

State of Rhode Island



2013

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013

Lincoln D. Chafee, Governor

Department of Administration – Richard A. Licht, Director of Administration
Office of Accounts and Control – Marc A. Leonetti, CPA, State Controller

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2013

INTRODUCTORY SECTION

**Comprehensive Annual Financial Report
State of Rhode Island
Fiscal Year Ended June 30, 2013**

State House and Providence Skyline – photo Kevin M. Bernard



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

Richard A. Licht, Director
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Providence, RI 02908-5890

Office: (401) 222-2280
Fax: (401) 222-6436

December 19, 2013

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

In accordance with Section 35-6-1 of the General Laws, we are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the State of Rhode Island and Providence Plantations for the fiscal year ended June 30, 2013.

INTRODUCTION TO REPORT

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

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

Internal Control Structure: Management of the State is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the State are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. Managers in all branches and components of government are required to maintain comprehensive internal control systems, to regularly evaluate the effectiveness and adequacy of these systems by internal reviews, and to submit an annual report on these internal controls to the Governor in accordance with the 1986 Financial Integrity and Accountability Act.

Financial Reporting Entity: The funds and component units included in the CAFR are those for which the State is accountable, based on criteria for defining the reporting entity as prescribed by GAAP. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the State. More information about the State reporting entity can be found in Note 1 to the basic financial statements.

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

PROFILE OF THE GOVERNMENT

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

Budgetary Information - Annual and Long-term: Preparation and submission of the budget is governed by both the State's Constitution and Rhode Island General Laws. The budget, as enacted by the General Assembly, contains a complete plan of appropriations supported by estimated revenues. Estimated general revenues are determined by a consensus of the Revenue Estimating Conference, which is made up of the State Budget Officer, House Fiscal Advisor, and the Senate Fiscal Advisor. The Conference was established to provide a stable and accurate method of financial planning and budgeting to facilitate the adoption of a balanced budget wherein appropriations and expenditures do not exceed anticipated revenues, as is required by the statutes and Constitution of Rhode Island. Appropriations for restricted and dedicated revenue sources are supported by estimates submitted by the agencies.

There is a State Budget Reserve Account (Reserve) which is maintained within the General Fund. According to the State's Constitution, general revenue appropriations in the general fund cannot exceed 97% of available general revenue sources. These sources consist of the current fiscal year's budgeted general revenue plus the general fund available fund balance from the prior fiscal year. Excess revenue is transferred to the Reserve. If the balance in the Reserve exceeds five percent of the total general revenues and opening surplus, the excess is transferred to the R.I. Capital Plan Fund to be used for capital projects. The Reserve, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year, such appropriations to be approved by a majority of each chamber of the General Assembly.

A five-year financial projection is prepared annually as part of the Governor's budget submission pursuant to Section 35-3-1 of the Rhode Island General Laws. The five-year financial projection includes tables that present anticipated revenues and expenditures for the ensuing five fiscal years. Also included are tables that provide detail on the planning values used in these projections. The planning values reflect policy assumptions, as well as economic and demographic forecasts.

The purpose of the five-year forecast is to provide a baseline fiscal outlook for the State. Although the forecast may be utilized as a benchmark in assessing the affordability and desirability of alternative policy options, caution should be exercised in the interpretation of the forecast.

Economic Conditions and Outlook: Rhode Island's preliminary seasonally adjusted unemployment rate in October 2013 was 9.2 percent, a decrease from October 2012's rate of 10.1 percent. The State's unemployment rate continued to lag the October 2013 U.S. unemployment rate of 7.3 percent. Rhode Island's unemployment rate is declining at a faster rate than that of the U.S., resulting in a decrease in the gap between the U.S. unemployment rate and the Rhode Island unemployment rate. In October 2013, Rhode Island's unemployment rate was 126 percent greater than that of the U.S., with the comparable number in October 2012 being 131.6 percent. In their November 2013 forecast, Moody's Analytics noted that information and construction have been the primary drag on employment in 2013, while professional and business services as well as financial activities have been the largest sources of job growth in the State. Additionally, the Rhode Island Department of Labor and Training (DLT) testified at the November 2013 Revenue Estimating Conference that the U.S. Bureau of Labor Statistics official job numbers for June 2013 would likely be revised upward by an estimated 2,800 jobs in the private sector. The Accommodation & Food Services industry recorded an increase of 2,900 jobs according to DLT. Moody's

Analytics' November 2013 forecast projects that Rhode Island's non-farm employment will surpass pre-recession peak levels in calendar year 2017.

In their November 2013 forecast, Moody's Analytics noted that policy uncertainty has not helped the economic recovery. Moody's Analytics noted that until businesses see a clearer picture of what the future holds with respect to the potential phase out of the Federal Reserve's Quantitative Easing monetary policy and the resolution of the ongoing debt ceiling long-term, hiring will remain anemic. As a small open economy, the State's economic recovery is being slowed by these significant U.S. macroeconomic headwinds and uncertainty. Rhode Island continues to transition from a manufacturing based economy to a services oriented economy. Moody's Analytics notes that the long-term growth of Rhode Island's economy hinges on retraining and retaining workers that transition from manufacturing to services. On a positive note, Moody's Analytics stated that the housing market in Rhode Island has turned the corner and will soon be undersupplied placing upward pressure on prices. The primary factors for the beginning of a housing recovery are a reduction in the excess housing inventory and in foreclosure sales. Mortgage delinquency rates are almost back to prerecession levels suggesting more stringent credit conditions have improved these rates. In addition, Moody's noted that all the prerequisites are in place for an economic expansion through increased private sector hiring. Rhode Island, however, will continue to experience stagnant growth until political uncertainty surrounding the federal debt ceiling and the Federal Reserve's Quantitative Easing monetary policy are resolved.

MAJOR INITIATIVES

The fiscal year 2014 enacted budget included a number of initiatives. These include:

- Reinstating the historic structures tax credit program;
- Increasing aid to local communities through enhanced assistance payments and a new Municipal Incentive Aid program;
- Changing the Rhode Island tax structure to allow accelerated depreciation for major equipment purchases in the same manner as federal tax law;
- Restructuring of taxes on liquor through the elimination of the sales tax on spirits and wine from December 1, 2013 to June 30, 2015 and increasing the excise tax on beer, spirits and wine from July 1, 2013 to March 31, 2015.

The enacted budget also authorizes new federal spending to expand Medicaid eligibility under the Affordable Care Act for non-pregnant, childless adults up to 138 percent of the federal poverty level. A combination of federal and state funds is authorized for the development of the Unified Health Infrastructure Project, a new eligibility system that will support a number of human service programs, in addition to the RI Health Benefits Exchange (HealthSource RI).

The fiscal year 2014 enacted budget also included initiatives to promote capital investment and economic development in Rhode Island. These include:

- Improvements to the Eisenhower House at Fort Adams, in anticipation of sailing competitions in the waters off Newport;
- Providing resources to maintain the Dunkin Donuts Center and RI Convention Center;
- Issuing authorized general obligation bonds for construction of a new Veterans' Home, renovations to buildings and infrastructure at Rhode Island College, as well as affordable housing, clean water projects and open space;
- Investing \$500,000 for the I-195 Redevelopment Commission to develop the Knowledge District in Providence;
- Investment of \$2.5 million from the Rhode Island Capital Plan Fund for maintenance and renovations at Rocky Point State Park, which was acquired in September 2012 with proceeds from a voter approved bond issue;

- Investment of \$5.6 million from state and federal sources for infrastructure improvements at the Port of Galilee.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Rhode Island and Providence Plantations for its comprehensive annual financial report for the fiscal years ended June 30, 2011 and 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Richard A. Licht
Director



Marc A. Leonetti, CPA
State Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Rhode Island

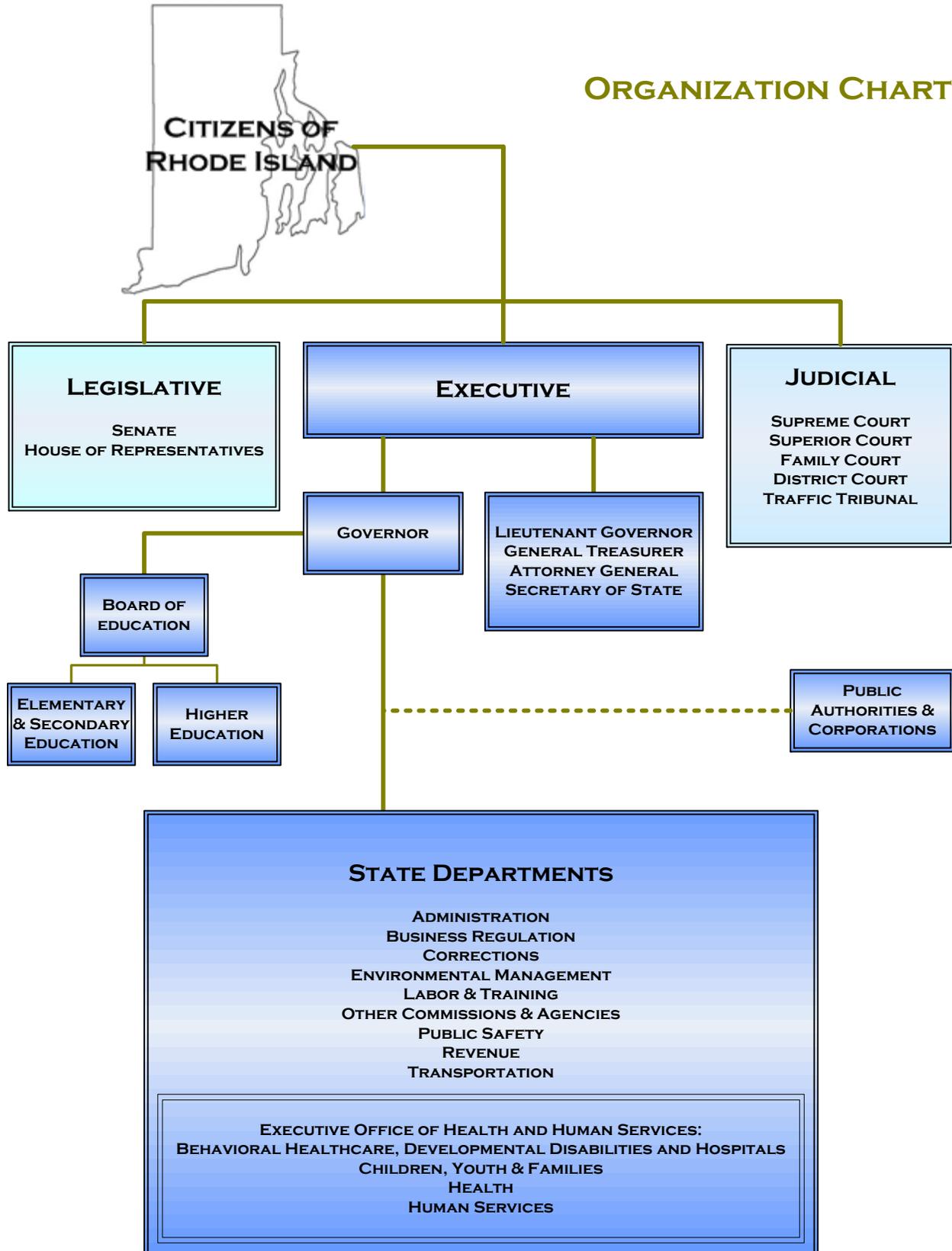
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

ORGANIZATION CHART



AS OF JUNE 30, 2013

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

OFFICIALS OF STATE GOVERNMENT

EXECUTIVE BRANCH

Governor

Lincoln D. Chafee

Lieutenant Governor

Elizabeth H. Roberts

Secretary of State

A. Ralph Mollis

General Treasurer

Gina M. Raimondo

Attorney General

Peter F. Kilmartin

LEGISLATIVE BRANCH

Senate

President of the Senate

M. Teresa Paiva Weed

House of Representatives

Speaker of the House

Gordon D. Fox

JUDICIAL BRANCH

Chief Justice of the Supreme Court

Paul A. Suttell



2013

FINANCIAL SECTION

Comprehensive Annual Financial Report State of Rhode Island Fiscal Year Ended June 30, 2013

Waterfire Providence – photo Kevin M. Bernard



Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly

Dennis E. Hoyle, CPA - Auditor General

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents 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 64% of the assets and 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool, an external investment trust, which represents less than 1% of the assets and revenues of the aggregate remaining fund information; and
- all the component units comprising the aggregate discretely presented component units.

Those financial statements were audited by other auditors whose reports 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 solely 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

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Notes 1(T) and 18(F), the State implemented Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, which resulted in a change in the component units included within the State reporting entity.

As described in Note 7(J), the State has borrowed from the federal Unemployment Insurance Trust Fund to fund unemployment benefits paid from the Employment Security Fund, a major fund. At June 30, 2013, the amount outstanding was \$155 million and the Employment Security Fund had a net deficit of \$81 million.

As described in Note 13, various lawsuits have been filed challenging legislatively enacted pension reforms. The parties are participating in on-going court ordered mediation. An adverse judgment to the State resulting from these challenges could significantly increase both the unfunded liability of the plans included within the pension trust funds and the State's actuarially determined annual required contribution.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 31, the Budgetary Comparison Schedules on pages 122 through 125, and the Schedules of Funding Progress on pages 126 through 127 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

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

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as combining and individual nonmajor fund financial statements on pages 134 through 158 which includes the budgetary comparison schedule for the Temporary Disability Insurance (TDI) Fund on page 138, and the other information, such as the introductory and statistical sections on pages 3 through 9 and pages 159 through 179, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the budgetary comparison schedule for the TDI Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements and the budgetary comparison schedule for the TDI Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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. That report will be included in the State's 2013 *Single Audit Report*. 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* in considering the State's internal control over financial reporting and compliance.



Dennis E. Hoyle, CPA
Auditor General

December 19, 2013

Management's Discussion and Analysis



State of Rhode Island
Fiscal Year Ended June 30, 2013

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Rhode Island (State) for the fiscal year ended June 30, 2013. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

Financial Highlights – Primary Government

Government-wide Financial Statements

- **Net Position:** The total assets of the State exceeded total liabilities on June 30, 2013 by \$1,698.8 million. This amount is presented as "net position" on the Statement of Net Position for the Total Primary Government. Of this amount, (\$1,385.2) million was reported as unrestricted net position (deficit), \$660.5 million as restricted net position, and \$2,423.5 million as net investment in capital assets.
- **Changes in Net Position:** In the Statement of Activities, the State's total net position increased by \$370.4 million in fiscal year 2013. Net position of governmental activities increased by \$301.4 million, primarily because increases in tax revenue, charges for services and miscellaneous revenue exceeded the growth in expenses which were subject to careful control and management. Tax revenues increased primarily because of the stronger economy as the State gradually emerged from the "Great Recession." Net position of the business-type activities increased by \$69.1 million due primarily to the significant operating surplus of the Employment Security Fund. The fund was positively impacted by a declining unemployment rate, changes in benefits and measures implemented to increase the longer term financial strength of the fund.

Fund Financial Statements

Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$1,057.8 million, an increase of \$67.3 million in comparison with the previous fiscal year. This is primarily a result of the increase in the fund balance of the General Fund, which in turn is attributable to increases in general revenues coupled with careful management of expenditures. In addition, the fund balance of the Intermodal Surface Transportation Fund benefited from an inflow of funds from the transfer of land to a discretely presented component unit.
- As of June 30, 2013, the State's General Fund reported an ending fund balance of \$401.1 million, an increase of \$28.0 million as compared to the prior year. This change resulted from increases in general revenue, primarily taxes, in fiscal year 2013 and further enhanced controls over expenditures, which resulted in general revenue expenditures being less than appropriations by \$17.8 million.
- As of June 30, 2013, the State's Intermodal Surface Transportation Fund reported an ending fund balance of \$141.7 million, an increase of \$33.0 million as compared to the prior year. The increase was mainly due to an inflow of funds from a transaction involving the transfer of land to a discretely presented component unit.

Proprietary Funds

- The Rhode Island State Lottery transferred \$379.2 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$1.5 million in comparison with the previous fiscal year.
- The Employment Security Fund ended the fiscal year with a fund deficit of (\$81.3) million, as compared with a (\$151.5) million deficit at the end of fiscal year 2012. This favorable change is primarily attributable to a significant reduction in benefits paid due to the improving employment level in the State and changes in benefits.
- The R.I. Convention Center Authority ended the fiscal year with a net position deficiency of (\$55.9) million, a deficit increase of (\$1.7) million compared with the prior year. The Authority has historically had a net position 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 is generally 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 Position** presents all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position." Over time, increases and decreases in the government's net position 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 position changed during the fiscal year. All changes in net position 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 position and change in net position of the internal service funds are also included in this column.

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

Fund Financial Statements

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

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

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

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

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

enterprise funds, the Lottery Fund, Convention Center Authority (RICCA) and the Employment Security Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of the State's CAFR.

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

Discretely Presented Component Units

Discretely presented component units are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. The State distinguishes between major and nonmajor component units. The criteria for distinguishing between major and nonmajor component units are discussed in Note 1 (B).

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information, which follows the required supplementary information in the State's CAFR, includes the combining financial statements for nonmajor governmental funds, internal service funds and fiduciary funds.

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$1,698.8 million at the end of fiscal year 2013, compared to \$1,328.4 million (as restated) at the end of the prior fiscal year. Governmental activities reported unrestricted net position (deficit) of (\$1,298.6) million.

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

State of Rhode Island's Net Position as of June 30, 2013
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012*	2013	2012	2013	2012*
Current and other assets	\$ 2,045,687	\$ 1,881,099	\$ 124,168	\$ 126,097	\$ 2,169,855	\$ 2,007,196
Capital assets	3,492,383	3,324,273	169,270	177,461	3,661,653	3,501,734
Total assets	5,538,070	5,205,372	293,438	303,558	5,831,508	5,508,930
Long-term liabilities outstanding	2,621,233	2,671,882	386,108	464,090	3,007,341	3,135,972
Other liabilities	1,047,652	992,542	50,844	52,048	1,098,496	1,044,590
Total liabilities	3,668,885	3,664,424	436,952	516,138	4,105,837	4,180,562
Net position (deficit):						
Net investment in capital assets	2,488,755	2,302,368	(65,283)	(64,492)	2,423,472	2,237,876
Restricted	652,126	576,387	8,340	9,308	660,466	585,695
Unrestricted	(1,298,579)	(1,337,807)	(86,571)	(157,396)	(1,385,150)	(1,495,203)
Total net position (deficit) as restated	\$ 1,842,302	\$ 1,540,948	\$ (143,514)	\$ (212,580)	\$ 1,698,788	\$ 1,328,368

* Certain fiscal year balances were restated as discussed in Note 18(F).

As indicated above, the State reported a balance in unrestricted net position (deficit) of (\$1,385.2) million as of June 30, 2013 in the Statement of Net Position. 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. As of June 30, 2013 approximately \$605.6 million of general obligation bonds related to such projects were outstanding.

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 as discretely presented component units;
- Water resources projects including the acquisition of sites for future water supply resources, various water resources planning initiatives, and funding to upgrade local water treatment facilities;
- Environmental programs to acquire, develop, and rehabilitate local recreational facilities and ensure that open space is preserved;
- Historical preservation initiatives designed to protect and preserve historical buildings as well as to provide funding for cultural facilities.

Other debt that is not for the State's acquisition of capital assets is as follows:

- Tobacco Settlement Asset-Backed Bonds and Accreted Interest - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued \$882.4 million 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 to satisfy any deficiency or default of any payment of the bonds. As of June 30, 2013 approximately \$765.2 million of principal and \$83.1 million of accreted interest are included in the State's debt.
- Historic Tax Credit Bonds - In fiscal year 2009 the R.I. Economic Development Corporation (RIEDC), on behalf of the State, issued \$150.0 million 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 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. As of June 30, 2013, approximately \$90.6 million is outstanding.
- The State has entered into certain capital lease agreements, Certificates of Participation (COPS), the proceeds of which are to be used by the State's university and colleges for energy conservation projects or by local school districts to increase electronic communication on a state-wide basis. Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly. As of June 30, 2013, approximately \$33.9 million is outstanding relating to these projects.

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

Changes in Net Position

The State's overall net position for the primary government improved by \$370.4 million during fiscal year 2013. Total revenues of \$7,222.6 million were more than expenses of \$6,852.1 million. The favorable results were aided by increased general revenues due primarily to an increase in tax collections attributable to the improving economy and increases in miscellaneous revenues. The next largest source of revenues was operating grants and contributions (including federal financial aid) which actually decreased due to the winding down of funding under the American Recovery and Reinvestment Act of 2009 and a significant decline in federal assistance for unemployment insurance benefits. The State's expenses in total, which cover a wide range of services, declined by \$81.4 million. This net decrease was caused by reductions in general government costs due to careful expense control and by reductions in employment insurance costs due to fewer workers receiving such payments. These decreases were offset in part by increased spending on human services programs and education due to spending on the Race to the Top program and greater education assistance for local communities.

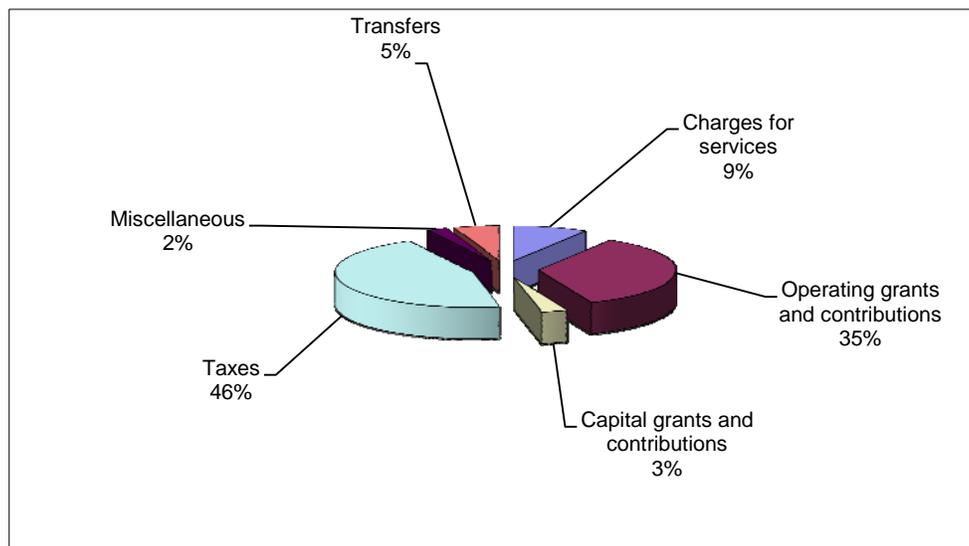
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is presented after each of the following pie charts.

State of Rhode Island's Changes in Net Position
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 551,500	\$ 508,140	\$ 1,055,070	\$ 1,056,285	\$ 1,606,570	\$ 1,564,425
Operating grants and contributions	2,211,800	2,194,892	166,164	278,671	2,377,964	2,473,563
Capital grants and contributions	190,551	210,720			190,551	210,720
General revenues:						
Taxes	2,870,969	2,824,368			2,870,969	2,824,368
Interest and investment earnings	4,893	4,304	117	94	5,010	4,398
Miscellaneous	146,997	118,506	24,490	16,564	171,487	135,070
Total revenues	5,976,710	5,860,930	1,245,841	1,351,614	7,222,551	7,212,544
Program expenses:						
General government	625,081	653,003			625,081	653,003
Human services	3,038,841	2,970,269			3,038,841	2,970,269
Education	1,364,575	1,334,355			1,364,575	1,334,355
Public safety	473,580	468,098			473,580	468,098
Natural resources	76,730	85,039			76,730	85,039
Transportation	300,639	268,523			300,639	268,523
Interest	129,714	145,964			129,714	145,964
Lottery			397,625	399,421	397,625	399,421
Convention Center			48,437	49,439	48,437	49,439
Employment insurance			396,909	559,440	396,909	559,440
Total expenses	6,009,160	5,925,251	842,971	1,008,300	6,852,131	6,933,551
Excess (deficiency) before transfers	(32,450)	(64,321)	402,870	343,314	370,420	278,993
Transfers	333,804	344,386	(333,804)	(344,386)		
Change in net position	301,354	280,065	69,066	(1,072)	370,420	278,993
Net position (deficit) - Beginning	1,418,495	1,138,430	(212,580)	(211,508)	1,205,915	926,922
Cumulative effect of prior period adjustments	122,453				122,453	
Net position (deficit) - Beginning, as restated	1,540,948	1,138,430	(212,580)	(211,508)	1,328,368	926,922
Net position (deficit) - Ending	\$ 1,842,302	\$ 1,418,495	\$ (143,514)	\$ (212,580)	\$ 1,698,788	\$ 1,205,915

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2013.

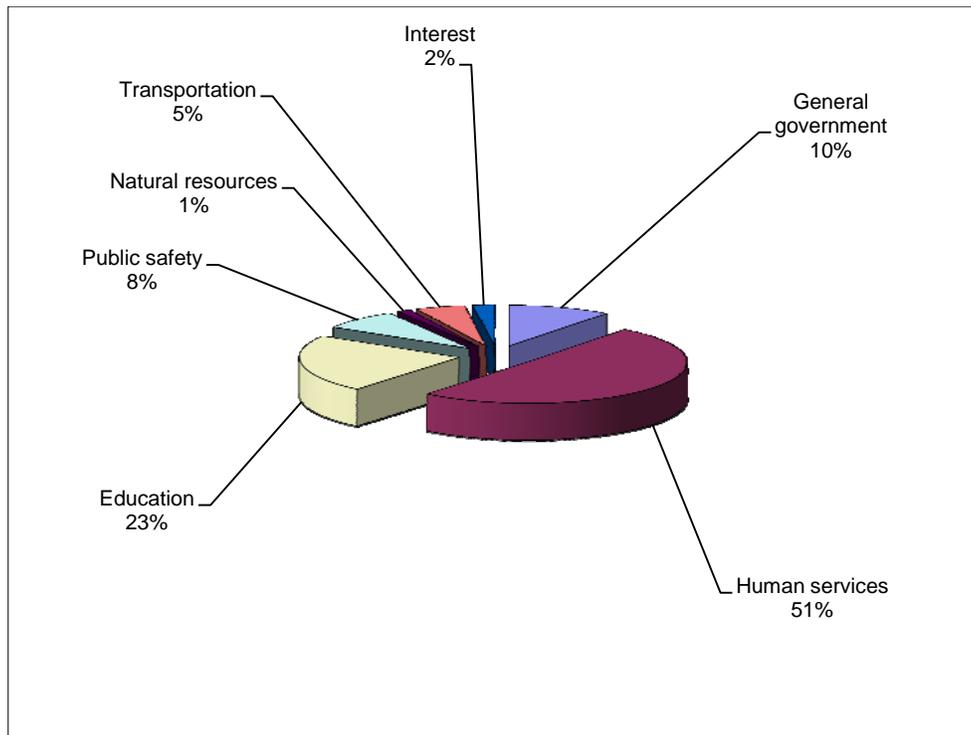
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly constant in fiscal year 2013 versus the prior fiscal year. Taxes continued to represent the largest source of revenue at 46% of the total while operating grants and contracts represented 35% of the total in fiscal year 2013.

Chart 2 depicts the purposes that program expenses related to Governmental Activities were expended for during the fiscal year ended June 30, 2013.

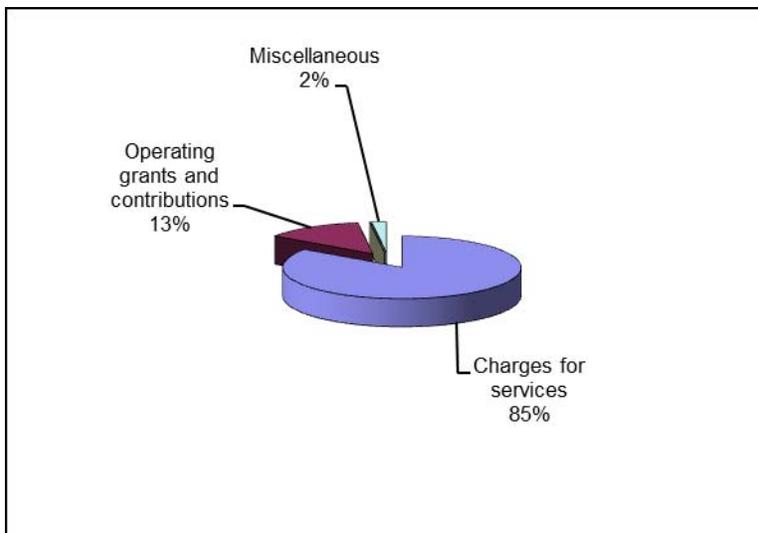
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses - governmental activities remained about the same in fiscal year 2013 as the prior fiscal year. A slight increase from 50% to 51% occurred in the percent of total spending that is directed towards human services programs. This was offset by a decline in spending on general government which went from 11% to 10% of the total, primarily because of careful management of costs.

Chart 3 depicts the State's sources of revenues from Business Type Activities for the fiscal year ended June 30, 2013.

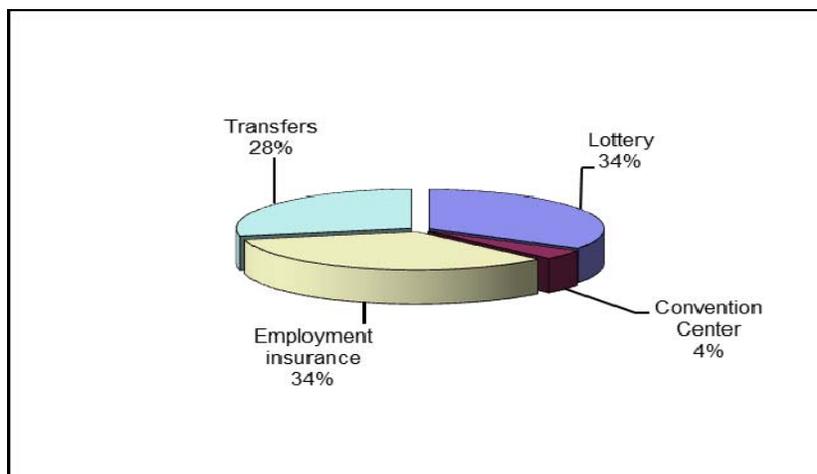
Chart 3 - Revenues – Business Type Activities



Operating grants and contributions declined from 21% to 13% of total revenues - business type activities in fiscal year 2013 when compared to the prior fiscal year because of a significant reduction in spending on the employment insurance program.

Chart 4 depicts the expenses and transfers related to Business Type Activities that were expended during the fiscal year ended June 30, 2013.

Chart 4 - Expenses and Transfers – Business Type Activities



The relative mix of expenses and transfers – business type activities changed significantly due to a reduction in the amount of benefits paid under the employment insurance program. In fiscal year 2013 such payments represented 34% of total business type expenses and transfers as compared to 41% in fiscal year 2012.

Financial Analysis of the State's Funds

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$1,057.8 million, an increase of \$67.3 million from June 30, 2012. A breakdown of the components follows (expressed in thousands):

	2013	2012*	Change	Percent
Governmental Funds				
Nonspendable	\$ 174	\$ 174	\$	
Restricted	942,335	852,147	90,188	10.58%
Unrestricted				
Committed	4,198	24,535	(20,337)	-82.89%
Assigned	105,894	97,957	7,937	8.10%
Unassigned	5,210	15,657	(10,447)	-66.72%
Total	<u>\$ 1,057,811</u>	<u>\$ 990,470</u>	<u>\$ 67,341</u>	6.80%

* Certain fiscal year balances were restated as discussed in Note 18(F).

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

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

Significant changes in fund balance are discussed below:

- The increase in restricted fund balance is primarily a result of new debt issues in fiscal year 2013 reflected in certain capital projects funds.

- The increase in the assigned portion of the unrestricted fund balance is primarily attributable to the general fund surplus that has been earmarked as a resource in the fiscal year 2014 budget.

The major governmental funds of the primary government are:

General Fund

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

	2013	2012	Change	Percent
Restricted	\$ 282,137	\$ 232,348	\$ 49,789	21.43%
Unrestricted				
Committed	4,035	22,793	(18,758)	-82.30%
Assigned	105,639	97,639	8,000	8.19%
Unassigned	9,323	20,374	(11,051)	-54.24%
Total	<u>\$ 401,134</u>	<u>\$ 373,154</u>	<u>\$ 27,980</u>	<u>7.50%</u>

Revenues and transfers of the General Fund totaled \$5,737.2 million in fiscal year 2013, an increase of \$86.7 million or 1.53%, 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):

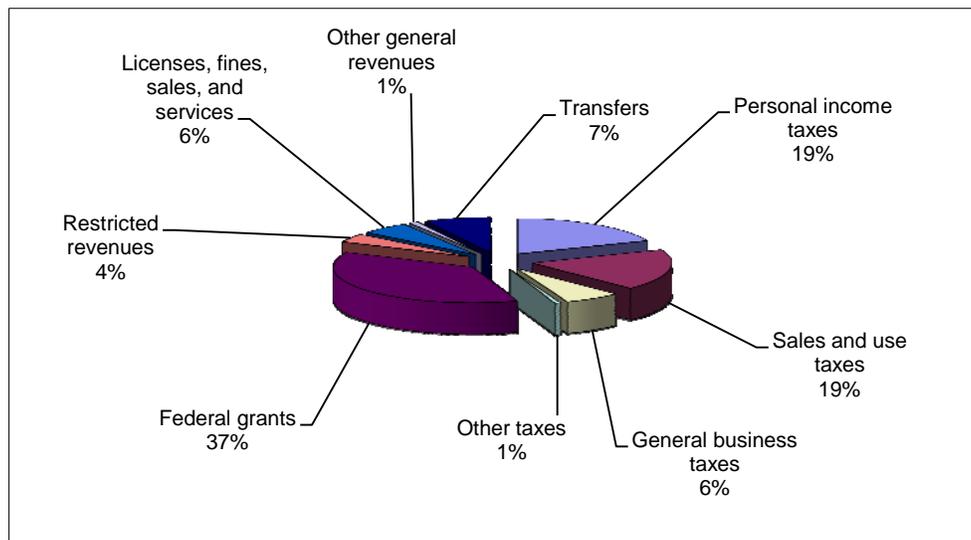
	2013	2012	Increase (decrease) from 2012	
			Amount	Percent
Taxes:				
Personal income	\$ 1,083,011	\$ 1,059,119	\$ 23,892	2.26%
Sales and use	1,073,428	1,043,141	30,287	2.90%
General business	375,014	355,457	19,557	5.50%
Other	37,060	54,174	(17,114)	-31.59%
Subtotal	<u>2,568,513</u>	<u>2,511,891</u>	<u>56,622</u>	<u>2.25%</u>
Federal grants	2,129,847	2,119,476	10,371	0.49%
Restricted revenues	220,983	192,642	28,341	14.71%
Licenses, fines, sales, and services	323,308	313,455	9,853	3.14%
Other general revenues	57,537	71,059	(13,522)	-19.03%
Subtotal	<u>2,731,675</u>	<u>2,696,632</u>	<u>35,043</u>	<u>1.30%</u>
Total revenues	<u>5,300,188</u>	<u>5,208,523</u>	<u>91,665</u>	<u>1.76%</u>
Transfers	<u>437,012</u>	<u>441,953</u>	<u>(4,941)</u>	<u>-1.12%</u>
Total revenue and transfers	<u>\$ 5,737,200</u>	<u>\$ 5,650,476</u>	<u>\$ 86,724</u>	<u>1.53%</u>

Personal income taxes increased modestly between fiscal year 2012 and fiscal year 2013. Final payments, payments made with a return and extension payments, increased by 12.8 percent while withholding tax payments and estimated tax payments had more muted growth of 0.7 percent and 1.3 percent, respectively. These increases were offset in part by an increase in income tax refunds and adjustments paid of 4.0 percent. The spike in final tax payments and the increase in income tax refunds and adjustments paid are due in part to the 2012 Tax Amnesty Act which allowed taxpayers to pay overdue taxes while waiving late payment penalties and reducing the interest rate on overdue taxes by 25.0 percent. The 2012 tax amnesty program, which ran from September 1, 2012 through November 15, 2012, increased final income tax payments received by \$5.3 million and increased income tax refunds

and adjustments paid by \$2.4 million. Accounting for these tax amnesty payments reduces the growth rate for final payments to 8.1 percent and reduces the growth rate for income tax refunds and adjustments paid to 3.1 percent. The modest increase in withholding tax payments in fiscal year 2013 compared to fiscal year 2012 is due to the State's improving economy which saw a decline in the State's unemployment rate from 10.6 percent to 8.8 percent on a state fiscal year basis. The remaining taxes exhibited reasonable year-over-year growth with the exception of Other Taxes which fell by 31.59 percent in fiscal year 2013. This decline was attributable to a sharp drop off in estate and transfer taxes paid in fiscal year 2013 which declined on a nominal basis by \$17.9 million or -38.6 percent.

Chart 5 depicts the General Fund's revenues and other sources for the fiscal year ended June 30, 2013.

