained by writing to the Narragansett Bay Commission, 1 Service Road, Providence, RI 02905, or at [www.narrabay.com](http://www.narrabay.com).

*Rhode Island Health and Educational Building Corporation (RIHEBC)*

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

*Rhode Island Resource Recovery Corporation (RIRRC)*

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

*Rhode Island Higher Education Assistance Authority (RIHEAA)*

This authority was created by law in 1977 for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post secondary student assistance. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Higher Education Assistance Authority, 560 Jefferson Boulevard, Warwick, RI 02886, or at [www.riheaa.org](http://www.riheaa.org).

*Rhode Island Public Transit Authority (RIPTA)*

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

*Rhode Island Industrial Facilities Corporation (RIIFC)*

The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale by RIIFC of its projects. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and, accordingly, have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.riedc.com](http://www.riedc.com).

*Rhode Island Clean Water Finance Agency (RICWFA)*

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

*Rhode Island Industrial-Recreational Building Authority (RIIRBA)*

This authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.riedc.com](http://www.riedc.com).

*Rhode Island Water Resources Board Corporate (RIWRBC)*

This board was created by law to foster and guide the development of water resources, including the establishment of water supply facilities, and to lease these facilities to cities, towns, districts, and other municipal, quasi-municipal or private corporations engaged in the water supply business in the State. RIWRBC is authorized to issue revenue bonds which are payable solely from revenues generated by the lease of its facilities or the sale of water. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Water Resources Board Corporate, 235 Promenade Street, Providence, RI 02908.

*Rhode Island Public Telecommunications Authority (RIPTCA)*

This authority owns and operates a non-commercial educational television station in the State. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Public Telecommunications Authority, 50 Park Lane, Providence, RI 02907-3124, or at [www.ripbs.org](http://www.ripbs.org).

*The College Crusade of Rhode Island (TCCRI)*

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

### C. Financial Statement Presentation

#### Government-wide Financial Statements

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

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

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

**Restricted net assets** – This category represents the portion of net assets whose use is subject to constraints that are either a) imposed externally by creditors, grantors or contributors, or b) imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** - This category represents net assets that do not meet the definition of the two preceding categories. The use of unrestricted net assets is often subject to constraints imposed by management, but such constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The State includes certain centralized services charged through internal service funds as direct expenses by charging these amounts directly to departments and programs. The State does not allocate indirect costs amongst the functional expenditure categories.

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

#### Fund Financial Statements

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

The State reports the following fund types:

### Governmental Fund Types

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

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

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

### Proprietary Fund Types

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

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

### Fiduciary Fund Types

*Pension 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, assets pledged to the State as required by statute, and health insurance for certain retirees.

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

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

Since the activity of the **Intermodal Surface Transportation Fund (IST)** 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.

## Major Funds

### Governmental funds:

#### *General Fund*

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

#### *Intermodal Surface Transportation Fund*

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

#### *GARVEE Fund*

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

#### *Bond Capital Fund*

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

### Proprietary funds:

#### *State Lottery Fund*

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

#### *Rhode Island Convention Center Authority (RICCA)*

This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence on behalf of the State. RICCA is responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veteran's Memorial Auditorium Arts and Cultural Center located in Providence.

#### *Employment Security Fund*

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

## D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available, i.e., earned and collected within the next 12 months. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Significant sources of tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and business corporation taxes), as sales are made (sales and use taxes) and as other taxable events occur (miscellaneous taxes), net of estimated tax

refunds. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

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

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

The State's enacted budget designates the source of funds for expenditures. When a type of expenditure is allocable to multiple funding sources, generally the State uses restricted resources first, then unrestricted resources as they are needed.

### E. Cash and Cash Equivalents

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

Except for certain internal service funds, the State does not pool its cash deposits. For those internal service funds that pool cash, each fund reports its share of the cash on the Statement of Net Assets.

### F. Funds on Deposit with Fiscal Agent

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

### G. Investments

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

### H. Receivables

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

### I. Due From Other Governments and Agencies

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

### J. Interfund Activity

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

The Due From/(To) Other Funds are reported at the net amount on the fund financial statements. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of

expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

### K. Inventories

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

### L. Capital Assets

Capital assets, which include land, intangible assets not being amortized, construction in progress, land improvements, buildings, building improvements, furniture and equipment (which also includes subcategories for vehicles and computer systems), depreciable intangibles (computer software), and infrastructure (e.g., roads, bridges, dams, piers) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Intangible assets not being amortized consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

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

Asset Category	Capitalization Thresholds	Estimated Useful Lives
Capital Assets (Depreciable)		
Land improvements	\$1 million	20 years
Buildings	\$1 million	20 - 50 years
Building Improvements	\$1 million	10 - 20 years
Furniture and equipment	\$5,000	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 asset lives are not capitalized. Interest incurred during the construction of capital facilities is not capitalized.

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

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

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

### M. Bonds Payable

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, bond discounts, premiums, and issuance costs are recognized in the current period. In the government-wide

financial statements, bond discounts, premiums, issuance costs and deferred amounts on refundings are deferred and amortized over the term of the bonds using the outstanding principal method.

For proprietary fund types and component units, bond discounts, premiums, deferred amounts on refundings, discounts, and issuance costs are generally deferred and amortized over the term of the bonds using the straight-line method for issuance costs and the interest method for premiums and discounts. Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred bond issuance costs are included in other assets.

#### N. Obligations under Capital Leases

The construction and acquisition of certain office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds and notes issued by a trustee pursuant to a lease/purchase agreement with the State (See Note 6(E)).

#### O. Compensated Absences

Vacation pay may be discharged, subject to limitations as to carry-over from year to year, by future paid leave or by cash payment upon termination of service. Sick pay may be discharged by payment for an employee's future absence caused by illness or, to the extent of vested rights, by cash payment upon death or retirement. In addition, an additional category of leave obligation has been established as a result of pay reductions taken by certain classes of employees. For governmental fund types, such obligations are recognized when paid. For proprietary fund types, they are recorded as fund liabilities when earned.

#### P. Other Liabilities

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

#### Q. Fund Balances

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

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

#### R. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2010, the State adopted the following new accounting standards issued by GASB:

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*

GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*

GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 53 modified note disclosures about derivative instruments reported in the State's fiduciary funds. Due to the fact that the State was already reporting its investment in intangible assets, the adoption of other recently issued accounting standards did not have a significant impact on the State's financial statements and disclosures.

The State will adopt the following new pronouncements in the fiscal year ending June 30, 2011:

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 59 – *Financial Instruments Omnibus*.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires, within the governmental funds, that fund balance be reorganized to include identifications of amounts that are

considered nonspendable, such as fund balance associated with inventories and permanent funds. Additional classifications of restricted, committed, assigned and unassigned amounts will be used based on the relative strength of the constraints that control how specific amounts can be spent. Restricted fund balances are those that can only be spent on specific purposes stipulated by constitution, external resource providers or through enabling statute. Committed balances are those that can be used only for actions authorized by the State's highest level of decision-making authority. Assigned balances are to be used for specific purposes, but are not restricted or committed. Unassigned fund balances will only be shown in the General Fund and will be those that are not restricted, committed, or assigned. The effect of implementing this statement will be a reorganization of the fund balance section of the balance sheet for the governmental funds only and additional disclosure in the notes to the basic financial statements.

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

The State will adopt the following new pronouncement in the fiscal year ending June 30, 2012:

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

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

## S. Change in Presentation

The Bond Capital Fund, a capital projects fund, met the criteria of a major fund in fiscal year 2010.

The State has elected to include the combining statements for the discretely presented component units as part of the basic financial statements for fiscal year 2010.

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

### A. Primary Government-Governmental and Business Type Activities

#### Cash Deposits

At June 30, 2010, the carrying amount of the State's cash deposits was \$214,973,000 and the bank balance was \$246,766,000. The bank balances include demand deposit accounts, interest-bearing deposit accounts, and certificates of deposit. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name.

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

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2010 pursuant to this statutory provision. However, the Office of the General Treasurer instituted a collateralization requirement for institutions holding the State's deposits during FY2009. It was further developed into a formal policy, renewable annually, and adopted by the State's Investment Commission in FY2010. Financial institutions are required to pledge collateral equal to 102% of the collected balance of deposits. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments are required to be collateralized at 102% of the outstanding balance.

The following summarizes the State's exposure to custodial credit risk (expressed in thousands) for deposits at June 30, 2010 within the governmental and business type activities:

Bank balance	\$ 246,766
Bank balance insured by federal depository insurance or collateralized by securities held by an independent third party custodian in the State's name	168,557
Bank balance collateralized by securities held by an independent third party custodian but not in the State's name	67,553
Uninsured and uncollateralized balance	<u>\$ 10,656</u>

The uninsured or uncollateralized bank balance of \$10,656,000 consisted of the uncollected bank balances of the primary government. As of October 2010 the uncollected bank balances of the primary government are also collateralized.

### Cash Equivalent Investments and Investments

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

Short-term cash equivalent type investments are made by the General Treasurer in accordance with guidelines established by the Commission. Investments of certain blended component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing body.

Of the State's investments equaling \$72,061,000, the Tobacco Settlement Financing Corporation, a non-major governmental fund, has restricted investments totaling \$71,895,000.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: a. the counterparty, or b. the counterparty's trust department or agent but not in the government's name. Pursuant to guidelines established by the SIC, securities purchased or underlying collateral are required to be delivered to an independent third party custodian.

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

The State's investments (expressed in thousands) at June 30, 2010 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Agency Securities	\$ 17,472	\$ 17,472	\$ 0	\$ 0	\$ 0
Money Market Mutual Funds	309,287	309,287	0	0	0
Commercial Paper	52,527	52,527	0	0	0
Repurchase Agreements	1,562	1,562	0	0	0
	<u>380,848</u>	<u>\$ 380,848</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	(166)	Investments			
	<u>(71,895)</u>	Restricted investments			
	308,787	Cash equivalents			
	214,973	Cash deposits			
	<u>\$ 523,760</u>	Total cash and cash equivalents			
		<u>Statement of Net Assets</u>			
	\$ 510,599	Cash and cash equivalents			
	13,161	Restricted cash and cash equivalents			
	<u>\$ 523,760</u>	Total cash and cash equivalents			

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by the State's minimum rating criteria policy, collateralization requirements, and the fact that maximum participation by any one issuer is limited to 35% of the total portfolio. Credit risk policies have been developed for investments in commercial paper.

As of June 30, 2010, information about the State's exposure to credit risk for investments (expressed in thousands) is as follows:

Issuer	Fair Value	Type of Investment	S & P Rating	Average Maturities in Days
<b>US Government Agencies</b>				
Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 17,472		AAA	
<b>Money Market Funds</b>				
Black Rock Liquidity Funds: Fed Fund	71,742	Money Market	AAAm	42
Dreyfus Govt Cash Management	13,709	Money Market	AAAm	51
Fidelity Institutional Money Market Funds Gvt. Port Class I	221,773	Money Market	AAAm	25
Goldman Sachs Treasury Investment	2	Money Market	AAA m-G	52
Wells Fargo Advantage 100% Treasury Plus	2,060	Money Market	AAAm	54
<b>Commercial Paper</b>				
Silver Tower US Funding	52,527	Commercial Paper	A-1	
	<u>TOTAL \$ 379,285</u>			

### Funds on Deposit with Fiscal Agent

Investments within the category – Funds on deposit with fiscal agent – are governed by specific trust agreements entered into at the time of the issuance of the debt. The trust agreements outline the specific permitted investments, including any limitations on credit quality and concentrations of credit risk.

The State's funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2010 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Agency Securities	\$ 64,029	\$ 48,433	\$ 15,596	\$ 0	\$ 0
Money Market Mutual Funds	180,975	180,975	0	0	0
Investment Contracts	4,760	4,760	0	0	0
Funds on deposit with fiscal agent	<u>\$ 249,764</u>	<u>\$ 234,168</u>	<u>\$ 15,596</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Issuer	Fair Value	S & P Rating	Average Maturities in Days
<b>US Government Agencies</b>			
Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 14,672	AAA	
Federal Home Loan Bank (FHLBank)	42,899	AAA	
Federal National Mortgage Association (Fannie Mae)	6,458	AAA	
<b>Money Market Funds</b>			
Dreyfus Treasury Prime Cash Management Fund	19,982	AAAm-G	51
Federated Govt. Obligation Tax Managed Fund	26,837	AAAm	44
Fidelity Institutional Money Market Funds Gvt. Port Class III	128,467	AAAm	25
JP Morgan US Govt. Money Market Fund Agency Class	2,426	AAAm	41
Wells Fargo Advantage 100% Treasury Money Market Fund	3,262	AAAm-G	50
JP Morgan 100% US Treasury Securities Money Market Fund	1	AAAm-G	34
<b>Investment Contracts</b>			
FSA Capital Management GIC	4,760		
	<u>TOTAL \$ 249,764</u>		

## B. Concentration of Credit Risk

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

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

Type	Issuer	Amount	Percentage
US Government Agencies	Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 32,144	5.11%
US Government Agencies	Federal Home Loan Bank (FHLBank)	42,899	6.82%
Money Market Funds	Black Rock Liquidity Funds: Fed Fund	71,742	11.40%
Money Market Funds	Fidelity Institutional Money Market Funds Gvt. Port Class I	221,773	35.26%
Money Market Funds	Fidelity Institutional Money Market Funds Gvt. Port Class III	128,467	20.42%
Commercial Paper	Silver Tower US Funding	52,527	8.35%

## C. Pension Trusts

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

### Cash Deposits and Cash Equivalents

At June 30, 2010, the carrying amount of the ERS cash deposits was \$4,963,000 and the bank balance was \$7,372,000. The bank and book balances represent the plans' deposits in short-term trust accounts which include demand deposit accounts and interest-bearing, collateralized bank deposit accounts. Of the bank balance, the entire amount is covered by federal depository insurance and is also fully collateralized.

Cash equivalent type investments consist of money market mutual funds totaling \$2,101,003. The money market mutual fund (BlackRock Liquidity Funds: FedFund (Institutional Shares)) is invested in a portfolio of U.S. Treasury bills, notes and obligations guaranteed by the U.S. government and its agencies and instrumentalities and repurchase agreements are fully collateralized by such obligations. The fund was rated AAAM by Standard & Poors and had an average maturity of 42 days at June 30, 2010.

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, 2010. However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts.

## Investments

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

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

The following table presents the fair value of investments by type that are held within the Pooled Trust at June 30, 2010 (expressed in thousands):

Investment Type	Fair Value
Cash Deposits	\$ 13,910
Money Market Mutual Fund	718,501
U.S. Government Securities	497,740
U.S. Government Agency Securities	443,964
Collateralized Mortgage Obligations	22,897
Corporate Bonds	702,459
Domestic Equity Securities	65,997
International Equity Securities	8,796
Commingled Funds - Domestic Equity	2,147,314
Commingled Funds - International Equity	1,094,165
Private Equity	631,263
Real Estate	
Limited Partnership	99,927
Commingled Funds	95,358
Real Estate Investment Trusts	46,687
	\$ 6,588,978
Net investment receivable (payable)	(76,505)
Total	\$ 6,512,473

Consistent with a target asset allocation model adopted by the State Investment Commission, the ERS directs its investment managers to maintain well diversified portfolios by sector, credit rating and issuer using the prudent person standard, which is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

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

## Interest Rate Risk

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

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

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

At June 30, 2010, no fixed income manager was outside of the policy guidelines.

The following table shows the ERS's fixed income investments by type, fair value and the effective duration at June 30, 2010 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 497,740	3.66
U.S. Government Agency Securities	443,964	2.78
Collateralized Mortgage Obligations	22,897	3.68
Corporate Bonds	702,459	5.59
Total Fixed Income	\$ 1,667,060	4.23

The ERS also invested in a short-term money market mutual fund (State Street Bank Institutional Liquid Reserves) that held investments with an average maturity of 29 days.

The ERS invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only (PO) strips. They are reported in U.S. Government Agency Securities and Collateralized Mortgage Obligations in the table above. CMO's are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

The ERS may invest in interest-only (IO) and principal-only strips (PO) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a

decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

### Credit Risk

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

The ERS's exposure to credit risk as of June 30, 2010 is as follows (expressed in thousands):

Quality Rating (1)	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds
Aaa	\$ 12,831	\$ 443,964	\$ 118,586
Aa	1,363		56,023
A	2,882		150,764
Baa	3,068		200,149
Ba	5		61,924
B	2,266		71,098
Caa	415		15,586
Ca			190
C			
D			511
Not rated	67		27,628
Fair Value	\$ 22,897	\$ 443,964	\$ 702,459

(1) Moody's Investors Service

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

### Concentration of Credit Risk

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

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ERS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2010 all securities were registered in the name of the ERS (or in the nominee name of its custodial agent) and were held in the possession of the ERS's custodial bank, State Street Bank and Trust.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk and the ERS's investment asset allocation policy targets non-US equity investments at 17.50%. The ERS may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. The ERS's exposure to foreign currency risk at June 30, 2010 (expressed in thousands), was as follows:

Currency	Commingled Fund	Equities	Private Equity	Total
Australian Dollar	\$ 59,494	\$	\$	\$ 59,494
Brazilian Real	38,511			38,511
Canadian Dollar	84,468	250	17,899	102,617
Chilean Peso	3,875			3,875
Colombian Peso	1,967			1,967
Czech Koruna	963			963
Danish Krone	7,580			7,580
Egyptian Pound	1,262			1,262
Euro Currency	218,642		81,279	299,921
Hong Kong Dollar	66,760	4,844		71,604
Hungarian Forint	1,106			1,106
Indian Rupee	21,268			21,268
Indonesian Rupiah	6,079	866		6,945
Israeli Shekel	6,362			6,362
Japanese Yen	171,042			171,042
Malaysian Ringitt	7,475			7,475
Mexican Peso	11,203			11,203
Moroccan Dirham	380			380
New Taiwan Dollar	27,218			27,218
New Zealand Dollar	672			672
Norwegian Krone	5,402			5,402
Philippine Peso	1,221			1,221
Polish Zloty	3,224			3,224
Pound Sterling	153,330			153,330
Singapore Dollar	12,779			12,779
South African Rand	18,365			18,365
South Korean Won	34,244	2,836		37,080
Swedish Krona	21,482		98	21,580
Swiss Franc	59,185			59,185
Thailand Dollar	3,904			3,904
Turkish Lira	4,106			4,106
Total	\$ 1,053,569	\$ 8,796	\$ 99,276	\$ 1,161,641
US Dollar	40,596			
Commingled Fund	\$ 1,094,165			

## Derivatives and Other Similar Investments

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

The ERS's derivative investments include forward foreign currency transactions, futures contracts, options, securities purchased prior to issuance, and short sales. The ERS enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain exposure to a specific market, or mitigate specific risks. According to investment policy guidelines, derivative type instruments may be used for hedging purposes and not for leveraging plan assets.

**Forward foreign currency contracts** – The ERS enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. A currency forward is a contractual agreement to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. These contracts involve risk in excess of the amount reflected in the ERS's Statements of Fiduciary Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the ERS has in that particular currency contract. The U.S. dollar value of forward foreign currency

contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

**Futures contracts** – The ERS uses futures to manage its exposure to the domestic and international equity, money market, and bond markets and the fluctuations in interest rates and currency values. Futures are also used to obtain target market exposures in a cost effective manner and to narrow the gap between the ERS’s actual physical exposures and the target policy exposures. Using futures contracts in this fashion is designed to reduce (or hedge) the risk of the actual plan portfolio deviating from the policy portfolio more efficiently than by using physical securities. The program is only used to manage intended exposures and asset allocation rebalancing.

Buying futures tends to increase the ERS’s exposure to the underlying instrument. Selling futures tends to decrease the ERS’s exposure to the underlying instrument, or hedge other ERS investments. Losses may arise from changes in the value of the underlying instruments and if there is an illiquid secondary market for the contracts.

Through commingled funds, the ERS also indirectly holds derivative type instruments, primarily equity index futures.

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

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

The ERS may sell a security in anticipation of a decline in the fair value of that security or to lessen the portfolio allocation of an asset class. Short sales may increase the risk of loss to the ERS when the price of a security underlying the short sale increases and the ERS is obligated to deliver the security in order to cover the position.

The following summarize the ERS's exposure to specific derivative investments at June 30, 2010 (expressed in thousands).

Investment Derivative Instruments	Change in fair value included in investment income	Fair value at June 30, 2010	Notional amount
Equity options written	\$ 89	\$ -	\$ -
Fixed income futures - long	12,862	1,544	171,014
Fixed income futures - short	79	-	-
Foreign currency forward contracts	5,151	457	(A)
Index futures - long	16,386	(66)	2,109
Index futures - short	4,965	1,557	58,740
"To-be announced" securities - long	5,878	1,162	118,250
"To-be announced" securities - short	46	(50)	(8,400)
Warrants	(38)	24	325
	\$ 45,418	\$ 4,628	

(A) - Foreign Currency Forward Contracts

Pending receivable	\$ 42,434
Pending payable	(41,977)
Foreign currency forward contract asset (liability)	\$ 457

The ERS is exposed to credit risk on derivative instruments that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2010 was \$477,604. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

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

## Securities Lending

At June 30, 2010, the ERS had indirect exposure to securities lending activity through participation in a commingled fund. The commingled fund participates in a securities lending program administered by a related party of the manager of the commingled fund. During fiscal 2009, the commingled fund manager imposed withdrawal restrictions from the commingled fund due to market conditions which adversely impacted its securities lending collateral pool. The restrictions generally limited withdrawals from the lending fund to no more than 4% of the participant balance per month. The State Investment Commission has authorized withdrawals from the lending commingled fund to be reinvested in a similar non-lending commingled fund consistent with the limitations imposed by the commingled fund manager. The ERS's investment at June 30, 2010 in the commingled fund which participates in securities lending activity was \$653,366,538. In August 2010, the commingled fund manager removed the withdrawal restrictions and in November 2010, the ERS completed its conversion of units from the lending commingled fund to a similar non-lending commingled fund.