Chart 5 – Revenues and Other Sources – General Fund



Expenditures and other uses totaled \$5,709.2 million in fiscal year 2013, an increase of \$161.0 million, or 2.90%, 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):

	2013	2012	Increase (decrease) from 2012	
			Amount	Percent
General government	\$ 470,328	\$ 474,135	\$ (3,807)	-0.80%
Human services	3,042,705	2,969,166	73,539	2.48%
Education	1,330,128	1,281,879	48,249	3.76%
Public safety	463,734	459,114	4,620	1.01%
Natural resources	70,145	75,141	(4,996)	-6.65%
Debt Service:				
Principal	125,148	111,711	13,437	12.03%
Interest	68,295	73,249	(4,954)	-6.76%
Total expenditures	5,570,483	5,444,395	126,088	2.32%
Other uses	138,737	103,827	34,910	33.62%
Total expenditures and other uses	\$ 5,709,220	\$ 5,548,222	\$ 160,998	2.90%

The significant increase in the Human Services function is partially attributable to increased Medicaid costs, in both state and federal funds. In addition, there were substantial increases in costs pertaining to the Low Income Home Energy Assistance Program (LIHEAP) and the Supplemental Nutrition Assistance

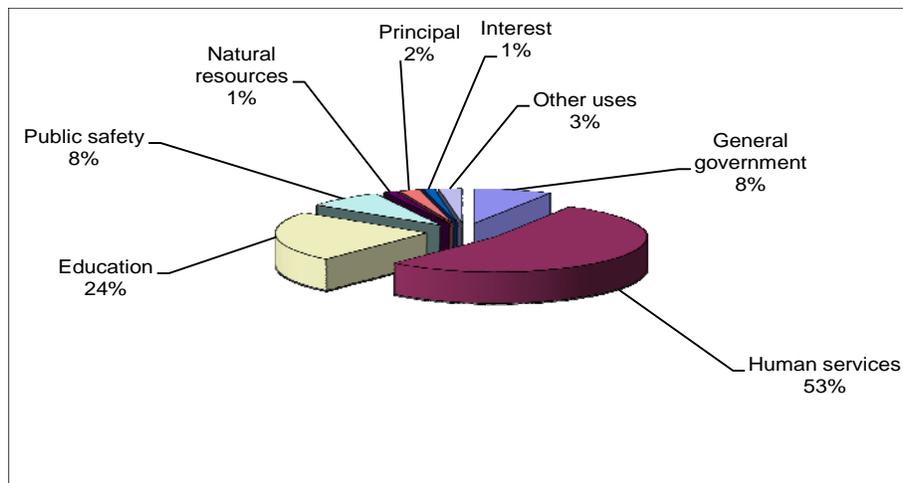
Program (SNAP). Finally, both the Office of Health and Human Services and the Department of Human Services bore new costs associated with the development of an eligibility system called the Unified Health Infrastructure Project (UHIP).

The transition to a new Education Funding Formula was primarily responsible for the increased costs within the Education function. Race to the Top federal grant expenditures also accounted for a significant portion of the increase. These two large increases were partially offset by decreases in expenditures associated with the American Recovery and Reinvestment Act (ARRA) and the Education Jobs Fund.

Debt service expenditures increased due to savings from the refinancing of debt in the prior year not being available again in FY 2013.

Chart 6 depicts the General Fund's Expenditures and Other Uses for the fiscal year ended June 30, 2013.

Chart 6 – Expenditures and Other Uses – General Fund



Intermodal Surface Transportation Fund

The Intermodal Surface Transportation Fund (IST) is a special revenue fund that accounts for the collection of gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's transportation systems. It also accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, and related expenditures. The components of fund balance of the IST fund are as follows (expressed in thousands):

	2013	2012	Change	Percent
Restricted	\$ 145,473	\$ 111,537	\$ 33,936	30.43%
Unrestricted				
Committed	95	1,742	(1,647)	-94.55%
Assigned	255	117	138	117.95%
Unassigned (deficit)	(4,113)	(4,717)	604	12.80%
Total	\$ 141,710	\$ 108,679	\$ 33,031	30.39%

General Fund Budgetary Highlights – General Revenue Sources

According to the State's Constitution, general revenue appropriations in the general fund cannot exceed 97% of available general revenue sources. These sources consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. Excess revenue is transferred to the State Budget Reserve Account. If the balance in the Reserve exceeds five percent of the total general revenues and opening surplus, the excess is transferred to the R.I. Capital Plan Fund to be used for capital projects. 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 slight increase of \$2.9 million between the original budget and the final budget. General revenue appropriations decreased from the original budget by \$62.0 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.

	Original Budget	Final Budget	Actual	Final Budget vs. Actual Variance
Revenues and sources:				
Taxes:				
Personal income	\$ 1,080,857	\$ 1,075,300	\$ 1,085,765	\$ 10,465
General business	369,183	385,600	381,255	(4,345)
Sales and use	1,085,833	1,068,200	1,073,428	5,228
Other taxes	42,249	38,500	37,060	(1,440)
Departmental revenue	342,874	363,400	356,832	(6,568)
Other sources:				
Miscellaneous	4,440	5,665	4,166	(1,499)
Lottery transfer	387,553	380,160	379,225	(935)
Unclaimed property	7,900	7,000	6,269	(731)
Total revenues and other sources	<u>3,320,889</u>	<u>3,323,825</u>	<u>3,324,000</u>	<u>175</u>
Expenditures and other uses:				
General government	441,780	438,416	426,503	11,913
Human services	1,294,456	1,245,771	1,243,282	2,489
Education	1,118,040	1,111,779	1,111,267	512
Public safety	404,750	401,398	398,648	2,750
Natural resources	36,811	36,447	36,346	101
Total expenditures and other uses	<u>3,295,837</u>	<u>3,233,811</u>	<u>3,216,046</u>	<u>17,765</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 25,052</u>	<u>\$ 90,014</u>	<u>\$ 107,954</u>	<u>\$ 17,940</u>

The positive variance from the fiscal year 2013 actual revenues to the fiscal year 2013 Original Budget for Personal Income Taxes is due in part to the stronger revenue performance of the 2012 tax amnesty program than was forecasted when the fiscal year 2013 Original Budget was enacted. The fiscal year 2013 Original Budget projected tax amnesty receipts for personal income tax of \$3.0 million while actual personal income tax amnesty receipts came in at \$5.7 million. In addition, actual personal income tax refunds and adjustments came in 4.0 percent below the original budget. These two positive changes in fiscal year 2013 actual revenues relative to the fiscal year 2013 Original Budget were offset in part by personal income tax withholding payments falling short of the Original Budget amount by 1.9 percent. Fiscal year 2013 actual sales and use tax revenues were 0.7 percent above the Final Budget amount

reflecting the improved economic climate in the State. The decline in departmental revenue between the fiscal year 2013 Final Budget and the actual revenues was primarily the result of the state not receiving hospital license fee payments that were expected to be received.

The positive expenditure variance in the General Government function of approximately \$11.9 million was primarily in three agencies, Administration, Revenue and the General Assembly. Within Administration, the majority of the positive variance was in the Facilities Management program due to lower utility costs and/or usage, as well as personnel savings in many programs and unspent funds for the I-195 Commission that will be carried forward for expenditure in FY 2014. In the Revenue budget, the primary driver of the surplus was unspent local aid funds for local property revaluations, followed by personnel savings due to staff turnover. In the General Assembly budget, the positive variance was primarily in the grants category, where funds may be committed but not fully expended within the fiscal year. The entire surplus for the General Assembly is reappropriated to fiscal year 2014.

The positive expenditure variance in the Human Services function of approximately \$2.5 million was due to a positive variance of \$8.1 million in the Office of Health and Human Services (OHHS), offset by negative variances in the Department of Human Services (DHS) of \$1.8 million and the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) of \$4.5 million. The OHHS positive variance was primarily in the Medicaid program due to final caseloads being lower than estimated by the Caseload Estimating Conference in May 2013. The DHS negative variance was primarily due to a payable established for a penalty imposed on the TANF program by the federal government over eligibility and verification discrepancies in a prior year audit. The BHDDH negative variance is primarily attributable to overtime expenditures due to staffing shortages in their 24/7 facilities.

The positive expenditure variance in the Public Safety function of approximately \$2.7 million was due to positive variances in the Department of Corrections (DOC) and the Department of Public Safety (DPS). The DOC surplus was the result of a number of equipment purchases not being received prior to the close of the fiscal year and thus requiring reappropriation of funds in fiscal year 2014 to cover the expense when it came due. The DPS surplus was primarily in the Security Services (Capitol Police and Sheriffs) program and was attributable to lower than anticipated equipment purchases, as well as savings from personnel turnover.

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, 2013, amounts to \$3,661.7 million, net of accumulated depreciation of \$2,328.4 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 4.57% of net book value (as restated). This increase is primarily caused by investments in the construction and rehabilitation of highways and other infrastructure as discussed in the second paragraph below.

Actual expenditures to purchase or construct capital assets were \$303.2 million for the year. Of this amount \$179.6 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$156.2 million.

State of Rhode Island's Capital Assets as of June 30, 2013
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital assets not being depreciated or amortized						
Land	\$ 375,225	\$ 358,968	\$ 45,558	\$ 45,558	\$ 420,783	\$ 404,526
Works of Art	2,389	1,414			2,389	1,414
Intangibles	161,777	159,093			161,777	159,093
Construction in progress*	594,657	450,433	446	24	595,103	450,457
Total capital assets not being depreciated or amortized	1,134,048	969,908	46,004	45,582	1,180,052	1,015,490
Capital assets being depreciated or amortized						
Land improvements	3,700	3,700			3,700	3,700
Buildings*	711,315	685,494	234,384	234,384	945,699	919,878
Building improvements*	270,378	267,714			270,378	267,714
Equipment*	253,089	244,916	27,080	25,646	280,169	270,562
Intangibles	14,040	14,049	175		14,215	14,049
Infrastructure*	3,295,847	3,193,823			3,295,847	3,193,823
	4,548,369	4,409,696	261,639	260,030	4,810,008	4,669,726
Less: Accumulated depreciation or amortization*	2,190,034	2,055,332	138,373	128,152	2,328,407	2,183,484
Total capital assets being depreciated or amortized	2,358,335	2,354,364	123,266	131,878	2,481,601	2,486,242
Total capital assets (net)	\$ 3,492,383	\$ 3,324,272	\$ 169,270	\$ 177,460	\$ 3,661,653	\$ 3,501,732

*Certain fiscal year 2012 balances have been restated.

In fiscal year 2013, the State completed several significant capital projects, including the Sakonnet River Bridge in Tiverton/Portsmouth and the new Pawtucket River Bridge on Route I-95 in Pawtucket.

Additional information on the State's capital assets can be found in Note 6 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 \$2,337.8 million, of which \$1,103.9 million is general obligation debt, \$468.7 million is special obligation debt and \$765.2 million is debt of the blended component units. Additionally, accreted interest of \$83.1 million has been recognized for debt of one blended component unit, which is not scheduled to be paid until 2052. On an overall basis the State's total bonded debt decreased by \$71.5 million during fiscal year 2013. This decrease consists of a \$6.8 million decrease in general obligation debt, a decrease of \$50.4 million in special obligation debt, and a decrease of \$14.3 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 \$396.7 million and are discussed in Note 7.

The State's assigned general obligation bond ratings are as follows: AA by Standard & Poor's Ratings Services (S&P), Aa2 by Moody's Investor Service, Inc. and AA by Fitch Ratings. The State does not have any debt limitation.

Bonds authorized by the voters that remain unissued as of June 30, 2013 amounted to \$244.6 million; other obligations that are authorized but unissued totaled \$277.5 million and are described in Note 7. 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 2014 Budget

The first quarter report for fiscal year 2014 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the first quarter of fiscal year 2014, as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 2013 Caseload and Revenue Estimating Conferences. The fiscal year 2014 balance, based upon these assumptions, is estimated to reflect a \$33.4 million surplus in the General Fund.

The Budget Office continues to review department and agency fiscal year 2014 expenditure plans in conjunction with the fiscal year 2015 budget process. Any changes recommended by the Governor to the fiscal year 2014 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations bill, which under current law must be submitted to the General Assembly in January 2014.

The November Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the current economic forecast. On the revenue side, general revenue receipts are expected to be \$45.6 million more than enacted for fiscal year 2014. Taxes are expected to exceed enacted estimates by \$31.0 million, while departmental revenues and other sources, including lottery revenues, are also expected to exceed enacted estimates by \$14.6 million. The November Revenue Estimating Conference estimates that revenues will be \$3,426.6 million as compared with the enacted estimate of \$3,381.0 million for fiscal year 2014.

Lottery Revenue

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

The Lottery's video lottery operations currently compete with casinos in nearby Connecticut. In addition, Massachusetts lawmakers have passed a bill to allow three casinos and one slot parlor in that State. Massachusetts has developed a two-phase application process for potential operators and developers. The process is anticipated to be completed and operators selected during spring 2014. It is anticipated that there could be an adverse effect on the amount of revenue derived from video lottery facilities in Rhode Island. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

A statewide ballot referendum was approved in November 2012 to allow the expansion of gaming at the Twin River facility located in Lincoln, RI. The expansion allows the facility to offer casino style gaming (i.e., table games) to the public subject to the operational control by the Lottery and/or Department of Business Regulation. The expanded gaming went into operation in June 2013.

Pension Benefits

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

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

See Note 13 for information about litigation that has been filed relating to these reforms.

Other Postemployment Benefits (OPEB)

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

In accordance with GASB Statement No. 45, the State began accounting for retiree health care benefits on an actuarial basis in fiscal year 2008. The most recent actuarial study completed as of June 30, 2011 has determined the State's unfunded actuarial liability for all six plans included in the Rhode Island State Employees' and Electing Teachers OPEB System to be \$858.7 million. Based on a discount rate of 5.0%, the State and other participating employers' annual required contribution was \$56.8 million. For fiscal year 2013, the State funded the retiree health care program in accordance with law by contributing the actuarially required contribution. See Note 19 – Subsequent Events for information about future changes in the way benefits are provided to certain Medicare eligible retirees.

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 trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Future changes in healthcare costs, as well as investment returns and other assumptions, could significantly affect the level of contributions required of the State.

Collective Bargaining

The State is currently in negotiations with the various unions which represent certain State employees for new contracts that would be retroactively effective to July 1, 2013.

Transportation Funding Initiatives

In order to address possible future reductions in federal highway funding and the State's aging transportation infrastructure, the Governor formed a Blue Ribbon Panel for Transportation Funding in 2008. The Panel reviewed Rhode Island's aging transportation infrastructure, the projects required to maintain the transportation infrastructure for the next five years, and the available funding or shortfall in funding for such projects in light of the current status of the Federal Highway Trust Fund, and identified possible options for future funding.

The Blue Ribbon Panel for Transportation Funding released its report in December, 2008. The Blue Ribbon Panel projected that the State would need to spend approximately \$639.0 million per year during the next 10 years to maintain Rhode Island's highway system in a state of good operation and repair but that state and federal funding only provided approximately \$425.9 million in FY 2013. The Blue Ribbon panel suggested various funding strategies that could possibly be implemented to meet, in whole or in part, the \$285 million funding gap each year. Such recommended funding strategies included levying a \$3.00 toll on all cars and \$6.00 on all trucks entering the State, imposing tolls on all bridges between Aquidneck Island and the mainland, raising passenger-vehicle registration fees, raising the State gasoline tax by as much as 15 cents per gallon, creation of a petroleum product gross receipts tax and a vehicle miles traveled fee. The various revenue strategies outlined would require legislation for implementation. Despite the temporary relief provided through America Recovery and Reinvestment Act (ARRA) funding, transportation infrastructure funding will continue to present challenges and the Blue Ribbon Panel funding strategies may be revisited. The Department of Transportation submitted an application to the Federal Highway Administration requesting permission to establish tolls on I-95, under a pilot program that permits tolling on roads that were constructed with federal funds, but has been informed that the final slot under this pilot program has been granted to another state.

The FY 2014 Appropriations Act established a Special Legislative Commission to make a comprehensive study of all types of funding mechanisms and strategies to support Rhode Island's infrastructure.

Unemployment Insurance Program

The State has borrowed from the Federal Unemployment Trust Fund to continue to pay benefits to unemployed individuals. Outstanding borrowings through June 30, 2013 totaled \$155.3 million and the State anticipates needing to continue borrowing in fiscal 2014 in order to fund unemployment benefit payments. The General Assembly passed legislation effective in fiscal years 2012 and 2013 increasing the taxable wage base for employers and reducing the maximum weekly benefit amounts to unemployed individuals. The Department of Labor and Training currently estimates that the combination of benefit adjustments and increased federal and state taxes could enable the State to repay its federal loans from the Federal Unemployment Trust Fund as soon as 2015. This estimate is based on the department's projections of employment and unemployment levels assuming a gradual economic recovery and therefore is uncertain and subject to change.

Google Inc. Settlement

An investigation by the United States Attorney's Office in Rhode Island and the U.S. Food and Drug Administration's Office of Criminal Investigations Rhode Island Task Force resulted in the forfeiture of \$500 million in revenue by Google. The State of Rhode Island will receive approximately \$110 million of that amount to be utilized for public safety purposes.

Local Government Financial Matters

A number of local governments in the State continue to experience financial difficulties involving cumulative deficits, budgetary imbalances, unfunded pension and OPEB obligations, and rating agency downgrades. Most notably, the City of Central Falls was under the control of a State appointed receiver and subsequently filed for federal bankruptcy protection in August 2011. The Fourth Amended Plan of Debt Adjustment became effective on October 25, 2012 and allowed the City of Central Falls to emerge from bankruptcy. Under the plan, the City will have court-ordered balanced budgets for Fiscal Years 2013, 2014, 2015, 2016 and 2017 and will impose a 4 percent property tax increase in each of the next five years. Also, as a result of the agreement with the retirees, the City's five-year budget plan contains affordable pay as you go pension and retiree health insurance costs based upon the restructured plans.

The State has certain oversight responsibilities with respect to municipalities which are outlined in the General Laws and carried out by the Department of Revenue – Division of Municipal Finance and the Office of the Auditor General. The General Laws give the State, acting through the Department of Revenue, the power to implement three levels of oversight and control: fiscal overseer, budget commission, and state receiver. A State fiscal overseer and a budget commission were appointed for the City of East Providence in 2011. In September 2013 it was determined that the fiscal health of the City improved to a level that such oversight was no longer necessary. In addition, a budget commission was appointed for the City of Woonsocket in May 2012.

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

Requests for Information

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

Basic Financial Statements



State of Rhode Island
Fiscal Year Ended June 30, 2013

State of Rhode Island and Providence Plantations

Statement of Net Position

June 30, 2013

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 871,900	\$ 23,702	\$ 895,602	\$ 277,569
Funds on deposit with fiscal agent	154,172	518	154,690	
Investments				18,034
Receivables (net)	576,545	80,676	657,221	64,625
Restricted assets:				
Cash and cash equivalents		8,338	8,338	272,037
Investments	69,319		69,319	38,693
Receivables (net)				4,113
Other assets				39,605
Due from primary government				19,142
Due from component units	4,489		4,489	552
Internal balances	(4,625)	4,625		
Due from other governments and agencies	239,585	1,565	241,150	955
Inventories	1,694	699	2,393	10,246
Other assets	6,984	435	7,419	6,748
Total current assets	1,920,063	120,558	2,040,621	752,319
Noncurrent assets:				
Investments				165,375
Receivables (net)	22,359		22,359	36,201
Due from other governments and agencies	2,680		2,680	
Restricted assets:				
Cash and cash equivalents				101,506
Investments				370,144
Other assets				1,555,854
Due from component units	55,415		55,415	1,394
Capital assets - nondepreciable	1,134,048	46,004	1,180,052	230,599
Capital assets - depreciable (net)	2,358,335	123,266	2,481,601	1,603,157
Derivative instruments	26,883		26,883	
Other assets	18,287	3,610	21,897	185,693
Total noncurrent assets	3,618,007	172,880	3,790,887	4,249,923
Total assets	5,538,070	293,438	5,831,508	5,002,242
Liabilities				
Current Liabilities:				
Accounts payable	624,836	19,574	644,410	93,908
Due to primary government				4,489
Due to component units	19,142		19,142	552
Due to other governments and agencies		5,933	5,933	114
Accrued expenses		4,408	4,408	30
Unearned revenue	74,837		74,837	
Other current liabilities	105,110		105,110	196,406
Current portion of long-term debt	223,727	13,533	237,260	194,446
Obligation for unpaid prize awards		7,396	7,396	
Total current liabilities	1,047,652	50,844	1,098,496	489,945
Noncurrent Liabilities:				
Due to primary government				55,415
Due to other governments and agencies		155,276	155,276	
Net pension obligation	1,816		1,816	
Net OPEB obligation	11,341		11,341	46,878
Unearned revenue		6,305	6,305	12,916
Due to component units				1,394
Notes payable	5,110	43	5,153	20,177
Loans payable				41,375
Obligations under capital leases	222,315		222,315	6,931
Compensated absences	14,387	223	14,610	23,275
Bonds payable	2,334,131	224,261	2,558,392	2,139,690
Other liabilities	32,133		32,133	305,328
Total noncurrent liabilities	2,621,233	386,108	3,007,341	2,653,379
Total liabilities	3,668,885	436,952	4,105,837	3,143,324
Deferred inflows of resources				
Fair value of hedging derivatives	26,883		26,883	
Net position (deficit)				
Net investment in capital assets	2,488,755	(65,283)	2,423,472	1,120,009
Restricted for:				
Budget reserve	171,959		171,959	
Transportation	1,432		1,432	
Debt	114,242	8,340	122,582	284,019
Assistance to other entities	98,293		98,293	
Temporary disability insurance program	154,004		154,004	
Other	112,022		112,022	169,563
Nonexpendable	174		174	90,616
Unrestricted	(1,298,579)	(86,571)	(1,385,150)	194,711
Total net position (deficit)	\$ 1,842,302	\$ (143,514)	\$ 1,698,788	\$ 1,858,918

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

State of Rhode Island and Providence Plantations
Statement of Activities
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government			
					Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 625,081	\$ 220,376	\$ 96,706	\$ 1,852	\$ (306,147)	\$	\$ (306,147)	\$
Human services	3,038,841	227,158	1,742,901	1,280	(1,067,502)		(1,067,502)	
Education	1,364,575	26,840	219,585	121	(1,118,029)		(1,118,029)	
Public safety	473,580	47,075	44,962	2,083	(379,460)		(379,460)	
Natural resources	76,730	28,975	18,658	3,558	(25,539)		(25,539)	
Transportation	300,639	1,076	88,988	181,657	(28,918)		(28,918)	
Interest and other charges	129,714				(129,714)		(129,714)	
Total governmental activities	<u>6,009,160</u>	<u>551,500</u>	<u>2,211,800</u>	<u>190,551</u>	<u>(3,055,309)</u>		<u>(3,055,309)</u>	
Business-type activities:								
State lottery	397,625	775,993				378,368	378,368	
Convention center	48,437	22,485				(25,952)	(25,952)	
Employment security	396,909	256,592	166,164			25,847	25,847	
Total business-type activities	<u>842,971</u>	<u>1,055,070</u>	<u>166,164</u>			<u>378,263</u>	<u>378,263</u>	
Total primary government	<u>\$ 6,852,131</u>	<u>\$ 1,606,570</u>	<u>\$ 2,377,964</u>	<u>\$ 190,551</u>	<u>(3,055,309)</u>	<u>378,263</u>	<u>(2,677,046)</u>	
Component units:	<u>\$ 1,232,182</u>	<u>\$ 616,480</u>	<u>\$ 456,029</u>	<u>\$ 86,943</u>				(72,730)
General Revenues:								
Taxes:								
Personal income					1,082,035		1,082,035	
General business					381,252		381,252	
Sales and use					1,070,648		1,070,648	
Gasoline					134,465		134,465	
Other					202,569		202,569	
Interest and investment earnings					4,893	117	5,010	101,462
Miscellaneous revenue					143,240	24,490	167,730	11,849
Gain on sale of capital assets					3,757		3,757	
Transfers (net)					333,804	(333,804)		
Total general revenues and transfers					<u>3,356,663</u>	<u>(309,197)</u>	<u>3,047,466</u>	<u>113,311</u>
Change in net position					301,354	69,066	370,420	40,581
Net position (deficit) - beginning as restated					1,540,948	(212,580)	1,328,368	1,818,337
Net position (deficit) - ending					<u>\$ 1,842,302</u>	<u>\$ (143,514)</u>	<u>\$ 1,698,788</u>	<u>\$ 1,858,918</u>

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

Major Funds

Governmental

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

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

Intermodal Surface Transportation Fund – accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the state’s highway system. It also accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) bonds, the RI Motor Fuel Tax (RIMFT) revenue bonds, and the I-195 Redevelopment District Commission bonds and related expenditures.

Proprietary

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

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

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

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

State of Rhode Island and Providence Plantations
Balance Sheet
Governmental Funds
June 30, 2013
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 501,054	\$ 19,292	\$ 312,634	\$ 832,980
Funds on deposit with fiscal agent		109,234	44,938	154,172
Restricted investments			69,319	69,319
Receivables (net)	499,691	12,519	67,037	579,247
Due from other funds	283	9,379	291	9,953
Due from component units		454		454
Due from other governments and agencies	188,377	50,740		239,117
Loans to other funds	15,568		84,546	100,114
Other assets	367			367
Total assets	\$ 1,205,340	\$ 201,618	\$ 578,765	\$ 1,985,723
Liabilities and Fund Balances				
Liabilities				
Accounts payable	548,672	31,657	29,488	609,817
Due to other funds			15,714	15,714
Due to component units	5,093	5,387	8,662	19,142
Loans from other funds	84,545		9,608	94,153
Unearned revenue	89,545	18,384		107,929
Other liabilities	76,351	4,480	326	81,157
Total liabilities	804,206	59,908	63,798	927,912
Fund Balances				
Nonspendable			174	174
Restricted	282,137	145,473	514,725	942,335
Unrestricted				
Committed	4,035	95	68	4,198
Assigned	105,639	255		105,894
Unassigned	9,323	(4,113)		5,210
Total fund balances	401,134	141,710	514,967	1,057,811
Total liabilities and fund balances	\$ 1,205,340	\$ 201,618	\$ 578,765	\$ 1,985,723

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 the Statement of Net Position
June 30, 2013
(Expressed in Thousands)

Fund balance - total governmental funds \$ 1,057,811

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

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

Capital assets	5,676,713	
Accumulated depreciation	(2,186,648)	
		3,490,065

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	(78,392)	
Bonds payable	(2,420,887)	
Net premium/discount	(58,619)	
Refunding costs	15,775	
Costs of issuance	10,720	
Obligations under capital leases	(232,975)	
Premium	(18,441)	
Refunding costs	6,266	
Costs of issuance	2,463	
Interest payable	(21,871)	
Other liabilities	(54,504)	
		(2,850,465)

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

Receivables	16,316	
Due from component units	59,450	
Other assets	5,104	
Unearned revenue	33,094	
		113,964

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

30,927

Net position - total governmental activities		\$ 1,842,302
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The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,568,513	\$ 134,465	\$ 165,525	\$ 2,868,503
Licenses, fines, sales, and services	323,308		(2,541)	320,767
Departmental restricted revenue	220,983	1,044		222,027
Federal grants	2,129,847	272,597		2,402,444
Income from investments	693	174	3,973	4,840
Other revenues	56,844	43,876	46,370	147,090
Total revenues	<u>5,300,188</u>	<u>452,156</u>	<u>213,327</u>	<u>5,965,671</u>
Expenditures:				
Current:				
General government	470,328		163,682	634,010
Human services	3,042,705			3,042,705
Education	1,330,128		260	1,330,388
Public safety	463,734			463,734
Natural resources	70,145		57	70,202
Transportation		372,083	1,804	373,887
Capital outlays			130,415	130,415
Debt service:				
Principal	125,148	36,057	15,765	176,970
Interest and other charges	68,295	20,683	37,874	126,852
Total expenditures	<u>5,570,483</u>	<u>428,823</u>	<u>349,857</u>	<u>6,349,163</u>
Excess (deficiency) of revenues over (under) expenditures	(270,295)	23,333	(136,530)	(383,492)
Other financing sources (uses):				
Bonds and notes issued			81,400	81,400
Proceeds from refundings			88,175	88,175
Proceeds from the sale of certificates of participation			26,690	26,690
Premium			27,507	27,507
Transfers in	437,012	57,513	98,279	592,804
Payment to refunded bonds escrow agent			(101,172)	(101,172)
Transfers out	(138,737)	(47,815)	(78,019)	(264,571)
Total other financing sources (uses)	<u>298,275</u>	<u>9,698</u>	<u>142,860</u>	<u>450,833</u>
Net change in fund balances	27,980	33,031	6,330	67,341
Fund balances - beginning as restated	373,154	108,679	508,637	990,470
Fund balances - ending	<u>\$ 401,134</u>	<u>\$ 141,710</u>	<u>\$ 514,967</u>	<u>\$ 1,057,811</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 the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 67,341

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	315,644	
Depreciation expense	(145,594)	
	<u>170,050</u>	170,050

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 Position. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid on debt	176,970	
Debt defeased in refunding	92,855	
Accrued interest and other charges	(13,196)	
Proceeds from sale of debt	(196,265)	
Deferral of premium/discount	(27,507)	
Amortization of premium/discount	14,939	
Deferral of issuance costs	1,366	
Amortization of issuance costs	(1,896)	
Deferral of refunding costs	5,523	
Amortization of refunding costs	(1,281)	
	<u>51,508</u>	51,508

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	(666)	
Program expenses	(3,321)	
Program revenue	8,707	
Capital grant revenue	(95)	
General revenue - taxes	2,466	
General revenue-miscellaneous	(3,779)	
	<u>3,312</u>	3,312

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The change in net position of the internal service funds is reported with governmental activities. 9,143

Change in net position - total governmental activities \$ 301,354

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

State of Rhode Island and Providence Plantations
Statement of Net Position
Proprietary Funds
June 30, 2013
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Totals	Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 18,915	\$ 3,648	\$ 1,139	\$ 23,702	\$ 38,737
Restricted cash and cash equivalents		8,338		8,338	
Funds on deposit with fiscal agent			518	518	
Receivables (net)	7,325	677	72,674	80,676	6,488
Due from other funds		1,859	3,967	5,826	1,437
Due from other governments and agencies			1,565	1,565	
Inventories	699			699	1,692
Other assets	42	393		435	6,610
Total current assets	<u>26,981</u>	<u>14,915</u>	<u>79,863</u>	<u>121,759</u>	<u>54,964</u>
Noncurrent assets:					
Capital assets - nondepreciable		46,004		46,004	
Capital assets - depreciable (net)	402	122,864		123,266	2,317
Other assets		3,610		3,610	
Total noncurrent assets	<u>402</u>	<u>172,478</u>		<u>172,880</u>	<u>2,317</u>
Total assets	<u>27,383</u>	<u>187,393</u>	<u>79,863</u>	<u>294,639</u>	<u>57,281</u>
Liabilities					
Current liabilities:					
Accounts payable	13,942	5,632		19,574	17,642
Due to other funds	1,201			1,201	301
Due to other governments and agencies			5,933	5,933	
Loans from other funds					5,961
Accrued expenses	4,408			4,408	
Unearned revenue		2,447		2,447	
Other current liabilities	671			671	2,450
Notes payable		188		188	
Bonds payable		10,060		10,060	
Compensated absences	167			167	
Obligation for unpaid prize awards	7,396			7,396	
Total current liabilities	<u>27,785</u>	<u>18,327</u>	<u>5,933</u>	<u>52,045</u>	<u>26,354</u>
Noncurrent liabilities:					
Due to other governments and agencies			155,276	155,276	
Unearned revenue	5,625	680		6,305	
Notes payable		43		43	
Bonds payable		224,261		224,261	
Compensated absences	223			223	
Total noncurrent liabilities	<u>5,848</u>	<u>224,984</u>	<u>155,276</u>	<u>386,108</u>	
Total liabilities	<u>33,633</u>	<u>243,311</u>	<u>161,209</u>	<u>438,153</u>	<u>26,354</u>
Net Position (Deficit)					
Net investment in capital assets	402	(65,685)		(65,283)	2,317
Restricted for:					
Debt		8,340		8,340	
Unrestricted	(6,652)	1,427	(81,346)	(86,571)	28,610
Total net position (deficit)	<u>\$ (6,250)</u>	<u>\$ (55,918)</u>	<u>\$ (81,346)</u>	<u>\$ (143,514)</u>	<u>\$ 30,927</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 Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(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	\$	\$ 22,068	\$ 256,592	\$ 278,660	\$ 284,447
Lottery sales	253,365			253,365	
Video lottery, net	520,747			520,747	
Table games	1,881			1,881	
Federal grants			166,164	166,164	
Miscellaneous		417		417	
Total operating revenues	775,993	22,485	422,756	1,221,234	284,447
Operating expenses:					
Personal services	6,212	14,344		20,556	11,983
Supplies, materials, and services	241,384	9,574		250,958	268,724
Prize awards, net of prize recoveries	149,878			149,878	
Depreciation and amortization	151	10,169		10,320	234
Benefits paid			382,162	382,162	
Total operating expenses	397,625	34,087	382,162	813,874	280,941
Operating income (loss)	378,368	(11,602)	40,594	407,360	3,506
Nonoperating revenues (expenses):					
Interest revenue	115	2		117	52
Other nonoperating revenue	1,095	806	22,589	24,490	14
Interest expense		(14,350)	(6,029)	(20,379)	
Other nonoperating expenses			(8,718)	(8,718)	
Total nonoperating revenue (expenses)	1,210	(13,542)	7,842	(4,490)	66
Income (loss) before transfers	379,578	(25,144)	48,436	402,870	3,572
Transfers in	272	23,423	22,532	46,227	7,400
Transfers out	(379,225)		(806)	(380,031)	(1,829)
Change in net position	625	(1,721)	70,162	69,066	9,143
Net position (deficit) - beginning	(6,875)	(54,197)	(151,508)	(212,580)	21,784
Net position (deficit) - ending	\$ (6,250)	\$ (55,918)	\$ (81,346)	\$ (143,514)	\$ 30,927

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

State of Rhode Island and Providence Plantations
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I.			Internal Service Funds	
	R.I. State Lottery	Convention Center	Employment Security	Totals	
Cash flows from operating activities:					
Cash received from customers	\$ 254,142	\$ 22,401	\$ 254,458	\$ 531,001	\$ 279,520
Cash received from video lottery operations, net	518,621			518,621	
Cash received from MUSL for grand prize winners	2,333			2,333	
Cash received from grants			167,066	167,066	
Cash payments to suppliers for goods and services	(3,671)	(8,078)		(11,749)	(267,427)
Cash payments to employees	(6,222)	(14,535)		(20,757)	(12,870)
Cash payments to prize winners	(153,161)			(153,161)	
Cash payments for commissions	(233,345)			(233,345)	
Cash payments for benefits			(382,176)	(382,176)	
Other operating revenue (expense)					14
Net cash provided by (used for) operating activities	<u>378,697</u>	<u>(212)</u>	<u>39,348</u>	<u>417,833</u>	<u>(763)</u>
Cash flows from noncapital financing activities:					
Loan from federal government			180,177	180,177	
Payment of interest on loan from federal government			(7,573)	(7,573)	
Loans from other funds					4,412
Loans to other funds					(868)
Repayment of loans to other funds					849
Repayment of loans from other funds					(1,111)
Transfers in		21,878	24,641	46,519	7,400
Transfers out	(380,638)		(736)	(381,374)	(1,829)
Net transfers from (to) fiscal agent			(236,296)	(236,296)	
Net cash provided by (used for) noncapital financing activities	<u>(380,638)</u>	<u>21,878</u>	<u>(39,787)</u>	<u>(398,547)</u>	<u>8,853</u>
Cash flows from capital and related financing activities:					
Principal paid on capital obligations		(51,073)		(51,073)	
Interest paid on capital obligations		(8,151)		(8,151)	
Acquisition of capital assets	(294)	(1,376)		(1,670)	(82)
Proceeds from the disposition of capital assets	8			8	
Proceeds from bonds		38,141		38,141	
Net cash provided by (used for) capital and related financing activities	<u>(286)</u>	<u>(22,459)</u>		<u>(22,745)</u>	<u>(82)</u>
Cash flows from investing activities:					
Interest on investments	115	2		117	52
Net cash provided by investing activities	<u>115</u>	<u>2</u>		<u>117</u>	<u>52</u>
Net increase (decrease) in cash and cash equivalents	(2,112)	(791)	(439)	(3,342)	8,060
Cash and cash equivalents, July 1	21,027	12,777	1,578	35,382	30,677
Cash and cash equivalents, June 30	<u>\$ 18,915</u>	<u>\$ 11,986</u>	<u>\$ 1,139</u>	<u>\$ 32,040</u>	<u>\$ 38,737</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	378,368	(11,602)	40,594	407,360	3,506
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	151	10,169		10,320	234
Other revenue (expense) and operating transfer in (out)	469		887	1,356	14
Net changes in assets and liabilities:					
Receivables, net	243	424	(2,133)	(1,466)	(3,681)
Inventory	116			116	18
Prepaid items		51		51	(486)
Other assets	(38)			(38)	
Due to / due from transactions	12			12	
Accounts and other payables	(122)	1,254		1,132	519
Accrued expenses	422			422	(887)
Unearned revenue	26	(508)		(482)	
Prize awards payable	(950)			(950)	
Total adjustments	<u>329</u>	<u>11,390</u>	<u>(1,246)</u>	<u>10,473</u>	<u>(4,269)</u>
Net cash provided by (used for) operating activities	<u>\$ 378,697</u>	<u>\$ (212)</u>	<u>\$ 39,348</u>	<u>\$ 417,833</u>	<u>\$ (763)</u>

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

Fiduciary Funds

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

Pension and Other Postemployment Benefits Trusts – used to report resources that are required to be held in trust for the members and beneficiaries of the State sponsored defined benefit pension plans, defined contribution plan and other postemployment benefit plans.

External Investment Trust – Ocean State Investment Pool (OSIP) – Accounts for the share of the Ocean State Investment Pool that is external to the reporting entity.