#### D. Private Purpose Trust

The private purpose trust (Touro Jewish Synagogue) had investments of \$1,821,000 in the Fidelity Balanced Fund.

#### E. Agency Funds

At June 30, 2010, the carrying amount of the State's cash deposits within the agency funds was \$29,593,000 and the bank balance was \$17,793,000. The bank balances include demand deposit accounts and interest-bearing deposit accounts. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name.

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

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2010 pursuant to this statutory provision. However, the Office of the General Treasurer instituted a collateralization requirement for institutions holding the State's deposits during FY2009. It was further developed into a formal policy, renewable annually, and adopted by the State's Investment Commission in FY2010. Financial institutions are required to pledge collateral equal to 102% of the collected balance of deposits. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments are required to be collateralized at 102% of the outstanding balance.

The following summarizes the State's exposure to custodial credit risk for deposits at June 30, 2010 within the agency funds (in thousands):

Bank balance	\$ 17,793
Bank balance insured by federal depository insurance or collateralized by securities held by an independent third party custodian	17,312
Uninsured and uncollateralized balance	<u>\$ 481</u>

Investments (classified as cash equivalents) within the agency funds totaled \$11,800,000 and consisted of a money market fund – Fidelity Institutional Money Market Funds–Government Portfolio Class I rated AAAM by Standard and Poors Investors Service with an average maturity of 25 days.

### Note 3. Receivables

Receivables at June 30, 2010 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Due from Other Governments and Agencies	Notes and Loans	Other Receivables	Total
Governmental receivables	\$ 388,989	\$ 278,039	\$ 251,891	\$ 1,000	\$ 13	\$ 919,932
Business-type activity receivables	66,425	20,328				86,753
Less: allowance for uncollectibles	93,140	109,668				202,808
Receivables, net of allowance for uncollectibles	362,274	188,699	251,891	1,000	13	803,877
Less: current portion:						
Governmental activities	289,246	171,844	243,582	1,000	13	705,685
Business-type activities	64,270	7,234	3,189			74,693
Noncurrent receivables	\$ 8,758	\$ 9,621	\$ 5,120	\$	\$	\$ 23,499

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

Intra-entity receivables and payables as of June 30, 2010 are the result of ongoing operations and are expected to be reimbursed within the subsequent fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable
<b>Governmental Funds</b>		
<b>Major Funds</b>		
General	\$ 5,586	\$
Intermodal Surface Transportation	6,282	
Bond Capital		6,280
GARVEE		887
<b>Other</b>		
Coastal Resources Management Council Dredge	12	
RI Temporary Disability Insurance		870
RI Capital Plan		2,430
RI Clean Water Environmental	1,998	
Certificates of Participation	847	
Total Other	2,857	3,300
Total Governmental	14,725	10,467
<b>Proprietary Funds</b>		
<b>Enterprise</b>		
RI Lottery		1,771
Employment Security Trust		327
Total Enterprise		2,098
<b>Internal Service</b>	194	2,354
<b>Totals</b>	\$ 14,919	\$ 14,919

In addition, at June 30, 2010, amounts totaling \$34.5 million representing employer retirement contributions were recorded in the Employer Pension Contribution Fund (an agency fund) and the General Fund. In the Employer Contribution Fund, \$19.1 million was classified as deposits held for others. The remaining \$15.4 million was recorded as accounts payable in the General Fund at year-end. These amounts were paid to the Employees' Retirement System in August 2010 and October 2010, respectively.

## Note 5. Capital Assets

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

### Primary Government

#### Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land *	\$ 344,042	\$ 5,102	\$ (154)	\$ 348,990
Works of Art	314	108		422
Intangibles	145,180	5,896		151,076
Construction in progress	494,250	224,400	(130,517)	588,133
Total capital assets not being depreciated or amortized	<u>983,786</u>	<u>235,506</u>	<u>(130,671)</u>	<u>1,088,621</u>
Capital assets being depreciated or amortized:				
Land improvements	3,700			3,700
Buildings	577,823	5,668	(712)	582,779
Building Improvements	208,342	2,266		210,608
Furniture and equipment	230,558	11,515	(6,846)	235,227
Intangibles	8,428	3,558		11,986
Infrastructure	2,509,729	193,943		2,703,672
Total capital assets being depreciated or amortized	<u>3,538,580</u>	<u>216,950</u>	<u>(7,558)</u>	<u>3,747,972</u>
Less accumulated depreciation or amortization for:				
Land improvements	3,077	157		3,234
Buildings **	177,813	11,596	(349)	189,060
Building Improvements **	152,017	7,455		159,472
Furniture and equipment	188,272	18,097	(6,165)	200,204
Intangibles	4,783	1,831		6,614
Infrastructure	1,141,276	88,228		1,229,504
Total accumulated depreciation or amortization	<u>1,667,238</u>	<u>127,364</u>	<u>(6,514)</u>	<u>1,788,088</u>
Total capital assets being depreciated or amortized, net	<u>1,871,342</u>	<u>89,586</u>	<u>(1,044)</u>	<u>1,959,884</u>
Governmental activities capital assets, net	<u>\$ 2,855,128</u>	<u>\$ 325,092</u>	<u>\$ (131,715)</u>	<u>\$ 3,048,505</u>

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

\*\* Certain beginning balances have been reclassified by category.

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

General government	\$ 8,975
Human services	7,914
Education	2,807
Public safety	11,663
Natural resources	3,570
Transportation	92,435
Total depreciation or amortization expense - governmental activities	<u>\$ 127,364</u>

**Business-type activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 45,558	\$	\$	\$ 45,558
Construction in progress	412	1,602	(1,365)	649
Total capital assets not being depreciated	<u>45,970</u>	<u>1,602</u>	<u>(1,365)</u>	<u>46,207</u>
Capital assets being depreciated:				
Buildings	233,047	1,094	(55)	234,086
Machinery and equipment	22,407	892	(356)	22,943
Total capital assets being depreciated	<u>255,454</u>	<u>1,986</u>	<u>(411)</u>	<u>257,029</u>
Less accumulated depreciation	96,142	11,219	(408)	106,953
Total capital assets being depreciated, net	<u>159,312</u>	<u>(9,233)</u>	<u>(3)</u>	<u>150,076</u>
Business-type activities capital assets, net	<u>\$ 205,282</u>	<u>\$ (7,631)</u>	<u>\$ (1,368)</u>	<u>\$ 196,283</u>

**Discretely Presented Component Units**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 107,782	\$ 5,730	\$ (956)	\$ 112,556
Construction in progress	561,764	170,543	(314,441)	417,866
Other	250			250
Total capital assets not being depreciated or amortized	<u>669,796</u>	<u>176,273</u>	<u>(315,397)</u>	<u>530,672</u>
Capital assets being depreciated or amortized:				
Buildings	1,492,513	44,943	(4,411)	1,533,045
Land improvements	178,530	5,178		183,708
Machinery and equipment	303,871	26,014	(16,016)	313,869
Intangibles	4,100			4,100
Infrastructure	375,194	267,789		642,983
Total capital assets being depreciated or amortized	<u>2,354,208</u>	<u>343,924</u>	<u>(20,427)</u>	<u>2,677,705</u>
Less accumulated depreciation or amortization for:				
Buildings	550,687	51,773	(4,575)	597,885
Land improvements	102,409	8,260		110,669
Machinery and equipment	196,162	16,950	(15,060)	198,052
Intangibles	1,435	820		2,255
Infrastructure	93,879	9,663		103,542
Total accumulated depreciation or amortization	<u>944,572</u>	<u>87,466</u>	<u>(19,635)</u>	<u>1,012,403</u>
Total capital assets being depreciated or amortized, net	<u>1,409,636</u>	<u>256,458</u>	<u>(792)</u>	<u>1,665,302</u>
Total capital assets, net	<u>\$ 2,079,432</u>	<u>\$ 432,731</u>	<u>\$ (316,189)</u>	<u>\$ 2,195,974</u>

## Note 6. Long-Term Liabilities

### A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are presented in the following table.

<b>Long-term Liabilities</b> (Expressed in Thousands)						
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due Thereafter</b>
<b>Governmental Activities</b>						
<i>Bonds Payable</i>						
General obligation bonds (see section B)	\$ 1,036,189	\$ 223,625	\$ (141,784)	\$ 1,118,030	\$ 68,630	\$ 1,049,400
RIEDC Grant Anticipation Bonds	427,425		(26,910)	400,515	28,205	372,310
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	81,125		(3,480)	77,645	3,585	74,060
Revenue bonds - RIRBA	6,040		(6,040)			
Tobacco Settlement Asset-Backed Bonds	822,441		(14,710)	807,731		807,731
Accreted interest on TSFC bonds	23,877	13,492		37,369		37,369
Historic Tax Credit Bonds	150,000		(14,805)	135,195	14,375	120,820
Net unamortized premium/discount	30,004	9,838	(11,182)	28,660		28,660
Deferred amount on refunding	(4,315)	(4,030)	1,093	(7,252)		(7,252)
Bonds Payable, net	<u>2,572,786</u>	<u>242,925</u>	<u>(217,818)</u>	<u>2,597,893</u>	<u>114,795</u>	<u>2,483,098</u>
<i>Obligation under capital leases (see section E)</i>						
Obligation under capital leases	269,340		(24,535)	244,805	20,760	224,045
Net unamortized premium/discount	7,111		(1,086)	6,025		6,025
Deferred amount on refunding	(1,758)		291	(1,467)		(1,467)
Obligation under capital leases, net	<u>274,693</u>		<u>(25,330)</u>	<u>249,363</u>	<u>20,760</u>	<u>228,603</u>
Compensated absences	62,004	68,459	(50,161)	80,302	59,014	21,288
Net OPEB Obligation (see note 14 C)	20,725	15,487		36,212		36,212
Special obligation notes	13,179	11,000	(4,729)	19,450	6,350	13,100
<i>Other Long-term liabilities</i>						
Arbitrage rebate	3,398	442	(1,184)	2,656	2,420	236
Pollution remediation	17,131	4,271	(1,281)	20,121	5,706	14,415
Other	51,480	25,144	(17,880)	58,744	6,797	51,947
<b>Total Governmental Long-term Liabilities</b>	<u><u>\$ 3,015,396</u></u>	<u><u>\$ 367,728</u></u>	<u><u>\$ (318,383)</u></u>	<u><u>\$ 3,064,741</u></u>	<u><u>\$ 215,842</u></u>	<u><u>\$ 2,848,899</u></u>
<b>Business-type Activities</b>						
Revenue bonds (see section B)	\$ 275,810	\$	\$ (7,530)	\$ 268,280	\$ 8,660	\$ 259,620
Net unamortized premium/discount	1,212		(116)	1,096		1,096
Deferred amount on refunding	(13,318)		1,236	(12,082)		(12,082)
Revenue bonds, net	<u>263,704</u>		<u>(6,410)</u>	<u>257,294</u>	<u>8,660</u>	<u>248,634</u>
Notes payable	1,030		(235)	795	188	607
Due to Other Governments and Agencies	70,000	155,473		225,473		225,473
<b>Total Business-type Long-term Liabilities</b>	<u><u>\$ 334,734</u></u>	<u><u>\$ 155,473</u></u>	<u><u>\$ (6,645)</u></u>	<u><u>\$ 483,562</u></u>	<u><u>\$ 8,848</u></u>	<u><u>\$ 474,714</u></u>
<b>Component Units</b>						
Bonds payable (see section B)	\$ 3,949,789	\$ 552,515	\$ (407,417)	\$ 4,094,887	\$ 94,890	\$ 3,999,997
Net unamortized premium/discount	25,383	13,462	(3,815)	35,030	11	35,019
Deferred amount on refunding	(9,016)	(4,679)	902	(12,793)		(12,793)
Notes payable (see section C)	75,815	259,000	(254,490)	80,325	75,874	4,451
Loans payable (see section D)	278,224	74,290	(22,249)	330,265	16,971	313,294
Obligations under capital leases	15,043	926	(2,049)	13,920	2,020	11,900
Net OPEB obligation	22,784	10,637	(1,164)	32,257		32,257
Compensated absences	30,688	5,933	(3,734)	32,887	11,447	21,440
Arbitrage rebate	17,819	1,856	(4,904)	14,771	868	13,903
Due to primary government	36,687	1,222	(2,567)	35,342	1,434	33,908
Pollution remediation	17,729		(1,444)	16,285		16,285
Other liabilities	95,689	1,036	(755)	95,970	594	95,376
<b>Total Component Units Long-term Liabilities</b>	<u><u>\$ 4,556,634</u></u>	<u><u>\$ 916,198</u></u>	<u><u>\$ (703,686)</u></u>	<u><u>\$ 4,769,146</u></u>	<u><u>\$ 204,109</u></u>	<u><u>\$ 4,565,037</u></u>

## B. Bonds Payable

At June 30, 2010, 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		
2011	\$ 114,795	\$ 119,355	\$ 8,660	\$ 14,470	\$ 169,875	\$ 151,680
2012	121,360	115,553	9,110	14,030	104,841	147,997
2013	146,480	109,433	9,570	13,565	127,760	143,530
2014	128,775	103,016	10,060	13,075	117,482	138,537
2015	138,585	96,804	10,550	12,535	133,379	133,443
2016 - 2020	630,165	384,044	61,305	54,019	663,455	585,307
2021 - 2025	393,330	252,707	78,625	36,521	637,191	427,671
2026 - 2030	128,660	182,976	51,355	15,354	619,450	283,410
2031 - 2035	168,260	136,768	29,045	5,487	644,840	160,386
2036 - 2040		116,156			614,310	60,900
2041 - 2045	371,700	46,463			276,890	17,221
2046 - 2050					65,145	2,906
2051 - 2055	197,006	2,834,180 *				
	<u>\$ 2,539,116</u>	<u>\$ 4,497,455</u>	<u>\$ 268,280</u>	<u>\$ 179,056</u>	<u>\$ 4,174,618</u>	<u>\$ 2,252,988</u>

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

### Primary Government - Governmental Activities

General obligation bonds of the State are serial bonds with interest payable semi-annually. During the year ended June 30, 2010 the State issued the following general obligation bonds:

- \$78,960,000 Consolidated Capital Development Loan of 2010, Refunding Series A, with interest rates ranging from 2.500% to 5.00%, maturing from 2012 through 2021. The proceeds were used to effect an advance refunding of \$78,290,000 of general obligation bonds. The net proceeds from the sale of the refunding bonds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service of the refunded bonds. The refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Statement of Net Assets. The refunding decreases total debt service payments over the next 11 years by \$2,496,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,993,000.
- \$40,865,000 Consolidated Capital Development Loan of 2010, Series B, with interest rates ranging from 2.00% to 5.00%, maturing from 2011 through 2025.
- \$80,000,000 Capital Development Loan of 2010, Series C, with interest rates ranging from 4.663% to 5.363%, maturing from 2021 through 2025. These bonds are federally taxable as they are Issuer Subsidy-Recovery Zone Economic Development bonds. The State will receive a cash subsidy for interest from the federal government instead of tax credits accruing to purchasers of bonds. The State will be entitled to a subsidy equal to 45% of all interest payable on the bonds, based on required filings to the United States Treasury from the State. The State is obligated for all debt service of these bonds, regardless of whether subsidy payments are received or not.
- \$23,800,000 Capital Development Loan of 2010, Series D, with interest rates ranging from 0.962% to 4.627%, maturing from 2011 through 2020. These bonds are federally taxable.

At June 30, 2010, general obligation bonds authorized by the voters and unissued amounted to \$84,600,000. 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.

*RIEDC Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds* - The R.I. Economic Development Corporation (RIEDC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by

the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty-two cents (\$.32) per gallon Motor Fuel Tax. The bonds provide the state matching funds for the Grant Anticipation Revenue Vehicle Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The RIEDC has no taxing power. The obligation of the State to make payments to the trustee of future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

*Tobacco Settlement Asset-Backed Bonds and Accreted Interest* - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued \$882,395,742 of Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent decree and final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC and do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof, and the State has no obligation or intention to satisfy any deficiency or default of any payment of the bonds. The TSFC has no taxing power. Certain of the TSFC bonds are capital appreciation bonds on which no periodic interest payments are made, but which are issued at a deep discount from par and accrete to full value at maturity in the year 2052. The bond indenture contains "Turbo Maturity" provisions, whereby the corporation is required to apply 100% of all collections that are in excess of the current funding requirements of the indenture to the early redemption of the bonds. During the year ended June 30, 2010, TSFC utilized \$14,710,000 of excess collections to early redeem an equal amount of outstanding bonds.

*Historic Tax Credit Bonds* - In FY2009 the RIEDC, on behalf of the State, issued \$150,000,000 of revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The RIEDC has no taxing power. The State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriation by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits redeemed in FY2009 and the following two fiscal years. There is remaining authorization to issue up to \$206,200,000 of Historic Tax Credit Bonds.

In addition to the debt authorized by the voters for which the full faith and credit is pledged, the General Assembly has authorized the issuance of other debt that is subject to annual appropriation. The following authorizations have been enacted and the State plans to issue the debt over the next several years; (1) Energy Conservation Certificates of Participation - \$85,270,000, and (2) Economic Development Corporation – Fund to Grow Rhode Island Companies - \$125,000,000 (\$75,000,000 issued subsequently to June 30, 2010 – see Note 18. Subsequent Events).

## Primary Government - Business-Type Activities

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

The R.I. Convention Center Authority (RICCA) is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2010, outstanding bond and note indebtedness totaled \$269,075,000.

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

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

Each of the RICCA's Bond Resolutions contains certain restrictive covenants. During fiscal year 2010, the RICCA was unable to fund the Operating Reserve and Debt Service Reserve requirements.

## Discretely Presented Component Units

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

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

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

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

### *R.I. Student Loan Authority*

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.

### *R.I. Economic Development Corporation*

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

Per its Master Indenture of Trust and Supplemental Indentures, the R.I. Airport Corporation (RIAC), has pledged net revenues derived from the operation by RIAC of the Airport and Certain Outlying Airports to repay \$270,910,000 in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. The amount available to pay debt service per the Master Indenture, including pledged passenger facility charges, was approximately \$34,252,000 for the year ended June 30, 2010. Principal and interest payments for the year ended June 30, 2010 were approximately \$21,487,000.

RIAC has pledged facility revenues related to the intermodal facility, net of specified operating expenses, to repay \$48,765,000 in First Lien Special Facility Bonds. Proceeds from the bonds are being used for the construction of the intermodal facility. Facility revenues, including customer facility charges, were \$4,758,000 for the year ended June 30, 2010. Interest paid for the year ended June 30, 2010 was approximately \$2,418,000. Principal payments commence on July 1, 2011.

In June 2006, the R.I. Airport Corporation (RIAC), RIEDC and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the Intermodal Facility Project. RIAC is permitted under the agreement to make requisitions of funds for eligible project costs, and it is anticipated that such requisitions will occur through fiscal year 2011. Upon completion of the project, RIAC will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made on behalf of RIEDC (the borrower per the Agreement), and it is anticipated that repayments will commence in fiscal year 2011 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the Intermodal Facility. As of June 30, 2010, RIAC had \$5,109,000 in borrowings under this agreement.

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

The R.I. Turnpike and Bridge Authority has issued a number of series of revenue bonds to finance the renovation, renewal, repair, rehabilitation, retrofitting, upgrading and improvement of Claiborne Pell Bridge and the Mount Hope Bridge.

#### *Narragansett Bay Commission*

The Narragansett Bay Commission has issued a number of series of revenue bonds to finance the construction and renovation of its treatment facilities and waste water collection systems.

#### *R.I. Clean Water Finance Agency*

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.

On May 6, 2010, the Agency issued the 2010 Series A Water Pollution Control Subordinated Refunding Revenue Bonds. The proceeds from this bond issue were used to defease portions of the 1995 Series A, 1999 Series A, 1999 Series C, 2000 Series A, 2002 Series A, 2002 Series B, 2003 Series B, and to fully refund the 1999 Series B Bonds. Upon delivery of the 2010 Series A Subordinated Refunding Bonds, the agency established an irrevocable escrow trust fund pursuant to a Refunding Trust Agreement between the Agency and U.S. Bank National Association. Under the terms of the Refunding Trust Agreement, the proceeds of the 2010 Series A Subordinated Refunding Bonds were deposited into escrow funds, established for each series of Refunded Bonds, which were invested in Investment Obligations maturing in amounts and bearing interest at rates sufficient to pay, when due, interest, and upon maturity or prior redemption on the earliest available redemption date, the outstanding principal of the Refunded Bonds. Each escrow fund is pledged solely for the benefit of holders of the applicable series of Refunded Bonds.

Since those bonds have, in effect, been redeemed under the defeasance, they are no longer outstanding under the Agency's basic bond resolution and, therefore, they are not entitled to the pledge of the basic bond resolution. Accordingly, these bonds and the related escrow funds are not reflected in the June 30, 2010 financial statements.

The Agency completed the advance refunding to reduce its total debt service payments over the next 14 years by \$6,354,832 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5,251,498.

#### *R.I. Water Resources Board Corporate*

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.

*R.I. Industrial-Recreational Building Authority*

The \$60,000,000 of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority (RIIRBA) are limited by mortgage balances that it has insured which are guaranteed by the State.

**C. Notes Payable**

**Primary Government**

*Special Obligation Notes* (expressed in thousands) at June 30, 2010 are as follows:

Note payable to R.I. Housing and Mortgage Finance Corporation - to provide financing for various affordable housing initiatives	\$ 8,450
Note payable to a financial institution - to finance the design, development and implementation of a motor vehicles information management system for the Division of Motor Vehicles – the note is payable with interest of 4.2137% due semi-annually and principal due April 1, 2011-2017	11,000
	<u>\$ 19,450</u>

Both special obligation notes are subject to annual appropriation by the General Assembly. The note payable to a financial institution will be repaid from a \$1.50 surcharge on every transaction processed at the Division of Motor Vehicles. This surcharge is pledged to fund debt service on the note.