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 Position
Fiduciary Funds
June 30, 2013
(Expressed in Thousands)

	Pension and Other Postemployment Benefits Trusts	External Investment Trust Ocean State Investment Pool	Private Purpose Touro Jewish Synagogue	Agency
Assets				
Cash and cash equivalents	5,931	\$	\$	\$ 14,487
Deposits held as security for entities doing business in the State				70,211
Advance held by claims processing agent	1,248			
Receivables				
Contributions	30,665			
Due from state for teachers	14,549			
Miscellaneous	16,417	7		1,891
Total receivables	61,631	7		1,891
Investments, at fair value				
Equity in short-term investment fund		13,384		
Equity in pooled trust	7,599,444			
Other investments	122,405		2,267	
Total investments	7,721,849	13,384	2,267	
Total assets	7,790,659	13,391	2,267	\$ 86,589
Liabilities				
Accounts payable	5,132	3		2,930
Incurred but not reported claims	2,785			
Unearned revenue	6,064			
Deposits held for others				83,659
Total liabilities	13,981	3		\$ 86,589
Net position				
Held in trust for:				
Pension benefits	7,710,558			
Other postemployment benefits	66,120			
Other		13,388	2,267	
Total net position	\$ 7,776,678	\$ 13,388	\$ 2,267	

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 Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Pension and Other Postemployment Benefits Trusts	External Investment Trust Ocean State Investment Pool	Private Purpose Touro Jewish Synagogue
Additions			
Contributions			
Member contributions	\$ 190,355	\$	\$
Employer contributions	370,498		
Supplemental employer contributions	15,690		
State contributions for teachers	70,703		
Interest on service credits purchased	1,002		
Service credit transfer payments	593		
From participants		12,178	
Total contributions	<u>648,841</u>	<u>12,178</u>	
Other income	<u>1,256</u>		
Investment income			
Net appreciation in fair value of investments	711,597		224
Interest	60,094	27	
Dividends	17,182		37
Other investment income	7,877		
	<u>796,750</u>	<u>27</u>	<u>261</u>
Less investment expense	14,583	14	
Net income from investing activities	<u>782,167</u>	<u>13</u>	<u>261</u>
Total additions	<u>1,432,264</u>	<u>12,191</u>	<u>261</u>
Deductions			
Retirement benefits	899,223		
Death benefits	3,518		
Distributions	338	1,083	96
Refund of contributions	11,941		
Administrative expense	7,507		
Service credit transfers	593		
OPEB benefits	53,803		
Total deductions	<u>976,923</u>	<u>1,083</u>	<u>96</u>
Change in net position:			
Pension benefits	426,083		
Other postemployment benefits	29,258		
Other		11,108	165
Net position - beginning	7,321,337	2,280	2,102
Net position - ending	<u>\$ 7,776,678</u>	<u>\$ 13,388</u>	<u>\$ 2,267</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 Position
Component Units
June 30, 2013
(Expressed in Thousands)

	<u>RIAC</u>	<u>RIEDC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 47,167	\$ 5,569	\$ 166	\$ 3,304	\$ 2,051
Investments				2,789	2,728
Receivables (net)	5,229	2,748		4,295	72
Restricted assets:					
Cash and cash equivalents	22,654	12,894			5,365
Investments	11,793	2,967			10,850
Receivables (net)	2,437	1,676			
Other assets	52				390
Due from primary government		108		8,630	
Due from other governments					
Due from other component units	131	95			
Inventories				2,342	166
Other assets	717	77	44	142	107
Total current assets	<u>90,180</u>	<u>26,134</u>	<u>210</u>	<u>21,502</u>	<u>21,729</u>
Noncurrent Assets:					
Investments		1,878		1,622	5,638
Receivables (net)	127	4,551			
Restricted assets:					
Cash and cash equivalents	50,692	6,401			
Investments		26,113			2,483
Other assets		1,135			
Capital assets - nondepreciable	47,885	129		17,052	3,760
Capital assets - depreciable (net)	464,939	53		150,478	148,146
Due from other component units		697			
Other assets, net of amortization	4,840		1,492		1,049
Total noncurrent assets	<u>568,483</u>	<u>40,957</u>	<u>1,492</u>	<u>169,152</u>	<u>161,076</u>
Total assets	<u>658,663</u>	<u>67,091</u>	<u>1,702</u>	<u>190,654</u>	<u>182,805</u>
Liabilities					
Current liabilities:					
Accounts payable	3,455	589	43	7,794	8,065
Due to primary government	454			930	
Due to other component units					
Due to other governments					
Accrued liabilities					
Other liabilities	15,313	3,846	118	5,859	3,077
Current portion of long-term debt	11,672	2,566		32	2,595
Total current liabilities	<u>30,894</u>	<u>7,001</u>	<u>161</u>	<u>14,615</u>	<u>13,737</u>
Noncurrent liabilities:					
Due to primary government	3,575			14,978	
Due to other component units					
Unearned revenue		12,098			
Notes payable	151				5,000
Loans payable	40,059				
Obligations under capital leases					
Net OPEB obligation				37,397	
Other liabilities		3,717		8,200	
Compensated absences					
Bonds payable	281,480	28,698	38,400		61,059
Total noncurrent liabilities	<u>325,265</u>	<u>44,513</u>	<u>38,400</u>	<u>60,575</u>	<u>66,059</u>
Total liabilities	<u>356,159</u>	<u>51,514</u>	<u>38,561</u>	<u>75,190</u>	<u>79,796</u>
Net position (deficit)					
Net investment in capital assets	207,389	182		151,622	80,222
Restricted for:					
Debt					16,605
Other	47,379	2,805			
Other nonexpendable					
Unrestricted	47,736	12,590	(36,859)	(36,158)	6,182
Total net position (deficit)	<u>\$ 302,504</u>	<u>\$ 15,577</u>	<u>\$ (36,859)</u>	<u>\$ 115,464</u>	<u>\$ 103,009</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Component Units
June 30, 2013
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets					
Current Assets:					
Cash and cash equivalents	\$ 124,156	\$ 20,627	\$ 17,302	\$ 57,227	\$ 277,569
Investments				12,517	18,034
Receivables (net)	30,295	4,777	4,518	12,691	64,625
Restricted assets:					
Cash and cash equivalents				231,124	272,037
Investments				13,083	38,693
Receivables (net)					4,113
Other assets				39,163	39,605
Due from primary government	6,198	2,069		2,137	19,142
Due from other governments				955	955
Due from other component units				326	552
Inventories	2,749	508	820	3,661	10,246
Other assets	1,326		120	4,215	6,748
Total current assets	<u>164,724</u>	<u>27,981</u>	<u>22,760</u>	<u>377,099</u>	<u>752,319</u>
Noncurrent Assets:					
Investments	129,805	22,832	2,461	1,139	165,375
Receivables (net)	15,653	4,785	40	11,045	36,201
Restricted assets:					
Cash and cash equivalents	745	92	3,973	39,603	101,506
Investments				341,548	370,144
Other assets	27,194	1,002	784	1,525,739	1,555,854
Capital assets - nondepreciable	27,763	15,406	13,277	105,327	230,599
Capital assets - depreciable (net)	557,036	109,895	61,605	111,005	1,603,157
Due from other component units				697	1,394
Other assets, net of amortization	12,806		24	165,482	185,693
Total noncurrent assets	<u>771,002</u>	<u>154,012</u>	<u>82,164</u>	<u>2,301,585</u>	<u>4,249,923</u>
Total assets	<u>935,726</u>	<u>181,993</u>	<u>104,924</u>	<u>2,678,684</u>	<u>5,002,242</u>
Liabilities					
Current liabilities:					
Accounts payable	39,142	8,567	3,537	22,716	93,908
Due to primary government	1,600	890	615		4,489
Due to other component units				552	552
Due to other governments				114	114
Accrued liabilities				30	30
Other liabilities		1,341	1,352	165,500	196,406
Current portion of long-term debt	29,129	6,883	7,200	134,369	194,446
Total current liabilities	<u>69,871</u>	<u>17,681</u>	<u>12,704</u>	<u>323,281</u>	<u>489,945</u>
Noncurrent liabilities:					
Due to primary government	17,305	14,632	4,925		55,415
Due to other component units				1,394	1,394
Unearned revenue				818	12,916
Notes payable		1,334		13,692	20,177
Loans payable	834			482	41,375
Obligations under capital leases	6,565			366	6,931
Net OPEB obligation				9,481	46,878
Other liabilities	12,815	3,753	22	276,821	305,328
Compensated absences	17,789	1,915	840	2,731	23,275
Bonds payable	233,835	18,364	2,954	1,474,900	2,139,690
Total noncurrent liabilities	<u>289,143</u>	<u>39,998</u>	<u>8,741</u>	<u>1,780,685</u>	<u>2,653,379</u>
Total liabilities	<u>359,014</u>	<u>57,679</u>	<u>21,445</u>	<u>2,103,966</u>	<u>3,143,324</u>
Net position (deficit)					
Net investment in capital assets	351,442	89,220	66,096	173,836	1,120,009
Restricted for:					
Debt				267,414	284,019
Other	55,118	4,003	3,936	56,322	169,563
Other nonexpendable	74,528	16,078	10		90,616
Unrestricted	95,624	15,013	13,437	77,146	194,711
Total net position (deficit)	<u>\$ 576,712</u>	<u>\$ 124,314</u>	<u>\$ 83,479</u>	<u>\$ 574,718</u>	<u>\$ 1,858,918</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	RIAC	RIEDC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	\$ 61,286	\$ 34,690	\$ 39,177	\$ 120,045	\$ 21,945	\$ 471,094	\$ 141,851	\$ 117,076	\$ 225,018	\$ 1,232,182
Program revenues:										
Charges for services	50,320	2,518		33,239	19,031	308,739	70,800	42,492	89,341	616,480
Operating grants and contributions	4,927	28,474	2,495	65,073		163,258	63,411	78,664	49,727	456,029
Capital grants and contributions	6,427		7	28,896		26,936	14,525	3,275	6,877	86,943
Total program revenues	61,674	30,992	2,502	127,208	19,031	498,933	148,736	124,431	145,945	1,159,452
Net (Expenses) Revenues	388	(3,698)	(36,675)	7,163	(2,914)	27,839	6,885	7,355	(79,073)	(72,730)
General revenues:										
Interest and investment earnings	47	4,130			497	10,702	2,092	340	83,654	101,462
Miscellaneous revenue				965	254	991	1,675	353	7,611	11,849
Total general revenue	47	4,130		965	751	11,693	3,767	693	91,265	113,311
Change in net position	435	432	(36,675)	8,128	(2,163)	39,532	10,652	8,048	12,192	40,581
Net position (deficit) - beginning as restated	302,069	15,145	(184)	107,336	105,172	537,180	113,662	75,431	562,526	1,818,337
Net position (deficit) - ending	\$ 302,504	\$ 15,577	\$ (36,859)	\$ 115,464	\$ 103,009	\$ 576,712	\$ 124,314	\$ 83,479	\$ 574,718	\$ 1,858,918

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* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines component units as a) legally separate entities for which the elected officials of the primary government (such as the State) are 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. The primary government (the State) is financially accountable if it appoints a voting majority of the entity's governing body **and** (1) it is able to impose its will on that entity **or** (2) there is a potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State. Also, the State is financially accountable if an entity is fiscally dependent on the State and there is the potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State, regardless of the State's appointment power over the governing body.

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 entity's relationship with the State as determined by application of GASB statements 14, 39, and 61.

Blended Component Units

A component unit should be reported as part of the primary government and blended into the appropriate funds in any of the following circumstances:

- The component unit provides services entirely or almost entirely to the primary government, or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it;
- The component unit's governing body is substantively the same as the governing body of the primary government and (a) there is a financial benefit or burden relationship between the primary government and the component unit, or (b) management of the primary government has operational responsibility for the component unit; or
- The component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

The following component units are reported as part of the primary government in both the fund and government-wide financial statements.

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. 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. RICCA is dependent upon annual State appropriations of lease revenue by the General Assembly to fund debt service on its outstanding bonds. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One LaSalle Square, Providence, RI 02903.

Tobacco Settlement Financing Corporation (TSFC)

TSFC was organized in June 2002 as a public corporation by the State. TSFC is legally separate and provides services exclusively to the State through the purchase of its future tobacco settlement revenues. TSFC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose. TSFC's purchase of tobacco settlement revenues from the State did not meet all the requirements of a sale of future revenues and consequently, consistent with generally accepted accounting principles, the TSFC is reflected as a blended component unit. 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. Currently its primary purpose, as outlined in the State's General Laws, is to provide indemnity for rail service operating within the State. The State is fully responsible for reimbursing the RIPRC for all costs associated with the purchase of such coverage. 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.

For each discretely presented component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. For the discretely presented component units (DPCU's) included in the State's CAFR, the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards. These discretely presented component units primarily serve or benefit those outside of the primary government.

The State distinguishes between major and nonmajor component units based upon the nature and significance of the component unit's relationship to the State. The factors underlying this determination include the type and dollar value of services provided to the citizens of the State, the presence of significant transactions with the State, and a significant benefit or burden relationship with the State. Discretely presented component units, grouped by major and nonmajor categories, are as follows:

Major Component Units

Rhode Island Airport Corporation (RIAC)

This corporation was created in 1992 and its purpose is to undertake the management, operation, maintenance and improvements of the six airports in the State. Revenues of RIAC include airline and concession contract revenues, federal grants, licenses, and permits. The RIAC leases the land on which the State's largest airport is located and reimburses the State annually for general obligation proceeds utilized for airport projects. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Airport Corporation, 2000 Post Road, Warwick, RI 02886 or at www.pvdairport.com.

Rhode Island Economic Development Corporation (RIEDC)

This corporation was created in 1995 and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State, so as to promote economic development. It has the power to issue tax-exempt bonds to accomplish its corporate purpose. The RIEDC has one component unit, the Small Business Loan Fund Corporation, which was created for the purpose of granting secured and unsecured loans to Rhode Island's small business community. The RIEDC's activities are largely supported by State appropriations and the RIEDC has used its debt issuance authority to finance various economic

development initiatives on behalf of 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. Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at www.riedc.com.

I-195 Redevelopment District Commission (I-195 RDC)

This commission was created in 2011 by the Rhode Island General Assembly, to oversee, plan, implement, and administer the development of land reclaimed from the Interstate 195 relocation project and the Washington Bridge project. Upon completion of the redevelopment of the I-195 land, the commission will oversee the sale of the land in an attempt to maximize the economic benefits for the State. The commission issued debt and utilized the proceeds to reimburse the primary government for the fair value of the land acquired from the State. The State will appropriate amounts to the commission for debt service and operating assistance until sufficient land sale proceeds are available to fund these expenses. Proceeds from land sales are expected to fund the majority of the debt service. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903.

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 passenger revenue and operating assistance grants from the State and federal governments. In addition to significant operating assistance, the State has also forgiven certain debt service obligations owed to the primary government as a means to provide additional financial assistance to the Authority. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 265 Melrose Street, Providence, RI 02907, or at www.ripta.com.

Rhode Island 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. The authority is responsible for the maintenance and operation of the Claiborne Pell, Mount Hope, Jamestown, and Sakonnet River Bridges which are a vital segment of the State's infrastructure. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of the authority. 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, or at www.ritba.org.

University and Colleges

The Board of Education has oversight responsibility for the University of Rhode Island, Rhode Island College and the Community College of Rhode Island. 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.righe.org.

Nonmajor Component Units

Central Falls School District

The Central Falls School District ("District") is governed by a seven member board of trustees that is appointed by the State's Board of Education ("Board"). As a result of the enactment of Chapter 312 of Rhode Island Public Laws of 1991, the State of Rhode Island assumed responsibility for the administration and operational funding of the Central Falls School District effective July 1, 1991. In June 2002, Chapter 16-2 of the Rhode Island General Laws established the board of trustees to govern the Central Falls School District in a manner consistent with most local school committees. In addition, the Commissioner of

Education and the Board have oversight over the development and approval of the District's operating budget and for other significant operating decisions and contracts. The District, which provides elementary and secondary education to residents of the City of Central Falls, is funded primarily through State appropriations and federal grant funds. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 949 Dexter Street – Lower Level, Central Falls, RI 02863-1715.

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. The authority receives significant appropriations from the State annually to administer certain scholarship and grant programs on its behalf. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Higher Education Assistance Authority, 560 Jefferson Boulevard, Warwick, RI 02886, or at www.riheaa.org.

Rhode Island 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. Certain debt issued by the RIHMFC is secured in part by capital reserve funds which the Generally Assembly may, but is not required to, appropriate amounts to fund any deficiencies in such reserves. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721, or at www.rhodeislandhousing.org.

Rhode Island 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. Certain obligations of the RIIFC are secured by mortgages which are insured by the Rhode Island Industrial-Recreational Building Authority for which the State's full faith and credit is pledged. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at www.riedc.com.

Rhode Island 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. The authority's insurance of first mortgages and first security agreements is backed by a pledge of the full faith and credit of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at www.riedc.com.

Rhode Island 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. The RIRRC coordinates and administers a statewide recycling program and has periodically transferred amounts to the State's general fund as operating assistance. Additionally, the State is one of several potentially responsible parties for the costs of remedial actions at the RIRRC's superfund site. 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.

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. All administrative duties of the board are being performed by the State Division of Planning as RIWRBC transfers all functions, programmatic and financial, to the Rhode Island Clean Water Finance Agency, a related organization of the State, upon repayment of the RIWRBC's existing debt due to be fully repaid in fiscal 2015. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Water Resources Board Corporate, One Capitol Hill, Providence, RI 02908.

Quonset Development Corporation (QDC)

This corporation was established in 2004 as a real estate development and management company for the Quonset Point/Davisville Industrial Park. Its purpose is to promote the preservation, expansion, and development of new and existing industry and business, in order to stimulate and support diverse employment opportunities in the State. The State has provided funding for certain capital improvements required at the industrial park to aid in its expansion and development. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Director, Quonset Development Corporation, 95 Cripe Street, North Kingstown, RI 02852 or at www.quonset.com.

Related Organizations

The following are "related organizations" under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and Statement No. 61, *The Financial Reporting Entity: Omnibus*: Rhode Island Student Loan Authority, Narragansett Bay Commission, Rhode Island Health and Education Building Corporation, and Rhode Island Clean Water Finance Agency. The State is responsible for appointing a voting majority of the members of each entity's board. However, the State's accountability does not extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the State and therefore are not part of these financial statements.

C. Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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 Position presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets – This category reflects the portion of net position 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 – This category represents the portion of net position 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 – This category represents the portion of net position that does not meet the definition of the two preceding categories. The use of the unrestricted net position 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 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.

Debt Service Fund - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated or when financial resources are being accumulated for principal and interest maturing in future years.

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

Pension and Other Post-Employment Benefit Trust Funds

Pension Trust Funds - These funds account for the activities of the Employees' Retirement System, Municipal Employees' Retirement System, State Police Retirement Benefit Trust, Judicial Retirement Benefit Trust, Rhode Island Judicial Retirement Fund Trust, and the defined contribution retirement plan which accumulate resources for pension benefit payments to eligible employees.

Other Post-Employment Benefit (OPEB) Trust Funds - These funds account for the activities of the Rhode Island State Employees' and Electing Teachers OPEB System, which accumulate resources for other post-employment benefit payments to eligible employees.

External Investment Trust – This fund accounts for the share of the Ocean State Investment Pool that is owned by participants external to the reporting entity.

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 employees and retirees of a component unit.

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

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

Major Funds

Governmental funds:

General Fund

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

Intermodal Surface Transportation Fund

This fund accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system. It also accounts for the proceeds from the Grant Anticipation Revenue Vehicle (GARVEE) bonds, the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, and related expenditures.

Proprietary funds:

State Lottery Fund

The State Lottery Fund, a division of the Department of Revenue, operates games of chance for the purpose of generating resources for the State's General Fund. For more detailed information, a copy of the financial statements can be obtained by writing to the Rhode Island Lottery, 1425 Pontiac Avenue, Cranston, RI 02920, or at www.rilot.com.

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. 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, interest income, and loans from the Federal Unemployment Trust Fund.

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. Revenues are considered to be available when they are collectible within the current period (i.e., earned and collected within the next 12 months) 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, expenditures for principal and interest on long-term debt and compensated absences are recorded when payments come due. Expenditures and liabilities relating to other claims and judgments are recorded to the extent that such amounts are expected to be paid within the current period.

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. Cash equivalents are stated at cost, which approximates fair value except for those of the Ocean State Investment Pool which are stated at amortized cost, which approximates fair value.

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 Position.

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 have a maturity of more than three months and 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.

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 not expected to be collected in the next twelve months) amounts is also reflected.

I. Due From Other Governments and Agencies

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

J. Interfund Activity

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

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

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

K. Inventories

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

L. Capital Assets

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

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

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

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

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

Depreciation and amortization are recorded in the government-wide financial statements, proprietary funds, fiduciary funds and component unit financial statements. Capital assets of the primary government are depreciated using the straight-line method over the assets' estimated 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. 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 6, Capital Assets.

Discretely presented component units have adopted estimated useful lives for their capital assets as well as capitalization thresholds. These entities depreciate capital assets using the straight-line method.

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 7(E)).

O. Compensated Absences

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

P. Other Assets and Liabilities

Other assets reported within the primary government mainly consist of deposits required by contract with the State's healthcare claims administrator.

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

Q. Deferred Inflows/Outflows – Derivative Investments

The State reported deferred inflows of resources on the Statement of Net Position relating to the fair value of two interest-earning investment contracts that the Tobacco Settlement Financing Corporation, a blended component unit, entered into in 2002 in conjunction with the issuance of tobacco settlement revenue bonds. The change in the fair value of these instruments is deferred and recognized as investment income consistent with the timing of the purchase of investments pursuant to the related investment contract. See Note 3 for complete details of this derivative transaction.

R. Fund Balances

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

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

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

S. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2013, the State adopted the following new accounting standards issued by GASB:

GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements. This Statement establishes guidance for accounting and financial reporting for service concession arrangements (SCAs). These arrangements are often referred to as public-private partnerships or public-public partnerships (PPP). Implementation of this standard did not impact the State's financial statements.

GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. This Statement modifies existing requirements for the assessment of potential component units in determining which entities should be included in the financial reporting entity, how those component units should be displayed (blending vs. discrete presentation), and certain disclosure requirements. The implementation of this standard resulted in a number of changes in reported discretely presented component units and related organizations within the State's reporting entity.

GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board and AICPA pronouncements issued on or before November 30, 1989. Implementation of this standard did not significantly impact the State's financial statements.

GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Deferred outflows of resources represent the consumption of the State's net position that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net position that is applicable to a future period. GASB 63 prescribes the reporting requirements for these two elements and requires that the title of the statement of net assets be changed to the statement of net position. In addition to this financial statement title change, implementation of this standard resulted in the reporting of a deferred inflows of resources on the State's government-wide financial statements relating to the fair value of a hedging derivative.

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

GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 66 – Technical Corrections – 2013 – an amendment to GASB No. 10 and No. 62. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 – Government Combinations and Disposals of Governmental Operations. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement Nos. 65, 68 and 70, in particular, could impact the State's recognition of assets and liabilities in government-wide and/or fund financial statements. The requirements of these statements may require the restatement of beginning net position and fund balances in future periods. The State is currently not planning to early implement these statements, and has made no estimation of the effect these statements will have on the financial statements, except for GASB Statement No. 65.

GASB Statement No. 65 requires that issue costs for long-term debt be expensed in the year incurred. The State estimates that the beginning net position for fiscal year 2014 will decrease by approximately \$13 million due to the implementation of GASB Statement No. 65. This will result from the write-off of deferred issuance costs on certain long-term debt.

T. Changes in Reporting Entity

As discussed above in fiscal year 2013 the State implemented *GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* After a full review of all

existing component units the following entities are no longer considered component units as they do not present the potential to provide a financial benefit or impose a financial burden on the State.

- Rhode Island Student Loan Authority
- Narragansett Bay Commission
- Rhode Island Health and Educational Building Corporation
- Rhode Island Clean Water Finance Agency
- The College Crusade of Rhode Island

Except for The College Crusade of Rhode Island, the above entities met the criteria to be related organizations of the State.

In addition, the Rhode Island Public Telecommunications Authority is no longer a component unit as its operations have been assumed by the Rhode Island PBS Foundation.

See Note 18F regarding restatements of prior period net position for the State's discretely presented component units resulting from changes in the State's reporting entity resulting from the implementation of GASB Statement No. 61.

U. Changes in Financial Reporting and Financial Statement Presentation

Changes in Financial Reporting

- (a) The Tobacco Settlement Financing Corporation modified its revenue recognition policy for tobacco settlement revenues (TSRs) by recognizing the revenue and related receivables at the time of the domestic shipment of cigarettes as opposed to when the TSRs are received. TSRs recognized for fiscal year 2013 included an accrual of \$23.2 million. See details regarding the restatement of the TSFC's beginning net position relating to this change in Note 18F.

Changes in Financial Statement Presentation

- (a) As a result of the reexamination of all potential component units in conjunction with the implementation of GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, it was determined that Quonset Development Corporation, Rhode Island Airport Corporation, and the I-195 Redevelopment District Commission are component units of the State. In each instance the entities have the potential to provide a financial benefit or impose a financial burden on the State. They were formerly included as component units of the Rhode Island Economic Development Corporation.

The implementation of GASB Statement No. 61 also resulted in changes to those entities identified as major component units in the State's financial reporting entity. The RI Housing and Mortgage Finance Corporation and RI Resource Recovery Corporation are reported as nonmajor for fiscal year 2013 after previously being reported as major component units in previous financial statements. The RI Turnpike and Bridge Authority is reported as major for fiscal year 2013 after previously being reported as a nonmajor component unit in previous financial statements.

- (b) The financial statements of the Tobacco Settlement Financing Corporation (TSFC), a blended component unit, were determined to be more appropriately reflected as a Debt Service Fund, consistent with the implementation of GASB Statement No. 61. This change in presentation resulted from the TSFC's financial statement presentation being consolidated to a single governmental fund.

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

A. Primary Government-Governmental and Business-Type Activities

Cash Deposits

Cash deposits include demand deposit accounts, interest-bearing deposit accounts, and certificates of deposit. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2013 pursuant to this statutory provision. However, the Office of the General Treasurer has instituted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the balance of uninsured deposits. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments are required to be collateralized at 102% of the outstanding balance. The lone exception to the full collateralization requirement is the Ocean State Investment Pool Trust (OSIP or the Trust), which follows the 60 day time deposit rule, but otherwise does not require full collateralization. The investment objective of the OSIP's Cash Portfolio is to seek to obtain as high a level of current income as is generally consistent with the preservation of principal and liquidity within the OSIP's investment guidelines which are consistent with SEC Rule 2-A-7. While investment in the pool is not guaranteed or fully collateralized certain investments within the pool are collateralized. At June 30, 2013, of the \$545 million invested, \$157 million was either a US Government or Agency Security (\$66.2 million) or a Collateralized Repurchase Agreement (\$90.7 million).

With the exception of \$580,240 in bank balances of the R.I. Convention Center Authority, as of June 30, 2013 all of the bank balances were either covered by federal depository insurance or collateralized by securities held by an independent third party in the State's or the blended component unit's name.

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."

The Ocean State Investment Pool Cash Portfolio (the Cash Portfolio) is a portfolio of the Ocean State Investment Pool Trust, which is an investment pool established by the General Treasurer of the State of Rhode Island under Declaration of Trust, dated January 25, 2012 under the Rhode Island Local Government Investment Pool Act, G.L. 35-10.2 of the Rhode Island General Laws as amended, for the purpose of investing funds of, and funds under custody of, agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State of Rhode Island. The Cash Portfolio, which began operations on March 6, 2012, is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940 (Rule 2a-7).

The Cash Portfolio may invest in securities that would constitute an "Eligible Security" under and as defined in Rule 2a-7 which may include certain U.S. government and government agency obligations, U.S. dollar-denominated money market securities of domestic and foreign issuers such as short-term certificates of deposit, commercial paper, corporate bonds and notes, time deposits, municipal securities, asset-backed securities and repurchase agreements.

Government Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," establishes standards for accounting for investments held by government entities. The Cash Portfolio operates as a Rule 2a-7-like pool and thus reports all investments at amortized cost rather than fair value.

A copy of the annual report for the Ocean State Investment Pool can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

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

The State's cash equivalents and investments (expressed in thousands) at June 30, 2013 are as follows:

Pooled cash equivalents (at amortized cost)	
Financial company commercial paper	\$ 219,900
Other commercial paper	9,500
Asset backed commercial paper	95,660
Government agency repurchase agreement	57,670
Other repurchase agreements	33,000
Treasury debt	51,216
Certificates of deposit	21,000
Government agency debt	14,997
Other notes	31,000
Other Instruments	11,000
Total investments	544,943
Plus: other assets in excess of other liabilities	162
Total investment pool	545,105
Funds held by fiduciary funds and discretely presented component units	
Less:	
Amounts categorized as funds on deposit with fiscal agent	20,821
Amounts held by fiduciary trust funds:	
Pension trusts	200,216
OPEB trust	3,266
RIPTA health fund	1,488
Amounts held for external parties	13,388
Amounts held by discretely presented component units:	
URI	11,018
RIHEAA	306
RIIRBA	3,153
Primary government pooled cash equivalents	<u>291,449</u>
Other primary government cash equivalents and investments	
Repurchase agreements	1,128
Financial company commercial paper	52,633
Government agency debt	16,686
Money Market Mutual Funds	11,214
Total primary government cash equivalents and investments	<u>\$ 373,110</u>
Cash equivalents and investments	373,110
Cash	600,149
Total cash, cash equivalents and investments	<u><u>\$ 973,259</u></u>
<u>Statement of Net Position</u>	
Cash and cash equivalents	895,602
Restricted cash and cash equivalents	8,338
Restricted investments	69,319
Total cash, cash equivalents and investments	<u><u>\$ 973,259</u></u>

The State's restricted investments, equaling \$69,319,000 are held by the Tobacco Settlement Financing Corporation, a blended component unit.

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 for the investments of the primary government.

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.

As of June 30, 2013, information about the State's exposure to interest rate risk for cash equivalents and investments (expressed in thousands) is as follows:

Pooled Cash Equivalents:

Investment Type	Investment Maturities (in days) (At Amortized Cost)						
	At Fair Value	Total Amortized Cost	0-30	31-90	91-180	181-397	>397
Financial Company Commercial Paper	\$ 219,914	\$ 219,900	\$ 43,984	\$ 108,967	\$ 65,951	\$ 998	\$
Other Commercial Paper	9,498	9,500	5,500	1,000	3,000	--	--
Asset Backed Commercial Paper	95,660	95,660	49,996	45,664	--	--	--
Gov't Agency Repurchase Agreements	57,670	57,670	57,670	--	--	--	--
Other Repurchase Agreements	33,007	33,000	12,000	21,000	--	--	--
Treasury Debt	51,223	51,216	--	14,027	25,052	12,137	--
Certificates of Deposit	21,000	21,000	21,000	--	--	--	--
Government Agency Debt	15,003	14,997	--	1,000	--	5,999	7,998
Other Notes	31,000	31,000	4,000	22,000	5,000	--	--
Other Instruments	11,000	11,000	11,000	--	--	--	--
Grand Total	\$ 544,975	\$ 544,943	\$ 205,150	\$ 213,658	\$ 99,003	\$ 19,134	\$ 7,998

Non-pooled Cash Equivalents and Investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Financial company commercial paper	\$ 52,633	\$ 52,633	\$ 0	\$ 0	\$ 0
Government agency debt	16,686	16,686	0	0	0
Money Market Mutual Funds	11,214	11,214	0	0	0
Repurchase agreements	1,128	1,128	0	0	0
Cash equivalents and investments	\$ 81,661	\$ 81,661	\$ 0	\$ 0	\$ 0

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, 2013, information about the State's exposure to credit risk for cash equivalents and investments (expressed in thousands) is as follows:

Pooled Cash Equivalents:

Investment Type	Quality Ratings (1) (At Amortized Cost)				
	At Fair Value	Total Amortized Cost	A-1+	A-1	A-2
Financial Company Commercial Paper	\$ 219,914	\$ 219,900	\$ 112,940	\$ 106,960	\$ --
Other Commercial Paper	9,498	9,500	--	3,000	6,500
Asset Backed Commercial Paper	95,660	95,660	--	95,660	--
Gov't Agency Repurchase Agreements	57,670	57,670	54,670	3,000	--
Other Repurchase Agreements	33,007	33,000	--	33,000	--
Treasury Debt	51,223	51,216	51,216	--	--
Certificates of Deposit	21,000	21,000	--	21,000	--
Government Agency Debt	15,003	14,997	14,997	--	--
Other Notes	31,000	31,000	21,000	8,000	2,000
Other Instruments	11,000	11,000	--	11,000	--
Grand Total	\$ 544,975	\$ 544,943	\$ 254,823	\$ 281,620	\$ 8,500

The Ocean State Investment Pool has not been assigned credit quality ratings by rating agencies.

Non-pooled Cash Equivalents and Investments:

Issuer	Fair Value	Type of Investment	Moody's Rating	Average Maturities in Days
Government Agencies				
Federal Home Loan Bank Discount Note	\$ 16,686	Government Agency	P-1	Not Applicable
Money market mutual funds				
Fidelity Institutional Money Market Gvt. Port Class III	9,622	Money Market	Aaa-mf	56
Goldman Sachs Treasury Instruments Fund	4	Money Market	Aaa-mf	57
Wells Fargo Advantage 100% Treasury Money Market Fund	1,588	Money Market	Aaa-mf	55
Commercial Paper				
Banco Santander Chile Commercial Paper	52,633	Commercial Paper	P-1	Not Applicable
	<u>\$ 80,533</u>			

The Tobacco Settlement Financing Corporation, a blended component unit, purchased the Federal Home Loan Bank Discount Note and the Banco Santander Chile Commercial Paper listed in the above table under the terms of two contracts that are discussed in Note 3.

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, 2013 and the breakdown by maturity are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	\$ 148,758	\$ 148,758	0	0	0
Investment Contracts	5,414	5,414	0	0	0
Investments	<u>\$ 154,172</u>	<u>\$ 154,172</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The above investments with fiscal agent (expressed in thousands) consist of the following:

Issuer	Fair Value	Moody's Rating	Average Maturities in Days
Money Market Funds			
Dreyfus Treasury Prime Cash Management Fund	\$ 2,902	Aaa-mf	52
Federated Govt. Obligation Tax Managed Fund	12,376	Aaa-mf	50
Fidelity Institutional Money Market Gvt. Port Class III	67,215	Aaa-mf	56
First American Treasury Obligations Fund	39,401	Aaa-mf	54
JP Morgan US Govt. Money Market Fund Agency Class	801	Aaa-mf	52
Wells Fargo Advantage 100% Treasury Money Market Fund	744	Aaa-mf	55
Morgan Stanley Prime Portfolio	4,500	Aaa-mf	26
Ocean State Investment Pool	20,819	N/A	N/A
Investment Contracts			
FSA Capital Management GIC	5,414	N/A	N/A
	<u>\$ 154,172</u>		

Funds on deposit with fiscal agent also include approximately \$518 thousand held by the Federal Unemployment Insurance Trust Fund.

B. Concentration of Credit Risk

The SIC has adopted limitations as to the maximum percentages of the State's total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities. The combined portfolio concentrations for cash equivalents, investments and funds in trust by issuer (expressed in thousands) that are greater than 5% are as follows:

Type	Issuer	Amount	Percentage
Money Market Funds	Fidelity Institutional Money Market Gvt. Port Class III	\$ 76,837	14.57%
Money Market Funds	First American Treasury Obligations Fund	39,401	7.47%
Commercial Paper	Banco Santander Chile Commercial Paper	52,633	9.98%

C. Pension Trusts

The Employees' Retirement System (ERS) consists of five plans: the Employees' Retirement System, Municipal Employees' Retirement System (MERS), State Police Retirement Board Trust (SPRBT), Judicial Retirement Board Trust (JRBT), and Rhode Island Judicial Retirement Fund Trust (RIJRFT).

Cash Deposits and Cash Equivalents

At June 30, 2013, the carrying amount of the ERS cash deposits was \$2,350,000 and the bank balance was \$2,688,000. 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. The bank balance, \$1,904,000, and the remainder representing interest-bearing collateralized bank deposits totaling \$784,000, are either federally insured or collateralized (102%) with U.S. Treasury, agencies, and Federal Home Loan Bank letters of credit held by a third party custodian.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the System's deposits were required to be collateralized at June 30, 2013 (excluding the collateralized interest-bearing deposits). However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance.

Investments

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the System. Investment managers engaged by the Commission, at their discretion and in accordance with the investment objectives and guidelines for the System, 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 System 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 for the defined benefit plans at June 30, 2013 (expressed in thousands):

Pooled Investment Trust - Investment Type	Fair Value
Cash and Cash Equivalents	\$ 34,812
Foreign Currencies	6,247
Money Market Mutual Fund	347,748
U.S. Government Securities	485,705
U.S. Government Agency Securities	369,389
Global Inflation Linked Bonds	139,739
Collateralized Mortgage Obligations	23,158
Corporate Bonds	408,309
Term Loans	291,140
Domestic Equity Securities	805
International Equity Securities	194
Commingled Funds - Domestic Equity	1,843,373
Commingled Funds - International Equity	1,736,807
Private Equity	557,190
Real Estate Limited Partnerships and Commingled Funds	241,159
Hedge Funds	1,084,675
Derivative Investments	(894)
Investments at Fair Value	<u>\$ 7,569,556</u>
Receivable for investments sold	260,370
Payable for investments purchased	(297,226)
Payable to broker	(1,843)
Total	<u><u>\$ 7,530,857</u></u>

Consistent with a target asset allocation model adopted by the State Investment Commission (SIC), the ERS directs its separate-account investment managers to maintain, within the mandate specified by the SIC, 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 and 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 sensitivity to fair value changes arising from changes in the level of interest rates. It is the weighted average maturity of a bond's cash flows. 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:

- Barclays US Aggregate Index
- Barclays World Government Inflation –Linked All Maturities USD Hedge
- Custom High Yield and Bank Loan Index – 30% Bank of America Merrill Lynch 1-3 BB-B High Yield and 70% Credit Suisse Institutional Leveraged Loan Index

At June 30, 2013, 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, 2013 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 485,705	5.41
U.S. Government Agency Securities	369,389	3.72
Collateralized Mortgage Obligations	23,158	3.52
Corporate Bonds	408,309	6.21
Global Inflation Linked Bonds	139,739	14.40
Term Loans	291,140	0.60
Total Fixed Income	\$ 1,717,440	5.13

The ERS had investments at June 30, 2013 totaling \$200,216,449 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The ERS's investment accounted for 37% of the total OSIP at June 30, 2013.

OSIP operates in a manner consistent with SEC Rule 2a-7 like pool and thus, reports all investments at amortized cost rather than fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

The ERS also invested \$147,529,772 in a short-term money market mutual fund that held investments with a weighted average maturity of 66 days at June 30, 2013.

The ERS invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only 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 and principal-only strips in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to 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 their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities. The ERS's exposure to credit risk as of June 30, 2013 is as follows (expressed in thousands):

Quality Rating (1)	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds	Global Inflation Linked Bonds	Term Loans
Aaa	\$ 12,131	\$ 369,389	\$ 10,451	\$ 22,240	\$
Aa	6,069		4,603	112,135	
A	3,710		86,513		
Baa	1,248		199,182	5,364	14,611
Ba			42,929		96,356
B			53,323		119,498
Caa			11,259		4,511
Ca					
C					
D					
Not rated			49		56,164
Fair Value	\$ 23,158	\$ 369,389	\$ 408,309	\$ 139,739	\$ 291,140

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. There is no single issuer exposure within the ERS's pooled investment trust 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 a 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, 2013, 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, Bank of New York Mellon.

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. 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, 2013, was as follows (expressed in thousands):

Currency	Commingled Fund	Foreign Cash	Derivative Contracts	Global Inflation Linked Bonds	Equities	Private Equity	Total
Australian Dollar	\$ 95,062		\$ 5	\$ 3,146			\$ 98,213
Austrian Schilling	3,210						3,210
Belgian Franc	13,699						13,699
Brazilian Real	41,249			2,434			43,683
British Pound	256,629		(187)	61,573			318,015
Canadian Dollar	120,814		1	10,004	194	12,507	143,520
Chilean Peso	7,049						7,049
Chinese Yuan Renminbi	49,580						49,580
Colombian Peso	4,461						4,461
Czech Republic Koruna	903						903
Danish Krone	13,363						13,363
Egyptian Pound	914						914
Euro Currency	323,896	6,247	(490)	45,269		85,088	460,010
Hong Kong Dollar	60,920						60,920
Hungarian Forint	980						980
Indian Rupee	27,727						27,727
Indonesia Rupiah	12,495						12,495
Israeli Shekel	6,035						6,035
Japanese Yen	276,406		311	5,258			281,975
Malaysian Ringgit	16,090						16,090
Mauritian Rupee	348						348
Mexican Peso	21,584			2,931			24,515
Moroccan Dirham	295						295
New Zealand Dollar	1,432						1,432
Norwegian Krone	9,426						9,426
Peruvian Nouveau Sol	1,307						1,307
Philippine Peso	4,100						4,100
Polish Zloty	6,087						6,087
Russian Ruble	21,564						21,564
Singapore Dollar	19,479						19,479
South Africa Rand	28,631						28,631
South Korean Won	58,042						58,042
Swedish Krona	37,358		(44)	9,124			46,438
Swiss Franc	113,442						113,442
Taiwan Dollar	47,179						47,179
Thailand Baht	11,103						11,103
Turkish Lira	7,730						7,730
Total	<u>\$ 1,720,589</u>	<u>\$ 6,247</u>	<u>\$ (404)</u>	<u>\$ 139,739</u>	<u>\$ 194</u>	<u>\$ 97,595</u>	<u>\$ 1,963,960</u>
US Dollar	16,218						
Commingled Fund	<u>\$ 1,736,807</u>						

In addition to the foreign currency exposure highlighted in the foregoing table, certain hedge and private equity fund investments may have foreign currency exposure.

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 indices.

The ERS's derivative investments include forward foreign currency transactions, futures contracts, options, rights, and warrants. The ERS enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

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. If not offset by a corresponding position with the opposite currency exposure, these contracts involve risk in excess of the amount reflected in the ERS's Statements of Fiduciary Net Position. The face or contract amount in U.S. dollars reflects the total exposure the ERS has in currency contracts. 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 cash 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 cash 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 due to movements in the underlying or reference markets.

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

The ERS invests in mortgage-backed securities, which include 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 of this note.

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, 2013 (expressed in thousands).

Investment Derivative Instruments	Change in fair value included in investment income	Fair value at June 30, 2013	Notional amount
Fixed income futures - long	\$ (873)	\$	\$ 40,255
Fixed income futures - short	(7,086)	(615)	
Index futures - long	30,736	378	39,036
Index futures - short	(32)	(721)	(14,562)
Credit default swap		63	2,000
	<u>\$ 22,745</u>	<u>\$ (895)</u>	
<u>Foreign Currency Forward Contracts:</u>			
Pending payable (liability)		\$ (1,357)	

The ERS is exposed to counterparty risk on foreign currency contracts that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2013 was \$441 thousand.

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.

Credit Default Swaps can be used in the portfolio by the credit manager to either obtain exposure to the high yield market efficiently (i.e. by selling protection) at a similar or better price than what can be obtained in cash bonds, or to hedge the credit risk of the portfolio (i.e. buy protection). The actual swap entered into sold protection on an index to effectively and quickly gain long exposure to the high yield markets giving this new manager time to invest in individual cash bonds in line with the mandate.

The ERS executes (through its investment managers) derivative instruments with various counterparties. The credit ratings of these counterparties were Baa1 (Moody's) or better, one counterparty was not rated by Moody's but is rated A+ by Fitch.

Other Investments –Defined Contribution Plan

The State Investment Commission selected various investment options for defined contribution plan participants with the overall objective of offering low-cost, strategic, and long-term oriented investment products. Plan participants can choose one or more of the various options and can change options at any time. Plan participants who do not elect a specific option default to a target date retirement fund consistent with their anticipated Social Security retirement eligibility date. The plan's holdings at June 30, 2103 are as follows (expressed in thousands):

Investment Type	Fair Value	% of Total	Duration (years)	Weighted Average Maturity (days)
Annuities				
TIAA Stable Value	\$ 1,554	1.3%		
TIAA Real Estate-variable annuity	579	0.5%		
Total	\$ 2,133	1.8%		
Money Market				
Vanguard Prime Money Market Fund	\$ 148	0.1%		59
Fixed Income Funds				
Primco Real Return Institutional Class	1,145	0.9%	6.35	
Vanguard Total Bond Market Index	803	0.7%	5.31	
Total	\$ 1,948	1.6%		
Target Retirement Funds				
Vanguard Target Retirement 2010 Investor Class	2,651	2.2%		
Vanguard Target Retirement 2015 Investor Class	10,096	8.2%		
Vanguard Target Retirement 2020 Investor Class	17,484	14.3%		
Vanguard Target Retirement 2025 Investor Class	18,383	14.9%		
Vanguard Target Retirement 2030 Investor Class	17,986	14.7%		
Vanguard Target Retirement 2035 Investor Class	17,060	13.9%		
Vanguard Target Retirement 2040 Investor Class	13,082	10.7%		
Vanguard Target Retirement 2045 Investor Class	9,653	7.9%		
Vanguard Target Retirement 2050 Investor Class	5,103	4.2%		
Vanguard Target Retirement 2055 Investor Class	1,086	0.9%		
Vanguard Target Retirement 2060 Investor Class	105	0.1%		
Vanguard Target Retirement Income Investor Class	813	0.7%		
Total	\$ 113,502	92.7%		
Equity Mutual Funds				
TIAA-CREF International Equity Index Fund Institutional	509	0.4%		
Vanguard 500 Index Fund Signal Class	2,085	1.7%		
Vanguard Emerging Markets Stock Index Signal Class	502	0.4%		
Vanguard Mid-Cap Index Fund Signal Class	834	0.7%		
Vanguard Small Cap Index Fund Signal Class	744	0.6%		
Total	\$ 4,674	3.8%		
Total	\$ 122,405	100.0%		

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, 2013, all assets and securities were registered in the name of TIAA-CREF as the Defined Contribution Plan's record keeper for the benefit of plan members and were held in the possession of TIAA-CREF's custodian, J.P. Morgan Bank.

The majority of the defined contribution plan investment options are mutual funds that invest in diversified portfolios of securities including equity and fixed-income investments. For investment options that are solely fixed income, weighted-average maturity or duration have been disclosed as a measure of interest rate risk.

Fixed income mutual funds and variable annuity accounts are subject to interest rate, inflation and credit risks. Target-date retirement mutual funds share the risks associated with the types of securities held by each of the underlying funds in which they invest including equity and fixed income funds. Mutual funds may have exposure to foreign currency risk through investment in non-US denominated securities.

D. OPEB Trust Funds

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

Cash Deposits and Cash Equivalents

At June 30, 2013, the carrying amount of the OPEB System's cash deposits was \$313,747 and the bank balance was the same amount. The bank and book balances represent the OPEB System's deposits in short-term trust accounts, which include fully insured demand deposit accounts and interest-bearing, collateralized bank deposit accounts.

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. In addition, 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 uninsured deposit amounts. At June 30, 2013, the System's cash deposits were either federally insured or collateralized.

In addition, at June 30, 2013, the System also had cash equivalent investments consisting of \$3,265,884 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The System's investment accounted for .6% of the total investment in OSIP at June 30, 2013. Funds of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State are eligible to invest in OSIP. OSIP operates in a manner consistent with a SEC Rule 2a-7 like pool and thus, reports all investments at amortized cost rather than fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

Investments

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

The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of market value. The custodian bank holds assets of the OPEB

System in a Pooled Account and each plan holds units in the account. The number of units held by each plan is a function of each plan's respective contributions to, or withdrawals from, the account. Investment expense is allocated to each plan based on the plan's units in the pooled trust at the end of each month.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2013 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
Money Market Mutual Fund	\$ 2,612
US Government Securities	8,272
US Government Agency Securities	7,998
Collateralized Mortgage Obligations	623
Corporate Bonds	6,167
Commingled Funds - Domestic Equity	44,835
	<u>70,507</u>
Net investment receivable (payable)	<u>(1,919)</u>
Total Investments at Fair Value	<u>\$ 68,588</u>

Consistent with a target asset allocation model adopted by the State Investment Commission, the OPEB System maintains a diversified portfolio by sector, credit rating and issuer using the prudent person standard, which is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Interest Rate Risk

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

The following table shows the OPEB System's fixed income investments by type, fair value and the effective duration at June 30, 2013 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
US Government Securities	\$ 8,272	4.32
US Government Agency Securities	7,998	4.00
Collateralized Mortgage Obligations	623	5.16
Corporate Bonds	6,167	7.87
Total Fixed Income	<u>\$ 23,060</u>	4.67

The OPEB System's investment in Dreyfus Institutional Cash Advantage Fund, a money market mutual fund, had an average maturity of 41 days at June 30, 2013.

Credit Risk

The OPEB System generally manages exposure to credit risk by adhering to an overall target weighted average credit quality for the portfolio.

The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2013 is as follows (expressed in thousands):

<u>Rating (1)</u>	<u>Collateralized Mortgage Obligations</u>	<u>US Government Agency Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ 623	\$ 7,998	\$ -
Aa			99
A			1,460
Baa			4,453
Ba			155
Fair Value	<u>\$ 623</u>	<u>\$ 7,998</u>	<u>\$ 6,167</u>

(1) Moody's Investor Service

The OPEB System's investment in a short-term money market mutual fund (Dreyfus Institutional Cash Advantage Fund) was rated AAAM by Standard & Poor's Investors Service.

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2013, all securities were registered in the name of the OPEB System (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, Bank of New York Mellon.

Derivatives and Other Similar Investments

Through its commingled fund, the OPEB System indirectly holds derivative type instruments, primarily equity index futures.

E. Private Purpose Trust

The private purpose trust (Touro Jewish Synagogue) had investments of \$2,267,000 in the Fidelity Balanced Fund as of June 30, 2013.

F. Agency Funds

As of June 30, 2013, all of the bank balances of Agency Funds were either covered by federal depository insurance or collateralized by securities held by an independent third party in the State's name.

Note 3. Hedging Derivatives

In connection with the issuance of revenue bonds in June 2002, the Tobacco Settlement Financing Corporation (TSFC) entered into two interest-bearing contracts. The contracts are considered hedging derivatives. The contracts are a type of investment in which the investor, in this case the TSFC, purchases eligible securities selected by the agreement provider on a periodic basis from the agreement provider at a fixed rate of return that is specified in the contract.

One contract, having a notional amount of \$51,351,531, with Morgan Stanley & Co. Inc. as provider, generates a fixed annual rate of return of 5.48% through June 1, 2042. As of June 30, 2013 Morgan Stanley & Co. Inc. long-term debt was rated Baa1 by Moody's and A- by Standard & Poor's. At June 30, 2013 Banco Santander Chile Commercial Paper was held pursuant to this contract.

The other contract, the notional amount of which varies based on the TSFC's debt service payment requirements, is with JP Morgan Chase Bank, N.A. as provider and generates a fixed annual rate of return of 4.013% through June 1, 2022 or the date on which the trustee and the TSFC have satisfied all of their obligations under the agreement. As of June 30, 2013 JP Morgan Chase Bank, N.A. long-term debt was rated A2 by Moody's and A- by Standard & Poor's. At June 30, 2013 a Federal Home Loan Bank Discount Note was held pursuant to this contract.

The interest-earning investment contracts provide for a fixed annual rate of return for investments held within the TSFC's debt service reserve fund and debt service fund. The counterparty to the investment contract purchases investments based on types permitted by the TSFC's trust indenture. When the earnings on such investments are less than the fixed annual return rate as specified in the contract, the counterparty is required to make an additional payment to the trustee on behalf of the TSFC.

Through the interest-earning investment contracts, the TSFC is exposed to concentration of credit risk since the counterparty is required to purchase only permitted investments but not necessarily diversify such holdings. The fair value of the investment contracts is estimated based on the present value of their estimated future cash flows and is sensitive to interest rate changes. The terms of the investment contracts generally coincide with the TSFC's outstanding indebtedness and maintenance of the debt service and debt service reserve fund. The contracts provide for the payment of a termination amount under certain conditions specified in the agreement (e.g., defeasance, default). The termination amount payable between the provider and the TSFC would vary depending on prevailing interest rates at the time the termination amount was calculated. Under certain market conditions, the termination amount payable by the TSFC (or its trustee) could be substantial. In addition, the contracts also require the providers to pledge collateral in certain circumstances.

Note 4. Receivables

Receivables at June 30, 2013 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Total Receivables, Net	Due from Other Governments and Agencies	Due from Component Units
Governmental receivables	\$ 446,381	\$ 356,944	\$ 1,530	\$ 804,855	\$ 242,265	\$ 59,904
Less: Allowance for Uncollectibles	102,118	103,369	464	205,951		
Governmental receivables, net	<u>344,263</u>	<u>253,575</u>	<u>1,066</u>	<u>598,904</u>	<u>242,265</u>	<u>59,904</u>
Business-type receivables	73,687	32,760		106,447	1,565	
Less: Allowance for Uncollectibles	4,668	21,103		25,771		
Business-type receivables, net	<u>69,019</u>	<u>11,657</u>		<u>80,676</u>	<u>1,565</u>	
Receivables, Net of Allowance for Uncollectibles	413,282	265,232	1,066	679,580	243,830	59,904
Less: Current Portion						
Governmental receivables	337,204	239,236	105	576,545	239,585	4,489
Business-type receivables	69,019	11,657		80,676	1,565	
Noncurrent Receivables, Net	<u>\$ 7,059</u>	<u>\$ 14,339</u>	<u>\$ 961</u>	<u>\$ 22,359</u>	<u>\$ 2,680</u>	<u>\$ 55,415</u>

Note 5. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2013 are the result of ongoing operations and are expected to be reimbursed within the subsequent fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable	Description
Governmental Funds			
Major Funds			
General	\$ 283	\$	Reimbursement for operating expenses
Intermodal Surface Transportation	9,379		Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance		605	Debt service and administrative costs
Bond Capital		41	State match for transportation
RI Capital Plan		15,068	Primarily for transportation State match
Certificates of Participation	291		Fees restricted for COPS debt service
Total Non-Major Funds	<u>291</u>	<u>15,714</u>	
Total Governmental	<u>9,953</u>	<u>15,714</u>	
Proprietary Funds			
Enterprise			
RI Lottery		1,201	Net income owed to General Fund
RI Convention Center Authority	1,859		Project funding
Employment Security Trust	3,967		Benefit reimbursements
Total Enterprise	<u>5,826</u>	<u>1,201</u>	
Internal Service	<u>1,437</u>	<u>301</u>	Settlement of services rendered
Total Internal Service			
Total primary government	<u>\$ 17,216</u>	<u>\$ 17,216</u>	

Note 6. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2013 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	\$ 358,968	\$ 16,657	\$ (400)	\$ 375,225
Works of Art	1,414	975		2,389
Intangibles	159,093	2,684		161,777
Construction in progress *	450,433	281,824	(137,600)	594,657
Total capital assets not being depreciated or amortized	<u>969,908</u>	<u>302,140</u>	<u>(138,000)</u>	<u>1,134,048</u>
Capital assets being depreciated or amortized:				
Land improvements	3,700			3,700
Buildings *	685,494	27,456	(1,635)	711,315
Building Improvements *	267,714	2,664		270,378
Furniture and equipment *	244,916	17,303	(9,130)	253,089
Intangibles	14,049		(9)	14,040
Infrastructure *	3,193,823	102,024		3,295,847
Total capital assets being depreciated or amortized	<u>4,409,696</u>	<u>149,447</u>	<u>(10,774)</u>	<u>4,548,369</u>
Less accumulated depreciation or amortization for:				
Land improvements	3,389	50		3,439
Buildings *	214,035	13,294	(2,145)	225,184
Building Improvements *	175,130	8,942		184,072
Furniture and equipment	217,398	11,752	(8,972)	220,178
Intangibles	12,270	712	(9)	12,973
Infrastructure *	1,433,110	111,078		1,544,188
Total accumulated depreciation or amortization	<u>2,055,332</u>	<u>145,828</u>	<u>(11,126)</u>	<u>2,190,034</u>
Total capital assets being depreciated or amortized, net	<u>2,354,364</u>	<u>3,619</u>	<u>352</u>	<u>2,358,335</u>
Governmental activities capital assets, net	<u>\$ 3,324,272</u>	<u>\$ 305,759</u>	<u>\$ (137,648)</u>	<u>\$ 3,492,383</u>

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

General government	\$ 8,289
Human services	6,090
Education	3,512
Public safety	11,075
Natural resources	5,413
Transportation	111,449
Total depreciation or amortization expense - governmental activities	<u>\$ 145,828</u>

* Beginning balances have been restated.

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 45,558	\$	\$	\$ 45,558
Construction in progress	24	446	(24)	446
Total capital assets not being depreciated	<u>45,582</u>	<u>446</u>	<u>(24)</u>	<u>46,004</u>
Capital assets being depreciated:				
Buildings	234,384	33	(33)	234,384
Machinery and equipment	25,646	1,539	(105)	27,080
Intangibles		175		175
Total capital assets being depreciated	<u>260,030</u>	<u>1,747</u>	<u>(138)</u>	<u>261,639</u>
Less accumulated depreciation for:				
Buildings	109,229	8,266	(18)	117,477
Machinery and equipment	18,923	2,057	(99)	20,881
Intangibles		15		15
Total accumulated depreciation	<u>128,152</u>	<u>10,338</u>	<u>(117)</u>	<u>138,373</u>
Total capital assets being depreciated, net	<u>131,878</u>	<u>(8,591)</u>	<u>(21)</u>	<u>123,266</u>
Business-type activities capital assets, net	<u>\$ 177,460</u>	<u>\$ (8,145)</u>	<u>\$ (45)</u>	<u>\$ 169,270</u>

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land *	\$ 109,115	\$ 1,376	\$ (125)	\$ 110,366
Construction in progress *	186,309	122,592	(188,918)	119,983
Other	250			250
Total capital assets not being depreciated or amortized	<u>295,674</u>	<u>123,968</u>	<u>(189,043)</u>	<u>230,599</u>
Capital assets being depreciated or amortized:				
Buildings *	1,728,139	169,219	(52)	1,897,306
Land improvements	194,237	3,325		197,562
Machinery and equipment *	376,409	47,711	(15,884)	408,236
Infrastructure *	171,290	18,459		189,749
Total capital assets being depreciated or amortized	<u>2,470,075</u>	<u>238,714</u>	<u>(15,936)</u>	<u>2,692,853</u>
Less accumulated depreciation or amortization for:				
Buildings *	621,457	56,942	(23)	678,376
Land improvements *	112,214	6,891		119,105
Machinery and equipment *	224,425	27,929	(15,633)	236,721
Infrastructure *	48,169	7,325		55,494
Total accumulated depreciation or amortization	<u>1,006,265</u>	<u>99,087</u>	<u>(15,656)</u>	<u>1,089,696</u>
Total capital assets being depreciated or amortized, net	<u>1,463,810</u>	<u>139,627</u>	<u>(280)</u>	<u>1,603,157</u>
Total capital assets, net	<u>\$ 1,759,484</u>	<u>\$ 263,595</u>	<u>\$ (189,323)</u>	<u>\$ 1,833,756</u>

* Beginning balances have been restated.

Note 7. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are presented in the following table:

	Long-term Liabilities (Expressed in Thousands)			Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
	Beginning Balance	Additions	Reductions			
Governmental Activities						
<i>Bonds Payable</i>						
General obligation bonds (see section B)	\$ 1,110,585	\$ 81,400	\$ (88,040)	\$ 1,103,945	\$ 76,825	\$ 1,027,120
RIEDC Grant Anticipation Revenue Bonds	342,720		(31,075)	311,645	32,615	279,030
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	70,350		(3,840)	66,510	3,985	62,525
Tobacco Settlement Asset-Backed Bonds	779,426		(14,265)	765,161		765,161
Accreted interest on TSFC bonds	66,901	16,150		83,051		83,051
RIEDC Historic Tax Credit Bonds	105,990		(15,415)	90,575	16,175	74,400
Net unamortized premium/discount	59,870	10,410	(11,661)	58,619		58,619
Deferred amount on refunding	(16,839)		1,064	(15,775)		(15,775)
Bonds Payable, net	2,519,003	107,960	(163,232)	2,463,731	129,600	2,334,131
Obligation under capital leases (see section E)	233,800	114,865	(115,690)	232,975	22,835	210,140
Net unamortized premium/discount	4,622	17,097	(3,278)	18,441		18,441
Deferred amount on refunding	(958)	(5,523)	215	(6,266)		(6,266)
Obligation under capital leases, net	237,464	126,439	(118,753)	245,150	22,835	222,315
Compensated absences	81,063	64,138	(64,903)	80,298	65,911	14,387
Net pension obligation		1,816		1,816		1,816
Net OPEB Obligation (see note 15 C)	11,248	93		11,341		11,341
Special obligation notes	8,175		(1,500)	6,675	1,565	5,110
<i>Other Long-term Liabilities</i>						
Pollution remediation	11,515	2,962	(4,970)	9,507	2,307	7,200
Other	46,178	1,583	(21,319)	26,442	1,509	24,933
Total Governmental Long-term Liabilities	\$ 2,914,646	\$ 304,991	\$ (374,677)	\$ 2,844,960	\$ 223,727	\$ 2,621,233
Business-type Activities						
Revenue bonds (see section B)	\$ 250,510	\$ 37,335	\$ (50,885)	\$ 236,960	\$ 10,060	\$ 226,900
Net unamortized premium/discount	825	5,823	(1,549)	5,099		5,099
Deferred amount on refunding	(9,800)	976	1,086	(7,738)		(7,738)
Revenue bonds, net	241,535	44,134	(51,348)	234,321	10,060	224,261
Notes payable	419		(188)	231	188	43
Unearned Revenue	7,645	2,911	(1,133)	9,423	3,118	6,305
Compensated absences	400	246	(256)	390	167	223
Due to Other Governments and Agencies (see Section J)	224,646		(69,370)	155,276		155,276
Total Business-type Long-term Liabilities	\$ 474,645	\$ 47,291	\$ (122,295)	\$ 399,641	\$ 13,533	\$ 386,108
Component Units						
Bonds payable (see section B)	\$ 2,191,735	\$ 435,518	\$ (422,808)	\$ 2,204,445	\$ 73,985	\$ 2,130,460
Net unamortized premium/discount	9,385	7,479	(1,053)	15,811	864	14,947
Deferred amount on refunding	(6,355)		638	(5,717)		(5,717)
Bonds Payable, net	2,194,765	442,997	(423,223)	2,214,539	74,849	2,139,690
Notes payable (see section C)	95,761	324,000	(321,785)	97,976	77,799	20,177
Loans payable (see section D)	42,476	173	(672)	41,977	602	41,375
Obligations under capital leases	9,629		(1,603)	8,026	1,095	6,931
Net OPEB obligation	38,466	8,425	(13)	46,878		46,878
Compensated absences	33,601	1,024	(2,002)	32,623	9,348	23,275
Due to primary government	60,508	4,954	(5,558)	59,904	4,489	55,415
Due to Other Governments and Agencies	165		(51)	114	114	
Unearned Revenue	37,543	17,149	(19,331)	35,361	22,445	12,916
Due to Component Units	1,858	337	(249)	1,946	552	1,394
<i>Other Long-term liabilities</i>						
Arbitrage rebate	3,814		(2,114)	1,700		1,700
Pollution remediation	25,502		(8,598)	16,904	987	15,917
Other liabilities	256,557	54,321	(15,846)	295,032	7,321	287,711
Total Component Units Long-term Liabilities	\$ 2,800,645	\$ 853,380	\$ (801,045)	\$ 2,852,980	\$ 199,601	\$ 2,653,379

Certain beginning balances of the component units have been reclassified to conform to the current financial statement presentation or restated due to changes in the reporting entity, see Note 18 F.

B. Bonds Payable

At June 30, 2013, 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		
2014	\$ 129,600	\$ 111,198	\$ 10,060	\$ 12,970	\$ 73,985	\$ 88,505
2015	141,060	105,085	10,750	12,229	77,741	86,146
2016	147,095	98,331	11,300	11,673	73,196	83,420
2017	154,725	90,900	11,285	11,182	73,681	80,656
2018	147,310	83,500	10,955	10,620	80,094	77,763
2019 - 2023	518,340	327,393	68,355	43,884	420,200	301,133
2024 - 2028	269,115	226,823	75,785	23,147	422,468	245,930
2029 - 2033	261,885	167,141	25,820	8,711	407,440	154,243
2034 - 2038		116,156	12,650	1,161	287,045	75,894
2039 - 2043	371,700	92,925			204,015	30,483
2044 - 2048					61,270	10,756
2049 - 2053	197,006	2,637,174 *			23,310	1,295
	<u>\$ 2,337,836</u>	<u>\$ 4,056,626</u>	<u>\$ 236,960</u>	<u>\$ 135,577</u>	<u>\$ 2,204,445</u>	<u>\$ 1,236,224</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, 2013 the State issued \$81,400,000 of general obligations bonds with interest rates ranging from 2.00% to 5.00%, maturing from 2014 through 2033.

At June 30, 2013, general obligation bonds authorized by the voters and unissued amounted to \$244,600,000. 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.

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 - \$109,240,000, and (2) Information Technology Improvements Certificates of Participation - \$45,300,000. The unissued balances are \$35,200,000 and \$36,130,000 respectively.

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

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

fiscal 2013 debt service payments for Grant Anticipation and Motor Fuel Tax Revenue Bonds. These revenues have been pledged for the term of the Grant Anticipation and Motor Fuel Tax Revenue Bonds through fiscal 2021 and 2027, respectively.

Tobacco Settlement Asset-Backed Bonds and Accreted Interest - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued \$882,395,742 of Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC and do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof, and the State has no obligation or intention to satisfy any deficiency or default of any payment of the bonds. The TSFC has no taxing power. Certain of the TSFC bonds are capital appreciation bonds on which no periodic interest payments are made, but which were 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 TSFC 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, 2013, TSFC utilized \$14,265,000 of excess collections to early redeem an equal amount of outstanding bonds. Pledged tobacco revenues were sufficient to fund fiscal 2013 debt service payments for Tobacco Settlement Asset-Backed bonds. These revenues have been pledged for the term of the underlying debt through fiscal 2052.

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, 2013, outstanding bond and note indebtedness totaled \$237,191,000.

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

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

During March 2013, RICCA issued Refunding Revenue Bonds, 2013 Series A, in an aggregate principal amount of \$37,335,000 for the purpose of refunding RICCA's outstanding Refunding Revenue Bonds, 2003 Series A, refunding a portion of RICCA's Refunding Revenue Bonds, 1993 Series B, and to pay costs of issuance. The bonds bear interest at rates ranging from 2% to 5% and mature in varying installments beginning May 15, 2015 through May 15, 2020. The debt service prior to refunding was \$53,325,950 while the debt service subsequent to the refunding is \$46,426,283; therefore, the refunding resulted in savings of \$6,899,667, the present value of which is \$6,444,627.

Each of the RICCA's Bond Resolutions contains certain restrictive covenants. During fiscal year 2013, the RICCA was unable to fund the Operating Reserve and Debt Service Reserve requirements.

Subsequent to June 30, 2013, RICCA and the Rhode Island Department of Administration (DOA) entered into two grant agreements that provide for total appropriations of \$6,475,000 for the purpose of funding the

renewal and replacement requirement included in the 2006 Series A Bonds (DDC) and \$5,500,000 for the purpose of funding renovations and repairs to the RICCA through June 30, 2018. Under the grant agreement for the DDC, RICCA will receive funding of \$925,000 in fiscal year 2014 and will receive annual appropriations of \$1,387,500 through fiscal year 2018. Under the grant agreement for the RICCA, they received funding of \$500,000 in fiscal year 2013 and will receive annual appropriations of \$1,000,000 through fiscal year 2018. Any unexpended funds from one fiscal year will be recommended to be re-appropriated to the subsequent fiscal year.

Discretely Presented Component Units

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

The University of Rhode Island (URI), Rhode Island College (RIC), and the 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 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.

At June 30, 2013 revenue bonds outstanding were as follows: URI - \$235,502,000, RIC - \$18,447,000 and CCRI - \$3,117,000.

R.I. Airport Corporation

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 \$244,967,000 in airport revenue bonds issued on their behalf by RIEDC. Proceeds from the bonds were used for various airport improvement projects. The amount available to pay debt service per the Master Indenture, including pledged passenger facility charges, was approximately \$38,691,000 for the year ended June 30, 2013. Principal and interest payments for the year ended June 30, 2013 were approximately \$22,521,000.

RIAC has pledged facility revenues related to the InterLink Facility, net of specified operating expenses, to repay \$47,570,000 in First Lien Special Facility Bonds. Proceeds from the bonds were used for the construction of the InterLink Facility. Facility revenues, including interest income, were \$7,419,000 for the year ended June 30, 2013. Principal and interest paid for the year ended June 30, 2013 was approximately \$3,005,000. Principal payments commenced on July 1, 2011. The InterLink Facility includes consolidated facilities for Airport rental car operations; a train platform to provide access for commuter rail service south to Wickford, Rhode Island and north to both Providence and Boston; and a parking garage for rental car operators and rail commuters.

I-195 Redevelopment District Commission

In April 2013, RIEDC issued Economic Development Revenue Bonds, 2013 Series A, in the aggregate principal amount of \$37,440,000, for which the I-195 Redevelopment District Commission (I-195 RDC) is the obligor. The 2013 Series A Bonds mature in April 2033. Through April 30, 2013, the 2013 Series A Bonds bore interest at 1.1717%; thereafter, the bonds bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (0.20% at June 30, 2013) plus applicable margin, or 7.75 %.

Concurrent with the issuance of the 2013 Series A Bonds, RIEDC issued Economic Development Bonds, 2013 Series B (federally taxable), in the aggregate principal amount of \$960,000, for which the I-195 RDC is the obligor. The 2013 Series B Bonds mature in April 2019. Through April 30, 2013, the 2013 Series B Bonds bore interest at 1.3217%; thereafter, the 2013 bonds bear interest at the lesser of the 30-Day LIBOR (0.20% at June 30, 2013) plus applicable taxable margin, or 7.75%.

Applicable margin and applicable taxable margin is the rate that corresponds to the lesser of the two long-term bond ratings of the State from Moody's Investors Service (Moody's) and Standard & Poor's (S&P) in the following table:

State Bond Rating (S & P/Moody's):	AA/Aa2 or Higher	AA-/Aa3	A+/A1	A/A2	A-/A3
Applicable Margin, 2013 Series A	1.00%	1.17%	1.37%	1.57%	1.82%
Applicable Taxable Margin, 2013 Series B	1.15%	1.32%	1.52%	1.72%	1.97%

The State's bonds were rated AA- and Aa3 by S&P and Moody's, respectively, as of March 2013, which is the most recent date for which bond rating information is available. As such, at June 30, 2013, the 2013 Series A bonds bore interest at 1.37%, and the 2013 Series B bonds bore interest at 1.52%.

Simultaneously with the issuance of the 2013 Series A and B Bonds, the Commission, RIEDC, and Sovereign Bank (the Bank) entered into a bond purchase agreement under the terms of which the 2013 Series A and B Bonds were purchased by the Bank. The Bank holds a mandatory tender option to sell the bonds to RIEDC on either April 1, 2023 or April 1, 2028.

Concurrent with the issuance of the 2013 Series A and B Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the 2013 Series A and B Rate Cap Agreements). Under the terms of the 2013 Series A Rate Cap Agreement, the State paid the Bank \$658,500. In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (0.20% at June 30, 2013), to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series A Bonds through April 1, 2023. The interest rate under the 2013 Series A Rate Cap Agreement is capped at 6.75%.

Under the terms of the 2013 Series B Rate Cap Agreement, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (0.20% at June 30, 2013), to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series B Bonds, through April 1, 2019. The State made no payment to the Bank under the terms of that agreement. The interest rate under the 2013 Series B Rate Cap Agreement is capped at 6.85%.

At June 30, 2013, the fair value of the 2013 Series A and B Rate Cap Agreements was \$635,834 and is estimated as the amount the Bank would receive to terminate the Rate Cap Agreement at that date, taking into account current interest rates and the current credit worthiness of the counterparties.

Repayment of the 2013 Series A and B Bonds shall be solely from i) appropriated funds, if any, made available and appropriated by the General Assembly for bond payments, but not for payment of administrative expenses and ii) pledged receipts, which are the net proceeds derived from the sale, lease, transfer, conveyance, or other disposition of any interest in all or any portion of the I-195 land owned by the Commission.

The Commission has pledged and granted to RIEDC a security interest, which has been assigned to the bond trustee, in all pledged receipts and all deposits in the bond, project, expense, and credit facility funds established with the bond trustee.

Proceeds from the 2013 Series A and B Bonds were transferred by the Commission to the State's Intermodal Surface Transportation Fund. As required by federal regulations, the State must utilize the proceeds for infrastructure projects consistent with those eligible for federal funding under the Highway Planning and Construction Program.

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. See Note 12 for details of specific commitments relating to a defaulted project guaranteed by RIIRBA.

R.I. Resource Recovery Corporation

The R.I. Resource Recovery Corporation (RIRRC) issued bonds in 2002 known as Resource Recovery System Revenue Bonds, 2002 Series A, which bore interest at rates ranging from 3.5% to 5% and matured in varying installments through March 2022. In May 2013, RIRRC redeemed the outstanding balance of its 2002 Series A revenue bonds, in the amount of \$11,185,000. At the same time, the unamortized bond discount and unamortized bond issuance costs of approximately \$180,000 and \$144,000, respectively, were fully expensed. In conjunction with the redemption, RIRRC terminated a debt service forward delivery agreement which guaranteed interest of 5% per year on the balance of the debt service fund, and received a payment of \$390,000 as the termination payment. In addition, RIRRC was required to pay an arbitrage rebate to the Internal Revenue Service of approximately \$220,000.

In May 2013, RIRRC issued Resource Recovery System Revenue Bonds, Leachate Pretreatment Facility Project, Series 2013, in the amount of \$40,000,000. These bonds bear interest at 2.78% and mature on May 31, 2023. A prepayment option was included in the bond issue which allows prepayment in whole or in part, at a price equal to the principal amount plus accrued interest, plus a yield maintenance fee. This fee is calculated as the difference between the rate on US Treasury securities with a maturity date of May 31, 2023, and the Cost of Funds component of the interest rate on the Series 2013 bonds.

Outstanding indebtedness is collateralized by all net revenues of the RIRRC, certain restricted funds created pursuant to the bonds' issuance, and any revenues and property specifically conveyed, pledged, assigned, or transferred by the RIRRC as additional security for the bonds.

R.I. Turnpike and Bridge Authority

At June 30, 2013, the R. I. Turnpike and Bridge Authority (RITBA) had revenue bonds outstanding with principal amounts totaling \$64,330,000. These bonds are from the 2003 Series A Taxable Refunding Revenue Bonds and from the 2010 Series A Revenue Bonds, maturing in 2017 and 2039, respectively. The bond proceeds are used to finance the repair, rehabilitation, upgrading, and improvement of the Claiborne Pell Bridge, the Mount Hope Bridge, and other such activities as stated in the Authority Acts which authorized the issuance of the bonds. The State has authorized RITBA to issue approximately \$68 million of additional revenue bonds. The terms and expected date for such issuance have not yet been determined.

Other Component Units

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

C. Notes Payable

Primary Government

Special Obligation Notes (expressed in thousands) at June 30, 2013 are as follows:

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, 2014-2017	<u>\$ 6,675</u>
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The special obligation note is subject to annual appropriation by the General Assembly. The note payable to a financial institution will be repaid from a \$1.50 surcharge on every transaction processed at the Division of Motor Vehicles. This surcharge is pledged to fund debt service on the note. Pledged revenues were sufficient to fund fiscal 2013 debt service payments for this special obligation note. These revenues have been pledged for the term of the note through fiscal 2017.

Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2013 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	\$ 1,432
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0.24% to 6.25% interest, payable through 2030.	91,291
R.I. Turnpike and Bridge Authority Bond Anticipation Note maturing on February 7, 2015 at interest at the thirty-day London InterBank Offered Rate (LIBOR) plus an applicable margin rate based on RITBA's debt rating payable monthly.	5,000
R.I. Airport Corporation note payable at 4.15% interest, payable through 2015	253
	<u>97,976</u>
Less: current portion	(77,799)
	<u>\$ 20,177</u>

D. Loans Payable

Discretely Presented Component Units

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 (TIFIA). The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink Facility Project. RIAC is permitted under the Agreement to make requisitions of funds for eligible project costs, and it is anticipated that such requisitions will occur through fiscal year 2013. Upon completion of the project, RIAC began making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments are made on behalf of RIEDC (the borrower per the Agreement), and debt service payments commenced in fiscal year 2013 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink Facility. As of June 30, 2013, RIAC had \$40,059,000 in borrowings under this agreement.