**Discretely Presented Component Units**

Notes payable (expressed in thousands) at June 30, 2010 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.	\$ 1,696
R.I. Housing and Mortgage Finance Corporation bank notes, 2.46% to 5.275% interest, payable through 2027.	24,048
R.I. Student Loan Authority note to National Education Loan Network (Nelnet) annual payments of \$683,333 plus interest of 8.25% with option to pay off the balance at any time, matures September 27, 2011	2,048
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 4.15% interest, payable through 2015	533
	<u>28,325</u>
Less: current payable	(26,919)
	<u>\$ 1,406</u>

**D. Loans Payable**

**Discretely Presented Component Units**

Loans payable include liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) of \$323,193,116.

**E. Obligations Under Capital Leases**

**Primary Government**

The State has entered into capital lease agreements, Certificates of Participation (COPS), with financial institutions. These financing arrangements have been used by the State to acquire, construct or renovate facilities and acquire other capital assets. The State's obligation under capital leases at June 30, 2010 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, 2010:

Fiscal Year Ending June 30	COPS
2011	\$ 31,774
2012	30,525
2013	29,465
2014	27,827
2015	27,153
2016 - 2020	104,571
2021 - 2025	66,315
2026 - 2030	9,929
Total future minimum lease payments	327,559
Amount representing interest	(82,754)
Present value of future minimum lease payments	<u>\$ 244,805</u>

## F. Defeased Debt

In prior years, the State and its component units defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements. On June 30, 2010, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 224,010
Certificates of Participation	18,800
R.I. Convention Center Authority	30,975
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	248,440
R.I. Economic Development Corporation	55,980
R.I. Turnpike and Bridge Authority	32,300

## G. Conduit Debt

The R.I. Industrial Facilities Corporation, the R.I. Health and Educational Building Corporation and the R.I. Economic Development Corporation issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2010 was \$113,500,000, \$2,744,709,000 and \$1,147,000,000 respectively. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 12.

## H. Short-Term Borrowing

The table below summarizes General Fund short-term borrowing (expressed in thousands) for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
General Obligation Tax Anticipation Notes	\$ 0	\$ 350,000	\$ 350,000	\$ 0
RI Capital Plan Fund	101,948	39,700	63,000	78,648
Total Short Term Borrowing	<u>\$ 101,948</u>	<u>\$ 389,700</u>	<u>\$ 413,000</u>	<u>\$ 78,648</u>

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

In addition, R.I. Housing & Mortgage Corporation had outstanding balances of \$52,000,000 on two lines of credit that are payable on demand and accrue interest at rates ranging from 1.262% to 2.099%.

## I. Pollution Remediation Liabilities

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

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

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

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

## J. Due to Other Governments and Agencies

The State has borrowed \$225,473,000 from the federal government (Unemployment Insurance Trust Fund) to fund employment insurance benefits paid from the Employment Security Fund to eligible unemployed individuals. Interest on the borrowings were deferred through June 30, 2010; however, interest will accrue beginning January 1, 2011 and is payable on October 1 of each year.

The interest due on federal loans cannot be paid from the State's UI Trust Fund or UI grant funds. As a result, the General Assembly passed legislation which added 0.3% to the Job Development Fund Assessment that will be dedicated to paying the principal and interest on the State's UI loans.

## K. Compensated Absences

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

## L. Arbitrage Rebate

The State and certain component units have a liability for income on the investment of debt proceeds determined to be arbitrage earnings in accordance with federal regulations. These amounts are generally payable to the federal government five years after the issuance date of the bonds.

## M. Due to the Primary Government

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

## N. Other Long-Term Liabilities

*Governmental Activities* - the liabilities consist primarily of:

- *Retainage related to infrastructure construction projects* - these amounts are considered long-term liabilities since the related construction projects are not expected to be completed in the subsequent fiscal period.
- *Tax refunds payable* – these amounts are tax carry-forward credits for taxpayers not expected to be paid in the subsequent fiscal period.

In addition, certain other long-term payables are included in this category.

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

## Note 7. Net Assets/Fund Balances

### Governmental Activities

#### *Restricted Net Assets*

The Statement of Net Assets reflects \$483,931,000 of restricted net assets, of which \$204,406,000 is restricted by enabling legislation. The restricted net assets that are restricted by enabling legislation are included in the Employment Insurance Program and Other categories on the Statement of Net Assets. The principal components of the remaining balance of the restricted net assets relate to the Budget Reserve and Cash Stabilization Account and unexpended bond proceeds.

## Governmental Funds – 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.

*General Fund Reserved Fund Balances and Changes in General Fund Reserved Fund Balances are detailed below (expressed in thousands):*

	Reserved Fund Balance July 1	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	\$ 80,145	\$ 70,913	\$ (38,778)	\$ 112,280
Appropriations carried forward				
General revenue	998	3,365	(998)	3,365
Departmental restricted revenue	49,543	52,044	(49,543)	52,044
Other	1,559	2,470	(1,559)	2,470
Total	<u>\$ 132,245</u>	<u>\$ 128,792</u>	<u>\$ (90,878)</u>	<u>\$ 170,159</u>

The State maintains a State Budget Reserve and Cash Stabilization Account in the General Fund. For fiscal year 2010, 2.40% of general revenues and opening surplus are set aside in this account. Amounts in excess of 3.80% of the total general revenues and opening surplus are transferred to the R.I. Capital Plan Fund to be used for capital projects. The reserve account, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year. Such appropriations must be approved by a majority of each chamber of the General Assembly.

Reserved fund balances in the governmental funds (other than the General Fund) principally represent amounts committed for transportation projects, future debt service, and employment insurance programs.

Unreserved fund balances in the governmental funds (other than the general fund) principally represent unspent debt proceeds for capital outlay or debt service expenditures associated with capital projects.

## Note 8. Taxes

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

	Governmental Funds	Statement of Activities
General Fund		
Personal Income	\$ 879,007	\$ 879,012
General Business Taxes:		
Business Corporations	146,166	145,929
Public Utilities Gross Earnings	95,794	96,894
Financial Institutions	2,130	1,950
Insurance Companies	69,460	69,346
Bank Deposits	1,860	1,860
Health Care Provider Assessment	40,254	40,202
Sub-total - General Business Taxes	<u>355,664</u>	<u>356,181</u>
Sales and Use Taxes:		
Sales and Use	803,395	803,292
Motor Vehicle	48,285	48,284
Motor Fuel	969	954
Cigarettes	138,315	138,286
Alcoholic	11,269	11,269
Sub-total - Sales and Use Taxes	<u>1,002,233</u>	<u>1,002,085</u>
Other Taxes:		
Inheritance and Gift	29,057	28,796
Racing and Athletics	1,492	1,492
Realty Transfer	6,994	6,994
Sub-total - Other Taxes	<u>37,543</u>	<u>37,282</u>
Total - General Fund	<u>2,274,447</u>	<u>2,274,560</u>
Intermodal Surface Transportation Fund		
Gasoline	137,266	137,266
Other Governmental Funds	165,693	165,693
Total Taxes	<u>\$ 2,577,406</u>	<u>\$ 2,577,519</u>

## Note 9. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2010 are presented below (expressed in thousands):

	Transfers	Description
Governmental Activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 49,399	Debt service and operating assistance
Bond Capital	109	Interest earnings transfer
Nonmajor Funds		
RI Temporary Disability Insurance	1,973	Administrative cost reimbursement
Historic Tax Credit	50,198	Reimbursement for tax credits claimed
RI Capital Plan	112	Transfer of remaining appropriations to RICAP Fund
Business-Type Activities		
Lottery	344,673	Net income transfer
Employment Security	260	Administrative cost reimbursement
Internal Service	3,967	Charges for Information Technology Services and equity transfer from Vehicle Replacement Fund
Intermodal Surface Transportation		
Bond Capital	35,530	Infrastructure funding
GARVEE		
Intermodal Surface Transportation	56,970	Debt Service
Nonmajor Funds		
COPs		
General	1,322	Debt service reserve
RI Capital Plan		
General	38,778	Transfer statutory excess in budget reserve
Bond Capital	2,734	Premium on new bonds
Total Governmental Activities	<u>586,025</u>	
Business-Type Activities		
Convention Center		
General	24,348	Debt service
Employment Security		
Assessed Fringe Benefits	1,813	Reimbursement for State employees' unemployment compensation
Total operating transfers	<u>\$ 612,186</u>	

## Note 10. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$11,630,000 for the fiscal year ended June 30, 2010.

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, 2010:

Fiscal Year Ending June 30	
2011	\$ 10,854
2012	8,755
2013	7,212
2014	7,025
2015	6,988
2016 - 2020	11,253
Total	<u>\$ 52,087</u>

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

## Note 11. Commitments

### Primary Government

Commitments arising from encumbrances outstanding as of June 30, 2010 are listed below (expressed in thousands):

Major funds		
General	\$	10,017
Bond Capital		1,711
IST		305,399
GARVEE		126,664
Total major funds		<u>443,791</u>
Other governmental funds		8,378
Total encumbrances outstanding	\$	<u><u>452,169</u></u>

The primary government is committed at June 30, 2010 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, 2010 under contractual obligations with various service providers, which will be funded through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years.

### ***Performance-based Agreements***

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, entered into several agreements with the developer of the Providence Place Mall. The agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer, 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. In the year ended June 30, 2010, \$3,560,000 was paid to the developer.

The RIEDC has issued economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the State paid \$2,532,526 of the debt on the related economic development revenue bonds in fiscal year 2010.

### ***Rhode Island Lottery – Master Contract Agreements***

#### *Gaming Systems Provider - GTECH*

The Lottery in May 2003 entered into a 20-year master contract with its gaming systems provider, GTECH, granting it the right to be the exclusive provider of information technology hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30, 2023, and it amends all previous agreements between the parties. As consideration for this exclusive right, the gaming systems provider paid the Lottery \$12.5 million. In the event that the contract term is not fulfilled, the Lottery will be obligated to refund a pro-rata share of this amount to the gaming systems provider. Additionally, GTECH was obligated to invest \$100 million in connection with the construction of a new corporate headquarters and expansion of its manufacturing operations in the State. The gaming system contractor is also required to employ no less than 1,000 full time active employees during the term of the agreement.

*Video Lottery Facilities – UTGR, Inc.*

During fiscal year 2006, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc., the owners of Twin River, to manage one of the State's licensed video lottery facilities. The contract entitles UTGR, Inc. to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. Under the contract, 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. Certain extensions are contingent on UTGR's compliance with full-time employment mandates.

In May 2010, legislation was enacted which authorized the Lottery to amend its Master Contract with UTGR and which satisfied certain requirements of UTGR's corporate reorganization. The legislation provides for a promotional points program up to 4% of the facility's prior year net terminal income. The legislation also requires the Lottery, beginning in fiscal 2011, to reimburse UTGR for allowable marketing expenses at an amount not to exceed \$6 million multiplied by the Lottery's percentage of net terminal income (approximately 61% for fiscal 2010). The reimbursement of marketing expenses by the Lottery occurs only after UTGR has incurred \$4 million in qualified marketing expenses (as defined by the Lottery) and is contingent on the State receiving net terminal income from UTGR at least equal to fiscal year 2009 amounts. UTGR gave notice of its intent to extend the contract, and the first five-year extension term of the Lottery's contract with UTGR commenced on July 18, 2010.

*Video Lottery Facilities – Newport Grand*

On November 23, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand to continue to manage one of the State's licensed video lottery facilities. In May 2010, legislation was enacted that authorized the Lottery to amend its Master Contract with Newport Grand to include two (2) successive five (5) year extension terms, with the first term commencing on November 23, 2010. On September 21, 2010, Newport Grand gave notice of its intent to extend the contract, and the first five-year extension term of the contract will commence on November 23, 2010. The second term, which would commence on November 23, 2015, is contingent on Newport Grand's compliance with full-time employment mandates.

The legislation also provides for a promotional points program up to 4% of the facility's prior year net terminal income and requires the Lottery, beginning in fiscal 2011, to reimburse Newport Grand for allowable marketing expenses at an amount not to exceed \$840,000 multiplied by the Lottery's percentage of net terminal income (approximately 63% for fiscal 2010). The reimbursement of marketing expenses by the State occurs only after Newport Grand has incurred \$560,000 in qualified marketing expenses (as defined by the Lottery) and is contingent on the State receiving net terminal income from Newport Grand at least equal to fiscal year 2010 amounts.

**Component Units***R. I. Public Rail Corporation*

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

*R.I. Airport Corporation*

The R.I. Airport Corporation (RIAC), a subsidiary and component unit of RIEDC, was obligated for completion of certain airport improvements under commitments of approximately \$7,394,000, which are expected to be funded from current available resources and future operations. As of June 30, 2010, RIAC was also

obligated for completion of the Warwick Intermodal Facility under commitments of approximately \$59,328,000.

*Narragansett Bay Commission*

The Narragansett Bay Commission has entered into various engineering and construction contracts for the design and improvement of its facilities as part of a capital improvement program. Commitments under these contracts aggregated approximately \$56,053,000 at June 30, 2010.

*R.I. Resource Recovery Corporation*

Landfill closure and post-closure:

The EPA established closure and post-closure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. The landfill operated by the Corporation has been segregated into five distinct phases. Phases I, II and III were closed by the Corporation in prior years. While Phase IV is still accepting waste, portions of Phase IV have been capped, with final capping expected during fiscal year 2012. In 2005, the Corporation began landfilling in Phase V.

A liability for closure and post-closure care of \$71,439,011 as of June 30, 2010 has been recorded in the accompanying statement of net assets, as summarized by Phases below:

	Year ended June 30, 2010
Phase I	\$ 18,724,443
Phase II and III	6,387,138
Phase IV	11,994,270
Phase V	34,333,160
	<u>\$ 71,439,011</u>

The Corporation has received site approval for Phase VI from the State Planning Council. The Corporation has submitted an application for licensure of Phase VI to RIDEM and is currently awaiting RIDEM's approval.

The Corporation expects to record an estimated additional \$82,000,000 of closure and post-closure care costs based upon current costs over the anticipated life of Phase VI, once it is permitted and begins to accept solid waste.

As of June 30, 2010, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense for Phase IV, and the estimated percent of landfill capacity used for Phase IV, are \$1,414,304 and 89.5%, respectively. The corresponding amounts for Phase V are \$17,237,607 and 66.6%, respectively. Estimated remaining years for accepting waste is less than one year for Phase IV and 4.5 years for Phase V.

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

Included in restricted assets held in trust in the accompanying statements of net assets as of June 30, 2010 is \$40,775,182 placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV and V. The Corporation plans to make additional trust fund contributions each year to enable it to satisfy these and future costs.

Pollution remediation obligations:

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

The pollution remediation obligation for the year ended June 30, 2010 is as follows:

Balance, June 30, 2009	Additions	Reductions	Balance, June 30, 2010	Current Portion
\$ 19,817,040	\$ 167,668	\$ (1,385,565)	\$ 18,599,143	\$ 2,313,623

Superfund site:

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

During 1996, the Corporation entered into a Consent Decree with the EPA concerning remedial actions taken by the Corporation for groundwater contamination. The Consent Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The balance of the trust fund totaled \$41,599,897 as of June 30, 2010 and has been included in restricted assets held in trust in the accompanying statement of net assets.

In 2004, the Corporation began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. The Corporation has recorded a liability for future remediation costs of approximately \$17,431,000 as of June 30, 2010.

Other pollution remediation obligations:

The Corporation is the owner of several properties adjacent to its landfill operations classified as land held for development. The Corporation is obligated to remediate one of these parcels. The Corporation has recorded a liability for future remediation costs of approximately \$1,168,000 as of June 30, 2010.

Environmental concerns:

In August 1996, the Corporation entered into a Consent Agreement (the Agreement) with RIDEM concerning action to be taken by the Corporation regarding the restoration of certain wetlands. Projects included the relocation of Cedar Swamp Brook, creation of a three acre wetland, and the implementation of a soil and erosion plan. The Agreement also called for the establishment of an escrow account for wetlands replacement. Annual deposits of \$100,000 were made by the Corporation during fiscal years 1997 through 2002, as required by RIDEM. During 2004, RIDEM released from the escrow approximately \$543,000 to the Corporation. As of June 30, 2010 the escrow account totaled approximately \$156,000.

The Corporation submitted a comprehensive plan to RIDEM which was approved by RIDEM in April 1998. The Corporation had until 2001 to complete the restoration. Phase I of the Cedar Swamp Brook relocation was substantially completed by November 1998. The wetlands restoration work was completed in the spring of 1999 and is awaiting RIDEM approval.

*R.I. Turnpike and Bridge Authority*

The R.I. Turnpike and Bridge Authority has entered into a contract for improvements to bridges and property. At June 30, 2010 the remaining commitments on this contract are approximately \$41,363,000.

*R.I. Public Transit Authority*

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$46,239,624 at June 30, 2010.

*R.I. Higher Education Assistance Authority*

Under an agreement with AllianceBernstein L.P., the R.I. Higher Education Assistance Authority (RIHEAA) receives account maintenance, direct commission, and other fees derived principally from non-Rhode Island participants in CollegeBoundfund®, Rhode Island's IRS section 529 college savings program.

During FY 2010, these revenues totaled approximately \$6,000,000. In addition, RIHEAA receives \$250,000 annually (in quarterly installments) directly from AllianceBernstein. During FY 2002, RIHEAA established two scholarship and grant programs which are funded with the revenues generated from CollegeBoundfund®. Those programs are:

- The Academic Promise Scholarship Program: approximately \$1,000,000 is available annually through RIHEAA for the benefit of 100 academic and income-qualified students to provide up to \$10,000 to each student over a four-year scholarship period.
- The CollegeBoundfund® Matching Grant Program: up to \$500,000 may be made available annually by the Authority to invest through RIHEAA in CollegeBoundfund® as matching contribution amounts for individuals' accounts established for the benefit of income-qualifying students and their families.

In addition, CollegeBoundfund® revenues also support the Adult Education Grant Program, which provides up to \$6,000 to academic and income-qualifying students enrolled on a less than half-time basis over a two year scholarship period.

During FY 2010, RIHEAA invested \$1,000,000 to be used for Academic Promise Scholarship Program recipients and provided over \$4,800,000 in supplemental funding for the State Scholarship/Grant Program.

#### *R.I. Industrial-Recreational Building Authority*

At June 30, 2010, the Authority had insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2010 are \$18,143,189.

#### *Other Component Units*

Other component units have various commitments that have been entered into in the normal course of their operations. These commitments are not significant to the State's financial statements.

## Note 12. Contingencies

### Primary Government

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

A claim has been made by the Cranston School Committee for reimbursement for sums paid for salaries of the director and guidance counselors and for the costs of building repairs to the Cranston Area Vocational Technical Center. The School Committee contends that it is owed the amounts it paid for salaries from 1990-present and building repairs it made from 1999-present, a total of \$7,166,656. The Department of Elementary and Secondary Education responded, setting forth several legal and equitable defenses on behalf of the State and the Department. The School Committee, joined by the City of Cranston, proceeded before an administrative hearing officer to present evidence in support of this claim. On August 26, 2009, counsel for the Department filed a preliminary motion to dismiss on several grounds. That motion was granted and the matter was dismissed by the Commissioner on January 21, 2010. The School Committee appealed to the Board of Regents and filed a brief with the Regents on February 17, 2010. RIDE submitted a reply brief in this matter. The Board of Regents affirmed the dismissal. The Cranston School Department has filed both an Administrative Procedures Act appeal, PC10-4288, and a Petition for Writ of Mandamus, PC10-3837, in the Superior Court on the basis of these same claims.

Also, a claim was made by the Chariho Regional School Committee for reimbursement for salaries of the director and guidance counselors at the Chariho Career and Technical Center. The School Committee contends that it is owed the amounts it paid for salaries of its director and guidance counselors from 1990-

present, a total of \$4,142,893 based on the language in the Regulations of the Board of Regents Governing the Management & Operation of Area Vocational-Technical Centers in Rhode Island. The Department of Elementary and Secondary Education has filed a Motion to Dismiss this Claim, to which Chariho filed an Objection on December 30, 2009. The Department's defenses to this claim are sound; however, a full assessment of the likelihood of an unfavorable outcome cannot be made at this time.

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

In November of 2004, a labor arbitrator ordered payment to deputy sheriffs for missed overtime opportunities. The State appealed and the Superior Court vacated the arbitration award. The union appealed that ruling and the Supreme Court re-instated the arbitration award. The overtime bypass occurred over a period from 2002 to 2007 and amounts to more than 13,000 hours. Because the parties disagreed about which deputies were qualified to share in the reimbursement for the overtime, the arbitrator conducted further hearings at which almost 100 deputies testified regarding their qualifications to perform the extradition work at issue. The arbitrator recently ruled that 59 deputies were qualified to share in the remedy payments. Each qualified deputy is due payment for some portion of the remedy period, but the dates of each deputy's eligibility are different, and each deputy had different overtime rates of pay at different times within their remedy period. The calculation of the individual payments is therefore complicated and time-consuming, but it appears that the total payout amount will be significant and could well exceed \$100,000.

In May 2010, unions representing State employees and teachers filed a lawsuit against the State challenging legislative changes made in 2009 to the pension benefit provisions for state employees and teachers. The lawsuit was later amended to include the 2010 legislative changes made to pension benefits. Management cannot estimate the likelihood of loss to the State, if any, if the plaintiffs prevail. If these challenges to the statutory changes are successful, future State contributions as well as the unfunded actuarial liability could be materially impacted.

With respect to other litigation, State officials are of the opinion that the lawsuits are not likely to result either individually or in the aggregate in final judgments against the State that would materially affect its financial position.

### **Tobacco Settlement Financing Corporation**

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

From April 2005 through April 2010, many of the tobacco manufacturers participating in the MSA either withheld all or portions of their payments due, or remitted their payments to an escrow account, disputing the calculations of amounts due under the agreement. These manufacturers assert that the calculations of the amounts due failed to recognize a prescribed adjustment for non-participating manufacturers. The Corporation's share of these disputed payments is approximately \$23,909,000. However, there is no assurance that these funds will be collected by the Corporation in the future. Due to these uncertainties

regarding the ultimate realization of the remaining amount of these disputed payments, they have not been recognized as revenue in the accompanying financial statements. The Corporation and the other affected parties are taking actions prescribed in the MSA to arrive at a resolution of these matters.