The remaining balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately \$1,071,000 and \$847,000, respectively.

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, 2013 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.

During the year ended June 30, 2013 the State issued the following Certificates of Participation:

- \$36,310,000 of Lease Participation Certificates (Kent County Courthouse Project – 2013 Refunding Series A), with interest rates ranging from 2.00% to 5.00%, maturing from 2014 through 2024. The proceeds were used to affect an advance refunding of \$39,410,000 of Kent County Courthouse Project lease participation certificates. The net proceeds from the sale of the refunding certificates 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 certificates. The refunding met the requirements of an in-substance debt defeasance and the refunded certificates were removed from the Statement of Net Position. The refunding decreases total debt service payments over the next 11 years by \$3,517,000 and resulted in an economic

gain (difference between the present values of the debt service payments on the old and new debt) of \$3,380,000.

- \$36,575,000 of Lease Participation Certificates (Training School Project – 2013 Refunding Series B), with interest rates ranging from 2.00% to 5.00%, maturing from 2014 through 2025. The proceeds were used to affect an advance refunding of \$38,030,000 of Training School Project lease participation certificates. The net proceeds from the sale of the refunding certificates 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 certificates. The refunding met the requirements of an in-substance debt defeasance and the refunded certificates were removed from the Statement of Net Position. The refunding decreases total debt service payments over the next 12 years by \$2,267,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,176,000
- \$17,520,000 of Lease Participation Certificates (Energy Conservation Project – 2013 Series C) with interest rates from 2.00% to 5.00%. The proceeds will be used for a number of energy conservation projects at State facilities. The certificates mature in 2014 through 2023.
- \$9,170,000 of Lease Participation Certificates (Information Technology Project – 2013 Series D) with interest rates from 2.00% to 5.00%. The proceeds will be used for a number of information technology projects to benefit the State as well as municipalities. The certificates mature in 2014 through 2023.
- \$15,290,000 of Lease Participation Certificates (Traffic Tribunal Project – 2013 Refunding Series E), with interest rates ranging from 2.00% to 5.00%, maturing from 2014 through 2025. The proceeds were used to affect an advance refunding of \$15,415,000 of Traffic Tribunal Project lease participation certificates. The net proceeds from the sale of the refunding certificates 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 certificates. The refunding met the requirements of an in-substance debt defeasance and the refunded certificates were removed from the Statement of Net Position. The refunding decreases total debt service payments over the next 12 years by \$743,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$710,000.

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, 2013:

Fiscal Year Ending June 30	Total
2014	\$ 34,942
2015	31,078
2016	30,638
2017	30,735
2018	25,219
2019 - 2023	109,202
2024 - 2028	30,968
2029 - 2033	2,482
Total future minimum lease payments	295,264
Amount representing interest	(62,289)
Present value of future minimum lease payments	<u>\$ 232,975</u>

Each COPS transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPS is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPS

with depreciation expense on the government-wide financial statements and discloses the amounts in Note 6, Capital Assets.

When issuances also fund component unit projects, the State records the full lease under the obligation and recognizes the related receivable from the component unit for their portion of debt service in the government-wide financial statements.

F. Defeased Debt

In prior years, the State and its component units defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 122,545
R.I. Convention Center Authority	6,035
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	148,410
R.I. Economic Development Corporation	10,765
R.I. Turnpike and Bridge Authority	32,300

G. Conduit Debt

The R.I. Industrial Facilities 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, 2013 was \$80,000,000 and \$903,500,000 respectively, for these component units. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 13.

H. Short-Term Borrowing

The R.I. Housing & Mortgage Corporation had outstanding balances of \$68,000,000 at June 30, 2013 on two lines of credit that are payable on demand and accrue interest at rates ranging from 1.22% to 1.95%.

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. As of June 30, 2013, no reasonable estimates of those recoveries can be made. 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 amounts from the federal government (Unemployment Insurance Trust Fund) to fund employment insurance benefits paid from the Employment Security Fund to eligible unemployed individuals. The amount outstanding was \$155,276,000 on June 30, 2013. Interest accrued beginning January 1, 2011 and is payable on October 1 of each year.

The interest due on federal loans cannot be paid from employer taxes and federal revenue received by the State to pay unemployment benefits. In recent years, the General Assembly passed legislation increasing the Job Development Fund Assessment on employers by 0.3%, dedicating the additional assessment to pay the principal and interest on the federal loans. Other legislative changes, effective in fiscal year 2012 and 2013, included adjusting the unemployment insurance taxable wage base and reducing individual unemployment benefit amounts. Estimated savings from these changes are designed to reduce the amount owed to the federal government in future years.

The State projects that it will need to continue to borrow in fiscal year 2014 as authorized by Federal law in order to meet its cash flow needs to finance the cost of unemployment benefit payments.

K. Compensated Absences

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

L. Arbitrage Rebate

A liability accrues for income on the investment of debt proceeds determined to be arbitrage earnings in accordance with federal regulations. These amounts are generally payable to the federal government five years after the issuance date of the bonds.

M. Due to the Primary Government

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

N. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

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

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

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

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

Note 8. Net Position/Fund Balances

Governmental Activities

Restricted Net Position

The Statement of Net Position reflects \$657,545,000 of restricted net position, of which \$264,180,000 is restricted by enabling legislation. The net position that is restricted by enabling legislation is included in the Temporary Disability Insurance Program and Other categories on the Statement of Net Position. The principal components of the remaining balance of the restricted net position relate to the Budget Reserve and Cash Stabilization Account and unexpended bond proceeds.

Governmental Funds – Fund Balances

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

	Major Funds			Total
	General Fund	IST Fund	Other Funds	
Fund Balances:				
Nonspendable:				
Permanent Fund Principal	\$	\$	\$ 174	\$ 174
Restricted for:				
Budget Reserve and Cash Stabilization	171,959			171,959
Purposes specified by enabling legislation	110,177			110,177
Debt Service		18,598	94,113	112,711
Capital Projects			252,776	252,776
Temporary Disability Insurance			154,004	154,004
Historic Tax Credit Redemption			11,285	11,285
Transportation		126,875		126,875
Education			1,865	1,865
Other			682	682
Committed to:				
Transportation		95		95
Employees' Retirement System Transfer	168			168
Other	3,867			3,867
Assigned to:				
Subsequent Years Expenditures	101,942			101,942
Other	3,698	255	68	4,021
Unassigned:	9,323	(4,113)		5,210
Totals	<u>\$ 401,134</u>	<u>\$ 141,710</u>	<u>\$ 514,967</u>	<u>\$ 1,057,811</u>

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (“Reserve”) within the State’s General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For fiscal year 2013, 3.0% of total general revenues and opening surplus are transferred to the Reserve. Amounts in excess of 5.0% of total general revenues and opening surplus are transferred to the RI Capital Plan Fund to be used for capital projects. The Reserve, or any portion thereof, may be appropriated in the event of an

emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated non-routine deficit in any given year. Such appropriations must be approved by a majority of each chamber of the General Assembly. Since its inception the Reserve has been accessed once in fiscal year 2009 to address an unexpected severe revenue shortfall. At that time the General Assembly appropriated \$22 million from the Reserve.

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

Pursuant to the General Laws upon issuance of the audited financial statements, the State Controller is required to transfer all general revenues received in the fiscal year (net of the transfer to the State Budget Reserve and Cash Stabilization Account) in excess of those estimates adopted for that fiscal year as contained in the final enacted budget, to the Employees' Retirement System. The amount of such transfer is \$169 thousand which is reflected in the committed category of fund balance in the table above. The transfer will be made in fiscal year 2014 upon issuance of the audited financial statements.

See Note 1, Section R of these Notes for more information regarding the five categories of fund balance.

Note 9. 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 unearned 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	\$ 1,083,011	\$ 1,082,035
General Business Taxes:		
Business Corporations	131,828	131,897
Public Utilities Gross Earnings	99,641	99,454
Financial Institutions	7,500	13,866
Insurance Companies	91,599	91,589
Bank Deposits	2,877	2,877
Health Care Provider Assessment	41,569	41,569
Sub-total - General Business Taxes	<u>375,014</u>	<u>381,252</u>
Sales and Use Taxes:		
Sales and Use	878,867	876,152
Motor Vehicle	49,431	49,429
Motor Fuel	438	401
Cigarettes	132,516	132,490
Alcoholic	12,176	12,176
Sub-total - Sales and Use Taxes	<u>1,073,428</u>	<u>1,070,648</u>
Other Taxes:		
Inheritance and Gift	28,490	28,474
Racing and Athletics	1,171	1,171
Realty Transfer	7,399	7,399
Sub-total - Other Taxes	<u>37,060</u>	<u>37,044</u>
Total - General Fund	<u>2,568,513</u>	<u>2,570,979</u>
Intermodal Surface Transportation Fund		
Gasoline	134,465	134,465
Other Governmental Funds	165,525	165,525
Total Taxes	<u>\$ 2,868,503</u>	<u>\$ 2,870,969</u>

Note 10. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2013 are presented below (expressed in thousands):

	Transfers	Description
Governmental Activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 46,029	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,769	Administrative cost reimbursement
Historic Tax Credit	8,995	Reimbursement for tax credits claimed
Bond Capital	188	Interest earnings transfer
Business-Type Activities		
Lottery	379,225	Net income transfer
Employment Security	806	Administrative cost reimbursement
Intermodal Surface Transportation		
General Fund	1,000	Infrastructure funding
Bond Capital	23,115	Infrastructure funding
RI Capital Plan	33,398	Infrastructure funding
Nonmajor Funds		
COPs		
General	1,874	Debt service
RI Capital Plan		
General	84,624	Transfer statutory excess in budget reserve
Bond Capital	9,993	Premium on new bonds
RI Public Rail Corporation		
Intermodal Surface Transportation	1,788	Operating assistance
Total Governmental Activities	<u>592,804</u>	
Business-Type Activities		
Lottery Fund		
RI Capital Plan	272	Capital Improvement
Convention Center		
General	23,136	Debt service
RI Capital Plan	287	Capital Improvement
Employment Security		
General	20,704	Administrative cost reimbursement
Assessed Fringe Benefits	1,828	Reimbursement for State employees' unemployment compensation
Internal Service Funds		
Central Mail	50	Capital assistance
Vehicle Replacement Revolving Loan	7,350	Allocation of prior year ending balance
Total operating transfers primary government	<u>\$ 646,431</u>	

Note 11. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$11,825,000 for the fiscal year ended June 30, 2013.

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, 2013:

Fiscal Year Ending June 30	
2014	\$ 12,945
2015	11,024
2016	8,025
2017	3,719
2018	3,426
2019 - 2023	8,479
Total	<u>\$ 47,618</u>

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

Note 12. Commitments

Primary Government

Commitments arising from encumbrances are listed below (expressed in thousands):

Major funds	
General	\$ 12,624
IST	484,734
Total major funds	<u>497,358</u>
Other governmental funds	6,389
Total encumbrances outstanding	<u>\$ 503,747</u>

The primary government is committed at June 30, 2013 under various contractual obligations for infrastructure construction and other capital projects, which will be principally financed with debt proceeds and federal grants. Encumbrances within the General Fund will be principally financed through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years. The primary government is also committed at June 30, 2013 under contractual obligations with various service providers, which will be funded through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years.

Performance-based Agreements

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, entered into several agreements with the developer of the Providence Place Mall. The agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer through fiscal year 2021 of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) \$3,680,000 in the first five years and \$3,560,000 in years 6 through 20. In the year ended June 30, 2013, \$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 \$3,081,000 of the debt on the related economic development revenue bonds in fiscal year 2013. The State has commitments relating to this debt through fiscal year 2027.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider - GTECH

The Lottery in May 2003 entered into a 20-year master contract with its gaming systems provider, GTECH, granting it the right to be the exclusive provider of information technology hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30,

2023, and it amends all previous agreements between the parties. As consideration for this exclusive right, the gaming systems provider paid the Lottery \$12.5 million. In the event that the contract term is not fulfilled, the Lottery will be obligated to refund a pro-rata share of this amount to the gaming systems provider. Additionally, GTECH was obligated to invest \$100 million in connection with the construction of a new corporate headquarters and expansion of its manufacturing operations in the State. The gaming system contractor is also required to employ no less than 1,000 full time active employees during the term of the agreement.

Video Lottery Facilities – UTGR, Inc.

During fiscal year 2006, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc., the owners of Twin River, to manage one of the State's licensed video lottery facilities. The contract entitles UTGR, Inc. to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. UTGR and the Lottery extended the contract and signed the first five-year extension term commencing on July 18, 2010. The second term would commence on July 18, 2015. Certain extensions are contingent on UTGR's compliance with full-time employment mandates.

The Master Contract has been amended in recent years to reflect the statutory authorization of the operation of a promotional points program at Twin River. In fiscal year 2013, Twin River was authorized and issued approximately \$31.8 million in promotional points to facility patrons. Recently enacted legislation has authorized an additional expansion of Twin River's promotional play program effective July 1, 2013.

The Master Contract has also been amended to reflect the statutory requirement that the Lottery reimburse UTGR for allowable marketing expenses at an amount not to exceed \$6 million multiplied by the Lottery's percentage of net terminal income (61.12% for fiscal year 2013). The reimbursement of marketing expenses by the Lottery occurs only after UTGR has incurred \$4 million in qualified marketing expenses (with marketing expenses defined by the Lottery).

Video Lottery Facilities – Newport Grand

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

Newport Grand and the Lottery extended the contract and signed the first five-year extension term of the contract commencing on November 23, 2010. The second term, which would commence on November 23, 2015, is contingent on Newport Grand's compliance with full-time employment mandates specified in the 2010 law. The contract, as amended, entitles Newport Grand to compensation equal in percentage of net terminal income to that of Twin River. Recent legislation increased the percentage of net terminal income by 2.25% effective July 1, 2013, and expiring June 30, 2015.

The Master Contract has been amended in recent years to reflect the statutory authorization of a promotional points program at Newport Grand. In fiscal year 2013, Newport Grand was authorized and issued approximately \$5.8 million in promotional points to facility patrons. Recently enacted legislation has authorized an additional expansion of Newport Grand's promotional play program effective July 1, 2013.

The Master Contract has also been amended to reflect the statutory requirement that the Lottery reimburse Newport Grand for allowable marketing expenses at an amount not to exceed \$840,000 multiplied by the Lottery's percentage of net terminal income (61.67% for fiscal year 2013). The reimbursement of marketing expenses by the State occurs only after Newport Grand has incurred \$560,000 in qualified marketing expenses (with marketing expenses to be defined by the Lottery).

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. The RIPRC has been designated as the entity responsible for securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, the MBTA, and AMTRAK for property damage, personal injury, bodily

injury or death arising out of the South County Commuter Rail Service with policy limits of \$200 million subject to a self-insured retention of \$7.5 million.

Discretely Presented Component Units

R.I. Airport Corporation

The R.I. Airport Corporation (RIAC) currently has several projects underway that are part of the Green Airport Improvement Program. The lengthening of primary Runway 5-23 to a total of 8,700 feet will allow the airport to accommodate coast-to-coast and international flights, and will enhance the efficiency of the New England Regional Airport System. Included in the project is the construction of a taxiway extension, an Engineered Material Safety Arresting System (EMAS) Runway Safety Area, and an airport service road. Design of the project is expected to commence in February 2014, and construction is expected to be complete by December 2017.

In addition, RIAC is constructing a Deicer Management System which will collect glycol impacted stormwater resulting from de-icing aircraft at T.F. Green Airport, and treat the collected material prior to discharging it into storm drains. As of June 30, 2013, field construction is underway with anticipated completion by April 2014, and the system is scheduled to be fully operational by March 2015. RIAC will begin construction on safety improvements on the end of Runway 16 in July 2013, and on the end of Runway 34 in the summer of 2014. Improvements include the construction of EMAS arrestor beds, blast fencing, drainage improvements, and reconstruction of segments of runway and taxi lanes.

As of June 30, 2013 RIAC is obligated for the completion of certain airport improvements under commitments of approximately \$6 million, which are expected to be funded from current available resources and future operations.

R.I. Turnpike and Bridge Authority

The R.I. Turnpike and Bridge Authority (RITBA) has entered into contracts for the maintenance of, and improvements to, its bridges and property. In connection with its Series 2010A Bond Issue, RITBA has a contract with a remaining commitment of approximately \$1.8 million as of June 30, 2013. In 2013 RITBA entered into contracts for Phase II of steel repairs and painting on the Claiborne Pell Bridge. The total contract value is \$40.8 million and will take several years to complete. At June 30, 2013, the remaining commitments on the contracts total approximately \$39.3 million. In addition, RITBA has various other maintenance contracts with remaining commitments of approximately \$3 million as of June 30, 2013.

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 RIRRC has been segregated into five distinct phases. Phases I, II and III were closed by the RIRRC in prior years. While Phase IV reached capacity during fiscal year 2013, portions of Phase IV have been capped, with final capping expected during fiscal year 2014. In 2005, the RIRRC began landfilling in Phase V. As of June 30, 2013 the RIRRC has not begun landfilling in phase VI.

A liability for closure and post-closure care of \$53,190,729 as of June 30, 2013 has been recorded in the accompanying statement of net position, as summarized by Phases below:

	Year ended June 30, 2013
Phase I	\$ 8,357,552
Phase II and III	4,095,437
Phase IV	9,874,448
Phase V	30,863,292
	<u>\$ 53,190,729</u>

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

As of June 30, 2013, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense, the estimated percent of landfill capacity used and the estimated remaining years for accepting waste are as follows:

	Estimated remaining costs to be recognized	Estimated capacity used	Estimated remaining years for accepting waste
Phase V	\$ 7,345,813	80.8%	2.5 years

As of June 30, 2013 the RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$5,582,821 reduction of the corresponding liability from \$75,962,402 at June 30, 2012 to \$70,379,581 at June 30, 2013 and was primarily attributable to improved leachate flow data and revised capping costs based on pricing from a recently executed contract.

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 position held in trust in the accompanying statements of net position as of June 30, 2013 is \$41,454,829 placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV and V. The RIRRC 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. Future recoveries from responsible parties which may reduce the remediation obligation, while possible, cannot be reasonably estimated.

The pollution remediation obligation for the year ended June 30, 2013 is as follows:

Balance, June 30, 2012	Additions	Reductions	Balance, June 30, 2013	Current Portion
\$ 25,501,843	\$ 0	\$ (8,597,749)	\$ 16,904,094	\$ 986,985

Superfund site:

In prior years, the EPA issued administrative orders requiring the RIRRC 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 RIRRC entered into a Consent Decree with the EPA concerning remedial actions taken by the RIRRC for groundwater contamination. The Consent Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The balance of the trust fund totaled \$42,292,593 as of June 30, 2013 and has been included in restricted position held in trust in the accompanying statement of net position.

In 2004, the RIRRC began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. The RIRRC has recorded a liability for future remediation costs of approximately \$16,904,000 as of June 30, 2013.

Other pollution remediation obligations:

The RIRRC is the owner of several properties adjacent to its landfill operations. The RIRRC is obligated to remediate one of these parcels. The RIRRC has recorded a liability for future remediation costs of approximately \$285,000 as of June 30, 2013.

Environmental concerns:

In August 1996, the RIRRC entered into a Consent Agreement (the Agreement) with RIDEM concerning action to be taken by the RIRRC 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 RIRRC during fiscal years 1997 through 2002, as required by RIDEM. During 2004, RIDEM released from the escrow approximately \$543,000 to the RIRRC. As of June 30, 2013 the escrow account totaled approximately \$156,000.

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

R.I. Public Transit Authority

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$7,220,480 at June 30, 2013.

R.I. Industrial-Recreational Building Authority

At June 30, 2013, 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, 2013 are \$16,105,000.

The Authority insured a bond issued by Rhode Island Industrial Facilities Corporation (RIIFC) on behalf of a private sector entity. During the year ended June 30, 2013 the private sector entity was in default on its payments to the bond holder and the Authority has assumed responsibility for making the debt payments. These payments will be made by first exhausting the Authority's available financial resources. The Authority must then request appropriations from the Rhode Island General Assembly for any loss in excess of the insured amount. At June 30, 2013, the Authority has determined that it is likely that it will incur a loss under the insured commitment. The Authority has estimated the range of potential loss to be between \$1,749,000 and \$6,413,000 and has determined the best estimate within this range to be \$2,006,810. Accordingly, the Authority has accrued an insured commitment payable of \$2,006,810 equal to the estimated loss at June 30, 2013. The current portion of the insured commitments payable was calculated by estimating the monthly payments due within one year on this bond.

Other Component Units

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

Note 13. 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. Significant specific litigation matters are discussed below.

Challenges to the 2009 and 2010 Pension Reform - A number of unions representing state employees and teachers filed a lawsuit in State court in May 2010 initially challenging and attempting to block the 2009 pension reforms enacted by the General Assembly and later amended the suit to include 2010 reforms. The 2005 reforms were not challenged. The State intends to vigorously contest the lawsuit. The defendant State officials filed a Motion for Summary Judgment on the claims set forth in the Amended Complaint, which was heard on July 18, 2011. Prior to the hearing, the parties stipulated that the only issue that would be presented to the Court during the hearing on the Motion would concern whether the statute created a contract between the state and its participants. The parties agreed that in the event that the Court concluded that the statute did create a contract, the remaining issues of whether the contract had been impaired and whether any such impairment was legally justified would be briefed and argued at a later date. On September 13, 2011, the Superior Court issued its decision in which it ruled that pension plan participants have a contractual right based on an implied-in-fact contract theory. Consistent with the parties' stipulation, the Court did not decide whether that contract had been impaired or whether any such impairment was legally justified. The defendant State officials believe the Superior Court's ruling was legally wrong. On October 3, 2011, Defendants filed a Petition for Issuance of a Writ of Certiorari and Supporting Memorandum of Law with the Rhode Island Supreme Court. Defendants also filed a motion through which they requested that the Supreme Court expedite its review of the Petition for Issuance of a Writ of Certiorari. On November 22, 2011, the Supreme Court denied the petition for Writ of Certiorari. The litigation is proceeding through discovery at this time.

Challenges to the 2011 Pension Reform - In June 2012, certain retiree groups and unions representing state and municipal employees who maintain they are current beneficiaries of ERSRI commenced five separate lawsuits in State court challenging the Rhode Island Retirement Security Act of 2011 ("RIRSA") enacted by the General Assembly. In each of the five cases, the plaintiffs alleged that RIRSA violates the Contract Clause, the Takings Clause and the Due Process Clause of the Rhode Island Constitution. In addition, in the Rhode Island Public Employees' Retirement Coalition v. Chafee, C.A. No. 12-3166 case, the plaintiffs also allege counts for promissory estoppel and breach of contract. The State intends to vigorously contest the lawsuit.

On August 17, 2012, the defendants filed a motion to dismiss the Rhode Island Public Employees' Retirement Coalition v. Chafee, C.A. No. 12-3166 case on the ground that Rhode Island's pension legislation does not create a contract with ERSRI participants and that general contract principles, such as implied contracts, cannot be used to determine whether a state statute creates a contract. In the remaining four cases, the defendants filed motions for more definite statements in which they argued that it is not clear from the plaintiffs' pleadings what purported contract or contract(s) plaintiffs allege have been impaired. The defendants also moved in the alternative and asked the Court to dismiss the remaining four cases if the Court concluded that the plaintiffs' purported contracts derive from Rhode Island's pension legislation. A hearing on the defendants' motions was held in December 2012. The parties have not yet received a decision on those motions.

On January 2, 2013 Superior Court judge presiding over the cases involving challenges to enacted pension reforms ordered the parties to participate in mediation, which is ongoing. The parties are scheduled to report back to the Court again on January 3, 2014.

An adverse judgment to the State rendered in the pension litigation could significantly increase both the unfunded liability under the plans within the ERSRI and the State's actuarially determined annual required contribution.

Other

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

According to the Master Settlement Agreement (“MSA”), for any year in which the Participating Manufacturers (“PMs”) suffer a loss of market share of more than two percent as compared to their collective market share in 1997, there is the potential of a Non-Participating Manufacturer Adjustment (“NPM Adjustment”), which would permit the tobacco manufacturers to reduce their MSA payments for that year. Whether such an adjustment is applicable depends on whether: (1) an economic firm jointly selected by the Settling States and the PMs determines that the disadvantages experienced by the PMs as a result of the provisions of the MSA were a “significant factor” contributing to the market share loss (“Significant factor proceeding”); and (2) the State is found to not have diligently enforced its escrow statute. For calendar years 2003, 2004, 2005 and 2006, there have been four Significant Factor Proceedings in which the firm found in favor of the PMs. There will not be a Significant Factor Proceedings for calendar years 2007, 2008, 2009, 2010, 2011, 2012 and 2013.

From April 2005 through April 2013, 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 apply the NPM Adjustment. The TSFC’s share of these disputed payments is approximately \$37.7 million.

There has been a long-standing dispute between the PMs and the MSA Settling States relating to NPM Adjustment Disputes, and up until December 2012, all MSA Settling States and the PMs were engaged in an arbitration proceeding regarding the issue of Diligent Enforcement for the calendar year 2003 (“2003 Dispute”) (Rhode Island’s Diligent Enforcement is no longer being challenged for 2003). In December 2012, the PMs reached a settlement agreement with certain MSA States & Territories (“Term Sheet States”) in connection with certain claims relating to NPM Adjustment Disputes, including the 2003 Dispute. The general terms thereof were memorialized in a Term Sheet (“Term Sheet”) with the PMs. In March of 2013, the Panel, which was convened for the 2003 Dispute, issued a Stipulated Partial Settlement and Award (“Award”) that incorporated certain provisions of the Term Sheet. Also, the award included specific instructions to the Independent Auditor directing it to implement the provisions provided therein, which it did in preparing final calculations for the 2013 MSA payments.

Thirty (30) MSA States and Territories (“NSS”) have not accepted the terms of the Term Sheet, so the NPM Adjustment disputes between the NSS and PMs remain unresolved. Future NPM Adjustments could be as large as or exceed the reported potential \$1.2 billion calendar year 2003 NPM adjustment. The resolution of the substance of such disputes could take years. Moreover, there is no assurance that these funds will be collected by the TSFC 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 financial statements. The TSFC and the other affected parties are taking actions prescribed in the MSA to arrive at a resolution of these matters.

In addition to NPM Adjustment arbitration, litigation has been filed alleging, among other claims, that the MSA violates provisions of the U.S. Constitution, state constitutions, federal antitrust and civil rights laws, and state consumer protection laws. These actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. 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 TSFC may not have adequate financial resources to service its debt obligations.

Lottery

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

The Lottery’s video lottery operations could be adversely impacted by enacted legislation in Massachusetts allowing three casinos and one slot parlor in that State. Massachusetts has developed a

two-phase application process for potential operators and developers. The Massachusetts Gaming Commission could award casino licenses during fiscal 2014 based on their current timeline. Depending on the resulting location of the facilities within Massachusetts, video lottery revenues in Rhode Island could decrease.

The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in the Superior Court on or about September 28, 2011, inter alia, challenging the constitutionality of the casino gaming act on the grounds that it would not be "state-operated" and the act "delegates unconstitutional authority to a private corporation." On or about June 29, 2012, the Superior Court found that the Narragansett Indian Tribe had not sustained their burden of proof that the act violates the State or United States constitution. The Narragansett Indian Tribe filed a notice of appeal of that decision. The remaining issues in the case which are still pending in the Superior Court relate to whether the state "operates" Twin River and Newport Grand.

A significant portion of the Lottery's revenues are derived from video lottery gaming at two licensed video lottery facilities. Newport Grand, one of those video lottery facilities, is subject to certain financing agreement restrictions. In 2008, Newport Grand entered into a \$25,000,000 financing agreement with two banks for expansion and renovation of its video lottery terminal facility. Prior events of default relative to failing to meet earnings levels amended the loan agreement, which required additional partner contributions, quarterly deposits and restricted dividend distributions. During fiscal year 2013, a subsequent loan amendment required continued deposits and a new loan covenant requirement.

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, 2012 was issued in March 2013. That report identified approximately \$2.3 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 2013 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit. The State's management believes that any disallowances of federal funding received by the State will not have a material impact on the State's financial statements.

Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Monies in a capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bondholders. 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, 2013, the following debt was morally obligated by the State:

R.I. Housing and Mortgage Finance Corporation (RIHMFC)

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) had \$164,230,211 outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to \$32,206,624 on June 30, 2013. Under the moral obligation provisions detailed in the preceding paragraph, upon request by the Governor, the General Assembly may, but is not obligated to, provide appropriations for any deficiency in such reserve funds. The RIHMFC has never been required to request such appropriations. Such reserve funds relate solely to select multi-family issues of the RIHMFC.

R.I. Economic Development Corporation (RIEDC)

In November 2010, the RIEDC issued \$75 million of taxable revenue bonds under the Job Creation Guaranty Program. The bond proceeds were loaned to 38 Studios, LLC (38 Studios) and provided funding for the relocation of the company's corporate headquarters to the State and establishment and operation of a video gaming studio in the City of Providence. Proceeds also were used to fund a Capital Reserve Fund and Capitalized Interest Fund. Amounts in the Capital Reserve Fund are to be used in the event that 38 Studios fails to make any required loan payments. In accordance with the enabling legislation and the agreement between the RIEDC, the trustee and 38 Studios, should amounts in the Capital Reserve Fund fall below minimum requirements, the RIEDC has agreed to present the Governor with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in his or her budget request for appropriation by the General Assembly. The General Assembly may, but is not required to, appropriate such amounts.

38 Studios filed for Chapter 7 bankruptcy protection on June 7, 2012 and the RIEDC and the trustee for the bonds have obtained court approval to take custody of the assets pledged by 38 Studios to secure the payment of the bonds. The value of the assets pledged is not certain at this time. It is estimated that the total debt service on the bonds after considering any existing reserves with the trustee may be in the range of \$89 million. The maturity dates on the bonds range from 2015 to 2020 with maximum annual debt service of approximately \$12.75 million. The FY2014 enacted budget includes an appropriation of \$2.5 million, which together with remaining amounts available in the capital reserve fund, will be used to pay principal and interest on the bonds due in fiscal 2014.

The State has recorded a liability of \$2.5 million relating to the default by 38 Studios at June 30, 2013. This amount represents a current estimate of the amount of probable loss by the State. It is reasonably possible that the State's loss relating to this contingency could range as high as the remaining debt service principal of \$68,000,000 owed to bondholders at June 30, 2014 less amounts potentially recovered through the sale of assets. The General Assembly is expected to reconsider the issue during the 2014 legislative session when \$12.75 million in debt service will be requested for appropriation as part of the FY2015 budget request submitted by the Governor.

In November 2012, the RIEDC sued various individuals and entities involved with the loan to 38 Studios including principals of 38 Studios, former employees of the RIEDC and various advisors to the RIEDC alleging fraud, negligence, breach of fiduciary duty and other charges. The suit seeks repayment of compensatory and punitive damages associated with the various counts identified in the lawsuit.

An additional \$6,500,000 in guarantees was issued under the Job Creation Guaranty Program for notes through June 30, 2013. The General Assembly repealed the authority for the RIEDC to guarantee further loans under this program during the 2013 legislative session.

Component Units

R.I. Higher Education Assistance Authority (RIHEAA)

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 made sweeping changes in student financial assistance programs, including a provision which eliminated loan originations under the Federal Family Education Loan (FFEL) Program effective July 1, 2010. As a result, new guaranteed student loans now originate under the Federal Direct Loan Program. RIHEAA's role as a guaranty agency in the FFEL Program constituted its single largest activity, and approximately 85% of the Authority's employees are allocated to the guaranty agency functions. The elimination of new loan originations has had a significant impact on the Authority's ongoing operations.

The Authority 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. It is difficult, however, to predict the period over which such services would be required, and to what extent those responsibilities will continue to constitute a substantive activity for the Authority. RIHEAA's senior management believes that a reasonable estimate of that period is in the range of two to four years. RIHEAA's senior management, in conjunction with its Board, has already taken steps necessary to respond

to the changes resulting from the Act, and will continue to closely monitor all aspects of the operating environment.

In June 2013, the Rhode Island General Assembly passed and the Governor signed into law added language to RIHEAA's enabling legislation, titled – Reserve Funds: "To assure continued solvency of the authority, the authority's operating fund shall be used solely for the ordinary operating expenses of the authority. Furthermore, it is the intent of the General Assembly that these funds eventually be used to increase financial assistance to Rhode Island students in the form of scholarships and grants." The RIHEAA Board has had discussions about the new legislative language and is in the process of developing proposals and programs that are consistent with the legislature's intent.

R.I. Housing and Mortgage Finance Corporation (RIHMFC)

As of June 30, 2013, the RIHMFC may borrow up to a maximum of \$85,000,000 under various revolving loan agreements expiring between August 2013 and December 2014. Borrowings under the lines of credit are payable on demand and are unsecured.

The RIHMFC is a party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose the RIHMFC to credit risk in excess of the amounts recognized in the statements of net position. The RIHMFC'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, 2013 is \$33,386,881.

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 14. Employer Pension Plans

Defined Benefit Plans

Plan Descriptions

The State, through the Employees' Retirement System (ERS), administers five defined benefit pension plans. Four of these plans - the Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan, and the Judicial Retirement Benefits Trust (JRBT), the Rhode Island Judicial Retirement Fund Trust (RIJRFT), and the State Police Retirement Benefits Trust (SPRBT), which are single-employer defined benefit pension plans, cover most State employees. The State does not contribute to the Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan. The ERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The level of benefits provided to State employees and teachers, which is subject to amendment by the general assembly, is established by Chapter 36-10 of the General Laws. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing to the Employees' Retirement System, 50 Service Ave., Warwick, RI 02886.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the ERS are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the wages, subject to required contributions, are earned for the performance of duties for covered employment. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments

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.

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 and international equity index funds. The fair value of these 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 fund. The determination of fair value for other commingled funds, which include hedge, private equity, and real estate funds is described in the succeeding paragraphs.

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, real estate investments, and hedge fund 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 7.4% and 3.2%, respectively, of the total reported fair value of all ERS investments at June 30, 2013. Of the underlying holdings within private equity investments, approximately 19% 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.

Hedge funds are valued based on information provided by the fund manager and as verified by their respective third party administrator. Of the underlying holdings within the hedge funds approximately 66% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments) and 28% as Tier 2 inputs (other significant inputs, either directly or indirectly, at the measurement date such as a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets and liabilities in markets that are not active; c) observable inputs, other than quoted prices, for assets and liabilities; or

d) inputs that are derived from or corroborated by observable market data by correlation or other means. The remaining underlying holdings within the hedge funds approximating 6% were valued based on Tier 3 inputs (unobservable inputs which are developed based on the best information available in the circumstances which might include the fund's own data).

Investment Expenses

Investment management expenses are presented separately as a component of net investment income and include investment consultants' fees, custodial fees, direct investment expenses allocated by managers, and allocated Office of the General Treasurer expenses associated with oversight of the portfolio. In some instances (hedge funds, private equity, real estate investments, and cash investments), investment related costs are not readily separable from investment income and consequently investment income is recorded net of related expenses.

Funding Policy and Annual Pension Cost

The fiscal 2013 contribution rates for the Employees' Retirement System, the State Police Retirement Benefits Trust, and the Judicial Retirement Benefits Trust were based on the actuarial valuation of those plans performed as of June 30, 2010. The fiscal 2013 contribution rate for the Judicial Retirement Fund Trust, effective July 1, 2012 was based on the actuarial valuation of that plan performed as of June 30, 2012.

A summary of the State's annual pension cost (expressed in thousands) for the fiscal year ended June 30, 2013 and the actuarial assumptions and methods used in the June 30, 2010 valuation of the plans is provided in the table below:

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	RI Judicial Retirement Fund Trust
Contribution rate:				
State	21.18%	11.07%	19.69%	\$1,816
Plan members - state employees	3.75%	8.75%	8.75% and 12.00%	8.75% and 12.00%
State contribution for teachers	7.15% and 7.88%			
Annual pension cost	\$207,319	\$2,103	\$1,752	\$1,816
Contributions made - state employees	\$136,615	\$2,103	\$1,752	
Contribution made - teachers	\$70,704			
Actuarial valuation date	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2012
Actuarial cost method	Entry Age Normal-Individual Entry Age Actuarial Cost Method	Entry Age Normal-Individual Entry Age Actuarial Cost Method	Entry Age Normal-Individual Entry Age Actuarial Cost Method	Entry Age Normal-Individual Entry Age Actuarial Cost Method
Amortization method	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed	Level Dollar
Equivalent Single Remaining Amortization Period	25 years	25 years	25 years	16 Years
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	4.00%
Projected salary increases	4.00% to 7.00%	4.00% to 12.00%	4.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%
Cost-of-living adjustments	<p>The COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time.</p> <p>The COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police for which the COLA is delayed until the later of age 55 or 3 years after retirement.</p> <p>A COLA of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 15 years.</p>			
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	8-3-16

The assumptions used in the Rhode Island Judicial Retirement Fund Trust are consistent with those used for the Judicial Retirement Benefits Trust except that since the plan is not currently advance funded, a 4% investment return assumption was utilized. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization over 16 years from June 30, 2012.

Annual Pension Cost and Net Pension Assets and Obligations

For all defined benefit plans, except for the RI Judicial Retirement Fund Trust, the State contributed 100% of the annual pension cost. The net pension obligation relating to the RIJRFT is detailed in the table below (amounts expressed in thousands):

Annual Required Contribution	\$1,816
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>1,816</u>
Contributions made	-
Increase in net pension obligation	<u>1,816</u>
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u>\$1,816</u>

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation (In Thousands)
Employees' Retirement System	6/30/11	\$ 196,847	100%	\$ -
	6/30/12	233,834	100%	-
	6/30/13	207,319	100%	-
State Police Retirement Benefits Trust	6/30/11	3,787	100%	-
	6/30/12	5,333	100%	-
	6/30/13	2,103	100%	-
Judicial Retirement Benefits Trust	6/30/11	1,298	100%	-
	6/30/12	1,718	100%	-
	6/30/13	1,752	100%	-
RI Judicial Retirement Fund Trust	6/30/13	1,816	0%	1,816

The RI Judicial Retirement Fund Trust was established on July 1, 2012.