On January 31, 2006 the Corporation received a subpoena requesting the production of documents and information relative to the SEC's investigation of "Certain GIC Brokers." The Corporation responded to this request on a timely basis. On April 17, 2008, the Corporation received a subpoena from the US Department of Justice for the production of documents. The Corporation responded to this request on a timely basis and has not received any further notices or communications from the Department of Justice regarding this matter.

## Lottery

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

## Federal Grants

The State receives significant amounts of federal financial assistance under grant agreements which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit.

The Single Audit for the State of Rhode Island for the fiscal year ended June 30, 2009 was issued in May 2010. That report identified approximately \$11.8 million in questioned costs relating to the primary government. In addition, a number of findings had potentially significant but unknown or unquantifiable questioned costs. The ultimate disposition of these findings rests with the federal grantor agencies, and, in most cases, resolution is still in progress. Adjustments are made to the financial statements when costs have been specifically disallowed by the federal government or sanctions have been imposed upon the State and the issue is not being appealed or the right of appeal has been exhausted. The fiscal 2010 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit. The State's management believes that any disallowances of federal funding received by the State will not have a material impact on the State's financial statements.

## Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Moneys in a capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bond holder(s). These bonds are considered "moral obligations" of the State when the General Laws require the executive director to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget. At June 30, 2010, the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$267,259,100 and \$38,554,285 respectively, in "moral obligation" bonds outstanding.

## Component Units

### *R.I. Student Loan Authority*

The R.I. Student Loan Authority maintains Letters of Credit in the original stated amount of \$104,888,356 on its November 2008 Series B Weekly Adjustable Interest Rate Bonds. 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 become due and payable (whether by reason of redemption, acceleration, maturity or otherwise) and to pay the purchase price of the Bonds tendered or deemed tendered for purchase but not remarketed as contemplated by the indenture.

The Letters of Credit will expire on the earliest to occur: (a) June 30, 2012, (b) the date the Letter of Credit is surrendered to the Letter of Credit Provider, (c) when an alternative facility is substituted for the Letter of

Credit, (d) when the bonds commence bearing interest at a fixed rate, (e) when an Event of Default has occurred, (f) when no amount becomes available to the Trustee under the Letter of Credit.

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

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

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

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

*R.I. Housing and Mortgage Finance Corporation*

As of June 30, 2010, the Corporation may borrow up to a maximum of \$40,000,000 under one revolving loan agreement expiring in October 2011 and up to a maximum of \$19,500,000 under an additional revolving loan agreement expiring in May 2011 and up to a maximum of \$15,000,000 under an additional revolving loan agreement expiring in December 2010.

The Corporation is a party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying balance sheets. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. Total credit exposure as a result of loan commitments at June 30, 2010 is \$43,130,133.

*Other Component Units*

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

## Note 13. Employer Pension Plans

### Plan Descriptions

The State, through the Employees' Retirement System (ERS), administers four defined benefit pension plans. Three of these plans; the Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan and the Judicial Retirement Benefits Trust (JRBT) and the State Police Retirement Benefits Trust (SPRBT), single-employer defined benefit pension plans; cover most State employees. The State does not contribute to the Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan. The ERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The level of benefits provided to State employees and teachers, which is subject to amendment by the general

assembly, is established by Chapter 36-10 of the General Laws. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the Schedule A and Schedule B benefit structures. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903.

## Summary of Significant Accounting Policies

### *Basis of Accounting*

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

### *Method Used to Value Investments*

Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale.

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

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

Commingled funds consist of institutional domestic equity index, international equity index, real estate funds and an EFT (exchange traded fund) commodity fund. The fair value of the commingled funds is based on the reported net asset value (NAV) of the respective fund based upon the fair value of the underlying securities or assets held in the commingled fund.

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

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

Other investments that are not traded on a national security exchange (primarily private equity and real estate investments) are generally valued based on audited December 31 net asset values adjusted for (1) cash flows for the period January 1 to June 30 (which principally include additional investments and partnership distributions), and (2) significant changes in fair value as determined or estimated by the general partners as of June 30. The general partners estimate the fair value of the underlying investments held by the partnership periodically. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner. Financial Accounting Standards Board, ASC Topic 820, *Fair Value Measurements and Disclosures*, requires private equity and real estate limited partnership general partners to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information. ERS management considers the fair values reported by the general partners at June 30 in addition to the audited net asset values at December 31 adjusted for cash flows for the period January 1 to June 30 in determining the fair value of private equity and real estate investments on the financial statements of ERS.

Private equity and real estate investments represented 9.7% and 3.7%, respectively of the total reported fair value of all ERSRI investments at June 30, 2010. Of the underlying holdings within private equity investments, approximately 10% were valued based on quoted market prices. The remaining underlying assets were valued generally following the objectives outlined above. Because these fair values were not determined based on quoted market prices, the fair values may differ from the values that would have been determined had a ready market for these investments existed.

### Funding Policy and Annual Pension Cost

The State's annual pension cost (expressed in thousands) for the current year and related information for each plan is listed below.

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	20.78%	26.03%	16.19%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	7.32 and 7.76%		
Annual pension cost	\$192,091	\$3,591	\$1,181
Contributions made - state employees	\$123,548	\$3,591	\$1,181
Contributions made - teachers	\$68,543		
Actuarial valuation date	June 30, 2008 (Restated)	June 30, 2007 (Restated)	June 30, 2008 (Restated)
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	21 years	22 years	21 years
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.50% to 9.00%	4.50% to 12.50%	4.50%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	Schedule A Members eligible at 9/30/09 - 3.0% compounded	\$1,500 per annum	3.0%
	Members not eligible at 9/30/09 - 2.5% compounded		
	Schedule B members 2.5% compounded		
Level of benefits established by:			
General Law(s)	36-8 to 10 16-15 to 17	42-28-22.1	8-3-16, 8-8-10.1, 8-8-2-7 and 28-30-18.1

### Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/08	214,016	100%	0
	6/30/09	199,898	100%	0
	6/30/10	192,091	100%	0
State Police Retirement Benefits Trust	6/30/08	3,720	100%	0
	6/30/09	3,341	100%	0
	6/30/10	3,591	100%	0
Judicial Retirement Benefits Trust	6/30/08	2,128	100%	0
	6/30/09	1,700	100%	0
	6/30/10	1,181	100%	0

### Funded Status and Funding Progress

The table below displays the funded status of each plan for the year ended June 30, 2009, the most recent actuarial valuation date:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
ERS						
State Employees	\$ 2,646,081,020	\$ 4,482,244,291	\$ 1,836,163,271	59.00%	\$ 605,872,460	303.10%
Teachers	4,008,931,337	6,900,963,108	2,892,031,771	58.10%	987,463,633	292.90%
SPRBT	60,232,045	75,480,005	15,247,960	79.80%	17,096,202	89.20%
JRBT	36,839,221	41,738,040	4,898,819	88.30%	6,843,454	71.60%

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

Additional information as of the June 30, 2009 actuarial valuation:

	ERS			
	State Employees	Teachers	SPRBT	JRBT
Valuation Date	6/30/2009	6/30/2009	6/30/2009	6/30/2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll-Closed	Level Percent of Payroll-Closed	Level Percent of Payroll-Closed	Level Percent of Payroll-Closed
Equivalent Single Remaining Amortization Period	20 years	20 years	20 years	20 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions				
Investment Rate of Return	8.25%	8.25%	8.25%	8.25%
Projected Salary Increases	4.50% to 9.00%	4.50% to 13.25%	4.50% to 12.50%	4.50%
Inflation	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	Schedule A members eligible at 09/30/09 - 3.0% compounded members not eligible at 09/30/09 - 2.5% compounded Schedule B members - 2.5% compounded	Schedule A members eligible at 09/30/09 - 3.0% compounded members not eligible at 09/30/09 - 2.5% compounded Schedule B members - 2.5% compounded	\$1,500 per annum	3.00% see Note 1(b) to the Employees Retirement System financial statements

Schedule A - ERS members are those with 10 years or more of contributory service on or before July 1, 2005.

Schedule B - ERS members are those with less than 10 years of contributory service on or before July 1, 2005.

**Note 1** – Cost of Living Adjustments (COLA) are based on the actual Consumer Price Index or 3%, whichever is lower. For actuarial purposes, the actuary assumes a 2.5% COLA increase.

## Other

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employees' gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to approximately \$15,348,000 during the year ended June 30, 2010.

The Rhode Island Public Transit Authority has a defined benefit pension plan for all employees, for which eligibility to participate begins immediately upon employment. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of age 62 and 10 years of continuous service. Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. The plan also provides death and disability benefits. Employees are required to contribute 3% of their base salary to the plan. The remaining contributions to the plan are made by the Authority. Employer contributions paid in fiscal year 2010 totaled \$7,743,892. At January 1, 2010, the most recent valuation date, the total actuarial accrued liability was \$88,349,703 and the actuarial value of assets was \$45,904,451. The Authority contributed 100.00% of its annual pension cost for fiscal year 2010 and had a net pension obligation of \$1,799,084 at June 30, 2010.

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

## Note 14. Other Post-Employment Benefits

### A. Plan Descriptions

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

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

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

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

For those who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of retiree health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of retiree health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

For those (excluding teachers) who retired on or before September 30, 2008 the fiscal 2010 contributions are as follows:

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

(1) The monthly premium rate is \$789.76 for the individual plan. The retiree's cost is then calculated based on a maximum of \$501.68 (the active rate plan).

(2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.

(3) The monthly premium rate for the Medicare Supplemental plan is \$218.54 for the individual plan, and the monthly premium for the Medicare HMO plan was \$115 for the first six months of fiscal year 2010 and \$142 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated on their years-of-service subsidy above.

Teachers who retired on or before September 30, 2008 receive the Tier I subsidy but no other State cost sharing.

For anyone (excluding teachers) who retired on or after October 1, 2008, age 59 through 64, with a minimum of 20 years of service, the State will pay 80% of the actual cost of health care coverage. The State contributed \$631.81 per month for these retirees during fiscal 2010. For eligible retirees ages 65 or older, the State pays 80% of the cost of the Medicare supplement products as described in note (3) above.

For all teachers retiring on or after October 1, 2008, the Tier I subsidy ends and there is no other cost sharing by the State. Retired teachers may purchase coverage through the State.

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

## B. Funding Policy

RIGL Sections 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the RIRHCBP. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree (plan member) contributions to the plan. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the State's financial statements. Working premium rates are determined by the State each fiscal year and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2010, the Plan operated on a pay-as-you-go basis, and no provision has been made to fund future benefits to be provided to RIRHCBP members.

In fiscal year 2010 the State and other participating employers were not required to fund the Plans beyond the pay-as-you-go amount necessary to provide current benefits to retirees and administrative costs. For the fiscal year ended June 30, 2010, the State and other participating employers paid \$38,434,000 into the Plans.

## C. Annual OPEB Cost and Net OPEB Obligation

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

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

	State Employees	Teachers	Judges	State Police	Legislators
Date of Actuarial Valuation	06/30/07	06/30/07	06/30/07	06/30/07	06/30/07
Annual required contribution as a percent of payroll	7.91%	N/A	11.64%	29.83%	116.91%
Annual required contribution	\$ 45,824	\$ 2,345	\$ 1,127	\$ 4,628	\$ 1,861
Plus: Interest on net OPEB obligation at beginning of year	523	NA	66	209	13
Less: Adjustment to ARC	495	NA	62	197	13
Annual OPEB cost	45,852	2,345	1,131	4,640	1,861
Participating State and/or other employer contributions	33,504	2,345	173	2,268	144
Increase in OPEB obligation	12,348	0	958	2,372	1,717
Net OPEB obligation at beginning of year	14,677		1,853	5,850	378
Net OPEB obligation at end of year	\$ 27,025	\$ 0	\$ 2,811	\$ 8,222	\$ 2,095

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2010, 2009, and 2008 (the first year of GASB 45 implementation) were as follows (dollar amounts in thousands):

Plan	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees	2008	\$ 38,203	65.06%	\$ 13,349
	2009	34,683	96.17%	14,677
	2010	45,852	73.07%	27,025
Teachers	2008	1,428	100.00%	-
	2009	2,180	100.00%	-
	2010	2,345	100.00%	-
Judges	2008	1,382	33.57%	918
	2009	1,109	15.34%	1,853
	2010	1,131	15.33%	2,811
State Police	2008	4,827	32.57%	3,255
	2009	4,609	43.55%	5,850
	2010	4,640	48.88%	8,222
Legislators	2008	285	21.05%	225
	2009	298	48.40%	378
	2010	1,861	7.72%	2,095

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

Rhode Island Retiree Health Care Benefit Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
State Employees	\$ 0	\$ 679,538	\$ 679,538	0.0%	\$ 626,145	108.5%
Teachers	0	10,243	10,243	0.0%	n/a	n/a
Judges	0	14,024	14,024	0.0%	9,888	141.8%
State Police	0	54,620	54,620	0.0%	15,977	341.9%
Legislators	0	29,764	29,764	0.0%	1,592	1869.6%

Covered payroll and the UAAL as a percentage of covered payroll is not presented for teachers since the required contribution by the State is for the Tier I subsidy for teachers who have elected to participate in the State's Retiree Health Care Benefit Plan.

#### D. Actuarial Methods and Assumptions

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

The Annual Required Contributions for fiscal year 2010 was determined based on the June 30, 2007 valuation. The Unfunded Actuarial Accrued Liability (UAAL) was amortized by a level (principal and interest combined) percent of payroll contribution for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL for all plans, except teachers, is being amortized over the remainder of a closed 30-year (or shorter) period from June 30, 2006. The remaining amortization period at June 30, 2007 is 29 years. The UAAL for teachers is being amortized over an 8-year period from June 30, 2007.

Plan changes effective for employees retiring after October 1, 2008 have been reflected in the actuarial valuation performed as of June 30, 2007.

The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.566% discount rate (based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the State's General Fund), a health care cost trend assumption of 10% progressively declining to 4.5% after 8 years, and salary growth assumption rates ranging between 4.5% and 13.25%. Other assumptions, including those relating to rates of termination, rates of retirement, percent married, and retiree health care election rates, were based on the experience study for the Employees' Retirement System of Rhode Island as well as on anticipated experience changes in conjunction with the adopted retirement plan changes recently enacted through legislation.

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

### E. Other OPEB Plans

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island are covered by the Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Program. The Program offers a self-insured health care plan for pre-65 and post-65 retirees or a fully insured Medicare HMO plan for post-65 retirees. For the year ended June 30, 2010, the Program operated on a pay-as-you-go basis, and no provision has been made to fund future benefits to be provided to plan members. The university and colleges have recognized the annual required contribution (OPEB cost) as determined by an actuarial valuation performed as of June 30, 2007. For fiscal year 2010, annual OPEB cost for the university and colleges was \$3,742,063, and actual contributions made were \$1,820,629. The financial activity for the Program is accounted for in an agency fund which is included in the accompanying financial statements. Additional disclosures regarding the Program are detailed in the financial statements for each institution.

### Note 15. Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Department of Administration, pursuant to Chapter 36-13 of the General Laws, administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Plan distributions are normally available to employees at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches age 70½. The plan also allows for distributions for qualifying events such as termination, death or "unforeseeable emergency".

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

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

## Note 16. Risk Management

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

The State has entered into agreements with commercial insurance companies for comprehensive insurance coverage on State property to protect the State against loss from fire and other risks. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees in the sum of \$100,000 per person and \$300,000 per accident for personal injury and \$20,000 for property damage. During Fiscal 2010, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

The State also has a contract with an insurance company to provide health care benefits to active and retired employees. For coverage provided to active employees, the State retains the risk of loss. Retirees that are Medicare eligible may choose Medicare supplement coverage that is either premium based (State retains no risk of loss) or a self-insured plan option. Except for the premium based coverage provided to certain Medicare eligible retirees, the State reimburses the company for the costs of all claims paid plus administrative fees. The estimated liability for incurred but not reported (IBNR) claims at June 30, 2010 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30
Health Insurance Funds Unpaid claims	\$ 17,806	\$ 232,147	\$ 230,098	\$ 19,855

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

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

## Note 17. Other Information

### A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 14,725	\$ 194	\$ 14,919	\$ (12,821)	\$ 2,098
Loans to other funds	91,425		91,425	(91,425)	
Total assets	<u>\$ 106,150</u>	<u>\$ 194</u>	<u>\$ 106,344</u>	<u>\$ (104,246)</u>	<u>\$ 2,098</u>
<b>Liabilities</b>					
Due to other funds	\$ 10,467	\$ 2,354	\$ 12,821	\$ (12,821)	\$
Loans from other funds	88,963	2,462	91,425	(91,425)	
Total liabilities	<u>\$ 99,430</u>	<u>\$ 4,816</u>	<u>\$ 104,246</u>	<u>\$ (104,246)</u>	<u>\$</u>
<b>Program revenue</b>					
General government	\$ 24	\$ 287,454	\$ 287,478	\$ (287,478)	
Human services		(130)	(130)	130	
Public safety		12,380	12,380	(12,380)	
<b>Expenses</b>					
General government	24	287,823	287,847	(287,847)	
Human services					
Public safety		11,881	11,881	(11,881)	
Net revenue (expenses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Transfers</b>					
Operating transfers in	\$ 586,025	\$	\$ 586,025	\$ (267,253)	\$ 318,772
Operating transfers out	(261,473)	(5,780)	(267,253)	267,253	
Net transfers	<u>\$ 324,552</u>	<u>\$ (5,780)</u>	<u>\$ 318,772</u>	<u>\$</u>	<u>\$ 318,772</u>
<b>Total Business-type Activities</b>					
			Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$	\$	\$	\$	\$
Total assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Liabilities</b>					
Due to other funds	\$ 2,098	\$	\$ 2,098	\$	\$ 2,098
Total liabilities	<u>\$ 2,098</u>	<u>\$</u>	<u>\$ 2,098</u>	<u>\$</u>	<u>\$ 2,098</u>
<b>Transfers</b>					
Operating transfers in	\$ 26,161	\$	\$ 26,161	\$ (26,161)	\$
Operating transfers out	(344,933)		(344,933)	26,161	(318,772)
Net transfers	<u>\$ (318,772)</u>	<u>\$</u>	<u>\$ (318,772)</u>	<u>\$</u>	<u>\$ (318,772)</u>

## B. Related Party Transactions

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

The State entered into a lease and operating agreement (the agreement) with the R.I. Airport Corporation (RIAC), a subsidiary of the R.I. Economic Development Corporation, whereby the State has agreed to lease various assets to RIAC. The agreement requires RIAC to reimburse the State for principal and interest payments for certain airport related General Obligation Bonds. The term of the agreement is 30 years beginning July 1, 1993, with annual rent of \$1.00. In the event RIAC does not have sufficient funds to make the required lease payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no rights to terminate the agreement as long as there are bonds and subordinate indebtedness outstanding.

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

Transactions between RISLA and RIHEAA as of and during the year ended June 30, 2010 were as follows:

Guaranteed loans outstanding at June 30, 2010	\$846,242,000
Loans guaranteed during the year	255,772,000
Guarantee claims paid during the year	22,956,000

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) and the State have entered into a contractual relationship whereby RIHMFC assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, RIHMFC made \$3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the \$3,800,000, subject to appropriations, in installments of \$950,000 over a four year period beginning in the year ended June 30, 1996, but to date no payments have been made, nor have any payments for transfers totaling \$45,653,000 been made during the years ended June 30, 1998 through 2010.

In November 2004, the voters of Rhode Island authorized the issuance of \$30 million in general obligation debt for the construction of a new residence hall at Rhode Island College (RIC). Of this amount, \$20 million will be repaid to the State. The residence hall was finished and in service by September 2007, at which time RIC began collecting revenues to pay for its share of the debt service. Debt service obligation is to be split two-thirds to RIC, one-third to the State for all payments after September 2007. RIC will repay the State for the debt service paid on its behalf on a straight-line basis amortized over the remaining life of the bonds, which carry rates ranging from 3-5% and a life of nineteen years beginning in fiscal year 2009.

The Narragansett Bay Commission has approximately \$323,000,000 of loans payable to the R.I. Clean Water Finance Agency.

### C. Budgeting, Budgetary Control, and Legal Compliance

#### Budget Preparation

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

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.6 percent of estimated general revenues. The remaining 2.4 percent is contributed to the Budget Reserve Account until such account equals 3.8 percent of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

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

#### Budgetary Controls

The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch.

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

#### D. Significant Transactions with Component Units

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

Significant transactions between primary government and component units

	Expense	Description
Governmental activities		
General		
R.I. Higher Education Assistance Authority	\$ 6,612	Operating assistance
R.I. Economic Development Corporation	11,032	Operating and capital assistance
University of Rhode Island	56,939	Operating assistance
Rhode Island College	38,003	Operating assistance
Community College of Rhode Island	43,296	Operating assistance
Central Falls School District	52,831	Operating assistance
R.I. Public Transit Authority	5,102	Operating assistance
ISTEA		
R.I. Public Transit Authority	42,490	Operating assistance
Bond Capital		
University of Rhode Island	13,054	Construction, improvement or purchase of assets
Certificates of Participation		
University of Rhode Island	5,313	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 274,672</u>	

#### E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2010:

- Central Utilities (\$104,000)
- State Telecommunications (\$356,000)
- Records Center (\$115,000)
- Capitol Police (\$15,000)

The deficits will be eliminated through charges for services in fiscal year 2011.

#### F. Restatements, Reclassifications and Other Changes in Presentation

	Governmental Activities	Discretely Presented Component Units	Governmental Funds
June 30, 2009			
Net assets as previously reported	\$ 835,635	\$ 2,253,527	
Fund balance as previously reported			\$ 889,307
Correction of errors	(400)	138	
Change in RI Public Laws	9,186	(9,186)	9,186
June 30, 2009 net assets/fund balance as restated	<u>\$ 844,421</u>	<u>\$ 2,244,479</u>	<u>\$ 898,493</u>

The beginning net assets of certain discretely presented component units decreased by an aggregate amount of approximately \$9,048,000. This decrease primarily consists of a \$9,186,000 decrease in net assets for URI (\$5,735,000), RIC (\$1,294,000) and CCRI (\$2,157,000) due to enactment of a provision in the RI Public Laws that changed the manner in which appropriations from the RI Capital Fund to the colleges are recorded as revenue. Additionally, the beginning net assets of Governmental Activities within the government-wide financial statements and the beginning fund balance of the Statement of Revenues,

Expenditures, and Changes in Fund Balances in the fund financial statements were increased by \$9,186,000 to reflect the same provision in the RI Public Laws.

The beginning net assets of the RIPTCA increased by \$138,000 due to the correction of an error in the amount reported as due to the primary government.

The beginning balance for land was reduced by \$400,000 because several parcels of land were recorded twice.

In a prior year, expenditures of \$1,998,000 were recorded in the RI Clean Water Fund (a capital projects fund) that should have been recorded in the Bond Capital Fund. The correction was made in FY2010, as an adjustment to beginning fund balance in each of the funds; however, there is no aggregate effect on beginning fund balance.

## Note 18. Subsequent Events

### Primary Government

The State sold \$350 million of General Obligation Tax Anticipation Notes in July 2010. The notes bear interest at 2.5% and are due on June 30, 2011.

Twin River is one of the two licensed video lottery facilities of the State. In June of 2009, the operator of Twin River, UTGR, Inc., d/b/a Twin River, and their investors BLB Management Services, Inc and BLB Holdings, Inc commenced a Chapter 11 bankruptcy proceeding by filing voluntary petitions for relief. In June of 2010, the United States Bankruptcy Court approved the Second Amended Joint Plan of Reorganization. A facility permit application which had been filed by UTGR, Inc. with the Department of Business Regulation seeking approval for a change of ownership and management structure of UTGR was approved on October 18, 2010. After conducting its due diligence, the Division of Lotteries approved UTGR's application for a video lottery retail license and issued that license to UTGR on November 4, 2010. On or about November 5, 2010, the Debtors' Second Amended Joint Plan of Reorganization became effective allowing the Debtors to emerge from bankruptcy.

Pursuant to legislation enacted by the General Assembly, the State established a trust on December 16, 2010 to accumulate assets and pay benefits and other costs associated with the Rhode Island Retiree Health Care Benefit Plan (see Note 14 for information about the RIRHCBP). In addition, effective in fiscal year 2011, all participating employers are required to fully fund the actuarially determined annual required contribution to the RIRHCBP.

### Component Units

In July and August 2010, the R.I. Student Loan Authority (RISLA) retired bonds from various Student Loan Program Revenue Bonds. The Bonds were retired at a discount ranging from 85% to 95% of the Bonds stated par value. \$158,600,000 of the outstanding bonds were retired, resulting in a gain of \$8,246,000.

On September 2, 2010, the RISLA sold to the US Department of Education (DOE) participating interest in loans under the DOE's Loan Purchase Commitment Program. RISLA sold to DOE loans with a principal balance of \$141,534,497 and accrued interest of \$3,046,013.

On October 1, 2010 R.I. Housing and Mortgage Finance Corporation (RIHMFC) instructed its trustees to redeem the Homeownership Opportunity Bonds in the amount of \$24,785,000.

In November 2010, the Rhode Island Economic Development Corporation issued \$75 million of taxable revenue bonds pursuant to the Job Creation Guaranty Program. The bond proceeds are loaned to 38 Studios, LLC, a company founded to develop video game products. The bonds are secured by a capital reserve fund. The Governor is required to request an appropriation from the General Assembly to restore the capital reserve fund in the event of a deficiency.

On November 4, 2010 the Rhode Island Housing & Mortgage Finance Corporation (RIHMFC) issued \$50,000,000 of single family Home Funding Bonds. Also, on October 1, 2010 and December 1, 2010 RIHMFC redeemed \$24,785,000 and \$170,000, respectively, of outstanding bonds.

On December 16, 2010, the Rhode Island Student Loan Authority (RISLA) issued \$25,570,000 in fixed rate bonds to fund its supplemental student loan program.

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, 2010**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues:				
General Revenues:				
Personal Income Tax	\$ 963,200	\$ 918,500	\$ 898,113	\$ (20,387)
General Business Taxes:				
Business Corporations	113,000	115,000	146,835	31,835
Public Utilities Gross Earnings	115,000	97,000	95,793	(1,207)
Financial Institutions	3,750	2,900	2,319	(581)
Insurance Companies	81,900	98,000	95,921	(2,079)
Bank Deposits	1,730	2,200	1,860	(340)
Health Care Provider Assessment	36,127	40,000	40,254	254
Sales and Use Taxes:				
Sales and Use	815,000	787,500	803,395	15,895
Motor Vehicle	50,400	49,000	48,285	(715)
Motor Fuel	920	1,000	969	(31)
Cigarettes	148,000	139,600	138,315	(1,285)
Alcohol	10,900	11,500	11,269	(231)
Other Taxes:				
Inheritance and Gift	29,400	28,000	29,057	1,057
Racing and Athletics	2,100	1,500	1,492	(8)
Realty Transfer Tax	7,200	6,900	6,994	94
Total Taxes (1)	<u>2,378,627</u>	<u>2,298,600</u>	<u>2,320,871</u>	<u>22,271</u>
Departmental Revenue	<u>335,532</u>	<u>332,243</u>	<u>333,128</u>	<u>885</u>
Total Taxes and Departmental Revenue	<u>2,714,159</u>	<u>2,630,843</u>	<u>2,653,999</u>	<u>23,156</u>
Other Sources:				
Gas Tax Transfer			24	24
Other Miscellaneous	9,000	34,908	12,467	(22,441)
Lottery	348,700	347,700	344,673	(3,027)
Unclaimed Property	5,000	5,600	5,867	267
Total Other Sources	<u>362,700</u>	<u>388,208</u>	<u>363,031</u>	<u>(25,177)</u>
Total General Revenues	<u>3,076,859</u>	<u>3,019,051</u>	<u>3,017,030</u>	<u>(2,021)</u>
Federal Revenues	2,253,534	2,468,101	2,275,606	(192,495)
Restricted Revenues	160,230	187,874	149,638	(38,236)
Other Revenues	66,068	67,765	67,628	(137)
Total Revenues (2)	<u>5,556,691</u>	<u>5,742,791</u>	<u>5,509,902</u>	<u>(232,889)</u>
Expenditures (4):				
General government	809,351	826,180	745,948	80,232
Human services	2,831,800	2,958,314	2,885,024	73,290
Education	1,338,832	1,318,542	1,259,271	59,271
Public safety	408,470	411,196	395,298	15,898
Natural resources	91,720	96,295	67,493	28,802
Total Expenditures (2)	<u>5,480,173</u>	<u>5,610,527</u>	<u>5,353,034</u>	<u>\$ 257,493</u>
Transfer of Excess Budget Reserve to RI Capital Fund			38,778	
Total Expenditures	<u>\$ 5,480,173</u>	<u>\$ 5,610,527</u>	<u>5,391,812</u>	
Change in Fund Balance			118,090	
Fund balance - beginning			69,959	
Fund balance - ending			<u>\$ 188,049</u>	

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Expenditures by Source:</b>				
General Revenues	\$ 3,000,341	\$ 2,886,787	\$ 2,863,575	\$ 23,212
Federal Funds	2,253,534	2,468,101	2,276,732	191,369
Restricted Receipts	160,230	187,874	150,910	36,964
Other Funds	66,068	67,765	61,817	5,948
	<u>\$ 5,480,173</u>	<u>\$ 5,610,527</u>	<u>\$ 5,353,034</u>	<u>\$ 257,493</u>

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

**Budgeted Surplus:**

Total Revenue - Final Budget	\$ 5,742,791
Total Expenditures - Final Budget	<u>5,610,527</u>
<i>Final Budget - Projected Surplus (3)</i>	\$ 132,264

**Final Budget and Actual - Results**

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (232,889)
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>257,493</u>
<i>Surplus resulting from operations compared to final budget</i>	<u>\$ 24,604</u>
Total General Fund Surplus - Fiscal Year Ended June 30, 2010	\$ 156,868
Less: Transfer of Excess Budget Reserve to RICAP Fund	<u>(38,778)</u>
<b>Net Change in General Fund - Fund Balance</b>	\$ 118,090
Fund Balance, Beginning	<u>69,959</u>
Fund Balance, Ending	<u><u>\$ 188,049</u></u>

**Notes:**

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

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

(3) RI General Law section 35-3-20.1, titled "Limitation on state spending", mandates that expenditure appropriations shall not be greater than 97.6% of estimated general revenue for the fiscal year ending June 30, 2010.

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

General government	\$ 168,048
Human services	606
Education	20,197
Public safety	438
Natural resources	66
	<u>\$ 189,355</u>

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Intermodal Surface Transportation Fund**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 140,800	\$ 133,920	\$ 137,266	\$ 3,346
Departmental restricted revenue	1,500	1,000	719	(281)
Federal grants	381,348	308,303	242,443	(65,860)
Other revenues	4,913	1,321	3,559	2,238
Total revenues	<u>528,561</u>	<u>444,544</u>	<u>383,987</u>	<u>(60,557)</u>
Other financing sources:				
Operating transfers in			35,530	35,530
Total revenues and other financing sources	<u>528,561</u>	<u>444,544</u>	<u>419,517</u>	<u>(25,027)</u>
<b>Expenditures:</b>				
Central Management				
Gasoline Tax	1,906	1,184	688	496
Federal Funds	17,204	10,523	3,734	6,789
Total - Central Management	<u>19,110</u>	<u>11,707</u>	<u>4,422</u>	<u>7,285</u>
Management and Budget				
Gasoline Tax	1,186	1,357	354	1,003
Total - Management and Budget	<u>1,186</u>	<u>1,357</u>	<u>354</u>	<u>1,003</u>
Infrastructure - Engineering				
Gasoline Tax	56,396	51,568	51,186	382
State Infrastructure Bank	1,388	1,388		1,388
Land Sale Revenue	3,200	2,000	1,156	844
Highway Logo Program	100	100		100
Federal Funds	364,145	297,780	238,562	59,218
Restricted Receipts	1,500	1,000	757	243
Subtotal - Infrastructure - Engineering	<u>426,729</u>	<u>353,836</u>	<u>291,661</u>	<u>62,175</u>
State Match - FHWA			35,530	(35,530)
Total - Infrastructure - Engineering	<u>426,729</u>	<u>353,836</u>	<u>327,191</u>	<u>26,645</u>
Infrastructure - Maintenance				
Gasoline Tax	36,750	37,802	35,848	1,954
Outdoor Advertising	200	325		325
Radio System Upgrade		(2,532)		(2,532)
Nonland Surplus	25	40	(17)	57
Total - Infrastructure - Maintenance	<u>36,975</u>	<u>35,635</u>	<u>35,831</u>	<u>(196)</u>
Total Expenditures	<u>484,000</u>	<u>402,535</u>	<u>367,798</u>	<u>34,737</u>
<b>Other financing uses:</b>				
Transfers to other funds				
Gas tax			45,996	
USTF fee			2,102	
Other			27	
Total expenditures and other financing uses			<u>415,923</u>	
Net change in fund balance			3,594	
Fund balance - beginning			<u>35,400</u>	
Fund balance - ending			<u>\$ 38,994</u>	

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedules of Funding Progress**  
**June 30, 2010**  
**(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)
06/30/2009	\$ 6,655,012	\$ 11,383,207	\$ 4,728,195	58.5%	\$ 1,593,336	296.7%
06/30/2008 *	6,745,323	10,963,521	4,218,198	61.5%	1,573,398	268.1%
06/30/2007	6,231,410	11,083,014	4,851,604	56.2%	1,619,417	299.6%

**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)
06/30/2009	\$ 60,232	\$ 75,480	\$ 15,248	79.8%	\$ 17,096	89.2%
06/30/2008	54,927	69,030	14,102	79.6%	16,699	84.5%
06/30/2007	45,997	60,428	14,431	76.1%	15,836	91.1%

**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)
06/30/2009	\$ 36,839	\$ 41,738	\$ 4,899	88.3%	\$ 6,843	71.6%
06/30/2008 *	34,670	38,116	3,445	91.0%	6,602	52.2%
06/30/2007	29,631	35,355	5,725	83.8%	6,452	88.7%

\* Restated

State of Rhode Island and Providence Plantations  
Required Supplementary Information  
Schedules of Funding Progress  
June 30, 2010  
(Expressed in Thousands)

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

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

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

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

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

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

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

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

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

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

## Budget and Actual

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

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

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

## Schedules of Funding Progress- Pensions

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

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

## Schedules of Funding Progress-Other Postemployment Benefits

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

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

Changes in actuarial assumptions included in the June 30, 2007 valuation include changes in demographic assumptions adopted in the June 30, 2006 valuations for the Employees' Retirement System, the State Police Retirement Benefits Trust, and the Judicial Retirement Benefits Trust, based on experience studies performed by the actuary for those systems. The Medicare election assumption for Judges changed from 100% electing Medicare at age 65 to 100% not electing Medicare at age 65 and for Legislators from 100% electing Medicare at age 65 to 75% not electing Medicare at age 65. In addition, in anticipation of the retirements occurring before October 1, 2008, the election percentage for State employees was increased to 90% and the retiree liability was adjusted to 110%.

**COMBINING  
STATEMENTS**

## Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Special Revenue</b>					<b>Total Special Revenue Funds</b>
	<b>Coastal Resources Management Council Dredge</b>	<b>R.I. Temporary Disability</b>	<b>Historic Tax Credit Financing</b>	<b>Tobacco Settlement Financing Corporation</b>	<b>R.I. Public Rail Corporation</b>	
<b>Assets</b>						
Cash and cash equivalents	\$ 107	\$ 111,087	\$	\$	\$ 54	\$ 111,248
Funds on deposit with fiscal agent			42,940			42,940
Investments				166		166
Restricted investments				71,895		71,895
Receivables (net)		39,747			42	39,789
Due from other funds	12					12
Loans to other funds						
<b>Total assets</b>	<b>119</b>	<b>\$ 150,834</b>	<b>\$ 42,940</b>	<b>\$ 72,061</b>	<b>\$ 96</b>	<b>\$ 266,050</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable		72			11	83
Due to other funds		870				870
Due to component units						
Loans from other funds						
Other liabilities						
<b>Total liabilities</b>		<b>942</b>			<b>11</b>	<b>953</b>
<b>Fund balances</b>						
Reserved for:						
Debt				72,061		72,061
Employment Insurance Programs		149,892				149,892
Unreserved						
Special revenue	119		42,940		85	43,144
Capital projects						
Permanent fund						
<b>Total fund balances</b>	<b>119</b>	<b>149,892</b>	<b>42,940</b>	<b>72,061</b>	<b>85</b>	<b>265,097</b>
<b>Total Liabilities and fund balances</b>	<b>\$ 119</b>	<b>\$ 150,834</b>	<b>\$ 42,940</b>	<b>\$ 72,061</b>	<b>\$ 96</b>	<b>\$ 266,050</b>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Capital Project</b>				<b>Total Capital Project Funds</b>	<b>Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>R.I. Capital Plan</b>	<b>R.I. Clean Water Act Environmental Trust</b>	<b>R.I. Refunding Bond Authority</b>	<b>Certificates of Participation</b>		<b>Permanent School</b>	
<b>Assets</b>							
Cash and cash equivalents	\$ 1,320	\$ 3,328	\$	\$	\$ 4,648	\$ 1,625	\$ 117,521
Funds on deposit with fiscal agent				31,014	31,014		73,954
Investments							166
Restricted investments							71,895
Receivables (net)							39,789
Due from other funds		1,998		847	2,845		2,857
Loans to other funds	78,648				78,648		78,648
Total assets	<u>\$ 79,968</u>	<u>\$ 5,326</u>	<u>\$</u>	<u>\$ 31,861</u>	<u>\$ 117,155</u>	<u>\$ 1,625</u>	<u>\$ 384,830</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	16,461			7,042	23,503		23,586
Due to other funds	2,430				2,430		3,300
Due to component units	525	903			1,428		1,428
Loans from other funds				817	817		817
Other liabilities	695				695		695
Total liabilities	<u>20,111</u>	<u>903</u>	<u></u>	<u>7,859</u>	<u>28,873</u>	<u></u>	<u>29,826</u>
<b>Fund balances</b>							
<b>Reserved for:</b>							
<b>Debt</b>							
Employment Insurance Programs				1,000	1,000		73,061
<b>Unreserved</b>							
Special revenue							43,144
Capital projects	59,857	4,423		23,002	87,282		87,282
Permanent fund						1,625	1,625
Total fund balances	<u>59,857</u>	<u>4,423</u>	<u></u>	<u>24,002</u>	<u>88,282</u>	<u>1,625</u>	<u>355,004</u>
Total Liabilities and fund balances	<u>\$ 79,968</u>	<u>\$ 5,326</u>	<u>\$</u>	<u>\$ 31,861</u>	<u>\$ 117,155</u>	<u>\$ 1,625</u>	<u>\$ 384,830</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, 2010**  
**(Expressed in Thousands)**

	<b>Special Revenue</b>					<b>Total Special Revenue Funds</b>
	<b>Coastal Resources Management Council Dredge</b>	<b>R.I. Temporary Disability</b>	<b>Historic Tax Credit</b>	<b>Tobacco Settlement Financing Corporation</b>	<b>R.I. Public Rail Corporation</b>	
<b>Revenues:</b>						
Taxes	\$	\$ 165,693	\$	\$	\$	\$ 165,693
Licenses, fines, sales, and services	51				25	76
Income from investments		330	9	3,410		3,749
Other revenues		41		48,620		48,661
<b>Total revenues</b>	<b>51</b>	<b>166,064</b>	<b>9</b>	<b>52,030</b>	<b>25</b>	<b>218,179</b>
<b>Expenditures:</b>						
Current:						
General government		162,563		69		162,632
Education						
Natural resources	8					8
Transportation					58	58
Capital outlays						
Debt service:						
Principal				14,710		14,710
Interest and other charges			3	38,614		38,617
<b>Total expenditures</b>	<b>8</b>	<b>162,563</b>	<b>3</b>	<b>53,393</b>	<b>58</b>	<b>216,025</b>
Excess (deficiency) of revenues over (under) expenditures	43	3,501	6	(1,363)	(33)	2,154
<b>Other financing sources (uses)</b>						
Bonds and notes issued						
Operating transfers in						
Operating transfers out		(1,973)	(50,198)			(52,171)
<b>Total other financing sources (uses)</b>		<b>(1,973)</b>	<b>(50,198)</b>			<b>(52,171)</b>
<b>Net change in fund balances</b>	<b>43</b>	<b>1,528</b>	<b>(50,192)</b>	<b>(1,363)</b>	<b>(33)</b>	<b>(50,017)</b>
Fund balances - beginning (as restated)	76	148,364	93,132	73,424	118	315,114
<b>Fund balances - ending</b>	<b>\$ 119</b>	<b>\$ 149,892</b>	<b>\$ 42,940</b>	<b>\$ 72,061</b>	<b>\$ 85</b>	<b>\$ 265,097</b>

(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, 2010**  
**(Expressed in Thousands)**

	Capital Projects				Total Capital Project Funds	Permanent	Total Nonmajor Governmental Funds
	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation		Permanent School	
<b>Revenues:</b>							
Taxes	\$	\$	\$	\$	\$	\$	\$ 165,693
Licenses, fines, sales, and services			24		24	435	535
Income from investments	3	5		1	9	6	3,764
Other revenues							48,661
Total revenues	3	5	24	1	33	441	218,653
<b>Expenditures:</b>							
Current:							
General government							162,632
Education						184	184
Natural resources							8
Transportation							58
Capital outlays	78,515	2,276	25	32,313	113,129		113,129
Debt service:							
Principal							14,710
Interest and other charges				296	296		38,913
Total expenditures	78,515	2,276	25	32,609	113,425	184	329,634
Excess (deficiency) of revenues over (under) expenditures	(78,512)	(2,271)	(1)	(32,608)	(113,392)	257	(110,981)
<b>Other financing sources (uses)</b>							
Bonds and notes issued		900		11,000	11,900		11,900
Operating transfers in	41,512			1,322	42,834		42,834
Operating transfers out	(112)				(112)		(52,283)
Total other financing sources (uses)	41,400	900		12,322	54,622		2,451
Net change in fund balances	(37,112)	(1,371)	(1)	(20,286)	(58,770)	257	(108,530)
Fund balances - beginning (as restated)	96,969	5,794	1	44,288	147,052	1,368	463,534
Fund balances - ending	\$ 59,857	\$ 4,423	\$	\$ 24,002	\$ 88,282	\$ 1,625	\$ 355,004

(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, 2010**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
<b>* Revenues:</b>				
Taxes	\$ 165,693	\$ 165,693	\$ 165,693	\$
Other Revenues	371	371	371	
Total Revenues	<u>166,064</u>	<u>166,064</u>	<u>166,064</u>	
<b>Expenditures:</b>				
Department of Labor and Training Income Support	182,192	162,823	164,327	(1,504)
Treasury Department	202	214	209	5
Total Expenditures	<u>182,394</u>	<u>163,037</u>	<u>164,536</u>	<u>(1,499)</u>
Net change in fund balance			1,528	
* Fund balance - beginning			148,364	
Fund balance - ending			<u>\$ 149,892</u>	