Funded Status and Funding Progress

The table below displays the funded status of each plan as of June 30, 2012, the most recent actuarial valuation date (See Note 19 – Subsequent Events):

	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	\$ 2,421,191,542	\$ 4,297,261,311	\$ 1,876,069,769	56.30%	\$ 669,477,539	280.20%
Teachers	3,746,299,871	6,373,081,344	2,626,781,473	58.80%	971,904,991	270.30%
SPRBT	84,293,968	94,031,687	9,737,719	89.60%	23,669,619	41.10%
JRBT	43,428,646	52,085,154	8,656,508	83.40%	8,822,823	98.10%
RIJRFT	-	16,387,206	16,387,206	0.00%	1,230,644	1331.60%

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, 2012 actuarial valuation follows:

	ERS				
	State Employees	Teachers	SPRBT	JRBT	RIJRFT
Valuation Date	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
Actuarial Cost Method	Entry Age Normal	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	Level Dollar
Equivalent Single Remaining Amortization Period	23 years	23 years	23 years	23 years	16 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions					
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%	4.00%
Projected Salary Increases	4.00% to 7.00%	4.00% to 12.75%	4.00% to 12.00%	4.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Cost of Living Adjustments	The COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - The COLA is to be applied to the first \$25,000 of benefits, indexed over time. The COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police for which the COLA is delayed until the later of age 55 or three years after retirement.				

A COLA of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 15 years.

Note 1. Within the Entry Age Normal -the Individual Entry Age Actuarial Cost methodology is used.

Supplemental Contributions

The General Laws (Section 36-10-2(a) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to twenty percent (20%) of the rate reduction to be applied to the actuarial accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill

and shall be paid by the general treasurer into the retirement system. The retirement system's actuary shall not adjust the computation of the annual required contribution for the year in which supplemental contributions are received; such contributions once made may be treated as reducing the actuarial liability remaining for amortization in the next following actuarial valuation to be performed. For fiscal year 2013, \$2,312,058 was contributed to the System in accordance with this provision of the General Laws.

The General Laws also require that for any fiscal year in which the State's actual general revenues exceed estimated amounts, the difference shall be paid to the ERS plan upon completion and release of the State's audited financial statements. The amount paid to the System in fiscal year 2013 related to the State's fiscal year 2012 actual general revenues exceeding budgeted amounts by \$12,943,629.

Beginning in fiscal year 2013, the Retirement Security Act provides for additional contributions to the System based on 5.5% of the value of contracts where the services performed by the contractor were previously performed by state employees. A supplemental contribution of \$434,677 was paid to the System pursuant to Section 42-149-3.1 of the General Laws.

For fiscal year 2013, the General Laws required various supplemental contributions to the ERS defined benefit pension plan as described above. These supplemental contributions are in addition to the annual required contribution amounts to ERS as determined by the actuary. Because ERS is a cost-sharing plan, fiduciary net position, including the effects of the supplemental contributions, is allocated between both state employee and teacher covered groups. Accordingly, no net pension asset has been reflected on the State's Statement of Net Position as it is not directly attributable to any one participating employer.

Defined Contribution Plan

The State of Rhode Island Defined Contribution Retirement Plan (the "Plan") is a defined contribution (money purchase) plan that operates under Section 401(a) of the Internal Revenue Code. The Plan was established under Rhode Island General Law section 36-10.3-2 and was placed under the management of the Retirement Board. The Retirement Board is the Plan administrator and Plan trustee. The law authorizes the State Investment Commission to select the appropriate third-party administrator for the Plan and to adopt Plan, trust, and/or custodial documents subject to certain guidelines outlined in the statute. The State Investment Commission is responsible for implementing the investment policy of the Plan and selecting the investment options available to members. TIAA-CREF serves as record keeper for the Plan and Plan assets are held by J.P. Morgan as investment custodian.

Plan members – The plan covers members of the Employees' Retirement System of Rhode Island (ERS), excluding legislators, correction officers and MERS general police and fire employees who participate in Social Security. For covered employees, participation in the defined contribution plan is mandatory. Judges and state police officers are also excluded from the Plan.

Plan vesting provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Service credit under ERS or MERS prior to July 1, 2012 is credited to the member for vesting purposes.

Member accounts – Each member's account is credited with the member and employer's contribution and an allocation of the plan's earnings. Allocations are based on a relationship of the member's account balance in each investment fund to the total of all account balances in that fund. The retirement benefit to which a member is entitled is the benefit that can be provided from the member's account.

Forfeitures – Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Contributions – the plan's benefits are funded by contributions from the participants and the employer, as specified in Rhode Island General Law 36-10.3-4 and 36-10.3-5. Eligible state employees and teachers and MERS general employees that participate in Social Security contribute 5% of the member's compensation. Employers contribute to these member's individual accounts an amount equal to 1% of the member's compensation.

Teachers and MERS general employees not covered by social security must contribute 7% of their compensation; employers contribute to these member's individual accounts an amount equal to 3% of the member's compensation. MERS police and fire employees not covered by social security must contribute 3%; employers contribute to these member's individual accounts an amount equal to 3% of the member's compensation.

Investment options – Member and employer contributions may be invested in a variety of investment options broadly diversified with distinct risk and return characteristics. The investment options provide opportunities to diversify across the risk-return spectrum with a range of investment choices within varied asset classes.

The investment programs are managed by TIAA-CREF and have various investment strategies.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, Plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which you attain age 70 ½ or terminate employment, if later. Members have the option to receive benefit payments in the form of a Single Life Annuity, Two Life Annuity, Lump Sum Benefit, or Installments. These payments are subject to any restrictions in the investment vehicles.

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 \$16,136,000 during the year ended June 30, 2013.

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 5 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. At January 1, 2013, the most recent valuation date, the total actuarial accrued liability was \$121,499,238 and the actuarial value of assets was \$84,503,097. The Authority contributed 100% of its annual pension cost, totaling \$7,772,257, for fiscal year 2013 and had a net pension obligation of \$1,726,343 at June 30, 2013.

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

Note 15. Other Post-Employment Benefits

A. Plan Descriptions

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

- Certain state employees and employees of the following component units or related organizations: Narragansett Bay Commission, RI Airport Corporation and RI Economic Development Corporation
- Certain certified public school teachers
- Judges
- State police officers

- Legislators
- Certain employees of the Board of Education (BOE)

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

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

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

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

A summary of the principal provisions of the plans follow:

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

Note - Retired teachers can purchase coverage for themselves and dependents at the active or early retiree rate, as applicable until age 65, when they must enroll in a Medicare supplement plan.

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

B. Funding Policy, Funding Status and Funding Progress

The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Beginning in fiscal year 2011, the State and other participating employers were required by law to fund the plans on an actuarially determined basis. For the fiscal year ended June 30, 2013, the State and other participating employers paid \$58,223,000 into the plans.

C. Annual OPEB Cost and Net OPEB Obligation

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

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

Date of Actuarial Valuation	State	Teachers	Judicial	State	Legislators	BOE
	Employees			Police		
	06/30/09	06/30/09	06/30/09	06/30/09	06/30/09	06/30/09
Annual required contribution as a percent of payroll	6.86%	N/A	7.19%	33.18%	0.00%	2.69%
Annual required contribution	\$ 45,800	\$ 2,321	\$ 778	\$ 6,218	\$ 0	\$ 3,106
Plus: Interest on net OPEB obligation at beginning of year	0	N/A	144	419	0	0
Less: Adjustment to ARC	0	N/A	120	350	0	0
Annual OPEB cost	45,800	2,321	802	6,287	0	3,106
Participating State and/or other employer contributions	45,800	2,321	778	6,218	0	3,106
Increase in OPEB obligation	0	0	24	69	0	0
Net OPEB obligation at beginning of year, as restated	0	0	2,867	8,381	0	0
Net OPEB obligation at end of year	\$ 0	\$ 0	\$ 2,891	\$ 8,450	\$ 0	\$ 0

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

Plan	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees	2011	41,120	100.00%	-
	2012	44,235	100.00%	-
	2013	45,800	100.00%	-
Teachers	2011	2,333	100.00%	-
	2012	2,321	100.00%	-
	2013	2,321	100.00%	-
Judicial	2011	1,014	97.23%	2,839
	2012	810	96.53%	2,867
	2013	802	97.01%	2,891
State Police	2011	4,295	98.13%	8,302
	2012	5,920	98.66%	8,381
	2013	6,287	98.91%	8,450
Legislators	2011	1,541	98.62%	*
	2012	799	97.34%	*
	2013	0	NA	-
BOE	2011	2,869	100.00%	-
	2012	2,884	100.00%	-
	2013	3,106	100.00%	-

* - Restated, see Note 18F.

The table below displays the funded status of each plan at June 30, 2011, the most recent actuarial valuation date (dollar amounts expressed in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
State Employees	\$ 11,545	\$ 728,207	\$ 716,662	1.6%	\$ 600,273	119.4%
Teachers	2,040	11,512	9,472	17.7%	n/a	n/a
Judicial	841	2,610	1,769	32.2%	10,813	16.4%
State Police	1,488	81,759	80,271	1.8%	17,384	461.8%
Legislators	1,442	1,443	1	99.9%	1,615	0.1%
BOE	3,189	53,751	50,562	5.9%	125,340	40.3%

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

D. Actuarial Methods and Assumptions

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

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

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

The Annual Required Contributions for fiscal year 2013 were determined based on the June 30, 2009 valuations for all plans.

As of the June 30, 2009 actuarial valuation, the Unfunded Actuarial Accrued Liability (UAAL) was amortized by a level (principal and interest combined) percent of payroll contribution for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL for all plans, except teachers, is being amortized over the remainder of a closed 30-year (or shorter) period from June 30, 2006. The remaining amortization period at June 30, 2009 is 27 years. The UAAL for teachers is being amortized as a level dollar amount over an 8-year period from June 30, 2007.

For the June 30, 2009 valuation the actuarial assumptions include a 5.0% discount rate, a health care cost trend assumption of 9% progressively declining to 4.5% after 10 years, and salary growth assumption rates ranging between 4.5% and 13.25%. Other assumptions, including those relating to rates of termination, rates of retirement, percent married, and retiree health care election rates, were based on the most recent experience study for the Employees' Retirement System of Rhode Island as well as on anticipated experience changes in conjunction with the adopted retirement plan changes enacted through legislation.

The most recent actuarial valuations of the plans were performed as of June 30, 2011.

A number of changes in OPEB specific actuarial assumptions were made between the June 30, 2009 and June 30, 2011 valuations. These changes include reflecting new assumptions adopted by the Employees Retirement System of Rhode Island (ERSRI), and the State Police Retirement Benefits Trust of Rhode Island (SPRBT), changes to the OPEB specific assumptions, and changes to reflect the potential excise tax under the Patient Protection and Affordable Care Act.

Changes from the ERSRI and SPRBT experience studies include changes to the retirement and disability rates for ERSRI and changes to salary expectations and mortality for both ERSRI and SPRBT.

Changes to the OPEB specific assumptions include a change in the medical trend assumption of 9% decreasing to 4.5% in 8 years to 9% decreasing to 4.0% in 10 years, a change in the Medicare election rate for Legislators from 75% electing Medicare to 100% electing Medicare and the addition of the assumption that current retired Teachers over age 65 in the Early Retiree Plan are assumed to not be eligible for Medicare.

The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2018. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuation assume that the plans will be subject to the excise tax as early as 2018.

The General Laws were amended in the 2013 session of the General Assembly to modify the manner in which health insurance is provided to Medicare eligible retirees covered under the System's plan covering state employees. During fiscal year 2014, the State will establish a health reimbursement account (HRA) for each Medicare eligible retiree who elects to receive health insurance coverage through the state sponsored program. The System's actuary has updated the June 30, 2011 actuarial valuation to reflect the effect on the Actuarial Accrued Liability resulting from this change and the updated amounts are reflected in the valuation table on the preceding page.

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

Summary of Actuarial Methods and Assumptions as of June 30, 2011 valuation						
	Plan					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Education
Valuation Date	June 30, 2011					
Plan Type	Cost sharing multiple employer	Single Employer (1)	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll – Closed	Level Dollar	Level Dollar	Level Percent of Payroll – Closed	Level Dollar	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years	4 years	25 years	25 years	25 years	25 years
Asset Valuation Method	Four year smoothed market					
Actuarial Assumptions						
Investment Rate of Return	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Projected Salary Increases	4.00% to 7.0%	N/A	4.00%	4.00% to 12.0%	4.25% to 8.50%	4.00% to 7.00%
Valuation Health Care Cost Trend Rate	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021
<p>Note 1 – The Teachers plan accounts for the Tier I subsidy funded by the State for Teachers electing to participate and retiring before October 1, 2008.</p> <p>Note 2 – The actuarial assumptions do not include a separate general inflation rate assumption.</p>						

Certain other component units have other post-employment benefit plans. For information regarding these plans, please refer to the component units' separately issued financial reports.

Note 16. 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 17. 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 year 2013, 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, 2013 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	\$ 13,780	\$ 204,161	\$ 202,505	\$ 15,436

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 18. Other Information

A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 9,953	\$ 1,437	\$ 11,390	\$ (16,015)	\$ (4,625)
Loans to other funds	100,114		100,114	(100,114)	
Total assets	<u>\$ 110,067</u>	<u>\$ 1,437</u>	<u>\$ 111,504</u>	<u>\$ (116,129)</u>	<u>\$ (4,625)</u>
Liabilities					
Due to other funds	\$ 15,714	\$ 301	\$ 16,015	\$ (16,015)	\$
Loans from other funds	94,153	5,961	100,114	(100,114)	
Total liabilities	<u>\$ 109,867</u>	<u>\$ 6,262</u>	<u>\$ 116,129</u>	<u>\$ (116,129)</u>	<u>\$</u>
Program revenue					
General government	\$	\$ 273,183	\$ 273,183	\$ (273,183)	
Public safety		11,264	11,264	(11,264)	
Expenses					
General government		(273,012)	(273,012)	273,012	
Public safety		(11,435)	(11,435)	11,435	
Net revenue (expenses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Transfers					
Operating transfers in	\$ 592,804	\$ 7,400	\$ 600,204	\$ (266,400)	\$ 333,804
Operating transfers out	(264,571)	(1,829)	(266,400)	266,400	
Net transfers	<u>\$ 328,233</u>	<u>\$ 5,571</u>	<u>\$ 333,804</u>	<u>\$</u>	<u>\$ 333,804</u>
Total Business-type Activities					
			Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 5,826	\$	\$ 5,826	\$ (1,201)	\$ 4,625
Total assets	<u>\$ 5,826</u>	<u>\$</u>	<u>\$ 5,826</u>	<u>\$ (1,201)</u>	<u>\$ 4,625</u>
Liabilities					
Due to other funds	\$ 1,201	\$	\$ 1,201	\$ (1,201)	\$
Total liabilities	<u>\$ 1,201</u>	<u>\$</u>	<u>\$ 1,201</u>	<u>\$ (1,201)</u>	<u>\$</u>
Transfers					
Operating transfers in	\$ 46,227	\$	\$ 46,227	\$ (46,227)	\$
Operating transfers out	(380,031)		(380,031)	46,227	(333,804)
Net transfers	<u>\$ (333,804)</u>	<u>\$</u>	<u>\$ (333,804)</u>	<u>\$</u>	<u>\$ (333,804)</u>

B. Related Party Transactions

On April 25, 2013, the State transferred custody, control and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority. Ownership and title of the two bridges remains with the State.

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) 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.

During fiscal year 2013, the State transferred land reclaimed from the Interstate 195 relocation project and the Washington Bridge project to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land was reported in the State's financial statements as a capital contribution at the historical cost of \$343 per acre, for a total of \$7,203. Significant improvements to the land are being funded by the state to complete redevelopment of the land for sale. In April 2013, the R.I. Economic Development Corporation (RIEDC) issued conduit debt obligations on behalf of the I-195 RDC totaling \$38,400,000. In connection with this issuance there were financing fees of approximately \$1.494 million, which were paid principally by the State. This payment is reported as a transfer out to the I-195 RDC in the State's financial statements.

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

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, Intermodal Surface Transportation and Temporary Disability Insurance Funds as well as selective portions of certain other 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 97.0 percent of estimated general revenues. The remaining 3.0 percent is contributed to the Budget Reserve Account until such account equals 5.0 percent of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

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

Budgetary Controls

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

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

D. Significant Transactions with Component Units

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

Significant transactions between primary government and component units		
	(Revenue) Expense	Description
Governmental activities		
General		
R.I. Higher Education Assistance Authority	\$ 5,693	Operating assistance
R.I. Economic Development Corporation	15,075	Operating and capital assistance
University of Rhode Island	58,186	Operating assistance
Rhode Island College	38,541	Operating assistance
Community College of Rhode Island	44,517	Operating assistance
Central Falls School District	46,399	Operating assistance
R.I. Public Transit Authority	5,442	Operating assistance
IST		
R.I. Public Transit Authority	40,860	Operating assistance
I-195 Redistricting Commission	(38,400)	Purchase of land
Bond Capital		
Rhode Island College	10,159	Construction, improvement or purchase of assets
R. I. Capital Plan		
University of Rhode Island	11,666	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 238,138</u>	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2013:

- Assessed Fringe Benefits (\$3,163,000)
- Central Utilities (\$250,000)
- State Telecommunications (\$148,000)
- Records Center (\$111,000)
- Capitol Police (\$88,000)

The deficits will be eliminated through charges for services in fiscal year 2014.

F. Restatements – Net Position and Fund Balances

Restatements of June 30, 2012 net position/fund balances (expressed in thousands) are in the table below:

	Governmental Activities	Discretely Presented Component Units	Governmental Funds
Balances previously reported at June 30, 2012			
Net position	\$ 1,418,495	\$ 2,811,840	
Fund balance			\$ 966,946
Restatement due to:			
(1) GASB 61 implementation - changes in financial reporting entity		(975,699)	
(2) Correction of errors	26,545	(17,804)	
(3) Restatement of Net OPEB Obligation	2,137		
(4) Recognition of Tobacco Settlement Revenues (TSRs)	23,524		23,524
(5) Adjustments to Carrying Value of Capital Assets	70,247		
June 30, 2012 net position/fund balance, as restated	<u>\$ 1,540,948</u>	<u>\$ 1,818,337</u>	<u>\$ 990,470</u>

- (1) GASB 61 implementation - changes in financial reporting entity - As discussed in Note 1 in fiscal year 2013 the State implemented GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The following entities are no

longer considered component units as they do not present the potential to provide a financial benefit or impose a financial burden on the State:

- Rhode Island Student Loan Authority
- Narragansett Bay Commission
- Rhode Island Health and Educational Building Corporation
- Rhode Island Clean Water Finance Agency
- The College Crusade of Rhode Island

In addition, the Rhode Island Public Telecommunications Authority is no longer a component unit as its operations have been assumed by the Rhode Island PBS Foundation.

- (2) *Correction of errors* - The State issued certain capital lease obligations for energy conservation projects on behalf of the University of Rhode Island (URI) and the Community College of Rhode Island (CCRI). URI and CCRI are required to repay the State for debt service from the energy cost savings related to the projects. The State did not recognize the asset in its financial statements until fiscal year 2013. The beginning net position of the discretely presented component units was restated by (\$17,804,000). URI did not recognize the liability in its financial statements until fiscal year 2013.
- (3) *Restatement of Net OPEB Obligation* – The beginning net position of the governmental activities was increased by \$2,137,000 due to the elimination of the net OPEB obligation reported for legislators’ OPEB plan at June 30, 2012. The obligation was eliminated after corrections and changes in assumptions by the actuary in a more current valuation showed the plan to be fully funded with no annual required contribution amount.
- (4) *Recognition of Tobacco Settlement Revenues (TSRs)* - The Tobacco Settlement Financing Corporation revised its recognition of amounts due for TSRs based on the shipment of cigarettes instead when cash was received. The TSFC’s beginning net position was restated for this change.
- (5) *Adjustments to Carrying Value of Capital Assets* - During fiscal year 2013, \$70,247,000 was recorded as a prior period adjustment related to capital assets. Approximately \$185,000 was attributable to the cost of software development projects that was not recorded in prior fiscal years. \$1,374,000 was adjusted due to construction in progress projects that, upon completion, fell below the State’s capitalization threshold. The balance of \$71,436,000 represents additions to infrastructure assets for elements of project costs that were not previously recognized.

Note 19. Subsequent Events

Primary Government

In October 2013 the State issued \$53,150,000 of General Obligation Bonds. The bonds mature in 2014 through 2033 and will be used for a variety of purposes including transportation infrastructure projects and affordable housing initiatives.

On December 17, 2013, the ERSRI Board approved actuarial valuations as of June 30, 2013 for the ERS plan. The valuations develop the employer contribution rates for fiscal year 2016. The funded status of the ERS plan as of June 30, 2013 compared to June 30, 2012 valuations is detailed in the table below:

	Funded ratios based on actuarial valuation performed as of:	
	June 30, 2012	June 30, 2013
ERS - state employees	56.3%	56.2%
ERS - teachers	58.8%	58.1%

The actuary made no significant changes in actuarial assumptions for the 2013 valuation.

The General Laws were amended in the 2013 session of the General Assembly to modify the manner in which health insurance is provided to Medicare eligible retirees covered under the System's plan covering state employees. During fiscal 2014, the State will establish a health reimbursement account (HRA) for each Medicare eligible retiree who elects to receive health insurance coverage through the state sponsored program. The System's actuary has modified the actuarially required contributions for fiscal 2014 developed as of the June 30, 2011 valuation to reflect these changes.

Component Units

On July 18, 2013, R. I. Resource Recovery Corporation (RIRRC) received notification from a third-party of its intent to sue for alleged violations of the Clean Air Act ("CAA"). The notification alleges, inter alia, that quantities of landfill gas have been escaping from the Central Landfill for years and also names the owner/operator of the gas collection system as part of the intended suit. Under the CAA citizens can bring suit to enjoin violations of the emissions standards and can seek redress and civil penalties for such violations. On December 16, 2013, the complaint was filed in U.S. District Court. The complaint requests that the Court order the defendants to comply with the Clean Air Act, remedy the alleged violations and pay civil penalties. RIRRC has notified its pollution liability insurance carrier of the potential for the lawsuit; RIRRC, as named additional insured, has also notified the owner/operator of the gas collection system's pollution liability insurance carrier of the potential for a claim.

On August 19, 2013, the R.I. Turnpike and Bridge Authority began collecting tolls on the Sakonnet River Bridge in accordance with the FY2014 Rhode Island State Budget, which includes an article that states the toll will be temporarily set at \$0.10 through April 1, 2014. The status of tolling on the Sakonnet River Bridge will be finalized in fiscal year 2014 by the General Assembly.

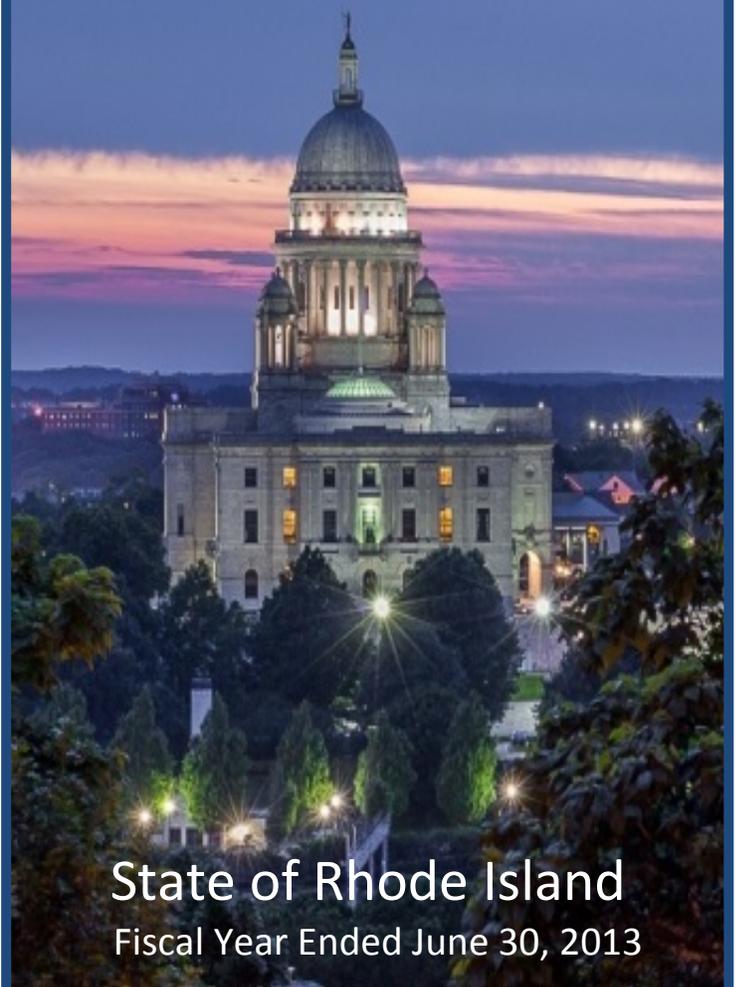
On October 1, 2013, the R.I. Housing and Mortgage Finance Corporation redeemed or refunded the following bonds: Homeownership Opportunity Bonds in the amount of \$42,560,000 and Home Funding Bonds in the amount of \$5,660,000.

Subsequent to June 30, 2013 legislation was enacted that increased the percentage of net terminal income payable to Newport Grand LLC under the Newport Grand Master Contract. The commission payable to Newport Grand was increased by 2.25% for the period July 1, 2013 through June 30, 2015.

On November 19, 2013, the R.I. Economic Development Corporation (RIEDC) issued bonds in the amount of \$32,755,000 with maturity dates of July 1, 2014 through July 1, 2028 with various interest rates. These consist of Airport Revenue Refunding Bonds, 2013 Series B (Non-AMT) in the amount of \$30,700,000, and Airport Revenue Refunding Bonds, 2013 Series C (AMT) in the amount of \$2,055,000.

Also on November 19, 2013, the RIEDC refunded the following bonds: Airport Revenue Bonds, 1998 Series B in the amount of \$32,060,000 and Airport Revenue Bonds, 2003 Series A in the amount of \$6,020,000.

Required Supplementary Information



State of Rhode Island
Fiscal Year Ended June 30, 2013

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, 2013
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,080,857	\$ 1,075,300	\$ 1,085,765	\$ 10,465
General Business Taxes:				
Business Corporations	133,251	137,000	131,828	(5,172)
Public Utilities Gross Earnings	100,100	98,300	99,641	1,341
Financial Institutions	1,700	12,800	12,595	(205)
Insurance Companies	89,825	93,600	92,745	(855)
Bank Deposits	2,100	2,500	2,877	377
Health Care Provider Assessment	42,207	41,400	41,569	169
Sales and Use Taxes:				
Sales and Use	886,720	872,500	878,866	6,366
Motor Vehicle	47,759	51,100	49,431	(1,669)
Motor Fuel	1,100	800	438	(362)
Cigarettes	138,054	131,800	132,516	716
Alcohol	12,200	12,000	12,176	176
Other Taxes:				
Inheritance and Gift	35,149	30,200	28,489	(1,711)
Racing and Athletics	1,200	1,200	1,171	(29)
Realty Transfer Tax	5,900	7,100	7,399	299
Total Taxes (1)	<u>2,578,122</u>	<u>2,567,600</u>	<u>2,577,506</u>	<u>9,906</u>
Departmental Revenue	<u>342,874</u>	<u>363,400</u>	<u>356,832</u>	<u>(6,568)</u>
Total Taxes and Departmental Revenue	<u>2,920,996</u>	<u>2,931,000</u>	<u>2,934,338</u>	<u>3,338</u>
Other Sources:				
Other Miscellaneous	4,440	5,665	4,166	(1,499)
Lottery	387,553	380,160	379,225	(935)
Unclaimed Property	7,900	7,000	6,269	(731)
Total Other Sources	<u>399,893</u>	<u>392,825</u>	<u>389,660</u>	<u>(3,165)</u>
Total General Revenues	<u>3,320,889</u>	<u>3,323,825</u>	<u>3,323,998</u>	<u>173</u>
Federal Revenues	2,228,396	2,280,602	2,129,847	(150,755)
Restricted Revenues	230,810	267,604	220,983	(46,621)
Other Revenues	67,431	70,531	62,372	(8,159)
Total Revenues (2)	<u>5,847,526</u>	<u>5,942,562</u>	<u>5,737,200</u>	<u>(205,362)</u>
Expenditures (4):				
General government	685,522	748,219	667,461	80,758
Human services	3,172,288	3,106,870	3,042,755	64,115
Education	1,387,751	1,390,392	1,360,183	30,209
Public safety	484,846	509,058	463,758	45,300
Natural resources	92,067	98,009	70,145	27,864
Total Expenditures (2)	<u>5,822,474</u>	<u>5,852,548</u>	<u>5,604,302</u>	<u>\$ 248,246</u>
Transfer to Vehicle Replacement Revolving Fund			7,350	
Transfer of Excess Budget Reserve to RI Capital Fund			84,624	
Transfer of Excess Revenue to Employees' Retirement System			12,944	
Total Expenditures and Transfers	<u>\$ 5,822,474</u>	<u>\$ 5,852,548</u>	<u>5,709,220</u>	
Change in Fund Balance			27,980	
Fund balance - beginning			373,154	
Fund balance - ending			<u>\$ 401,134</u>	

(continued)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures by Source:				
General Revenues	\$ 3,295,836	\$ 3,233,811	\$ 3,216,046	\$ 17,765
Federal Funds	2,228,395	2,280,602	2,132,188	148,414
Restricted Receipts	230,812	267,604	196,799	70,805
Other Funds	67,431	70,531	59,269	11,262
	<u>\$ 5,822,474</u>	<u>\$ 5,852,548</u>	<u>\$ 5,604,302</u>	<u>\$ 248,246</u>

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

Budgeted Surplus:

Total Revenue - Final Budget	\$ 5,942,562
Total Expenditures - Final Budget	<u>5,852,548</u>
Final Budget - Projected Surplus (3)	\$ 90,014

Final Budget and Actual - Results

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (205,362)
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>248,246</u>
Surplus resulting from operations compared to final budget	<u>\$ 42,884</u>
Total General Fund Surplus - Fiscal Year Ended June 30, 2013	\$ 132,898
Transfer to Vehicle Replacement Revolving Fund	(7,350)
Transfer of Excess Revenue to Employees' Retirement System	(12,944)
Transfer of Excess Budget Reserve to RICAP Fund	<u>(84,624)</u>
Net Change in General Fund - Fund Balance	\$ 27,980
Fund Balance, Beginning	<u>373,154</u>
Fund Balance, Ending	<u>\$ 401,134</u>

Notes:

(1) Transfers from the Historic 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 97.0% of estimated general revenue for the fiscal year ending June 30, 2013.

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

General government	\$ 163,365
Education	30,054
Public safety	24
	<u>\$ 193,443</u>

(continued)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

	Fund Balance Reported in the Financial Statements	Budgetary Perspective	
		Fund Balance Not Available for Appropriation in Fiscal 2014	Fund Balance Available for Appropriation in Fiscal 2014
Restricted	\$ 282,137	\$ 282,137	\$
Committed	4,035	4,035	
Assigned	105,639	10,842 (a)	94,797 (b)
Unassigned	9,323		9,323 (c)
Total Fund Balance	\$ 401,134	\$ 297,014	\$ 104,120

(a) Assigned fund balance not available for appropriation in fiscal 2014 includes (1) centralized cost allocation surplus that requires offset through fiscal 2014 centralized charges and (2) general revenue appropriations carried forward by the Governor, Judiciary, and Legislature.

(b) Assigned fund balance available for appropriation in fiscal 2014 includes fiscal 2013 ending surplus amounts of \$93.4 million appropriated as resources in the 2014 enacted budget, and fund balance amounts encumbered at June 30, 2013.

(c) Remaining fund balance available for appropriation.

(concluded)

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Expressed in Thousands)
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 137,286	\$ 135,038	\$ 134,465	\$ (573)
Departmental restricted revenue	999	1,010	1,044	34
Federal grants	362,341	316,970	272,597	(44,373)
Other revenues	110	175	174	(1)
Total revenues	<u>500,736</u>	<u>453,193</u>	<u>408,280</u>	<u>(44,913)</u>
Revenues and other Financing Sources (unbudgeted):				
Miscellaneous revenue			5,476	
Transfer from I-195 Redevelopment Commission			38,400	
Total revenues			<u>452,156</u>	
Other Financing Sources:				
Transfers from RI Capital Plan and Bond Capital Funds (State FHWA Match)			56,513	
Other transfers			1,000	
Total Other Financing Sources			<u>57,513</u>	
Total Revenues and Other Financing Sources			<u>509,669</u>	
Expenditures (budgeted):				
Central Management				
Federal Funds	10,515	12,008	5,305	6,703
Gasoline Tax	1,353	1,501	1,605	(104)
Total - Central Management	<u>11,868</u>	<u>13,509</u>	<u>6,910</u>	<u>6,599</u>
Management and Budget				
Gasoline Tax	1,938	1,439	1,662	(223)
Total - Management and Budget	<u>1,938</u>	<u>1,439</u>	<u>1,662</u>	<u>(223)</u>
Infrastructure-Engineering-GARVEE/				
Motor Fuel Tax Bonds				
Federal Funds	342,945	297,440	263,891	33,549
Federal Funds-Stimulus	8,881	7,522	3,311	4,211
Restricted Receipts	999	1,010	973	37
Gasoline Tax	54,201	52,725	53,655	(930)
Motor Fuel Tax Residuals	4,076	2,659	2,659	2,659
Land Sale Revenue	22,354	24,224	5,039	19,185
Total - Infrastructure - Engineering	<u>433,456</u>	<u>385,580</u>	<u>326,869</u>	<u>58,711</u>
Infrastructure - Maintenance				
Gasoline Tax	39,567	40,354	38,340	2,014
Non-Land Surplus Property	10	50	50	50
Outdoor Advertising	100	125	125	125
Total - Infrastructure - Maintenance	<u>39,677</u>	<u>40,529</u>	<u>38,340</u>	<u>2,189</u>
Total Expenditures (budgeted)	<u>\$ 486,939</u>	<u>\$ 441,057</u>	<u>\$ 373,781</u>	<u>\$ 67,276</u>
Expenditures and Financing Uses (unbudgeted):				
Infrastructure Expenditures - State Match funded by RI Capital Plan and Bond Capital Funds			56,513	
Infrastructure Expenditures - GARVEE			5,527	
Transfers to General Fund - Gas Tax			40,817	
Total Expenditures and Financing Uses (unbudgeted)			<u>102,857</u>	
Total Expenditures and Other Financing Uses			<u>476,638</u>	
Net change in fund balance			<u>33,031</u>	
Fund balance, beginning			<u>108,679</u>	
Fund balance, ending			<u>\$ 141,710</u>	

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
Pension Trusts
June 30, 2013
(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)
06/30/2012	\$ 6,167,491	\$ 10,670,343	\$ 4,502,851	57.8%	\$ 1,641,383	274.3%
06/30/2011	6,220,099	10,581,304	4,361,206	58.8%	1,635,802	266.6%
06/30/2010 *	6,405,209	10,499,318	4,094,109	61.0%	1,619,484	252.8%

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)
06/30/2012	\$ 84,294	\$ 94,032	\$ 9,738	89.6%	\$ 23,670	41.1%
06/30/2011	73,152	74,186	1,034	98.6%	19,712	5.2%
06/30/2010 *	65,760	73,049	7,288	90.0%	19,715	37.0%

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)
06/30/2012	\$ 43,429	\$ 52,085	\$ 8,657	83.4%	\$ 8,823	98.1%
06/30/2011	40,106	46,594	6,488	86.1%	8,475	76.6%
06/30/2010 *	38,074	46,642	8,567	81.6%	7,461	114.8%

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

Rhode Island Judicial Retirement Fund 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)
06/30/2012 **	\$ -	\$ 16,387	\$ 16,387	0.0%	\$ 1,231	1331.6%

** Plan was effective July 1, 2012.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
Other Postemployment Benefits
June 30, 2013
(Expressed in Thousands)

State Employees Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2011	\$ 11,545	\$ 728,207	\$ 716,662	1.6%	\$ 600,273	119.4%
06/30/2009	0	673,640	673,640	0.0%	574,569	117.2%
06/30/2007	0	679,538	679,538	0.0%	626,145	108.5%

Teachers Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2011	\$ 2,040	\$ 11,512	\$ 9,472	17.7%	NA	NA
06/30/2009	0	13,529	13,529	0.0%	NA	NA
06/30/2007	0	10,243	10,243	0.0%	NA	NA

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2011	\$ 841	\$ 2,610	\$ 1,769	32.2%	\$ 10,813	16.4%
06/30/2009	0	8,665	8,665	0.0%	9,395	92.2%
06/30/2007	0	14,024	14,024	0.0%	9,888	141.8%

State Police Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2011	\$ 1,488	\$ 81,759	\$ 80,271	1.8%	\$ 17,384	461.8%
06/30/2009	0	67,079	67,079	0.0%	16,725	401.1%
06/30/2007	0	54,620	54,620	0.0%	15,977	341.9%

Legislators Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2011	\$ 1,442	\$ 1,443	\$ 1	99.9%	\$ 1,615	0.1%
06/30/2009	0	11,752	11,752	0.0%	1,612	729.0%
06/30/2007	0	29,764	29,764	0.0%	1,592	1869.6%

Board of Education Health Care Insurance Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2011	\$ 3,189	\$ 53,751	\$ 50,562	5.9%	\$ 125,340	40.3%
06/30/2009	0	58,476	58,476	0.0%	106,665	54.8%
06/30/2007	0	57,881	57,881	0.0%	110,092	52.6%

See Notes to Required Supplementary Information.

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 budget to actual comparison for the General Fund on pages 122 through 124 is summarized and does not present budget and actual amounts detailed at the legal level of budgetary control. 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. A separate schedule presenting such amounts at the detailed legal level of budgetary control is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>.