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

## Internal Service Funds

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

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

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

**Central Mail** – provides for the delivery of mail services for the State.

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

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

**Central Laundry** – provides laundry service to the State institutions.

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

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

**Correctional Industries** – provides job training for inmates through prison industries.

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

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

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

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

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

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

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

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Central Pharmacy</b>	<b>Central Laundry</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ 2,802	\$ 1,427	\$	\$	\$	\$ 209	\$ 1,029	\$ 1,562
Receivables (net)			411				568	32
Due from other funds		7	110	18				12
Inventories			104				328	714
Loans to other funds								
Other assets	23							
Total current assets	<u>2,825</u>	<u>1,434</u>	<u>625</u>	<u>18</u>	<u></u>	<u>209</u>	<u>1,925</u>	<u>2,320</u>
Noncurrent assets:								
Capital assets (net)			56	25			186	2,319
Total noncurrent assets			<u>56</u>	<u>25</u>			<u>186</u>	<u>2,319</u>
Total assets	<u>2,825</u>	<u>1,434</u>	<u>681</u>	<u>43</u>	<u></u>	<u>209</u>	<u>2,111</u>	<u>4,639</u>
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	449		160	9			527	240
Due to other funds	412					209	257	
Loans from other funds		1,519	344	299				
Other liabilities	1,012	7	104	73			50	69
Total current liabilities	<u>1,873</u>	<u>1,526</u>	<u>608</u>	<u>381</u>	<u></u>	<u>209</u>	<u>834</u>	<u>309</u>
Noncurrent liabilities:								
Net OPEB obligation	46	12	20	18			18	24
Total noncurrent liabilities	<u>46</u>	<u>12</u>	<u>20</u>	<u>18</u>	<u></u>	<u></u>	<u>18</u>	<u>24</u>
Total liabilities	<u>1,919</u>	<u>1,538</u>	<u>628</u>	<u>399</u>	<u></u>	<u>209</u>	<u>852</u>	<u>333</u>
<b>Net Assets:</b>								
Invested in capital assets, net of related debt			56	25			186	2,319
Unrestricted	906	(104)	(3)	(381)			1,073	1,987
Total net assets	<u>\$ 906</u>	<u>\$ (104)</u>	<u>\$ 53</u>	<u>\$ (356)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,259</u>	<u>\$ 4,306</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	Correctional Industries	Surplus Property	Records Center	Health Insurance			Vehicle Replacement Revolving Loan	Capitol Police	Total
				Active	State Retirees	Teacher Retirees			
<b>Assets:</b>									
Current assets:									
Cash and cash equivalents	\$ 1,307	\$ 76	\$ 197	\$ 10,600	\$ 8,312	\$ 1,536	\$ 1,311	\$ 68	\$ 30,436
Receivables (net)	2,152		67		8		2,999		6,237
Due from other funds				47					194
Inventories	429								1,575
Loans to other funds									
Other assets				8,895					8,918
<b>Total current assets</b>	<b>3,888</b>	<b>76</b>	<b>264</b>	<b>19,542</b>	<b>8,320</b>	<b>1,536</b>	<b>4,310</b>	<b>68</b>	<b>47,360</b>
Noncurrent assets:									
Capital assets (net)	186		1						2,773
<b>Total noncurrent assets</b>	<b>186</b>		<b>1</b>						<b>2,773</b>
<b>Total assets</b>	<b>4,074</b>	<b>76</b>	<b>265</b>	<b>19,542</b>	<b>8,320</b>	<b>1,536</b>	<b>4,310</b>	<b>68</b>	<b>50,133</b>
<b>Liabilities:</b>									
Current liabilities:									
Accounts payable	347		24	15,182	4,093	580			21,611
Due to other funds	118		8		79		1,238	33	2,354
Loans from other funds			300						2,462
Other liabilities	155		36					40	1,546
<b>Total current liabilities</b>	<b>620</b>		<b>368</b>	<b>15,182</b>	<b>4,172</b>	<b>580</b>	<b>1,238</b>	<b>73</b>	<b>27,973</b>
Noncurrent liabilities:									
Net OPEB obligation	49		12					10	209
<b>Total noncurrent liabilities</b>	<b>49</b>		<b>12</b>					<b>10</b>	<b>209</b>
<b>Total liabilities</b>	<b>669</b>		<b>380</b>	<b>15,182</b>	<b>4,172</b>	<b>580</b>	<b>1,238</b>	<b>83</b>	<b>28,182</b>
<b>Net Assets:</b>									
Invested in capital assets, net of related debt	186		1						2,773
Unrestricted	3,219	76	(116)	4,360	4,148	956	3,072	(15)	19,178
<b>Total net assets</b>	<b>\$ 3,405</b>	<b>\$ 76</b>	<b>\$ (115)</b>	<b>\$ 4,360</b>	<b>\$ 4,148</b>	<b>\$ 956</b>	<b>\$ 3,072</b>	<b>\$ (15)</b>	<b>\$ 21,951</b>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Central Pharmacy</b>	<b>Central Laundry</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>
<b>Operating revenues:</b>								
Charges for services	\$ 29,405	\$ 15,886	\$ 4,813	\$ 2,391	\$ 2	\$ (132)	\$ 10,717	\$ 6,562
Total operating revenues	<u>29,405</u>	<u>15,886</u>	<u>4,813</u>	<u>2,391</u>	<u>2</u>	<u>(132)</u>	<u>10,717</u>	<u>6,562</u>
<b>Operating expenses:</b>								
Personal services	4,289	202	719	762			608	814
Supplies, materials, and services	22,056	15,698	4,287	1,558			9,801	4,902
Depreciation			38	22			38	89
Total operating expenses	<u>26,345</u>	<u>15,900</u>	<u>5,044</u>	<u>2,342</u>			<u>10,447</u>	<u>5,805</u>
Operating income (loss)	<u>3,060</u>	<u>(14)</u>	<u>(231)</u>	<u>49</u>	<u>2</u>	<u>(132)</u>	<u>270</u>	<u>757</u>
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	11						2	
Other nonoperating revenues and (expenses)	7						11	
Income (loss) before transfers	<u>3,078</u>	<u>(14)</u>	<u>(231)</u>	<u>49</u>	<u>2</u>	<u>(132)</u>	<u>283</u>	<u>757</u>
Operating transfers (out)	<u>(1,966)</u>			<u>24</u>			<u>(200)</u>	
Change in net assets	1,112	(14)	(231)	73	2	(132)	83	757
Total net assets - beginning	<u>(206)</u>	<u>(90)</u>	<u>284</u>	<u>(429)</u>	<u>(2)</u>	<u>132</u>	<u>1,176</u>	<u>3,549</u>
Total net assets - ending	<u>\$ 906</u>	<u>\$ (104)</u>	<u>\$ 53</u>	<u>\$ (356)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,259</u>	<u>\$ 4,306</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, 2010**  
**(Expressed in Thousands)**

	Correctional Industries	Surplus Property	Records Center	Health Insurance			Vehicle Replacement Revolving Loan	Capitol Police	Total
				Active	State Retirees	Teacher Retirees			
<b>Operating revenues:</b>									
Charges for services	\$ 5,042	\$	\$ 742	\$ 166,778	\$ 48,622	\$ 8,025	\$ 75	\$ 776	\$ 299,704
Total operating revenues	5,042		742	166,778	48,622	8,025	75	776	299,704
<b>Operating expenses:</b>									
Personal services	1,742		420					790	10,346
Supplies, materials, and services	3,679	2	354	175,912	49,201	7,034			294,484
Depreciation	79	2							268
Total operating expenses	5,500	4	774	175,912	49,201	7,034		790	305,098
Operating income (loss)	(458)	(4)	(32)	(9,134)	(579)	991	75	(14)	(5,394)
<b>Nonoperating revenues (expenses):</b>									
Interest revenue				34	31	3	22		103
Other nonoperating revenues and (expenses)									18
Income (loss) before transfers	(458)	(4)	(32)	(9,100)	(548)	994	97	(14)	(5,273)
Operating transfers (out)							(3,638)		(5,780)
Change in net assets	(458)	(4)	(32)	(9,100)	(548)	994	(3,541)	(14)	(11,053)
Total net assets - beginning	3,863	80	(83)	13,460	4,696	(38)	6,613	(1)	33,004
Total net assets - ending	\$ 3,405	\$ 76	\$ (115)	\$ 4,360	\$ 4,148	\$ 956	\$ 3,072	\$ (15)	\$ 21,951

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Central Pharmacy</b>
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 29,446	\$ 14,853	\$ 5,021	\$ 3,466	\$ 2
Cash payments to suppliers for goods and services	(21,614)	(15,695)	(4,134)	(1,603)	(26)
Cash payments to employees for services	(3,980)	(205)	(704)	(741)	
Other operating revenue (expense)	7				
Net cash provided by (used for) operating activities	<u>3,859</u>	<u>(1,047)</u>	<u>183</u>	<u>1,122</u>	<u>(24)</u>
<b>Cash flows from noncapital financing activities:</b>					
Loans from other funds		623			
Loans to other funds					
Repayment of loans to other funds					
Repayment of loans from other funds	(800)		(183)	(1,149)	
Operating transfers in				27	
Operating transfers out	(1,966)				
Net cash provided by (used for) noncapital financing activities	<u>(2,766)</u>	<u>623</u>	<u>(183)</u>	<u>(1,122)</u>	
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets					
Net cash provided by (used for) capital and related financing activities					
<b>Cash flows from investing activities:</b>					
Interest on investments	11				
Net cash provided by (used for) investing activities	<u>11</u>				
Net increase (decrease) in cash and cash equivalents	1,104	(424)			(24)
Cash and cash equivalents - July 1	1,698	1,851			24
Cash and cash equivalents - June 30	<u>\$ 2,802</u>	<u>\$ 1,427</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Central Mail</u>	<u>State Tele- communications</u>	<u>Central Pharmacy</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 3,060	\$ (14)	\$ (231)	\$ 49	\$ 2
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation	\$	\$	\$ 38	\$ 22	\$
Other revenue (expense) and operating transfer in (out)	7				
(Increase) decrease in assets:					
Receivables			209	1,073	(2)
Inventory			22		
Increase (decrease) in liabilities:					
Accounts payable	483	(1,030)	130	(43)	
Accrued expenses	309	(3)	15	21	(24)
Total adjustments	<u>799</u>	<u>(1,033)</u>	<u>414</u>	<u>1,073</u>	<u>(26)</u>
Net cash provided by (used for) operating activities	<u>\$ 3,859</u>	<u>\$ (1,047)</u>	<u>183</u>	<u>\$ 1,122</u>	<u>\$ (24)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Central Laundry</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>	<b>Correctional Industries</b>	<b>Surplus Property</b>	<b>Records Center</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 342	\$ 11,050	\$ 6,571	\$ 5,009	\$	\$ 747
Cash payments to suppliers for goods and services	114	(9,809)	(5,083)	(3,515)	(3)	(350)
Cash payments to employees for services	(67)	(590)	(797)	(1,712)		(404)
Other operating revenue (expense)		11				
Net cash provided by (used for) operating activities	<u>389</u>	<u>662</u>	<u>691</u>	<u>(218)</u>	<u>(3)</u>	<u>(7)</u>
<b>Cash flows from noncapital financing activities:</b>						
Loans from other funds						
Loans to other funds						
Repayment of loans to other funds						
Repayment of loans from other funds	(180)					
Operating transfers in						
Operating transfers out		(200)				
Net cash provided by (used for) noncapital financing activities	<u>(180)</u>	<u>(200)</u>				
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets		(134)				(1)
Net cash provided by (used for) capital and related financing activities		<u>(134)</u>				<u>(1)</u>
<b>Cash flows from investing activities:</b>						
Interest on investments		2				
Net cash provided by (used for) investing activities		<u>2</u>				
Net increase (decrease) in cash and cash equivalents	209	330	691	(218)	(3)	(8)
Cash and cash equivalents - July 1		699	871	1,525	79	205
Cash and cash equivalents - June 30	<u>\$ 209</u>	<u>\$ 1,029</u>	<u>\$ 1,562</u>	<u>\$ 1,307</u>	<u>\$ 76</u>	<u>\$ 197</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<u>Central Laundry</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>	<u>Surplus Property</u>	<u>Records Center</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ (132)	\$ 270	\$ 757	\$ (458)	\$ (4)	\$ (32)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	\$	\$ 38	\$ 89	\$ 79	\$ 2	\$
Other revenue (expense) and operating transfer in (out)		11				
(Increase) decrease in assets:						
Receivables	474	137	48	(33)		7
Inventory	133	(40)	(118)	90		
Increase (decrease) in liabilities:						
Accounts payable	(19)	228	(102)	74	(1)	2
Accrued expenses	(67)	18	17	30		16
Total adjustments	<u>521</u>	<u>392</u>	<u>(66)</u>	<u>240</u>	<u>1</u>	<u>25</u>
Net cash provided by (used for) operating activities	<u>\$ 389</u>	<u>\$ 662</u>	<u>\$ 691</u>	<u>\$ (218)</u>	<u>\$ (3)</u>	<u>\$ (7)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Health Insurance</b>		<b>Vehicle Replacement Revolving Loan</b>	<b>Capitol Police</b>	<b>Total</b>	
	<b>Active</b>	<b>State Retirees</b>				<b>Teacher Retirees</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 166,914	\$ 48,219	\$ 8,629	\$ 1,692	\$ 955	\$ 302,916
Cash payments to suppliers for goods and services	(174,670)	(48,395)	(7,035)	(1,917)	10	(293,725)
Cash payments to employees for services					(787)	(9,987)
Other operating revenue (expense)						18
Net cash provided by (used for) operating activities	(7,756)	(176)	1,594	(225)	178	(778)
<b>Cash flows from noncapital financing activities:</b>						
Loans from other funds						623
Loans to other funds	(3,090)					(3,090)
Repayment of loans to other funds	1,770					1,770
Repayment of loans from other funds			(650)		(110)	(3,072)
Operating transfers in						27
Operating transfers out				(3,638)		(5,804)
Net cash provided by (used for) noncapital financing activities	(1,320)		(650)	(3,638)	(110)	(9,546)
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets						(135)
Net cash provided by (used for) capital and related financing activities						(135)
<b>Cash flows from investing activities:</b>						
Interest on investments	34	31	3	23		104
Net cash provided by (used for) investing activities	34	31	3	23		104
Net increase (decrease) in cash and cash equivalents	(9,042)	(145)	947	(3,840)	68	(10,355)
Cash and cash equivalents - July 1	19,642	8,457	589	5,151		40,791
Cash and cash equivalents - June 30	\$ 10,600	\$ 8,312	\$ 1,536	\$ 1,311	\$ 68	\$ 30,436

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<u>Health Insurance</u>		<u>Vehicle Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>	
	<u>Active</u>	<u>State Retirees</u>				<u>Teacher Retirees</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ (9,134)	\$ (579)	\$ 991	\$ 75	\$ (14)	\$ (5,394)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	\$	\$	\$	\$	\$	268
Other revenue (expense) and operating transfer in (out)						18
(Increase) decrease in assets:						
Receivables	136	22	605	(300)	178	2,554
Inventory						87
Increase (decrease) in liabilities:						
Accounts payable	1,242	381	(2)		10	1,353
Accrued expenses					4	336
Total adjustments	<u>1,378</u>	<u>403</u>	<u>603</u>	<u>(300)</u>	<u>192</u>	<u>4,616</u>
Net cash provided by (used for) operating activities	<u>\$ (7,756)</u>	<u>\$ (176)</u>	<u>\$ 1,594</u>	<u>\$ (225)</u>	<u>\$ 178</u>	<u>\$ (778)</u>

(Concluded)

## Pension Trust Funds

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

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

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

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

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

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 5,654	\$ 628	\$ 781	\$ 2	\$ 7,065
Receivables					
Contributions	29,383	3,674	2	15	33,074
Due from state for teachers	23,343				23,343
Miscellaneous	589	24			613
Total receivables	<u>53,315</u>	<u>3,698</u>	<u>2</u>	<u>15</u>	<u>57,030</u>
Investments, at fair value					
Equity in Pooled Trust	<u>5,428,178</u>	<u>996,127</u>	<u>55,689</u>	<u>32,479</u>	<u>6,512,473</u>
Property and equipment, at cost, net of accumulated depreciation	<u>3,533</u>	<u>522</u>	<u>9</u>	<u>6</u>	<u>4,070</u>
Total assets	<u>5,490,680</u>	<u>1,000,975</u>	<u>56,481</u>	<u>32,502</u>	<u>6,580,638</u>
<b>Liabilities</b>					
Accounts payable	2,661	478	15	9	3,163
Deferred revenue				226	226
Net OPEB liability	95	16	1		112
Total liabilities	<u>2,756</u>	<u>494</u>	<u>16</u>	<u>235</u>	<u>3,501</u>
Net assets held in trust for pension benefits	<u>\$ 5,487,924</u>	<u>\$ 1,000,481</u>	<u>\$ 56,465</u>	<u>\$ 32,267</u>	<u>\$ 6,577,137</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, 2010**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Totals</b>
<b>Additions</b>					
Contributions					
Member contributions	\$ 144,511	\$ 24,960	\$ 1,218	\$ 638	\$ 171,327
Employer contributions	234,942	31,269	3,591	1,181	270,983
State contributions for teachers	68,543				68,543
Interest on service credits purchased	805	249			1,054
Service credit transfer payments	2				2
Total contributions	<u>448,803</u>	<u>56,478</u>	<u>4,809</u>	<u>1,819</u>	<u>511,909</u>
Investment income					
Net appreciation in fair value of investments	632,845	110,940	5,597	3,432	752,814
Interest	65,934	11,786	627	375	78,722
Dividends	2,080	372	20	12	2,484
Other investment income	8,301	1,449	75	45	9,870
	<u>709,160</u>	<u>124,547</u>	<u>6,319</u>	<u>3,864</u>	<u>843,890</u>
Less investment expense	10,844	2,024	116	69	13,053
Net income from investing activities	<u>698,316</u>	<u>122,523</u>	<u>6,203</u>	<u>3,795</u>	<u>830,837</u>
Total additions	<u>1,147,119</u>	<u>179,001</u>	<u>11,012</u>	<u>5,614</u>	<u>1,342,746</u>
<b>Deductions</b>					
Benefits					
Retirement benefits	562,362	54,861	235	996	618,454
Cost of living adjustment	154,968	9,573	17	40	164,598
SRA Plus (option)	27,210	2,487			29,697
Supplemental benefits	1,105				1,105
Death benefits	2,392	706		12	3,110
Total benefits	<u>748,037</u>	<u>67,627</u>	<u>252</u>	<u>1,048</u>	<u>816,964</u>
Refund of contributions	7,826	1,951			9,777
Administrative expense	6,714	1,108	42	28	7,892
Service credit transfer payments		2			2
Total deductions	<u>762,577</u>	<u>70,688</u>	<u>294</u>	<u>1,076</u>	<u>834,635</u>
Change in net assets	<u>384,542</u>	<u>108,313</u>	<u>10,718</u>	<u>4,538</u>	<u>508,111</u>
Net assets held in trust for pension benefits					
Net assets - beginning	5,103,382	892,168	45,747	27,729	6,069,026
Net assets - ending	<u>\$ 5,487,924</u>	<u>\$ 1,000,481</u>	<u>\$ 56,465</u>	<u>\$ 32,267</u>	<u>\$ 6,577,137</u>

## Agency Funds

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

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

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

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

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

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

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

**BOG Retiree Health Fund**

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 391	\$ 4,311	\$ 3,597	\$ 1,105
Receivables	655	1,609	1,990	274
<b>Total assets</b>	<b>\$ 1,046</b>	<b>\$ 5,920</b>	<b>\$ 5,587</b>	<b>\$ 1,379</b>
<b>Liabilities</b>				
Deposits held for others	\$ 785	\$ 1,148	\$ 769	\$ 1,164
Accounts payable	261	4,539	4,585	215
<b>Total liabilities</b>	<b>\$ 1,046</b>	<b>\$ 5,687</b>	<b>\$ 5,354</b>	<b>\$ 1,379</b>

**RIPTA Health Fund**

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 846	\$ 15,440	\$ 13,132	\$ 3,154
Receivables	1,716	1,948	2,100	1,564
<b>Total assets</b>	<b>\$ 2,562</b>	<b>\$ 17,388</b>	<b>\$ 15,232</b>	<b>\$ 4,718</b>
<b>Liabilities</b>				
Deposits held for others	\$ 105	\$ 99	\$	\$ 204
Accounts payable	2,457	16,082	14,025	4,514
<b>Total liabilities</b>	<b>\$ 2,562</b>	<b>\$ 16,181</b>	<b>\$ 14,025</b>	<b>\$ 4,718</b>

**Employer Pension Contribution**

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 62,741	\$ 31,449	\$ 77,804	\$ 16,386
<b>Total assets</b>	<b>\$ 62,741</b>	<b>\$ 31,449</b>	<b>\$ 77,804</b>	<b>\$ 16,386</b>
<b>Liabilities</b>				
Deposits held for others	\$ 62,741	\$ 31,449	\$ 77,804	\$ 16,386
<b>Total liabilities</b>	<b>\$ 62,741</b>	<b>\$ 31,449</b>	<b>\$ 77,804</b>	<b>\$ 16,386</b>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2010**  
**(Expressed in Thousands)**

**Statutory Deposits**

<b>Assets</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
Deposits held as security for entities doing business in the State	\$ 83,861	\$ 5,927	\$	\$ 89,788
<b>Total assets</b>	<b>\$ 83,861</b>	<b>\$ 5,927</b>	<b>\$</b>	<b>\$ 89,788</b>
<b>Liabilities</b>				
Deposits held for others	\$ 83,861	\$ 5,927	\$	\$ 89,788
<b>Total liabilities</b>	<b>\$ 83,861</b>	<b>\$ 5,927</b>	<b>\$</b>	<b>\$ 89,788</b>

**Court Deposits**

<b>Assets</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
Cash and cash equivalents	\$ 9,952	\$	\$ 1,004	\$ 8,948
<b>Total assets</b>	<b>\$ 9,952</b>	<b>\$</b>	<b>\$ 1,004</b>	<b>\$ 8,948</b>
<b>Liabilities</b>				
Deposits held for others	\$ 9,952	\$	\$ 1,004	\$ 8,948
<b>Total liabilities</b>	<b>\$ 9,952</b>	<b>\$</b>	<b>\$ 1,004</b>	<b>\$ 8,948</b>