The comprehensive annual budget includes transportation function expenditures, the majority of which are reflected in the IST Fund for financial reporting purposes. The IST Fund major fund financial statements include transportation related activity of the various transportation funding sources including gas tax revenues, federal funds, GARVEE and Motor Fuel Bonds, and the proceeds of bonds issued by the I-195 Redevelopment District which were transferred to the IST fund to be utilized for infrastructure projects. The budget to actual comparison schedule for the IST fund on page 125 is presented at the legal level of budgetary control consistent with the legally adopted budget. Not all the activity reported within the IST fund financial statements is budgeted. Unbudgeted activity has been separately identified in the budget to actual comparison schedule to facilitate reconciliation to the IST 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.

Schedules of Funding Progress - Pensions

1. Actuarial Assumptions and Methods

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2012 follows (Also, see Note 19 – Subsequent Events):

Summary of Actuarial Assumptions Used in the June 30, 2012 Valuations					
	ERS		SPRBT	JRBT	RIJRFT
	State Employees	Teachers			
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.				
Amortization Method	Level Percent of Payroll – Closed				Level Dollar
Equivalent Single Remaining Amortization Period	23 years				16 years
Asset Valuation Method	5 Year Smoothed Market				
Actuarial Assumptions					
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%	4.00%
Projected Salary Increases	4.00% to 7.00%	4.00% to 12.75%	4.00% to 12.00%	4.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Cost of Living Adjustments: COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police, for which, the COLA is delayed until the later of age 55 or 3 years after retirement. A COLA of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 15 years.					

2. Schedules of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Employees' Retirement System, Judicial Retirement Benefits Trust, and the State Police Retirement Benefits Trust are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets. In addition, a minor modification to the retirement rate assumption was also made for the plans.

The assumptions used in the Rhode Island Judicial Retirement Fund Trust are consistent with those listed in the Judicial Retirement Benefits Trust; however, the investment return assumption used within this valuation is 4.00%. This rate was selected because the plan is not currently advance funded. Consistent with generally accepted accounting principles, a plan that is not prefunded should use a lower investment assumption than a prefunded plan. The investment return assumption should reflect the expected return on assets that will be used to pay benefits. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization with a 16-year amortization period.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

For future cost of living benefit adjustments, the benefit adjustments are assumed to be suspended for approximately 16 years, except for the intermittent adjustment every fifth year.

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

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

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

The Individual Entry Age Cost Method is used in the June 30, 2010 actuarial valuations. Prior valuations utilized the Ultimate Normal Cost methodology where normal cost was determined based on the benefits applicable to new hires under the replacement benefit structure resulting from prior pension reform measures. The annual investment rate of return was lowered from 8.25% to 7.5%.

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

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

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

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

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

Schedules of Funding Progress - Other Postemployment Benefits

1. Actuarial Assumptions and Methods

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2011, follows (Also, see Note 19 – Subsequent Events):

Summary of Actuarial Methods and Assumptions as of June 30, 2011 Valuations

	<u>Plan</u>					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Education
Valuation Date	June 30, 2011					
Plan Type	Cost sharing multiple employer	Single Employer (1)	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll – Closed	Level Dollar	Level Dollar	Level Percent of Payroll – Closed	Level Dollar	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years	4 years	25 years	25 years	25 years	25 years
Asset Valuation Method	4 Year Smoothed Market					
Actuarial Assumptions						
Investment Rate of Return	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Projected Salary Increases	4.00% To 7.00%	N/A	4.00%	4.00% To 12.00%	4.25% To 8.50%	4.00% To 7.00%
Valuation Health Care Cost Trend Rate	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021	9% in 2012, grading to 4.0% in 2021

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

2. Schedules of Funding Progress

Changes affecting the June 30, 2011 Actuarial Valuation:

A number of changes in actuarial assumptions were made between the June 30, 2009 and June 30, 2011 valuations. These changes include reflecting new assumptions adopted by the Employees Retirement System of Rhode Island (ERSRI) and the State Police Retirement Benefits Trust of Rhode Island (SPRBT), changes to the OPEB specific assumptions as well as the provisions of the Retirement Security Act, which was enacted on November 18, 2011 and included comprehensive pension reform measures. The June 30, 2011 valuation also reflects the potential excise tax under the Patient Protection and Affordable Care Act.

Changes from the ERSRI and SPRBT experience studies include changes to the retirement and disability rates and salary expectations. In addition, new mortality assumptions were adopted for all plans which provide for future mortality improvement by using generational mortality.

The significant decrease in the unfunded actuarial accrued liability for the Judicial and Legislator plans is primarily due to retirement eligibility changes resulting from enactment of the Retirement Security Act and an increase in the Medicare election rate.

Changes to the OPEB specific assumptions include a change in the medical trend assumption from 9% decreasing to 4.5% in 8 years to 9% decreasing to 4.0% in 10 years, a change in the Medicare election rate for Legislators from 75% electing Medicare to 100% electing Medicare and the addition of the assumption that current retired Teachers over age 65 in the Early Retiree Plan are assumed to not be eligible for Medicare.

The June 30, 2011 actuarial valuation employs a four-year smoothed market methodology for the determination of the actuarial value of assets. In addition, the Judicial and Legislator plans changed from a level percent of payroll amortization method to the level dollar method.

The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2018. The excise tax is 40% of costs above a threshold. The actuarial assumptions used in the most recent valuation assume that the plans will be subject to the excise tax as early as 2018.

The General Laws were amended in the 2013 session of the General Assembly to modify the manner in which health insurance is provided to Medicare eligible retirees covered under the System's plan covering state employees. During fiscal year 2014, the State will establish a health reimbursement account (HRA) for each Medicare eligible retiree who elects to receive health insurance coverage through the state sponsored program. The System's actuary has updated the June 30, 2011 actuarial valuation to reflect the effect on the Actuarial Accrued Liability resulting from this change and the updated amounts are reflected in the table above.

Changes affecting the June 30, 2009 Actuarial Valuation:

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

The following changes in actuarial assumptions were made between the June 30, 2007 and June 30, 2009 valuations. These changes include an increase in the investment return assumption from 3.566% to 5.00%, a change in the medical trend assumption from 10% decreasing to 4.5% in 7 years to 9% decreasing to 4.5% in 9 years except for the Board of Education Plan. For the Board of Education Plan, the medical trend assumption changed from 9% decreasing to 4.5% in ten years to 9% decreasing to 4% in ten years. In addition, the wage inflation assumption was changed to 0% for two years before reverting to 4.5% to reflect the current economic environment.

Combining Financial Statements



State of Rhode Island
Fiscal Year Ended June 30, 2013

Nonmajor Governmental Funds

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

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

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

Historic Tax Credit - accounts for application fees relating to historic tax credit eligible projects, proceeds from the issuance of Revenue Bonds under the Historic Structures Tax Credit Financing Program as well as related expenditures and transfers.

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

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

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

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

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

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

Debt Service Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated or when financial resources are being accumulated for principal and interest maturing in future years.

Tobacco Settlement Financing Corporation (TFSC) - created to securitize the tobacco settlement revenues from the State, and reflected as a blended component unit.

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, 2013
(Expressed in Thousands)

	Special Revenue				
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corporation	Total Special Revenue Funds
Assets					
Cash and cash equivalents	\$ 682	\$ 111,000	\$ 171	\$ 44	\$ 111,897
Funds on deposit with fiscal agent			11,114		11,114
Restricted investments					
Receivables (net)		43,811		24	43,835
Due from other funds					
Loans to other funds					
Total assets	<u>682</u>	<u>\$ 154,811</u>	<u>\$ 11,285</u>	<u>\$ 68</u>	<u>\$ 166,846</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable		202			202
Due to other funds		605			605
Due to component units					
Loans from other funds					
Other liabilities					
Total liabilities		<u>807</u>			<u>807</u>
Fund balances					
Nonspendable					
Restricted	682	154,004	11,285		165,971
Unrestricted					
Committed				68	68
Total fund balances	<u>682</u>	<u>154,004</u>	<u>11,285</u>	<u>68</u>	<u>166,039</u>
Total Liabilities and fund balances	<u>\$ 682</u>	<u>\$ 154,811</u>	<u>\$ 11,285</u>	<u>\$ 68</u>	<u>\$ 166,846</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Expressed in Thousands)

	<u>Capital Project</u>				<u>Total Capital Project Funds</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Bond Capital</u>	<u>R.I. Capital Plan</u>	<u>R.I. Clean Water Act Environmental Trust</u>	<u>Certificates of Participation</u>		<u>Tobacco Settlement Financing Corporation</u>	<u>Permanent School</u>	
Assets								
Cash and cash equivalents	\$ 112,861	\$ 78,841	\$ 5,304	\$	\$ 197,006	\$ 1,592	\$ 2,139	\$ 312,634
Funds on deposit with fiscal agent				33,824	33,824			44,938
Restricted investments						69,319		69,319
Receivables (net)						23,202		67,037
Due from other funds				291	291			291
Loans to other funds		83,829		717	84,546			84,546
Total assets	\$ 112,861	\$ 162,670	\$ 5,304	\$ 34,832	\$ 315,667	\$ 94,113	\$ 2,139	\$ 578,765
Liabilities and Fund Balances								
Liabilities								
Accounts payable	1,955	12,835		14,396	29,186		100	29,488
Due to other funds	41	15,068			15,109			15,714
Due to component units	670	7,992			8,662			8,662
Loans from other funds	9,600			8	9,608			9,608
Other liabilities	67	259			326			326
Total liabilities	12,333	36,154		14,404	62,891		100	63,798
Fund balances								
Nonspendable							174	174
Restricted	100,528	126,516	5,304	20,428	252,776	94,113	1,865	514,725
Unrestricted								
Committed								68
Total fund balances	100,528	126,516	5,304	20,428	252,776	94,113	2,039	514,967
Total Liabilities and fund balances	\$ 112,861	\$ 162,670	\$ 5,304	\$ 34,832	\$ 315,667	\$ 94,113	\$ 2,139	\$ 578,765

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Special Revenue				
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit	R.I. Public Rail Corporation	Total Special Revenue Funds
Revenues:					
Taxes	\$	\$ 165,525	\$	\$	\$ 165,525
Licenses, fines, sales, and services	358		(3,213)	32	(2,823)
Income from investments		201	3		204
Other revenues					
Total revenues	<u>358</u>	<u>165,726</u>	<u>(3,210)</u>	<u>32</u>	<u>162,906</u>
Expenditures:					
Current:					
General government		163,649			163,649
Education					
Natural resources	57				57
Transportation				1,804	1,804
Capital outlays					
Principal					
Interest and other charges					
Total expenditures	<u>57</u>	<u>163,649</u>	<u></u>	<u>1,804</u>	<u>165,510</u>
Excess (deficiency) of revenues over (under) expenditures	301	2,077	(3,210)	(1,772)	(2,604)
Other financing sources (uses)					
Bonds and notes issued					
Proceeds from refundings					
Proceeds from the sale of Certificates of Participation					
Premium					
Transfers in				1,788	1,788
Payment to refunded bonds escrow agent					
Transfers out		(1,769)	(8,995)		(10,764)
Total other financing sources (uses)		<u>(1,769)</u>	<u>(8,995)</u>	<u>1,788</u>	<u>(8,976)</u>
Net change in fund balances	301	308	(12,205)	16	(11,580)
Fund balances - beginning as restated	<u>381</u>	<u>153,696</u>	<u>23,490</u>	<u>52</u>	<u>177,619</u>
Fund balances - ending	<u>\$ 682</u>	<u>\$ 154,004</u>	<u>\$ 11,285</u>	<u>\$ 68</u>	<u>\$ 166,039</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Capital Projects				Total Capital Project Funds	Debt Service	Permanent	Total Nonmajor Governmental Funds
	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	Certificates of Participation		Tobacco Settlement Financing Corporation	Permanent School	
Revenues:								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$ 165,525
Licenses, fines, sales, and services							282	(2,541)
Income from investments	165	218	7	1	391	3,376	2	3,973
Other revenues						46,370		46,370
Total revenues	165	218	7	1	391	49,746	284	213,327
Expenditures:								
Current:								
General government						33		163,682
Education							260	260
Natural resources								57
Transportation								1,804
Capital outlays	37,826	59,904	49	32,636	130,415			130,415
Principal				1,500	1,500	14,265		15,765
Interest and other charges	590			1,199	1,789	36,085		37,874
Total expenditures	38,416	59,904	49	35,335	133,704	50,383	260	349,857
Excess (deficiency) of revenues over (under) expenditures	(38,251)	(59,686)	(42)	(35,334)	(133,313)	(637)	24	(136,530)
Other financing sources (uses)								
Bonds and notes issued	81,400				81,400			81,400
Proceeds from refundings				88,175	88,175			88,175
Proceeds from the sale of Certificates of Participation				26,690	26,690			26,690
Premium	10,410			17,097	27,507			27,507
Transfers in		94,617		1,874	96,491			98,279
Payment to refunded bonds escrow agent				(101,172)	(101,172)			(101,172)
Transfers out	(33,293)	(33,962)			(67,255)			(78,019)
Total other financing sources (uses)	58,517	60,655		32,664	151,836			142,860
Net change in fund balances	20,266	969	(42)	(2,670)	18,523	(637)	24	6,330
Fund balances - beginning as restated	80,262	125,547	5,346	23,098	234,253	94,750	2,015	508,637
Fund balances - ending	\$ 100,528	\$ 126,516	\$ 5,304	\$ 20,428	\$ 252,776	\$ 94,113	\$ 2,039	\$ 514,967

(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, 2013
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 165,525	\$ 165,525	\$ 165,525	\$
Other Revenues	201	201	201	
Total Revenues	<u>165,726</u>	<u>165,726</u>	<u>165,726</u>	
Expenditures:				
Department of Labor and Training Income Support	181,948	171,688	165,247	6,441
Treasury Department	252	217	171	46
Total Expenditures	<u>182,200</u>	<u>171,905</u>	<u>165,418</u>	<u>6,487</u>
Net change in fund balance			308	
* Fund balance - beginning			153,696	
Fund balance - ending			<u>\$ 154,004</u>	

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

Internal Service Funds

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

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

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

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

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

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.

Vehicle Replacement Revolving Loan – this fund was created with an appropriation from the General Fund, to facilitate the purchase of new State vehicles.

Capitol Police – provides security for certain State buildings.

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Internal Service Funds
June 30, 2013
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Tele- communications	Automotive Maintenance	Central Warehouse	Correctional Industries
Assets:							
Current assets:							
Cash and cash equivalents	\$ 453	\$ 1,295	\$	\$	\$ 820	\$ 1,992	\$ 342
Receivables (net)	1,235	933	362	119	384	41	1,405
Due from other funds		343	5	22		183	144
Inventories			178		430	502	582
Other assets							
Total current assets	<u>1,688</u>	<u>2,571</u>	<u>545</u>	<u>141</u>	<u>1,634</u>	<u>2,718</u>	<u>2,473</u>
Noncurrent assets:							
Capital assets (net)					74	2,122	121
Total noncurrent assets					<u>74</u>	<u>2,122</u>	<u>121</u>
Total assets	<u>1,688</u>	<u>2,571</u>	<u>545</u>	<u>141</u>	<u>1,708</u>	<u>4,840</u>	<u>2,594</u>
Liabilities:							
Current liabilities:							
Accounts payable	6	934	59	31	359	316	471
Due to other funds	198				96		
Loans from other funds	3,050	1,880	304	143	200		
Other liabilities	1,597	7	156	115	80	118	248
Total current liabilities	<u>4,851</u>	<u>2,821</u>	<u>519</u>	<u>289</u>	<u>735</u>	<u>434</u>	<u>719</u>
Net Position (Deficit):							
Net investment in capital assets					74	2,122	121
Unrestricted	(3,163)	(250)	26	(148)	899	2,284	1,754
Total net position (deficit)	<u>\$ (3,163)</u>	<u>\$ (250)</u>	<u>\$ 26</u>	<u>\$ (148)</u>	<u>\$ 973</u>	<u>\$ 4,406</u>	<u>\$ 1,875</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Internal Service Funds
June 30, 2013
(Expressed in Thousands)

	Surplus Property	Records Center	Health Insurance Active	Vehicle Replacement Revolving Loan	Capitol Police	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$ 71	\$ 197	\$ 25,622	\$ 7,945	\$	\$ 38,737
Receivables (net)		89		1,920		6,488
Due from other funds				675	65	1,437
Inventories						1,692
Other assets			6,610			6,610
Total current assets	<u>71</u>	<u>286</u>	<u>32,232</u>	<u>10,540</u>	<u>65</u>	<u>54,964</u>
Noncurrent assets:						
Capital assets (net)						2,317
Total noncurrent assets						<u>2,317</u>
Total assets	<u>71</u>	<u>286</u>	<u>32,232</u>	<u>10,540</u>	<u>65</u>	<u>57,281</u>
Liabilities:						
Current liabilities:						
Accounts payable		29	15,436		1	17,642
Due to other funds		7				301
Loans from other funds		300			84	5,961
Other liabilities		61			68	2,450
Total current liabilities		<u>397</u>	<u>15,436</u>		<u>153</u>	<u>26,354</u>
Net Position (Deficit):						
Net investment in capital assets						2,317
Unrestricted	71	(111)	16,796	10,540	(88)	28,610
Total net position (deficit)	<u>\$ 71</u>	<u>\$ (111)</u>	<u>\$ 16,796</u>	<u>\$ 10,540</u>	<u>\$ (88)</u>	<u>\$ 30,927</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Central Mail</u>	<u>State Tele- communications</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>
Operating revenues:							
Charges for services	\$ 32,911	\$ 12,215	\$ 5,002	\$ 2,582	\$ 12,046	\$ 5,454	\$ 5,055
Total operating revenues	<u>32,911</u>	<u>12,215</u>	<u>5,002</u>	<u>2,582</u>	<u>12,046</u>	<u>5,454</u>	<u>5,055</u>
Operating expenses:							
Personal services	5,997		835	736	667	868	1,548
Supplies, materials, and services	26,589	12,215	4,351	1,806	11,342	4,641	3,225
Depreciation			52		50	94	38
Total operating expenses	<u>32,586</u>	<u>12,215</u>	<u>5,238</u>	<u>2,542</u>	<u>12,059</u>	<u>5,603</u>	<u>4,811</u>
Operating income (loss)	<u>325</u>		<u>(236)</u>	<u>40</u>	<u>(13)</u>	<u>(149)</u>	<u>244</u>
Nonoperating revenues (expenses):							
Interest revenue							
Other nonoperating revenues and (expenses)	14						
Income (loss) before transfers	<u>339</u>		<u>(236)</u>	<u>40</u>	<u>(13)</u>	<u>(149)</u>	<u>244</u>
Operating transfers in			50				
Transfers (out)	<u>(1,829)</u>						
Change in net position	<u>(1,490)</u>		<u>(186)</u>	<u>40</u>	<u>(13)</u>	<u>(149)</u>	<u>244</u>
Net position (deficit) - beginning	<u>(1,673)</u>	<u>(250)</u>	<u>212</u>	<u>(188)</u>	<u>986</u>	<u>4,555</u>	<u>1,631</u>
Net position (deficit) - ending	<u><u>\$ (3,163)</u></u>	<u><u>\$ (250)</u></u>	<u><u>\$ 26</u></u>	<u><u>\$ (148)</u></u>	<u><u>\$ 973</u></u>	<u><u>\$ 4,406</u></u>	<u><u>\$ 1,875</u></u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance Active</u>	<u>Vehicle Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
Operating revenues:						
Charges for services	\$	\$ 859	\$ 207,556	\$ 14	\$ 753	\$ 284,447
Total operating revenues		859	207,556	14	753	284,447
Operating expenses:						
Personal services		463			869	11,983
Supplies, materials, and services	3	391	204,161			268,724
Depreciation						234
Total operating expenses	3	854	204,161		869	280,941
Operating income (loss)	(3)	5	3,395	14	(116)	3,506
Nonoperating revenues (expenses):						
Interest revenue			38	14		52
Other nonoperating revenues and (expenses)						14
Income (loss) before transfers	(3)	5	3,433	28	(116)	3,572
Operating transfers in				7,350		7,400
Transfers (out)						(1,829)
Change in net position	(3)	5	3,433	7,378	(116)	9,143
Net position (deficit) - beginning	74	(116)	13,363	3,162	28	21,784
Net position (deficit) - ending	\$ 71	\$ (111)	\$ 16,796	\$ 10,540	\$ (88)	\$ 30,927

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Tele- communications	Automotive Maintenance	Central Warehouse	Correctional Industries
Cash flows from operating activities:							
Cash received from customers	\$ 31,431	\$ 11,088	\$ 5,157	\$ 1,353	\$ 11,984	\$ 5,310	\$ 4,751
Cash payments to suppliers for goods and services	(26,834)	(11,282)	(4,167)	(1,815)	(11,349)	(4,870)	(3,430)
Cash payments to employees	(7,106)	5	(813)	(703)	(638)	(827)	(1,501)
Other operating revenue (expense)	14						
Net cash provided by (used for) operating activities	(2,495)	(189)	177	(1,165)	(3)	(387)	(180)
Cash flows from noncapital financing activities:							
Loans from other funds	3,050	831	304	143			
Loans to other funds							
Repayment of loans to other funds							
Repayment of loans from other funds		(630)	(481)				
Operating transfers in			50				
Operating transfers out	(1,829)						
Net cash provided by (used for) noncapital financing activities	1,221	201	(127)	143			
Cash flows from capital and related financing activities:							
Acquisition of capital assets			(50)			(25)	(7)
Net cash provided by (used for) capital and related financing activities			(50)			(25)	(7)
Cash flows from investing activities:							
Interest on investments							
Net cash provided by (used for) investing activities							
Net increase (decrease) in cash and cash equivalents	(1,274)	12		(1,022)	(3)	(412)	(187)
Cash and cash equivalents - July 1	1,727	1,283		1,022	823	2,404	529
Cash and cash equivalents - June 30	\$ 453	\$ 1,295	\$	\$	\$ 820	\$ 1,992	\$ 342

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Tele- communications	Automotive Maintenance	Central Warehouse	Correctional Industries
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 325	\$	\$ (236)	\$ 40	\$ (13)	\$ (149)	\$ 244
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	\$	\$	\$ 52	\$	\$ 50	\$ 94	\$ 38
Other revenue (expense) and operating transfer in (out)	14						
(Increase) decrease in assets:							
Receivables	(1,234)	(1,123)	155	(12)	11	(145)	(303)
Inventory			148		(20)	(70)	(40)
Prepaid items							
Increase (decrease) in liabilities:							
Accounts payable	(491)	929	36	(1,225)	(60)	(158)	(166)
Accrued expenses	(1,109)	5	22	32	29	41	47
Total adjustments	(2,820)	(189)	413	(1,205)	10	(238)	(424)
Net cash provided by (used for) operating activities	<u>\$ (2,495)</u>	<u>\$ (189)</u>	<u>177</u>	<u>\$ (1,165)</u>	<u>\$ (3)</u>	<u>\$ (387)</u>	<u>\$ (180)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Surplus Property	Records Center	Health Insurance Active	Vehicle Replacement Revolving Loan	Capitol Police	Total
Cash flows from operating activities:						
Cash received from customers	\$	\$ 835	\$ 207,556	\$ (662)	\$ 717	\$ 279,520
Cash payments to suppliers for goods and services	(3)	(386)	(203,291)			(267,427)
Cash payments to employees		(446)			(841)	(12,870)
Other operating revenue (expense)						14
Net cash provided by (used for) operating activities	(3)	3	4,265	(662)	(124)	(763)
Cash flows from noncapital financing activities:						
Loans from other funds					84	4,412
Loans to other funds				(868)		(868)
Repayment of loans to other funds				849		849
Repayment of loans from other funds						(1,111)
Operating transfers in				7,350		7,400
Operating transfers out						(1,829)
Net cash provided by (used for) noncapital financing activities				7,331	84	8,853
Cash flows from capital and related financing activities:						
Acquisition of capital assets						(82)
Net cash provided by (used for) capital and related financing activities						(82)
Cash flows from investing activities:						
Interest on investments			38	14		52
Net cash provided by (used for) investing activities			38	14		52
Net increase (decrease) in cash and cash equivalents	(3)	3	4,303	6,683	(40)	8,060
Cash and cash equivalents - July 1	74	194	21,319	1,262	40	30,677
Cash and cash equivalents - June 30	\$ 71	\$ 197	\$ 25,622	\$ 7,945	\$	\$ 38,737

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance Active</u>	<u>Vehicle Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (3)	\$ 5	\$ 3,395	\$ 14	\$ (116)	\$ 3,506
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	\$	\$	\$	\$	\$	\$ 234
Other revenue (expense) and operating transfer in (out)						14
(Increase) decrease in assets:						
Receivables		(16)	(300)	(676)	(38)	(3,681)
Inventory						18
Prepaid items			(486)			(486)
Increase (decrease) in liabilities:						
Accounts payable		(3)	1,656		1	519
Accrued expenses		17			29	(887)
Total adjustments		(2)	870	(676)	(8)	(4,269)
Net cash provided by (used for) operating activities	<u>\$ (3)</u>	<u>\$ 3</u>	<u>\$ 4,265</u>	<u>\$ (662)</u>	<u>\$ (124)</u>	<u>\$ (763)</u>

(Concluded)

Trust Funds

Pension Trust Funds

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

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

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

Judicial Retirement Fund Trust – a single-employer public employee retirement plan for judges appointed before January 1, 1990.

Defined Contribution Plan – a money purchase plan that operates under Section 401 (a) of the Internal Revenue Code. The plan covers members of the Employees' Retirement System, excluding legislators, correction officers and Municipal Employees' Retirement System police and fire employees who participate in Social Security. Judges and state police officers are also excluded from the plan.

OPEB Trust Funds

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

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

Teachers - covers certified public school teachers electing to participate.

Judicial - covers judges and magistrates.

State Police - covers retired State police officers.

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Pension and Other Postemployment Benefits Trust Funds
June 30, 2013
(Expressed in Thousands)

	Pension Trust	Other Postemployment Benefits Trust	Totals
Assets			
Cash and cash equivalents	\$ 2,350	\$ 3,581	\$ 5,931
Advance held by claims processing agent		1,248	1,248
Receivables			
Contributions	28,573	2,092	30,665
Due from state for teachers	14,549		14,549
Miscellaneous	16,340	77	16,417
Total receivables	59,462	2,169	61,631
Investments, at fair value			
Equity in Pooled Trust	7,530,857	68,587	7,599,444
Other	122,405		122,405
Total investments	7,653,262	68,587	7,721,849
Total assets	7,715,074	75,585	7,790,659
Liabilities			
Accounts payable	4,516	616	5,132
Incurred but not reported claims		2,785	2,785
Unearned revenue		6,064	6,064
Total liabilities	4,516	9,465	13,981
Net position held in trust for pension and other postemployment benefits	\$ 7,710,558	\$ 66,120	\$ 7,776,678

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Post Employment Benefits Trust Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Pension Trust	Other Postemployment Benefits Trust	Totals
Additions			
Contributions			
Member contributions	\$ 170,995	\$ 19,360	\$ 190,355
Employer contributions	312,275	58,223	370,498
Supplemental employer contributions	15,690		15,690
State contributions for teachers	70,703		70,703
Interest on service credits purchased	1,002		1,002
Service credit transfer payments	593		593
Total contributions	<u>571,258</u>	<u>77,583</u>	<u>648,841</u>
Other income		1,256	1,256
Investment income			
Net appreciation in fair value of investments	708,052	3,545	711,597
Interest	59,309	785	60,094
Dividends	17,182		17,182
Other investment income	7,877		7,877
	<u>792,420</u>	<u>4,330</u>	<u>796,750</u>
Less investment expense	14,508	75	14,583
Net income from investing activities	<u>777,912</u>	<u>4,255</u>	<u>782,167</u>
Total additions	<u>1,349,170</u>	<u>83,094</u>	<u>1,432,264</u>
Deductions			
Retirement benefits	899,223		899,223
Death benefits	3,518		3,518
Distributions	338		338
Refund of contributions	11,941		11,941
Administrative expense	7,474	33	7,507
Service credit transfers	593		593
OPEB benefits		53,803	53,803
Total deductions	<u>923,087</u>	<u>53,836</u>	<u>976,923</u>
Change in net position	426,083	29,258	455,341
Net position held in trust for pension and other postemployment benefits			
Net position - beginning	7,284,475	36,862	7,321,337
Net position - ending	<u>\$ 7,710,558</u>	<u>\$ 66,120</u>	<u>\$ 7,776,678</u>

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2013
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Judicial Retirement Fund Trust	Defined Contribution Plan	Totals
Assets							
Cash and cash equivalents	\$ 1,483	\$ 465	\$ 167	\$ 88	\$ 147	\$	\$ 2,350
Receivables							
Contributions	23,786	4,540	135	106	6		28,573
Due from state for teachers	14,549						14,549
Miscellaneous	16,301	39					16,340
Total receivables	54,636	4,579	135	106	6		59,462
Investments, at fair value							
Equity in Pooled Trust	6,147,472	1,244,810	91,764	46,811			7,530,857
Other-Defined Contribution Plan						122,405	122,405
Total investments	6,147,472	1,244,810	91,764	46,811		122,405	7,653,262
Total assets	6,203,591	1,249,854	92,066	47,005	153	122,405	7,715,074
Liabilities							
Accounts payable	3,910	559	31	16			4,516
Total liabilities	3,910	559	31	16			4,516
Net position held in trust for pension benefits	\$ 6,199,681	\$ 1,249,295	\$ 92,035	\$ 46,989	\$ 153	\$ 122,405	\$ 7,710,558

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Judicial Retirement Fund Trust	Defined Contribution Plan	Totals
Additions							
Contributions							
Member contributions	\$ 63,888	\$ 11,233	\$ 1,706	\$ 1,042	\$ 153	\$ 92,973	\$ 170,995
Employer contributions	246,795	35,554	2,103	1,752		26,071	312,275
Supplemental employer contributions	15,690						15,690
State contributions for teachers	70,703						70,703
Interest on service credits purchased	617	379	6				1,002
Service credit transfer payments		593					593
Total contributions	<u>397,693</u>	<u>47,759</u>	<u>3,815</u>	<u>2,794</u>	<u>153</u>	<u>119,044</u>	<u>571,258</u>
Investment income							
Net appreciation in fair value of investments	578,184	114,147	8,049	4,122		3,550	708,052
Interest	48,629	9,643	686	351			59,309
Dividends	13,164	2,621	188	96		1,113	17,182
Other investment income	6,466	1,275	90	46			7,877
	<u>646,443</u>	<u>127,686</u>	<u>9,013</u>	<u>4,615</u>		<u>4,663</u>	<u>792,420</u>
Less investment expense	11,890	2,363	169	86			14,508
Net income from investing activities	<u>634,553</u>	<u>125,323</u>	<u>8,844</u>	<u>4,529</u>		<u>4,663</u>	<u>777,912</u>
Total additions	<u>1,032,246</u>	<u>173,082</u>	<u>12,659</u>	<u>7,323</u>	<u>153</u>	<u>123,707</u>	<u>1,349,170</u>
Deductions							
Retirement benefits	811,958	84,724	1,037	1,504			899,223
Death benefits	2,823	695					3,518
Distributions						338	338
Refund of contributions	9,761	2,180					11,941
Administrative expense	5,412	1,005	60	33		964	7,474
Service credit transfers	593						593
Total deductions	<u>830,547</u>	<u>88,604</u>	<u>1,097</u>	<u>1,537</u>		<u>1,302</u>	<u>923,087</u>
Change in net position	<u>201,699</u>	<u>84,478</u>	<u>11,562</u>	<u>5,786</u>	<u>153</u>	<u>122,405</u>	<u>426,083</u>
Net position held in trust for pension benefits							
Net position - beginning	5,997,982	1,164,817	80,473	41,203			7,284,475
Net position - ending	<u>\$ 6,199,681</u>	<u>\$ 1,249,295</u>	<u>\$ 92,035</u>	<u>\$ 46,989</u>	<u>\$ 153</u>	<u>\$ 122,405</u>	<u>\$ 7,710,558</u>

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Other Postemployment Benefits Trust Funds
June 30, 2013
(Expressed in Thousands)

	<u>State Employees</u>	<u>Teachers</u>	<u>Judicial</u>	<u>State Police</u>	<u>Legislators</u>	<u>Board of Education</u>	<u>Totals</u>
Assets							
Cash and cash equivalents	\$ 1,962	\$ 312	\$ 238	\$ 574	\$ 52	\$ 443	\$ 3,581
Advance held by claims processing agent	1,248						1,248
Receivables							
Due from other funds	77						77
Contributions receivable	1,693		29	226		144	2,092
Total receivables	1,770		29	226		144	2,169
Investments at fair value - equity in pooled trust	42,482	4,430	1,974	9,267	2,254	8,180	68,587
Total assets	47,462	4,742	2,241	10,067	2,306	8,767	75,585
Liabilities							
Accounts payable	440	102	8	38	4	17	609
Incurred but not reported claims	2,155	353	16	152	33	76	2,785
Due to other funds		4	1	1		1	7
Unearned revenue	4,148	955				961	6,064
Total liabilities	6,743	1,414	25	191	37	1,055	9,465
Net position held in trust for other postemployment benefits	\$ 40,719	\$ 3,328	\$ 2,216	\$ 9,876	\$ 2,269	\$ 7,712	\$ 66,120

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Other Postemployment Benefits Trust Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	State Employees	Teachers	Judicial	State Police	Legislators	Board of Education	Totals
Additions							
Contributions							
Member contributions	\$ 11,046	\$ 5,529	\$ 467	\$ 365	\$ 493	\$ 1,460	\$ 19,360
Employer contributions	45,800	2,321	778	6,218		3,106	58,223
Total contributions	<u>56,846</u>	<u>7,850</u>	<u>1,245</u>	<u>6,583</u>	<u>493</u>	<u>4,566</u>	<u>77,583</u>
Other income	<u>1,123</u>	<u>50</u>	<u>6</u>	<u>29</u>	<u>34</u>	<u>14</u>	<u>1,256</u>
Investment income							
Net appreciation in in fair value of investments	2,143	232	93	477	150	450	3,545
Interest and dividends	475	55	21	104	32	98	785
	<u>2,618</u>	<u>287</u>	<u>114</u>	<u>581</u>	<u>182</u>	<u>548</u>	<u>4,330</u>
Less investment expense	<u>46</u>	<u>5</u>	<u>2</u>	<u>10</u>	<u>3</u>	<u>9</u>	<u>75</u>
Net investment income	<u>2,572</u>	<u>282</u>	<u>112</u>	<u>571</u>	<u>179</u>	<u>539</u>	<u>4,255</u>
Total additions	<u>60,541</u>	<u>8,182</u>	<u>1,363</u>	<u>7,183</u>	<u>706</u>	<u>5,119</u>	<u>83,094</u>
Deductions							
Benefits	41,414	7,095	304	2,583	569	1,838	53,803
Administrative expense	27	4		1		1	33
Total deductions	<u>41,441</u>	<u>7,099</u>	<u>304</u>	<u>2,584</u>	<u>569</u>	<u>1,839</u>	<u>53,836</u>
Net increase	19,100	1,083	1,059	4,599	137	3,280	29,258
Net position held in trust for other postemployment benefits							
Net position - beginning	21,619	2,245	1,157	5,277	2,132	4,432	36,862
Net position - ending	<u>\$ 40,719</u>	<u>\$ 3,328</u>	<u>\$ 2,216</u>	<u>\$ 9,876</u>	<u>\$ 2,269</u>	<u>\$ 7,712</u>	<u>\$ 66,120</u>

Agency Funds

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

RIPTA Health Fund

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 1,213	\$ 17,189	\$ 16,908	\$ 1,494
Receivables	1,631	2,307	2,047	1,891
Total assets	\$ 2,844	\$ 19,496	\$ 18,955	\$ 3,385
Liabilities				
Deposits held for others	\$ 324	\$ 131	\$ 17,172	\$ 455
Accounts payable	2,520	17,582	17,172	2,930
Total liabilities	\$ 2,844	\$ 17,713	\$ 17,172	\$ 3,385

Statutory Deposits

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits held as security for entities doing business in the State	\$ 86,273	\$ 31,096	\$ 47,247	\$ 70,122
Total assets	\$ 86,273	\$ 31,096	\$ 47,247	\$ 70,122
Liabilities				
Deposits held for others	\$ 86,273	\$ 31,096	\$ 47,247	\$ 70,122
Total liabilities	\$ 86,273	\$ 31,096	\$ 47,247	\$ 70,122

Court Deposits

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 16,055	\$ 7,115	\$ 10,177	\$ 12,993
Receivables		89		89
Total assets	\$ 16,055	\$ 7,204	\$ 10,177	\$ 13,082
Liabilities				
Deposits held for others	\$ 16,055	\$ 1,691	\$ 4,664	\$ 13,082
Total liabilities	\$ 16,055	\$ 1,691	\$ 4,664	\$ 13,082

Total - All Agency Funds

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 17,268	\$ 24,304	\$ 27,085	\$ 14,487
Deposits held as security for entities doing business in the State	86,273	31,185	47,247	70,211
Receivables	1,631	2,307	2,047	1,891
Total assets	\$ 105,172	\$ 57,796	\$ 76,379	\$ 86,589
Liabilities				
Deposits held for others	\$ 102,652	\$ 32,918	\$ 51,911	\$ 83,659
Accounts payable	2,520	17,582	17,172	2,930
Total liabilities	\$ 105,172	\$ 50,500	\$ 69,083	\$ 86,589

State of Rhode Island
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2013
(Expressed in Thousands)