**Total - All Agency Funds**

<b>Assets</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
Cash and cash equivalents	\$ 73,930	\$ 51,200	\$ 95,537	\$ 29,593
Deposits held as security for entities doing business in the State	83,861	5,927		89,788
Receivables	2,371	3,557	4,090	1,838
<b>Total assets</b>	<b>\$ 160,162</b>	<b>\$ 60,684</b>	<b>\$ 99,627</b>	<b>\$ 121,219</b>
<b>Liabilities</b>				
Deposits held for others	\$ 157,444	\$ 38,623	\$ 79,577	\$ 116,490
Accounts payable	2,718	20,621	18,610	4,729
<b>Total liabilities</b>	<b>\$ 160,162</b>	<b>\$ 59,244</b>	<b>\$ 98,187</b>	<b>\$ 121,219</b>

(Concluded)

# STATISTICAL SECTION

## Statistical Section

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

	<u>Page</u>
Contents	
Financial Trends	134
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	140
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity	147
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	149
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	151
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

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

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

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 2,079,153	\$ 1,958,718	\$ 1,877,872	\$ 1,691,793	\$ 1,591,074	\$ 816,578	\$ 675,696	\$ 481,460	\$ 371,614
Restricted	483,931	420,215	427,588	373,788	369,137	315,370	301,346	273,559	196,913
Unrestricted	(1,590,370)	(1,534,512)	(1,429,272)	(1,082,664)	(929,476)	(936,437)	(981,605)	(860,310)	(124,431)
<b>Total governmental activities net assets</b>	<b>\$ 972,714</b>	<b>\$ 844,421</b>	<b>\$ 876,188</b>	<b>\$ 982,917</b>	<b>\$ 1,030,735</b>	<b>\$ 195,511</b>	<b>\$ (4,563)</b>	<b>\$ (105,291)</b>	<b>\$ 444,096</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ (61,806)	\$ (59,453)	\$ (60,902)	\$ (109,435)	\$ (131,941)	\$ (71,413)	\$ (84,910)	\$ (83,896)	\$ (84,909)
Restricted	(103,022)	20,130	198,928	294,395	302,689	233,476	251,596	283,944	340,512
Unrestricted	(6,772)	(7,251)	(15,345)	(16,616)	(10,691)	(10,183)	(14,351)	(12,455)	1,650
<b>Total business-type activities net assets</b>	<b>\$ (171,600)</b>	<b>\$ (46,574)</b>	<b>\$ 122,681</b>	<b>\$ 168,344</b>	<b>\$ 160,057</b>	<b>\$ 151,880</b>	<b>\$ 152,335</b>	<b>\$ 187,593</b>	<b>\$ 257,253</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 2,017,347	\$ 1,899,265	\$ 1,816,970	\$ 1,582,358	\$ 1,459,133	\$ 745,165	\$ 590,786	\$ 397,564	\$ 286,705
Restricted	380,909	440,345	626,516	668,183	671,826	548,846	552,942	557,503	537,425
Unrestricted	(1,597,142)	(1,541,763)	(1,444,617)	(1,099,280)	(940,167)	(946,620)	(995,956)	(872,765)	(122,781)
<b>Total primary government net assets</b>	<b>\$ 801,114</b>	<b>\$ 797,847</b>	<b>\$ 998,869</b>	<b>\$ 1,151,261</b>	<b>\$ 1,190,792</b>	<b>\$ 347,391</b>	<b>\$ 147,772</b>	<b>\$ 82,302</b>	<b>\$ 701,349</b>

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

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>									
Governmental activities:									
General government	\$ 741,329	\$ 754,386	\$ 894,766	\$ 858,729	\$ 527,841	\$ 503,659	\$ 474,640	\$ 459,989	\$ 455,489
Human services	2,900,673	2,719,346	2,736,956	2,519,745	2,622,935	2,512,628	2,420,998	2,244,980	2,115,220
Education	1,273,985	1,278,391	1,361,310	1,320,384	287,119	264,385	75,654	103,476	339,455
Public safety	418,485	414,830	428,351	391,354	370,706	336,069	321,015	309,569	288,291
Natural resources	73,551	75,103	90,087	91,758	74,695	65,913	61,839	67,597	138,287
Transportation	305,460	324,007	240,644	281,518	323,517	226,529	173,935	170,082	192,824
Intergovernmental					1,213,050	1,127,496	1,047,537	947,792	896,512
Grants							299,381	291,208	287
Interest and other charges	142,924	136,737	133,298	107,211	92,121	116,171	104,760	98,831	79,381
Total governmental activities	<u>5,856,407</u>	<u>5,702,800</u>	<u>5,885,412</u>	<u>5,570,699</u>	<u>5,511,984</u>	<u>5,152,850</u>	<u>4,979,759</u>	<u>4,693,524</u>	<u>4,505,746</u>
Business-type activities:									
Lottery	2,431,562	2,215,602	2,042,722	1,487,239	1,409,134	1,330,298	1,200,059	1,054,764	958,626
Convention Center	50,732	48,764	41,007	42,859	37,862	35,746	62,622	59,372	57,900
Employment insurance	783,878	573,288	259,246	210,060	197,724	209,018	238,220	262,585	231,665
Total business-type activities	<u>3,266,172</u>	<u>2,837,654</u>	<u>2,342,975</u>	<u>1,740,158</u>	<u>1,644,720</u>	<u>1,575,062</u>	<u>1,500,901</u>	<u>1,376,721</u>	<u>1,248,191</u>
Total Primary government expenses	<u>\$ 9,122,579</u>	<u>\$ 8,540,454</u>	<u>\$ 8,228,387</u>	<u>\$ 7,310,857</u>	<u>\$ 7,156,704</u>	<u>\$ 6,727,912</u>	<u>\$ 6,480,660</u>	<u>\$ 6,070,245</u>	<u>\$ 5,753,937</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
General government	\$ 179,646	\$ 168,210	\$ 178,590	\$ 132,152	\$ 146,575	\$ 141,290	\$ 137,913	\$ 108,369	\$ 140,869
Human services	198,555	187,973	167,241	125,901	127,738	122,212	124,716	113,247	98,789
Education	18,263	8,335	36,241	11,180	5,638	3,469	3,320	2,877	2,744
Public safety	35,272	32,770	36,194	49,821	53,851	46,216	43,487	60,341	30,230
Natural resources	29,746	31,385	31,753	31,932	27,487	30,340	31,191	25,807	30,573
Transportation	744	181	(207)	875	(561)	8,257	1,739	3,092	2,802
Operating grants and contributions	2,361,446	2,114,821	1,827,704	1,716,318	1,821,134	1,794,965	1,703,526	1,452,834	1,315,974
Capital grants and contributions	162,090	103,515	112,712	151,528	156,828	97,681	156,372	191,993	176,071
Total governmental activities									
program revenues	<u>2,985,762</u>	<u>2,647,190</u>	<u>2,390,228</u>	<u>2,219,707</u>	<u>2,338,690</u>	<u>2,244,430</u>	<u>2,202,264</u>	<u>1,958,560</u>	<u>1,798,052</u>

(Continued)

Business-type activities:

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Charges for services	3,021,260	2,772,889	2,601,083	2,028,470	1,947,732	1,835,511	1,684,585	1,473,723	1,345,922
Operating grants and contributions	418,270	194,857	3,285	4,607	2,342	2,633	29,492	45,712	50,656
<b>Total business-type activities</b>									
program revenues	3,439,530	2,967,746	2,604,368	2,033,077	1,950,074	1,838,144	1,714,077	1,519,435	1,396,578
<b>Total primary government</b>									
program revenues	<u>\$ 6,425,292</u>	<u>\$ 5,614,936</u>	<u>\$ 4,994,596</u>	<u>\$ 4,252,784</u>	<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>
<b>Net (Expenses)/Revenues</b>									
Governmental activities	(2,870,645)	(3,055,610)	(3,495,184)	(3,350,992)	(3,173,294)	(2,908,420)	(2,777,495)	(2,734,964)	(2,707,694)
Business-type activities	173,358	130,092	261,393	292,919	305,354	263,082	213,176	142,714	148,387
<b>Total primary government net expenses</b>	<u>\$ (2,697,287)</u>	<u>\$ (2,925,518)</u>	<u>\$ (3,233,791)</u>	<u>\$ (3,058,073)</u>	<u>\$ (2,867,940)</u>	<u>\$ (2,645,338)</u>	<u>\$ (2,564,319)</u>	<u>\$ (2,592,250)</u>	<u>\$ (2,559,307)</u>
<b>General Revenue and Other Changes</b>									
<b>in Net Assets</b>									
Governmental activities:									
Taxes	\$ 2,577,519	\$ 2,588,417	\$ 2,820,709	\$ 2,842,828	\$ 2,794,230	\$ 2,687,684	\$ 2,477,453	\$ 2,335,329	\$ 2,187,342
Interest and investment earnings	4,309	9,435	32,466	37,539	25,644	14,443	9,812	7,668	10,005
Miscellaneous	91,110	95,758	121,273	106,543	114,362	104,411	136,122	160,547	153,947
Gain on sale of capital assets		1,656	3,026			853			
Special items								1,511	525,276
Transfers	318,772	315,408	324,928	304,906	312,755	293,993	266,886	235,064	198,969
Payments from component units	7,228	13,569	39,284	10,108	14,715	18,503			
<b>Total governmental activities</b>	<u>2,998,938</u>	<u>3,024,243</u>	<u>3,341,686</u>	<u>3,301,924</u>	<u>3,261,706</u>	<u>3,119,887</u>	<u>2,890,273</u>	<u>2,740,119</u>	<u>3,075,539</u>
Business-type activities:									
Interest and investment earnings	164	4,279	9,531	12,137	8,826	10,875	12,884	17,336	21,134
Miscellaneous	20,224	11,782	8,341	8,137	6,752	7,633	5,568	5,354	7,615
Special items									
Transfers	(318,772)	(315,408)	(324,928)	(304,906)	(312,755)	(293,993)	(266,886)	(235,064)	(198,969)
<b>Total business-type activities</b>	<u>(298,384)</u>	<u>(299,347)</u>	<u>(307,056)</u>	<u>(284,632)</u>	<u>(297,177)</u>	<u>(263,537)</u>	<u>(248,434)</u>	<u>(212,374)</u>	<u>(170,220)</u>
<b>Total primary government</b>	<u>2,700,554</u>	<u>2,724,896</u>	<u>3,034,630</u>	<u>3,017,292</u>	<u>2,964,529</u>	<u>2,856,350</u>	<u>2,641,839</u>	<u>2,527,745</u>	<u>2,905,319</u>
<b>Changes in Net Assets</b>									
Governmental activities	128,293	(31,367)	(153,498)	(49,068)	88,412	211,467	112,778	5,155	367,845
Business-type activities	(125,026)	(169,255)	(45,663)	8,287	8,177	(455)	(35,258)	(69,660)	(21,833)
<b>Total primary government</b>	<u>\$ 3,267</u>	<u>\$ (200,622)</u>	<u>\$ (199,161)</u>	<u>\$ (40,781)</u>	<u>\$ 96,589</u>	<u>\$ 211,012</u>	<u>\$ 77,520</u>	<u>\$ (64,505)</u>	<u>\$ 346,012</u>

(Concluded)

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	\$ 170,159	\$ 132,245	\$ 149,605	\$ 144,166	\$ 164,866	\$ 146,103	\$ 131,843	\$ 129,205	\$ 132,761
Unreserved	17,890	(62,286)	(42,950)		38,331	38,699	24,451	42,634	31,039
<b>Total General Fund</b>	<b>\$ 188,049</b>	<b>\$ 69,959</b>	<b>\$ 106,655</b>	<b>\$ 144,166</b>	<b>\$ 203,197</b>	<b>\$ 184,802</b>	<b>\$ 156,294</b>	<b>\$ 171,839</b>	<b>\$ 163,800</b>
All Other Governmental Funds									
Reserved	\$ 275,927	\$ 274,180	\$ 264,727	\$ 260,607	\$ 220,612	\$ 224,483	\$ 217,048	\$ 189,911	\$ 20,887
Unreserved, reported in:									
Special Revenue Funds	46,510	93,498	7,805	155,482	22,759	32,588	36,458	25,403	241,461
Permanent Funds	1,625	1,368	2,173	1,186	988	917	875	837	786
Capital Projects Funds	371,600	459,489	303,965	360,026	469,018	388,829	298,920	70,153	87,130
<b>Total All Other Governmental Funds</b>	<b>\$ 695,662</b>	<b>\$ 828,535</b>	<b>\$ 578,670</b>	<b>\$ 777,301</b>	<b>\$ 713,377</b>	<b>\$ 646,817</b>	<b>\$ 553,301</b>	<b>\$ 286,304</b>	<b>\$ 350,264</b>

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>									
Taxes	\$ 2,577,406	\$ 2,589,751	\$ 2,818,085	\$ 2,848,284	\$ 2,792,961	\$ 2,687,482	\$ 2,477,878	\$ 2,330,076	\$ 2,181,956
Licenses, fines, sales, and services	311,040	295,662	323,329	242,743	253,857	238,344	242,280	230,917	198,737
Departmental restricted revenue	150,357	134,029	125,883	110,059	105,181	113,589	107,407	78,126	79,840
Federal grants	2,518,048	2,218,816	1,936,610	1,869,336	1,962,375	1,884,104	1,847,200	1,597,545	1,487,126
Income from investments	4,207	9,014	31,522	36,068	24,941	13,770	10,310	7,808	9,632
Net increase in the fair value of investments									182
Other revenues	79,251	91,282	96,401	84,664	79,162	80,872	93,051	123,637	60,688
<b>Total operating revenues</b>	<b>5,640,309</b>	<b>5,338,554</b>	<b>5,331,830</b>	<b>5,191,154</b>	<b>5,218,477</b>	<b>5,018,161</b>	<b>4,778,126</b>	<b>4,368,109</b>	<b>4,018,161</b>
<b>Expenditures:</b>									
Current:									
General government	714,861	755,366	803,561	806,865	515,677	512,896	461,741	445,497	428,884
Human services	2,884,419	2,711,167	2,727,534	2,512,286	2,616,608	2,506,929	2,409,774	2,232,252	2,103,198
Education	1,239,258	1,216,208	1,289,687	1,267,255	284,294	265,001	72,838	101,270	92,035
Public safety	394,860	401,976	410,605	396,029	361,647	328,839	311,701	297,070	288,363
Natural resources	67,435	68,941	72,984	81,518	71,539	64,138	59,678	53,207	64,568
Transportation	306,730	299,881	244,638	310,019	247,248	209,470	161,974	143,635	122,208
Capital outlays	250,653	215,600	264,713	269,550	300,404	241,306	200,880	195,611	203,729
Intergovernmental					1,213,050	1,127,496	1,047,537	947,791	896,513
Grants							6,145		287
Debt service:									
Principal	163,063	157,817	143,368	115,752	117,663	116,322	75,892	58,161	91,576
Interest and other charges	139,723	132,813	131,575	128,527	105,264	110,243	107,720	100,628	74,084
<b>Total operating expenditures</b>	<b>6,161,002</b>	<b>5,959,769</b>	<b>6,088,665</b>	<b>5,887,801</b>	<b>5,833,394</b>	<b>5,482,640</b>	<b>4,915,880</b>	<b>4,575,122</b>	<b>4,365,445</b>
Excess (deficiency) of revenues over (under) expenditures	(520,693)	(621,215)	(756,835)	(696,647)	(614,917)	(464,479)	(137,754)	(207,013)	(347,284)

(Continued)

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Other financing sources (uses):</b>									
Bonds and notes issued	155,665	427,180	131,755	314,852	320,820	87,095	415,435	139,905	175,205
Refunding bonds issued	78,960	12,445	46,570	74,835		117,010			
Proceeds from the sale of Certificates of Participation		54,610	59,185	45,325	6,000	139,410		3,890	
Premium and accrued interest	9,839	8,100	7,241	9,930	16,298	17,602	30,097	10,881	6,115
Operating transfers in	586,025	622,212	724,428	828,885	593,902	537,618	513,356	625,085	569,602
Payments from component units	7,228	13,568	39,284	10,108	14,715	18,503	15,568	18,770	26,721
Other	14,436	13,383	26,322	18,435	28,313	35,083	25,391	8,990	83,142
Payment to refunded bonds escrow agent	(84,769)	(12,697)	(111,253)	(78,198)		(123,300)	(72,160)	(85,358)	(335,539)
Discount on issuance of debt		(66)	(4)						
Operating transfers out	(261,473)	(304,351)	(403,012)	(522,631)	(280,176)	(242,515)	(245,246)	(388,351)	(360,543)
Operating transfers out to component units							(293,236)	(291,208)	(402,509)
<b>Total other financing sources (uses)</b>	<b>505,911</b>	<b>834,384</b>	<b>520,516</b>	<b>701,541</b>	<b>699,872</b>	<b>586,506</b>	<b>389,205</b>	<b>42,604</b>	<b>(237,806)</b>
Special items								1,510	544,238
<b>Net change in fund balances</b>	<b>\$ (14,782)</b>	<b>\$ 213,169</b>	<b>\$ (236,319)</b>	<b>\$ 4,894</b>	<b>\$ 84,955</b>	<b>\$ 122,027</b>	<b>\$ 251,451</b>	<b>\$ (162,899)</b>	<b>\$ (40,852)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>5.4%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>4.2%</b>	<b>4.5%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>4.1%</b>

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

Selected Industry Segment	Calendar Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Grocery, Food Stores, Delis, Bakeries	\$ 1,084.78	\$ 1,080.13	\$ 1,073.75	\$ 1,052.45	\$ 1,065.10	\$ 879.14	\$ 818.60	\$ 708.51	\$ 710.82	\$ 679.48
Restaurants and Bars	1,874.93	1,860.96	1,912.54	1,803.19	1,651.39	1,616.72	1,425.54	1,363.23	1,251.22	1,181.70
Room Rentals - Motels, Hotels	491.30	587.55	574.25	450.46	412.93	345.85	280.21	311.45	331.33	319.21
Utilities - Telephone, Electric, Gas, Water	589.94	641.09	636.72	668.28	549.40	582.11	570.53	553.80	788.43	759.32
<b>Total</b>	<b>\$ 4,040.95</b>	<b>\$ 4,169.73</b>	<b>\$ 4,197.26</b>	<b>\$ 3,974.38</b>	<b>\$ 3,678.82</b>	<b>\$ 3,423.82</b>	<b>\$ 3,094.89</b>	<b>\$ 2,936.99</b>	<b>\$ 3,081.79</b>	<b>\$ 2,939.71</b>
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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Farm Earnings	\$ 19	\$ 18	\$ 23	\$ 23	\$ 23	\$ 25	\$ 24	\$ 22	\$ 18	\$ 17
<b><u>Private Earnings</u></b>										
Forestry, Fishing and Other	39	38	41	43	40	42	39	(D)	(D)	56
Mining	23	26	22	24	20	16	14	(D)	(D)	17
Utilities	192	188	156	171	133	138	143	(D)	(D)	152
Construction	1,498	1,725	1,845	1,905	1,787	1,704	1,625	(D)	1,373	1,184
Manufacturing	2,791	3,083	3,187	3,154	3,167	3,182	3,122	3,167	3,263	3,272
Wholesale Trade	1,350	1,404	1,420	1,312	1,268	1,198	1,149	1,092	1,042	1,031
Retail Trade	1,710	1,802	1,902	1,839	1,843	1,824	1,778	1,663	1,544	1,482
Transportation and Warehousing	503	528	513	509	491	476	463	(D)	(D)	378
Information	915	931	878	911	930	908	827	753	750	678
Finance and Insurance	2,271	2,361	2,266	2,233	2,087	2,014	1,937	1,830	1,726	1,413
Real Estate and Rental and Leasing	384	405	416	475	492	481	425	404	388	357
Professional, scientific, and technical services	2,368	2,416	2,275	2,282	1,986	1,893	1,725	1,661	1,618	1,481
Management of companies and enterprises	1,076	1,198	1,131	1,068	939	862	854	552	534	533
Administrative and waste services	937	989	986	955	914	856	757	738	746	693
Educational services	1,160	1,123	1,067	1,003	935	897	818	775	702	654
Health care and social assistance	4,313	4,169	4,026	3,895	3,707	3,559	3,339	3,145	2,833	2,684
Arts, entertainment, and recreation	299	315	321	292	269	252	245	227	234	197
Accommodation and food services	914	939	962	913	906	892	845	795	747	706
Other services, except public administration	1,049	1,067	1,091	1,054	1,040	978	932	919	799	797
<b><u>Government and Government Enterprises</u></b>										
Federal/Civilian	1,128	1,066	1,044	1,013	959	941	870	849	798	777
Military	609	578	541	497	505	486	469	431	398	386
State and Local	3,862	3,865	3,730	3,586	3,413	3,268	3,204	2,968	2,808	2,682
<b>Total Personal Income</b>	<b>\$ 29,410</b>	<b>\$ 30,234</b>	<b>\$ 29,843</b>	<b>\$ 29,157</b>	<b>\$ 27,854</b>	<b>\$ 26,892</b>	<b>\$ 25,604</b>	<b>\$ 21,991</b>	<b>\$ 22,321</b>	<b>\$ 21,627</b>

*Source : US Bureau of Economic Analysis*

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

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Personal Income Tax Revenue	\$ 941	\$ 1,074	\$ 1,065	\$ 997	\$ 979	\$ 870	\$ 813	\$ 808	\$ 914	\$ 817
Personal Income	43,522	43,971	42,695	40,664	38,570	37,585	35,866	34,282	32,980	30,980
Average Effective Tax Rate	2.16%	2.44%	2.49%	2.45%	2.54%	2.31%	2.27%	2.36%	2.77%	2.64%

*Source: Office of Revenue Analysis*

Includes wages, interest, dividends, rents,  
pensions and transfer payments.

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

		Tax Rates on the Portion of Taxable Income in Ranges				
<b>Tax Year 2009</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 33,950	\$ 33,950 - 82,250	\$ 82,250 - 171,550	\$ 171,550 - 372,950	over \$ 372,950
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 56,700	\$ 56,700 - 137,050	\$ 137,050 - 208,850	\$ 208,850 - 372,950	over \$ 372,950
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 28,350	\$ 28,350 - 68,525	\$ 68,525 - 104,425	\$ 104,425 - 186,475	over \$ 186,475
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 45,500	\$ 45,500 - 117,450	\$ 117,450 - 190,200	\$ 190,200 - 372,950	over \$ 372,950
<b>Tax Year 2008</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 32,500	\$ 32,500 - 78,850	\$ 78,850 - 164,550	\$ 164,550 - 357,700	over \$ 357,700
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 54,400	\$ 54,400 - 131,450	\$ 131,450 - 200,150	\$ 200,150 - 357,700	over \$ 357,700
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 27,200	\$ 27,200 - 65,725	\$ 65,725 - 100,150	\$ 100,150 - 178,850	over \$ 178,850
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 43,650	\$ 43,650 - 112,650	\$ 112,650 - 182,400	\$ 182,400 - 357,700	over \$ 357,700
<b>Tax Year 2007</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 31,850	\$ 31,850 - 77,100	\$ 77,100 - 160,850	\$ 160,850 - 349,700	over \$ 349,700
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 53,150	\$ 53,150 - 128,500	\$ 128,500 - 195,850	\$ 195,850 - 349,700	over \$ 349,700
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 26,575	\$ 26,575 - 64,250	\$ 64,250 - 97,925	\$ 97,925 - 174,850	over \$ 174,850
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 42,650	\$ 42,650 - 110,100	\$ 110,100 - 178,350	\$ 178,350 - 349,700	over \$ 349,700
<b>Tax Year 2006</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 30,650	\$ 30,650 - 74,200	\$ 74,200 - 154,800	\$ 154,800 - 336,550	over \$ 336,550
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 51,200	\$ 51,200 - 123,700	\$ 123,700 - 188,450	\$ 188,450 - 336,550	over \$ 336,550
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 25,600	\$ 25,600 - 61,850	\$ 61,850 - 94,225	\$ 94,225 - 168,275	over \$ 168,275
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 41,050	\$ 41,050 - 106,000	\$ 106,000 - 171,650	\$ 171,650 - 336,550	over \$ 336,550
<b>Tax Year 2005</b>						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 29,700	\$ 29,700 - 71,950	\$ 71,950 - 150,150	\$ 150,150 - 326,450	over \$ 326,450
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 49,650	\$ 49,650 - 119,950	\$ 119,950 - 182,800	\$ 182,800 - 326,450	over \$ 326,450
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 24,825	\$ 24,825 - 59,975	\$ 59,975 - 91,400	\$ 91,400 - 163,225	over \$ 163,225
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 39,800	\$ 39,800 - 102,800	\$ 102,800 - 166,450	\$ 166,450 - 326,450	over \$ 326,450

(continued)

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

		Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 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

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%
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(concluded)

**State of Rhode Island and Providence Plantations**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
Tax Years 2002 through 2009

<u>Tax Year 2009</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	183,393	38.55%	\$ 21,961,360	2.34%
\$25,001 - \$50,000	115,125	24.20%	90,541,402	9.63%
\$50,001 - \$75,000	68,636	14.43%	114,674,809	12.20%
\$75,001 - \$100,000	43,504	9.14%	113,195,561	12.05%
\$100,001 - \$200,000	52,290	10.99%	265,674,573	28.28%
\$200,001 - \$500,000	10,588	2.23%	160,823,729	17.11%
\$500,001 - \$1,000,000	1,541	0.32%	63,650,231	6.77%
\$1,000,001 and greater	682	0.14%	109,196,985	11.62%
	<u>475,759</u>	<u>100.00%</u>	<u>\$ 939,718,650</u>	<u>100.00%</u>

<u>Tax Year 2008</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	181,203	38.51%	\$ 21,745,670	2.36%
\$25,001 - \$50,000	113,942	24.22%	89,681,972	9.73%
\$50,001 - \$75,000	67,994	14.45%	113,636,913	12.33%
\$75,001 - \$100,000	43,135	9.17%	112,257,494	12.18%
\$100,001 - \$200,000	51,738	11.00%	262,885,354	28.55%
\$200,001 - \$500,000	10,362	2.20%	157,222,123	17.06%
\$500,001 - \$1,000,000	1,471	0.31%	60,830,316	6.60%
\$1,000,001 and greater	639	0.14%	103,054,792	11.19%
	<u>470,484</u>	<u>100.00%</u>	<u>\$ 921,314,634</u>	<u>100.00%</u>

<u>Tax Year 2007</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	188,813	39.06%	\$ 23,474,554	2.31%
\$25,001 - \$50,000	117,159	24.23%	93,066,232	9.14%
\$50,001 - \$75,000	69,086	14.29%	115,072,079	11.30%
\$75,001 - \$100,000	43,392	8.98%	113,148,145	11.11%
\$100,001 - \$200,000	51,045	10.56%	257,934,287	25.33%
\$200,001 - \$500,000	11,187	2.31%	169,393,520	16.64%
\$500,001 - \$1,000,000	1,769	0.37%	72,958,570	7.17%
\$1,000,001 and greater	981	0.20%	173,123,590	17.00%
	<u>483,432</u>	<u>100.00%</u>	<u>\$ 1,018,170,977</u>	<u>100.00%</u>

<u>Tax Year 2006</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	186,777	39.29%	\$ 24,824,956	2.41%
\$25,001 - \$50,000	117,943	24.81%	95,815,612	9.30%
\$50,001 - \$75,000	68,647	14.45%	115,882,393	11.25%
\$75,001 - \$100,000	42,285	8.90%	112,897,362	10.96%
\$100,001 - \$200,000	46,714	9.83%	242,469,428	23.55%
\$200,001 - \$500,000	10,339	2.17%	163,620,232	15.89%
\$500,001 - \$1,000,000	1,735	0.36%	77,989,258	7.57%
\$1,000,001 and greater	917	0.19%	196,446,444	19.07%
	<u>475,357</u>	<u>100.00%</u>	<u>\$ 1,029,945,685</u>	<u>100.00%</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
Tax Years 2002 through 2009

<u>Tax Year 2005</u>				
<u>Federal AGI</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$0 - \$25,000	191,229	40.42%	\$ 26,586,050	2.73%
\$25,001 - \$50,000	117,944	24.92%	97,782,614	10.05%
\$50,001 - \$75,000	68,732	14.53%	117,073,474	12.03%
\$75,001 - \$100,000	40,758	8.62%	111,028,948	11.41%
\$100,001 - \$200,000	42,311	8.94%	222,774,255	22.88%
\$200,001 - \$500,000	9,644	2.04%	157,005,466	16.13%
\$500,001 - \$1,000,000	1,655	0.35%	76,436,571	7.85%
\$1,000,001 and greater	828	0.18%	164,689,396	16.92%
	<u>473,101</u>	<u>100.00%</u>	<u>\$ 973,376,774</u>	<u>100.00%</u>

<u>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	40.73%	\$ 27,587,679	2.95%
\$25,001 - \$50,000	117,704	25.28%	99,789,134	10.66%
\$50,001 - \$75,000	68,652	14.74%	119,176,017	12.73%
\$75,001 - \$100,000	39,892	8.57%	111,753,322	11.94%
\$100,001 - \$200,000	39,187	8.42%	211,965,822	22.65%
\$200,001 - \$500,000	8,440	1.81%	140,618,508	15.02%
\$500,001 - \$1,000,000	1,397	0.30%	66,373,763	7.09%
\$1,000,001 and greater	695	0.15%	158,789,344	16.96%
	<u>465,652</u>	<u>100.00%</u>	<u>\$ 936,053,589</u>	<u>100.00%</u>

<u>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	41.66%	\$ 29,266,575	3.46%
\$25,001 - \$50,000	120,459	25.80%	103,175,468	12.21%
\$50,001 - \$75,000	68,669	14.71%	119,334,886	14.13%
\$75,001 - \$100,000	38,272	8.20%	107,970,871	12.78%
\$100,001 - \$200,000	35,845	7.68%	194,686,587	23.05%
\$200,001 - \$500,000	7,390	1.58%	125,658,653	14.88%
\$500,001 - \$1,000,000	1,169	0.25%	55,571,047	6.58%
\$1,000,001 and greater	543	0.12%	109,019,775	12.91%
	<u>466,963</u>	<u>100.00%</u>	<u>\$ 844,683,862</u>	<u>100.00%</u>

<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	42.45%	\$ 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

(Concluded)

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Governmental Activities</b>										
General obligation bonds	\$ 1,036,189	\$ 997,398	\$ 916,531	\$ 848,666	\$ 810,485	\$ 770,070	\$ 728,644	\$ 687,455	\$ 888,014	\$ 917,404
Revenue bonds (blended component units)(b)	828,481	867,776	902,871	729,695	749,445	766,410	786,095	818,495	147,385	161,210
Capital leases (c)	269,340	236,060	256,865	226,755	232,464	102,885	113,446	116,929	442,275	424,943
Special purpose bonds (a)	658,550	358,065	390,110	418,300	228,305	264,210				
<b>Total governmental activities</b>	<u>2,792,560</u>	<u>2,459,299</u>	<u>2,466,377</u>	<u>2,223,416</u>	<u>2,020,699</u>	<u>1,903,575</u>	<u>1,628,185</u>	<u>1,622,879</u>	<u>1,477,674</u>	<u>1,503,557</u>
<b>Business-type Activities</b>										
Revenue bonds (d)	275,810	270,960	279,935	287,185	202,855	302,320	310,005	319,435		
Bonds Payable (d)						153	153	1,153		
<b>Total business-type activities</b>	<u>275,810</u>	<u>270,960</u>	<u>279,935</u>	<u>287,185</u>	<u>202,855</u>	<u>302,473</u>	<u>310,158</u>	<u>320,588</u>	<u>0</u>	<u>0</u>
<b>Total primary government</b>	<u>\$ 3,068,370</u>	<u>\$ 2,730,259</u>	<u>\$ 2,746,312</u>	<u>\$ 2,510,601</u>	<u>\$ 2,223,554</u>	<u>\$ 2,206,048</u>	<u>\$ 1,938,343</u>	<u>\$ 1,943,467</u>	<u>\$ 1,477,674</u>	<u>\$ 1,503,557</u>
Debt as a Percentage of Personal Income	7.4%	6.9%	6.2%	6.3%	5.9%	6.0%	5.7%	5.9%	4.6%	4.9%
Amount of Debt Per Capita	\$ 3	\$ 3	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1

**Source:** Financials/notes

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

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

Current Debt Service as Reported in the Prior Year Financial Statements

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenue Bonds-Tobacco Settlement Finance Corporation</b>										
Revenue - Tobacco Settlement Revenue	\$ 48,620	\$ 58,039	\$ 53,247	\$ 44,025	\$ 41,546	\$ 45,831	\$ 45,644	\$ 52,749	\$	\$
Less: operating expenses	69	99	33	54	40	65	80	32		
Net available revenue	<u>\$ 48,551</u>	<u>\$ 57,940</u>	<u>\$ 53,214</u>	<u>\$ 43,971</u>	<u>\$ 41,506</u>	<u>\$ 45,766</u>	<u>\$ 45,564</u>	<u>\$ 52,717</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt service										
Principal	\$ 14,710	\$ 16,620	\$ 16,620	\$	\$	\$	\$	\$	\$	\$
Interest	38,614	40,918	40,918	41,287	41,609	42,015	42,234			
Coverage (a)	91.05%	100.70%	92.48%	106.50%	99.75%	108.93%	107.88%			
<b>Revenue Bonds-GARVEE (Federal Highway)</b>										
Revenue - FHWA participation	\$ 48,391	\$ 43,646	\$ 44,147	\$ 44,182	\$ 41,801	\$ 41,809	\$	\$	\$	\$
Net available revenue	<u>\$ 48,391</u>	<u>\$ 43,646</u>	<u>\$ 44,147</u>	<u>\$ 44,182</u>	<u>\$ 41,801</u>	<u>\$ 41,809</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt service										
Principal	\$ 26,910	\$ 28,315	\$ 28,315	\$ 24,560	\$ 32,290	\$ 30,755	\$	\$	\$	\$
Interest	21,481	15,895	15,895	19,650	9,517	11,054	6,141			
Coverage (a)	100.00%	98.72%	99.86%	99.94%	99.99%	100.00%	0.00%			
<b>Revenue Bonds-GARVEE (Gas Tax)</b>										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,579	\$ 8,656	\$ 9,028	\$ 9,409	\$ 9,496	\$ 9,513	\$ 9,499	\$	\$	\$
Net available revenue	<u>\$ 8,579</u>	<u>\$ 8,656</u>	<u>\$ 9,028</u>	<u>\$ 9,409</u>	<u>\$ 9,496</u>	<u>\$ 9,513</u>	<u>\$ 9,499</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt service										
Principal	\$ 3,480	\$ 3,730	\$ 3,730	\$ 3,630	\$ 5,150	\$ 5,150	\$ 5,625	\$	\$	\$
Interest	3,667	3,241	3,241	3,335	2,105	1,653	981			
Coverage (a)	120.04%	124.17%	129.51%	135.09%	130.89%	139.84%	143.79%			
<b>Department of Motor Vehicles Capital Lease</b>										
Revenue - \$1.50 surcharge per transaction	\$ 2,602									
Net available revenue	<u>\$ 2,602</u>									
Debt service										
Principal	\$ 0									
Interest	0									
Coverage (a)	NA									

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

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

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

	<b>Personal Income</b>				<b>Per Capita Personal Income</b>				<b>Change in Population</b>			
	<i>(in billions)</i>				<i>(in dollars)</i>							
	<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>
<b>2009</b>	\$ 12,015.5	-0.6%	\$ 43.1	0.0%	\$ 39,138	-1.6%	\$ 41,003	0.0%	304,060	0.8%	1,053	-0.1%
<b>2008</b>	12,086.5	3.8%	43.1	3.2%	39,751	2.9%	41,008	3.8%	301,621	1.0%	1,054	-0.1%
<b>2007</b>	11,645.9	6.2%	41.7	4.6%	38,611	4.9%	39,463	4.9%	298,755	1.0%	1,055	-0.5%
<b>2006</b>	10,968.4	7.3%	39.8	4.8%	36,714	6.0%	37,523	6.1%	295,896	0.9%	1,060	-0.5%
<b>2005</b>	10,224.8	5.4%	37.9	2.7%	34,495	4.4%	35,219	3.0%	293,192	0.9%	1,065	-0.6%
<b>2004</b>	9,702.5	5.5%	36.9	8.5%	33,041	4.5%	34,180	7.1%	290,448	0.9%	1,071	-0.1%
<b>2003</b>	9,199.0	3.4%	34.0	3.0%	31,632	2.3%	31,916	3.4%	287,888	1.0%	1,072	0.6%
<b>2002</b>	8,900.0	2.6%	33.0	2.8%	30,906	1.6%	30,859	2.0%	285,112	1.0%	1,066	0.8%
<b>2001</b>	8,677.5	4.4%	32.1	4.9%	30,413	3.3%	30,256	3.8%	282,194	3.5%	1,058	0.7%
<b>2000</b>	8,312.3	6.8%	30.6	5.2%	29,451	3.2%	29,158	-0.7%	272,691	0.9%	1,051	6.1%

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

	<b>Civilian Labor Force</b>		<b>Unemployment Rate</b>		<b>Home Sales</b>	
	<i>(in thousands)</i>					
	<b>Number in Labor Force</b>	<b>Percent Change</b>	<b>Rate</b>	<b>Percent Change</b>	<b>Number of Sales</b>	<b>Percent Change</b>
<b>2009</b>	574	0.7%	12.2%	60.5%	N/A	
<b>2008</b>	570	-0.5%	7.6%	46.2%	N/A	
<b>2007</b>	573	0.4%	5.2%	2.0%	16,600	-10.3%
<b>2006</b>	571	2.1%	5.1%	-8.0%	18,500	-6.6%
<b>2005</b>	569	1.2%	5.0%	-3.8%	19,800	4.2%
<b>2004</b>	562	-1.9%	5.2%	-3.7%	19,000	13.1%
<b>2003</b>	573	3.1%	5.4%	5.9%	16,800	-2.3%
<b>2002</b>	556	10.3%	5.1%	8.5%	17,200	-5.0%
<b>2001</b>	504	-0.2%	4.7%	14.6%	18,100	5.8%
<b>2000</b>	505	0.2%	4.1%	0.0%	17,100	-5.5%

**Sources:** US Department of Commerce, Bureau of Economic Analysis. US Department of Labor. Federal Reserve Bank of Boston. Rhode Island Economic Development Corporation. <http://www.census.gov/popest/states/tables/NST-EST2009-01.xls>

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

2009			2000		
Rank	Employer	Employed	Rank	Employer	Employed
1	Lifespan	11,866	1	Lifespan	10,302
2	Care New England	6,894	2	Care New England	4,791
3	Roman Catholic Diocese of Providence	6,200	3	Stop and Shop Supermarket Co., Inc.	3,880
4	CVS Corporation	5,800	4	CVS Corporation	3,623
5	Citizens Financial Group (Royal Bank of Scotland)	5,375	5	Brown University	3,355
6	Brown University	3,787	6	Fleet Financial Corp	2,872
7	Bank of America	3,000	7	Citizens Financial Group (Royal Bank of Scotland)	2,868
8	Fidelity Investments	2,300	8	Metropolitan Life Insurance Company	2,200
9	Warren Equities, Inc.	2,260	9	BankBoston Corporation	2,160
10	Metlife	2,214	10	Saint Joseph Health Services	1,969

*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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b><u>Full-time Employees</u></b>										
General Government	2,533	2,474	2,508	2,479	2,480	2,531	2,528	2,639	2,784	2,553
Human Services	3,125	3,164	3,671	4,144	4,370	4,176	4,269	4,425	4,571	4,600
Education	352	343	365	373	373	364	364	368	383	380
Public Safety	2,693	2,684	2,865	2,952	2,939	2,953	2,851	2,866	2,929	3,077
Natural Resources	863	890	905	978	1,015	963	957	928	990	944
Transportation	763	708	719	767	828	813	826	861	890	884
<b>State Total</b>	<b>10,329</b>	<b>10,263</b>	<b>11,033</b>	<b>11,693</b>	<b>12,005</b>	<b>11,800</b>	<b>11,795</b>	<b>12,087</b>	<b>12,547</b>	<b>12,438</b>

*Source: Department of Administration*

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b><u>General Government</u></b>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,135,981	\$2,049,159	\$2,047,671	\$1,920,770	\$1,810,045	\$1,672,875	\$1,523,094	\$1,386,651	\$1,299,485	\$1,099,262
Number of business transactions electronically	857,553	782,659	767,971	719,800	661,209	622,115	548,073	520,643	477,523	410,225
Personal Income Tax returns filed electronically -Tax Year	379,495	349,211	289,346	246,230	217,524	185,154	128,763	92,721	59,024	48,581
Department of Labor and Training										
Labor force total (expressed in thousands)	567	568	577	575	565	533	538	528	521	521
Unemployment rate (percentage)	11.2	7.8	5.0	5.1	5.1	5.2	5.4	5.1	4.5	4.2
<b><u>Human Services</u></b>										
Department of Children, Youth and Families										
Average number of foster children	2,410	2,729	2,436	2,517	2,346	2,331	2,227	2,210	2,192	2,230
Department of Human Services										
FIP recipients expenditures (state share expressed in millions)	\$0.2	\$10.3	\$16.1	\$13.3	\$14.8	\$19.0	\$14.0	\$17.8	\$18.8	\$38.5
Health Department										
Diagnosed AIDS cases	62	56	69	89	105	139	98	99	99	88
Number of births (expressed in thousands)	12	13	14	13	13	14	14	14	13	13
<b><u>Education</u></b>										
Enrollment										
Enrollment	43,409	42,601	41,503	40,374	40,008	39,920	39,937	38,867	39,149	38,458
Number of certificates and degrees awarded	6,255	5,754	5,518	5,418	5,404	5,567	5,330	5,453	5,240	5,142
<b><u>Public Safety</u></b>										
Department of Corrections										
Incarcerated offenders (male)	3,499	3,567	3,542	3,518	3,175	3,354	3,329	3,179	3,133	2,992
Incarcerated offenders (female)	190	204	231	242	186	200	208	208	215	212
<b><u>Natural Resources</u></b>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	136	148	140	140	140	140	140	140	140	130
Park visitations (expressed in thousands)	5,374	5,174	5,928	6,135	6,010	5,861	5,976	7,499	6,990	6,399
Recreational registrations (boats)	42,301	42,999	44,000	41,933	41,366	42,759	41,696	41,024	40,432	35,614
<b><u>Transportation</u></b>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	8,279	8,188	8,679	8,300	8,299	8,472	8,365	8,142	7,991	8,359

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b><u>General Government</u></b>									
Buildings	14	14	15	15	17	17	17	17	17
Vehicles	260	271	263	238	104	95	88	n/a	n/a
<b><u>Human Services</u></b>									
Buildings	201	200	199	198	197	197	197	195	195
Vehicles	339	365	360	353	335	320	326	n/a	n/a
<b><u>Education</u></b>									
Buildings	9	10	12	12	13	13	13	12	12
Vehicles	20	20	20	19	23	26	31	n/a	n/a
<b><u>Public Safety</u></b>									
Buildings	53	52	52	53	54	54	54	54	54
Vehicles	586	614	644	580	604	586	574	n/a	n/a
<b><u>Natural Resources</u></b>									
Buildings	47	45	44	44	43	41	37	36	33
Vehicles	420	423	414	417	431	398	412	n/a	n/a
Number of state parks, beaches, bike paths	21	21	21	21	21	21	21	21	21
Area of state parks, beaches (acres)	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289
<b><u>Transportation</u></b>									
Buildings	19	19	19	19	23	22	21	21	21
Vehicles	611	628	635	708	676	733	742	n/a	n/a
Miles of state highway	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100