	CFSD	RIHEAA	RIHMFC	RIIFC	RIIRBA	RIRRC	RIWRBC	QDC	Totals
Assets									
Current Assets:									
Cash and cash equivalents	\$ 3,974	\$ 22,682	\$ 1,499	\$ 139	\$ 3,629	\$ 23,728	\$ 604	\$ 972	\$ 57,227
Investments		12,517							12,517
Receivables (net)	608	2,108	1,212	6	7	7,131	302	1,317	12,691
Restricted assets:									
Cash and cash equivalents		774	230,350						231,124
Investments			13,030					53	13,083
Other assets			39,163						39,163
Due from primary government	1,567							570	2,137
Due from other governments	202	753							955
Due from other component units				326					326
Inventories						3,661			3,661
Other assets	7	185	3,062	12	3	540	16	390	4,215
Total current assets	<u>6,358</u>	<u>39,019</u>	<u>288,316</u>	<u>483</u>	<u>3,639</u>	<u>35,060</u>	<u>922</u>	<u>3,302</u>	<u>377,099</u>
Noncurrent Assets:									
Investments							1,139		1,139
Receivables (net)		20	10,629					396	11,045
Restricted assets:									
Cash and cash equivalents		627		697		38,279			39,603
Investments			257,801			83,747			341,548
Other assets			1,525,739						1,525,739
Capital assets - nondepreciable		665				17,147		87,515	105,327
Capital assets - depreciable (net)	3,500	405				25,813		81,287	111,005
Due from other component units					697				697
Other assets, net of amortization			154,687			10,008	35	752	165,482
Total noncurrent assets	<u>3,500</u>	<u>1,717</u>	<u>1,948,856</u>	<u>697</u>	<u>697</u>	<u>174,994</u>	<u>1,174</u>	<u>169,950</u>	<u>2,301,585</u>
Total assets	<u>9,858</u>	<u>40,736</u>	<u>2,237,172</u>	<u>1,180</u>	<u>4,336</u>	<u>210,054</u>	<u>2,096</u>	<u>173,252</u>	<u>2,678,684</u>
Liabilities									
Current liabilities:									
Accounts payable	3,894	1,273	359		38	16,324	7	821	22,716
Due to other component units				59	362			131	552
Due to other governments		114							114
Accrued liabilities							30		30
Other liabilities			165,500						165,500
Current portion of long-term debt	136	509	120,620	9	498	9,491	1,655	1,451	134,369
Total current liabilities	<u>4,030</u>	<u>1,896</u>	<u>286,479</u>	<u>68</u>	<u>898</u>	<u>25,815</u>	<u>1,692</u>	<u>2,403</u>	<u>323,281</u>
Noncurrent liabilities:									
Due to other component units				697	697				1,394
Unearned revenue		446		62	101			209	818
Notes payable			13,692						13,692
Loans payable								482	482
Obligations under capital leases	5							361	366
Net OPEB obligation	5,520		3,443			518			9,481
Other liabilities		1,275	208,372		1,520	64,797		857	276,821
Compensated absences	1,185	138	1,408						2,731
Bonds payable			1,431,902			36,483	604	5,911	1,474,900
Total noncurrent liabilities	<u>6,710</u>	<u>1,859</u>	<u>1,658,817</u>	<u>759</u>	<u>2,318</u>	<u>101,798</u>	<u>604</u>	<u>7,820</u>	<u>1,780,685</u>
Total liabilities	<u>10,740</u>	<u>3,755</u>	<u>1,945,296</u>	<u>827</u>	<u>3,216</u>	<u>127,613</u>	<u>2,296</u>	<u>10,223</u>	<u>2,103,966</u>
Net position (deficit)									
Net investment in capital assets	3,465	1,070	8,347					160,954	173,836
Restricted for:									
Debt			219,200			48,214			267,414
Other	932	35,911	2,448			17,031			56,322
Unrestricted	(5,279)		61,881	353	1,120	17,196	(200)	2,075	77,146
Net position (deficit)	<u>\$ (882)</u>	<u>\$ 36,981</u>	<u>\$ 291,876</u>	<u>\$ 353</u>	<u>\$ 1,120</u>	<u>\$ 82,441</u>	<u>\$ (200)</u>	<u>\$ 163,029</u>	<u>\$ 574,718</u>

State of Rhode Island and Providence Plantations
Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>CFSD</u>	<u>RIHEAA</u>	<u>RIHMFC</u>	<u>RIIFC</u>	<u>RIIRBA</u>	<u>RIRRC</u>	<u>RIWRBC</u>	<u>QDC</u>	<u>Totals</u>
Expenses	\$ 50,495	\$ 25,454	\$ 96,020	\$ 58	\$ 735	\$ 42,276	\$ 140	\$ 9,840	\$ 225,018
Program revenues:									
Charges for services	1,042	23,294	7,949	61	112	45,042	942	10,899	89,341
Operating grants and contributions	49,727								49,727
Capital grants and contributions								6,877	6,877
Total program revenues	<u>50,769</u>	<u>23,294</u>	<u>7,949</u>	<u>61</u>	<u>112</u>	<u>45,042</u>	<u>942</u>	<u>17,776</u>	<u>145,945</u>
Net (Expenses) Revenues	274	(2,160)	(88,071)	3	(623)	2,766	802	7,936	(79,073)
General revenues:									
Interest and investment earnings	2	233	83,030		5	306	54	24	83,654
Miscellaneous revenues	72	6,548		1	1	989			7,611
Total general revenues	<u>74</u>	<u>6,781</u>	<u>83,030</u>	<u>1</u>	<u>6</u>	<u>1,295</u>	<u>54</u>	<u>24</u>	<u>91,265</u>
Change in net position	348	4,621	(5,041)	4	(617)	4,061	856	7,960	12,192
Net position (deficit) - beginning as restated	<u>(1,230)</u>	<u>32,360</u>	<u>296,917</u>	<u>349</u>	<u>1,737</u>	<u>78,380</u>	<u>(1,056)</u>	<u>155,069</u>	<u>562,526</u>
Net position (deficit) - ending	<u>\$ (882)</u>	<u>\$ 36,981</u>	<u>\$ 291,876</u>	<u>\$ 353</u>	<u>\$ 1,120</u>	<u>\$ 82,441</u>	<u>\$ (200)</u>	<u>\$ 163,029</u>	<u>\$ 574,718</u>



2013

STATISTICAL SECTION

Comprehensive Annual Financial Report State of Rhode Island Fiscal Year Ended June 30, 2013

Benefit Street - Providence – photo Kevin M. Bernard

Statistical Section

Index

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

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Financial Trends Information	160
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
Revenue Capacity Information	166
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity Information	173
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	175
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	177
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 Position by Components
Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year									
	2013	2012*	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 2,488,755	\$ 2,302,368	\$ 2,115,001	\$ 2,064,231	\$ 1,958,718	\$ 1,877,872	\$ 1,691,793	\$ 1,591,074	\$ 816,578	\$ 675,696
Restricted	652,126	576,387	462,751	483,931	420,215	427,588	373,788	369,137	315,370	301,346
Unrestricted	(1,298,579)	(1,337,807)	(1,439,322)	(1,590,106)	(1,534,512)	(1,429,272)	(1,082,664)	(929,476)	(936,437)	(981,605)
Total governmental activities net position	\$ 1,842,302	\$ 1,540,948	\$ 1,138,430	\$ 958,056	\$ 844,421	\$ 876,188	\$ 982,917	\$ 1,030,735	\$ 195,511	\$ (4,563)
Business-type activities										
Net investment in capital assets	\$ (65,283)	\$ (64,492)	\$ (63,156)	\$ (61,806)	\$ (59,453)	\$ (60,902)	\$ (109,435)	\$ (131,941)	\$ (71,413)	\$ (84,910)
Restricted	8,340	9,308	11,036	13,161	20,130	198,928	294,395	302,689	233,476	251,596
Unrestricted	(86,571)	(157,396)	(159,388)	(122,955)	(7,251)	(15,345)	(16,616)	(10,691)	(10,183)	(14,351)
Total business-type activities net position	\$ (143,514)	\$ (212,580)	\$ (211,508)	\$ (171,600)	\$ (46,574)	\$ 122,681	\$ 168,344	\$ 160,057	\$ 151,880	\$ 152,335
Primary government										
Net investment in capital assets	\$ 2,423,472	\$ 2,237,876	\$ 2,051,845	\$ 2,002,425	\$ 1,899,265	\$ 1,816,970	\$ 1,582,358	\$ 1,459,133	\$ 745,165	\$ 590,786
Restricted	660,466	585,695	473,787	497,092	440,345	626,516	668,183	671,826	548,846	552,942
Unrestricted	(1,385,150)	(1,495,203)	(1,598,710)	(1,713,061)	(1,541,763)	(1,444,617)	(1,099,280)	(940,167)	(946,620)	(995,956)
Total primary government net position	\$ 1,698,788	\$ 1,328,368	\$ 926,922	\$ 786,456	\$ 797,847	\$ 998,869	\$ 1,151,261	\$ 1,190,792	\$ 347,391	\$ 147,772

(a) The increase in total primary government net position between fiscal years 2005 and 2006 is attributable to the recording of retroactive infrastructure assets for fiscal years 1981 – 2001 in accordance with GASB Statement No. 34.

* The 2012 governmental activities were restated as fully explained in Note 18 (F).

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General government	\$ 625,081	\$ 653,003	\$ 644,194	\$ 741,329	\$ 754,386	\$ 894,766	\$ 858,729	\$ 527,841	\$ 503,659	\$ 474,640
Human services	3,038,841	2,970,269	3,013,081	2,900,673	2,719,346	2,736,956	2,519,745	2,622,935	2,512,628	2,420,998
Education	1,364,575	1,334,355	1,332,453	1,273,985	1,278,391	1,361,310	1,320,384	287,119	264,385	75,654
Public safety	473,580	468,098	436,940	418,485	414,830	428,351	391,354	370,706	336,069	321,015
Natural resources	76,730	85,039	80,360	73,551	75,103	90,087	91,758	74,695	65,913	61,839
Transportation	300,639	268,523	300,366	305,460	324,007	240,644	281,518	323,517	226,529	173,935
Intergovernmental								1,213,050	1,127,496	1,047,537
Grants										299,381
Interest and other charges	129,714	145,964	148,850	142,924	136,737	133,298	107,211	92,121	116,171	104,760
Total governmental activities	6,009,160	5,925,251	5,956,244	5,856,407	5,702,800	5,885,412	5,570,699	5,511,984	5,152,850	4,979,759
Business-type activities:										
Lottery	397,625	399,421	368,870	358,127	356,046	365,333	342,662	355,444	334,732	327,703
Convention Center	48,437	49,439	32,986	50,732	48,764	41,007	42,859	37,862	35,746	62,622
Employment insurance	396,909	559,440	645,979	783,878	573,288	259,246	210,060	197,724	209,018	238,220
Total business-type activities	842,971	1,008,300	1,047,835	1,192,737	978,098	665,586	595,581	591,030	579,496	628,545
Total primary government expenses	\$ 6,852,131	\$ 6,933,551	\$ 7,004,079	\$ 7,049,144	\$ 6,680,898	\$ 6,550,998	\$ 6,166,280	\$ 6,103,014	\$ 5,732,346	\$ 5,608,304
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 220,376	\$ 212,750	\$ 185,918	\$ 179,646	\$ 168,210	\$ 178,590	\$ 132,152	\$ 146,575	\$ 141,290	\$ 137,913
Human services	227,158	204,287	210,905	198,555	187,973	167,241	125,901	127,738	122,212	124,716
Education	26,840	26,044	22,022	18,263	8,335	36,241	11,180	5,638	3,469	3,320
Public safety	47,075	37,339	34,389	35,272	32,770	36,194	49,821	53,851	46,216	43,487
Natural resources	28,975	26,060	29,046	29,746	31,385	31,753	31,932	27,487	30,340	31,191
Transportation	1,076	1,660	372	744	181	(207)	875	(561)	8,257	1,739
Operating grants and contributions	2,211,800	2,194,892	2,387,540	2,361,446	2,114,821	1,827,704	1,716,318	1,821,134	1,794,965	1,703,526
Capital grants and contributions	190,551	210,720	162,032	162,090	103,515	112,712	151,528	156,828	97,681	156,372
Total governmental activities program revenues	2,953,851	2,913,752	3,032,224	2,985,762	2,647,190	2,390,228	2,219,707	2,338,690	2,244,430	2,202,264
Business-type activities:										
Charges for services	1,055,070	1,056,285	985,556	947,825	913,333	923,694	883,893	894,042	839,945	812,229
Operating grants and contributions	166,164	278,671	358,932	418,270	194,857	3,285	4,607	2,342	2,633	29,492
Total business-type activities program revenues	1,221,234	1,334,956	1,344,488	1,366,095	1,108,190	926,979	888,500	896,384	842,578	841,721
Total primary government program revenues	\$ 4,175,085	\$ 4,248,708	\$ 4,376,712	\$ 4,351,857	\$ 3,755,380	\$ 3,317,207	\$ 3,108,207	\$ 3,235,074	\$ 3,087,008	\$ 3,043,985
Net (Expenses)/Revenues										
Governmental activities	(3,055,309)	(3,011,499)	(2,924,020)	(2,870,645)	(3,055,610)	(3,495,184)	(3,350,992)	(3,173,294)	(2,908,420)	(2,777,495)
Business-type activities	378,263	326,656	296,653	173,358	130,092	261,393	292,919	305,354	263,082	213,176
Total primary government net expenses	\$ (2,677,046)	\$ (2,684,843)	\$ (2,627,367)	\$ (2,697,287)	\$ (2,925,518)	\$ (3,233,791)	\$ (3,058,073)	\$ (2,867,940)	\$ (2,645,338)	\$ (2,564,319)

(continued)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 2,870,969	\$ 2,824,368	\$ 2,665,169	\$ 2,577,519	\$ 2,588,417	\$ 2,820,709	\$ 2,842,828	\$ 2,794,230	\$ 2,687,684	\$ 2,477,453
Interest and investment earnings	4,893	4,304	5,561	4,309	9,435	32,466	37,539	25,644	14,443	9,812
Miscellaneous	143,240	118,506	102,478	91,110	95,758	121,273	106,543	114,362	104,411	136,122
Gain on sale of capital assets	3,757				1,656	3,026			853	
Special items										
Extraordinary items										
Transfers	333,804	344,386	331,186	318,772	315,408	324,928	304,906	312,755	293,993	266,886
Payments from component units				7,228	13,569	39,284	10,108	14,715	18,503	
Total governmental activities	3,356,663	3,291,564	3,104,394	2,998,938	3,024,243	3,341,686	3,301,924	3,261,706	3,119,887	2,890,273
Business-type activities:										
Interest and investment earnings	117	94	79	164	4,279	9,531	12,137	8,826	10,875	12,884
Miscellaneous	24,490	16,564	(5,454)	20,224	11,782	8,341	8,137	6,752	7,633	5,568
Special items									11,948	
Transfers	(333,804)	(344,386)	(331,186)	(318,772)	(315,408)	(324,928)	(304,906)	(312,755)	(293,993)	(266,886)
Total business-type activities	(309,197)	(327,728)	(336,561)	(298,384)	(299,347)	(307,056)	(284,632)	(297,177)	(263,537)	(248,434)
Total primary government	3,047,466	2,963,836	2,767,833	2,700,554	2,724,896	3,034,630	3,017,292	2,964,529	2,856,350	2,641,839
Changes in Net Position										
Governmental activities	301,354	280,065	180,374	128,293	(31,367)	(153,498)	(49,068)	88,412	211,467	112,778
Business-type activities	69,066	(1,072)	(39,908)	(125,026)	(169,255)	(45,663)	8,287	8,177	(455)	(35,258)
Total primary government	\$ 370,420	\$ 278,993	\$ 140,466	\$ 3,267	\$ (200,622)	\$ (199,161)	\$ (40,781)	\$ 96,589	\$ 211,012	\$ 77,520

(Concluded)

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

	Fiscal Year			
	2013	2012*	2011	2010
General Fund				
Nonspendable	\$	\$	\$	\$
Restricted	282,137	232,348	197,885	161,904
Unrestricted				
Committed	4,035	22,793	5,956	4,285
Assigned	105,639	97,639	8,425	
Unassigned	9,323	20,374	5,281	(30,041)
Total General Fund	\$ 401,134	\$ 373,154	\$ 270,900	\$ 185,450
All Other Governmental Funds				
Nonspendable	\$ 174	\$ 174	\$ 174	\$ 174
Restricted	660,198	619,799	528,251	681,782
Unrestricted				
Committed	163	1,742	1,448	3,366
Assigned	255	318	284	19,704
Unassigned	(4,113)	(4,717)	(5,043)	(6,160)
Total All Other Governmental Funds	\$ 656,677	\$ 617,316	\$ 525,114	\$ 698,866

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
General Fund						
Reserved	\$ 132,245	\$ 149,605	\$ 144,166	\$ 164,866	\$ 146,103	\$ 131,843
Unreserved	(62,286)	(42,950)		38,331	38,699	24,451
Total General Fund	\$ 69,959	\$ 106,655	\$ 144,166	\$ 203,197	\$ 184,802	\$ 156,294
All Other Governmental Funds						
Reserved	\$ 274,180	\$ 264,727	\$ 260,607	\$ 220,612	\$ 224,483	\$ 217,048
Unreserved, reported in:						
Special Revenue Funds	93,498	7,805	155,482	22,759	32,588	36,458
Permanent Funds	1,368	2,173	1,186	988	917	875
Capital Projects Funds	459,489	303,965	360,026	469,018	388,829	298,920
Total All Other Governmental Funds	\$ 828,535	\$ 578,670	\$ 777,301	\$ 713,377	\$ 646,817	\$ 553,301

* The 2012 other governmental funds were restated as fully explained in Note 18 (F).
Beginning in fiscal year 2010, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund Balance has not been reclassified for prior years.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Taxes	\$ 2,868,503	\$ 2,814,331	\$ 2,664,420	\$ 2,577,406	\$ 2,589,751	\$ 2,818,085	\$ 2,848,284	\$ 2,792,961	\$ 2,687,482	\$ 2,477,878
Licenses, fines, sales, and services	320,767	313,724	308,564	311,040	295,662	323,329	242,743	253,857	238,344	242,280
Departmental restricted revenue	222,027	194,279	174,563	150,357	134,029	125,883	110,059	105,181	113,589	107,407
Federal grants	2,402,444	2,411,262	2,541,335	2,518,048	2,218,816	1,936,610	1,869,336	1,962,375	1,884,104	1,847,200
Income from investments	4,840	4,280	5,537	4,207	9,014	31,522	36,068	24,941	13,770	10,310
Other revenues	147,090	121,202	100,164	93,687	104,665	122,723	103,099	107,475	115,955	118,442
Total operating revenues	5,965,671	5,859,078	5,794,583	5,654,745	5,351,937	5,358,152	5,209,589	5,246,790	5,053,244	4,803,517
Expenditures:										
Current:										
General government	634,010	635,554	620,110	714,861	755,366	803,561	806,865	515,677	512,896	461,741
Human services	3,042,705	2,969,166	3,009,097	2,884,419	2,711,167	2,727,534	2,512,286	2,616,608	2,506,929	2,409,774
Education	1,330,388	1,282,063	1,287,733	1,239,258	1,216,208	1,289,687	1,267,255	284,294	265,001	72,838
Public safety	463,734	459,114	428,687	394,860	401,976	410,605	396,029	361,647	328,839	311,701
Natural resources	70,202	75,156	71,818	67,435	68,941	72,984	81,518	71,539	64,138	59,678
Transportation	373,887	399,512	367,496	306,730	299,881	244,638	310,019	247,248	209,470	161,974
Capital outlays	130,415	111,044	138,843	250,653	215,600	264,713	269,550	300,404	241,306	200,880
Intergovernmental Grants								1,213,050	1,127,496	1,047,537
Debt service:										6,145
Principal	176,970	164,245	154,475	163,063	157,817	143,368	115,752	117,663	116,322	75,892
Interest and other charges	126,852	135,806	138,066	139,723	132,813	131,575	128,527	105,264	110,243	107,720
Total operating expenditures	6,349,163	6,231,660	6,216,325	6,161,002	5,959,769	6,088,665	5,887,801	5,833,394	5,482,640	4,915,880
Excess (deficiency) of revenues over (under) expenditures	(383,492)	(372,582)	(421,742)	(506,257)	(607,832)	(730,513)	(678,212)	(586,604)	(429,396)	(112,363)

(Continued)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other financing sources (uses):										
Bonds and notes issued	81,400	145,035		155,665	427,180	131,755	314,852	320,820	87,095	415,435
Refunding bonds issued	88,175	146,730		78,960	12,445	46,570	74,835		117,010	
Proceeds from the sale of Certificates of Participation	26,690	31,980			54,610	59,185	45,325	6,000	139,410	
Premium and accrued interest	27,507	45,437		9,839	8,100	7,241	9,930	16,298	17,602	30,097
Transfers in	592,804	581,679	545,229	586,025	622,212	724,428	828,885	593,902	537,618	513,356
Payments from component units				7,228	13,568	39,284	10,108	14,715	18,503	15,568
Payment to refunded bonds escrow agent	(101,172)	(172,094)		(84,769)	(12,697)	(111,253)	(78,198)		(123,300)	(72,160)
Discount on issuance of debt					(66)	(4)				
Transfers out	(264,571)	(235,253)	(211,789)	(261,473)	(304,351)	(403,012)	(522,631)	(280,176)	(242,515)	(245,246)
Transfers out to component units										(293,236)
Total other financing sources (uses)	450,833	543,514	333,440	491,475	821,001	494,194	683,106	671,559	551,423	363,814
Net change in fund balances	\$ 67,341	\$ 170,932	\$ (88,302)	\$ (14,782)	\$ 213,169	\$ (236,319)	\$ 4,894	\$ 84,955	\$ 122,027	\$ 251,451
Debt Service as a Percentage of Noncapital Expenditures	5.0%	5.0%	4.9%	5.2%	4.9%	4.6%	4.4%	4.0%	4.3%	3.9%

The capital outlay amount used to calculate the percentage is from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Capital outlay	315,644	264,770	230,746	319,509	185,636	227,169	318,076	308,051	269,228	207,520
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A separate calculation has been done to obtain the interest expense.

Interest expense	125,457	131,793	137,768	138,285	126,935	127,987	126,918	NA	NA	NA
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Certain prior year amounts have been reclassified to conform to the current year presentation.

(Concluded)

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

Taxable Sales By Industry	Calendar Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Grocery, Food Stores, Delis, Bakeries	\$ 1,097.36	\$ 1,091.81	\$ 1,093.34	\$ 1,084.78	\$ 1,080.13	\$ 1,073.75	\$ 1,052.45	\$ 1,065.10	\$ 879.14	\$ 818.60
Restaurants and Bars	2,113.00	1,983.05	1,939.09	1,874.93	1,860.96	1,912.54	1,803.19	1,651.39	1,616.72	1,425.54
Room Rentals - Motels, Hotels	530.74	388.82	407.15	491.30	587.55	574.25	450.46	412.93	345.85	280.21
Utilities - Telephone, Electric, Gas, Water	617.53	583.28	588.48	589.94	641.09	636.72	668.28	549.40	582.11	570.53
Total	\$ 4,358.63	\$ 4,046.96	\$ 4,028.06	\$ 4,040.95	\$ 4,169.73	\$ 4,197.26	\$ 3,974.37	\$ 3,678.82	\$ 3,423.82	\$ 3,094.89
Direct sales tax rate	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

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

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

	Calendar Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Farm Earnings	\$ 18	\$ 15	\$ 18	\$ 17	\$ 18	\$ 23	\$ 23	\$ 23	\$ 25	\$ 24
<u>Private Earnings</u>										
Forestry, Fishing and Other	(D)	(D)	(D)	41	41	42	43	40	42	39
Mining	(D)	(D)	(D)	13	18	24	24	20	16	14
Utilities	162	165	160	151	165	155	171	133	138	143
Construction	1,653	1,575	1,568	1,562	1,732	1,851	1,905	1,787	1,704	1,625
Manufacturing	2,826	2,822	2,706	2,701	3,038	3,185	3,154	3,167	3,182	3,122
Wholesale Trade	1,476	1,394	1,343	1,310	1,404	1,420	1,312	1,268	1,198	1,149
Retail Trade	1,841	1,786	1,782	1,717	1,792	1,902	1,839	1,843	1,824	1,778
Transportation and Warehousing	569	558	525	504	521	510	509	491	476	463
Information	1,070	1,087	1,024	926	947	867	911	930	908	827
Finance and Insurance	2,673	2,702	2,588	2,357	2,313	2,266	2,233	2,087	2,014	1,937
Real Estate and Rental and Leasing	383	380	371	363	390	417	475	492	481	425
Professional, scientific, and technical services	2,418	2,305	2,251	2,189	2,408	2,297	2,282	1,986	1,893	1,725
Management of companies and enterprises	1,345	1,247	1,164	1,052	1,196	1,131	1,068	939	862	854
Administrative and waste services	1,090	1,046	1,000	944	980	971	955	914	856	757
Educational services	1,232	1,239	1,203	1,201	1,134	1,068	1,003	935	897	818
Health care and social assistance	4,605	4,594	4,532	4,339	4,207	4,015	3,895	3,707	3,559	3,339
Arts, entertainment, and recreation	304	296	286	278	286	319	292	269	252	245
Accommodation and food services	1,038	995	951	901	942	960	913	906	892	845
Other services, except public administration	1,078	1,060	1,027	1,000	1,030	1,070	1,054	1,040	978	932
<u>Government and Government Enterprises</u>										
Federal/Civilian	1,203	1,200	1,193	1,126	1,067	1,044	1,013	959	941	870
Military	645	636	633	609	578	541	497	505	486	469
State and Local	3,957	3,931	3,856	3,829	3,869	3,730	3,586	3,413	3,268	3,204
Total Personal Income by Industry*	\$ 31,636	\$ 31,097	\$ 30,242	\$ 29,131	\$ 30,075	\$ 29,807	\$ 29,157	\$ 27,853	\$ 26,893	\$ 25,604

* Total Personal Income by Industry may not sum due to inclusion of non-disclosed data in total amount.

Various calendar years may differ from the amounts presented in the same tables in the June 30, 2012 CAFR, as a result of revised data.

Source: US Bureau of Economic Analysis

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

**Schedule of Personal Income Tax Revenue as a Percent of Personal Income
Prior Ten Fiscal Years
(expressed in millions)**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Personal Income Tax (PIT) Revenue	\$ 1,060	\$ 1,021	\$ 898	\$ 941	\$ 1,074	\$ 1,065	\$ 997	\$ 979	\$ 870	\$ 813
Personal Income	47,253	46,125	44,207	42,631	44,122	42,661	40,664	38,570	37,585	35,866
PIT Revenue as a Percent of Personal Income	2.24%	2.21%	2.03%	2.21%	2.43%	2.50%	2.45%	2.54%	2.31%	2.27%

Amounts may differ from the amounts presented in the same tables in the June 30, 2012 CAFR, as a result of revised data.

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

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

Tax Rates on the Portion of Taxable Income in Ranges

Tax Year 2012 All Filing Status Types		Tax Rate Income Bracket	3.75% \$ 0 - 57,150	4.75% \$57,150 - \$129,900	5.99% over \$129,900		
Tax Year 2011 All Filing Status Types		Tax Rate Income Bracket	3.75% \$ 0 - 55,000	4.75% \$ 55,000 - 125,000	5.99% over \$125,000		
Alternative Flat Tax		Repealed for tax years beginning after December 31, 2010.					
Tax Year 2010 Single Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 34,000	7.00% \$34,000 - 82,400	7.75% \$82,400 - 171,850	9.00% \$171,850 - 373,650	9.90% over \$ 373,650
Married Filing Joint Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 56,800	7.00% \$ 56,800 - 137,300	7.75% \$ 137,300 - 209,250	9.00% \$ 209,250 - 373,650	9.90% over \$ 373,650
Married Filing Separate Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 28,400	7.00% \$ 28,400 - 68,650	7.75% \$ 68,650 - 104,625	9.00% \$104,625 - 186,825	9.90% over \$ 186,825
Head of Household Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 45,550	7.00% \$ 45,550 - 117,650	7.75% \$ 117,650 - 190,550	9.00% \$ 190,550 - 373,650	9.90% over \$373,650
Alternative Flat Tax		Tax Rate	6.00% on modified federal adjusted gross income over \$ 0				
Tax Year 2009 Single Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 33,950	7.00% \$ 33,950 - 82,250	7.75% \$ 82,250 - 171,550	9.00% \$ 171,550 - 372,950	9.90% over \$ 372,950
Married Filing Joint Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 56,700	7.00% \$ 56,700 - 137,050	7.75% \$ 137,050 - 208,850	9.00% \$ 208,850 - 372,950	9.90% over \$ 372,950
Married Filing Separate Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 28,350	7.00% \$ 28,350 - 68,525	7.75% \$ 68,525 - 104,425	9.00% \$104,425 - 186,475	9.90% over \$ 186,475
Head of Household Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 45,500	7.00% \$ 45,500 - 117,450	7.75% \$ 117,450 - 190,200	9.00% \$ 190,200 - 372,950	9.90% over \$372,950
Alternative Flat Tax		Tax Rate	6.50% on modified federal adjusted gross income over \$ 0				
Tax Year 2008 Single Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 32,550	7.00% \$32,550 - 78,850	7.75% \$ 78,850 - 164,550	9.00% \$ 164,550 - 357,700	9.90% over \$ 357,700
Married Filing Joint Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 54,400	7.00% \$ 54,400 - 131,450	7.75% \$ 131,450 - 200,300	9.00% \$ 200,300 - 357,700	9.90% over \$ 357,700
Married Filing Separate Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 27,200	7.00% \$ 27,200 - 65,725	7.75% \$ 65,725 - 100,150	9.00% \$100,150 - 178,850	9.90% over \$ 178,850
Head of Household Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 43,650	7.00% \$ 43,650 - 112,650	7.75% \$ 112,650 - 182,400	9.00% \$ 182,400 - 357,700	9.90% over \$357,700
Alternative Flat Tax		Tax Rate	7.00% on modified federal adjusted gross income over \$ 0				
Tax Year 2007 Single Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 31,850	7.00% \$31,850 - 77,100	7.75% \$ 77,100 - 160,850	9.00% \$ 160,850 - 349,700	9.90% over \$ 349,700
Married Filing Joint Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 53,150	7.00% \$ 53,150 - 128,500	7.75% \$ 128,500 - 195,850	9.00% \$ 195,850 - 349,700	9.90% over \$ 349,700
Married Filing Separate Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 26,575	7.00% \$ 26,575 - 64,250	7.75% \$ 64,250 - 97,925	9.00% \$ 97,925 - 174,850	9.90% over \$ 174,850
Head of Household Filing Status		Tax Rate Income Bracket	3.75% \$ 0 - 42,650	7.00% \$ 42,650 - 110,100	7.75% \$ 110,100 - 178,350	9.00% \$ 178,350 - 349,700	9.90% over \$ 349,700
Alternative Flat Tax		Tax Rate	7.50% on modified federal adjusted gross income over \$ 0				

(continued)

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

Tax Rates on the Portion of Taxable Income in Ranges

Tax Year 2006						
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 30,650	\$30,650 - 74,200	\$ 74,200 - 154,800	\$ 154,800 - 336,550	over \$ 336,550
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 51,200	\$ 51,200 - 123,700	\$ 123,700 - 188,450	\$ 188,450 - 336,550	over \$ 336,550
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 25,600	\$ 25,600 - 61,850	\$ 61,850 - 94,225	\$ 94,225 - 168,275	over \$ 168,275
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 41,050	\$ 41,050 - 106,000	\$ 106,000 - 171,650	\$ 171,650 - 336,550	over \$ 336,550
Alternative Flat Tax	Tax Rate	8.00% on modified federal adjusted gross income over \$ 0				

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

Tax Year 2004						
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 29,050	\$ 29,050 - 70,350	\$ 70,350 - 146,750	\$ 146,750 - 319,100	over \$ 319,100
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 48,500	\$ 48,500 - 117,250	\$ 117,250 - 178,650	\$ 178,650 - 319,100	over \$ 319,100
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 24,250	\$ 24,250 - 58,625	\$ 58,625 - 89,325	\$ 89,325 - 159,550	over \$ 159,550
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 38,900	\$ 38,900 - 100,500	\$ 100,500 - 162,700	\$ 162,700 - 319,100	over \$ 319,100

Tax Year 2003						
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 28,400	\$ 28,400 - 68,800	\$ 68,800 - 143,500	\$ 143,500 - 311,950	over \$ 311,950
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 47,450	\$ 47,450 - 114,650	\$ 114,650 - 174,700	\$ 174,700 - 311,950	over \$ 311,950
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 23,725	\$ 23,725 - 57,325	\$ 57,325 - 87,350	\$ 87,350 - 155,975	over \$ 155,975
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 38,050	\$ 38,050 - 98,250	\$ 98,250 - 159,100	\$ 159,100 - 311,950	over \$ 311,950

Source: Department of Revenue - Division of Taxation

(concluded)

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

Tax Years 2003 through 2011

Tax Year 2011				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	187,194	38.93%	16,926,831	1.75%
\$25,001 - \$50,000	113,669	23.64%	85,575,958	8.82%
\$50,001 - \$75,000	67,075	13.95%	108,935,845	11.23%
\$75,001 - \$100,000	42,991	8.94%	109,489,374	11.29%
\$100,001 - \$200,000	56,062	11.66%	270,444,262	27.88%
\$200,001 - \$500,000	11,501	2.39%	171,575,565	17.69%
\$500,001 - \$1,000,000	1,582	0.33%	61,270,009	6.32%
\$1,000,001 and greater	714	0.15%	145,706,695	15.02%
	<u>480,788</u>	<u>100.00%</u>	<u>\$ 969,924,538</u>	<u>100.00%</u>

Tax Year 2010				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	179,885	38.65%	\$ 20,705,060	2.32%
\$25,001 - \$50,000	112,371	24.14%	86,321,200	9.65%
\$50,001 - \$75,000	66,255	14.24%	111,244,636	12.44%
\$75,001 - \$100,000	41,956	9.01%	109,185,357	12.21%
\$100,001 - \$200,000	52,857	11.36%	271,103,111	30.32%
\$200,001 - \$500,000	10,147	2.18%	146,038,132	16.33%
\$500,001 - \$1,000,000	1,337	0.29%	46,337,234	5.18%
\$1,000,001 and greater	626	0.13%	103,258,427	11.55%
	<u>465,434</u>	<u>100.00%</u>	<u>\$ 894,193,156</u>	<u>100.00%</u>

Tax Year 2009				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$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>

Tax Year 2008				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$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>

(continued)

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

Tax Years 2003 through 2011

Tax Year 2007				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$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>

Tax Year 2006				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$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>

Tax Year 2005				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$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>

Tax Year 2004				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$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>

Tax Year 2003				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	194,616	41.66%	\$ 29,266,575	3.46%
\$25,001 - \$50,000	120,459	25.80%	103,175,468	12.21%
\$50,001 - \$75,000	68,669	14.71%	119,334,886	14.13%
\$75,001 - \$100,000	38,272	8.20%	107,970,871	12.78%
\$100,001 - \$200,000	35,845	7.68%	194,686,587	23.05%
\$200,001 - \$500,000	7,390	1.58%	125,658,653	14.88%
\$500,001 - \$1,000,000	1,169	0.25%	55,571,047	6.58%
\$1,000,001 and greater	543	0.12%	109,019,775	12.91%
	<u>466,963</u>	<u>100.00%</u>	<u>\$ 844,683,862</u>	<u>100.00%</u>

This information was not available prior to 2003.

(concluded)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
General obligation bonds	\$ 1,103,945	\$ 1,110,585	\$ 1,049,400	\$ 1,118,030	\$ 1,036,189	\$ 997,398	\$ 916,531	\$ 848,666	\$ 810,485	\$ 770,070
Revenue bonds (blended component units)	765,161	779,426	795,161	807,731	828,481	867,776	902,871	729,695	749,445	766,410
Capital leases	232,975	233,800	224,045	244,805	269,340	236,060	256,865	226,755	232,464	102,885
Special purpose bonds (a)	468,730	519,060	567,190	613,355	658,550	358,065	390,110	418,300	228,305	264,210
Total governmental activities	<u>2,570,811</u>	<u>2,642,871</u>	<u>2,635,796</u>	<u>2,783,921</u>	<u>2,792,560</u>	<u>2,459,299</u>	<u>2,466,377</u>	<u>2,223,416</u>	<u>2,020,699</u>	<u>1,903,575</u>
Business-type Activities										
Revenue bonds	236,960	250,510	259,620	268,280	275,810	270,960	279,935	287,185	202,855	302,320
Other debt										153
Total business-type activities	<u>236,960</u>	<u>250,510</u>	<u>259,620</u>	<u>268,280</u>	<u>275,810</u>	<u>270,960</u>	<u>279,935</u>	<u>287,185</u>	<u>202,855</u>	<u>302,473</u>
Total primary government	<u>\$ 2,807,771</u>	<u>\$ 2,893,381</u>	<u>\$ 2,895,416</u>	<u>\$ 3,052,201</u>	<u>\$ 3,068,370</u>	<u>\$ 2,730,259</u>	<u>\$ 2,746,312</u>	<u>\$ 2,510,601</u>	<u>\$ 2,223,554</u>	<u>\$ 2,206,048</u>
Debt as a Percentage of Personal Income	5.9%	6.1%	6.3%	7.1%	7.1%	6.9%	6.2%	6.3%	5.9%	6.0%
Amount of Debt Per Capita	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 2	\$ 2	\$ 2

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

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

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue Bonds-Tobacco Settlement Finance Corporation										
Revenue - Tobacco Settlement Revenue	\$ 46,692	\$ 49,944	\$ 50,166	\$ 48,620	\$ 58,039	\$ 53,247	\$ 44,025	\$ 41,546	\$ 45,831	\$ 45,644
Less: operating expenses	33	74	74	69	99	33	54	40	65	80
Net available revenue	<u>\$ 46,659</u>	<u>\$ 49,870</u>	<u>\$ 50,092</u>	<u>\$ 48,551</u>	<u>\$ 57,940</u>	<u>\$ 53,214</u>	<u>\$ 43,971</u>	<u>\$ 41,506</u>	<u>\$ 45,766</u>	<u>\$ 45,564</u>
Debt service										
Principal (b)	\$ 14,265	\$ 15,735	\$ 12,570	\$ 14,710	\$ 16,620	\$ 16,620	\$	\$	\$	\$
Interest	36,085	37,029	37,783	38,614	40,918	40,918	41,287	41,609	42,015	42,234
Coverage (a)	92.67%	94.52%	99.48%	91.05%	100.70%	92.48%	106.50%	99.75%	108.93%	107.88%
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - FHWA participation	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391	\$ 43,646	\$ 44,147	\$ 44,182	\$ 41,801	\$ 41,809	\$
Net available revenue	<u>\$ 48,382</u>	<u>\$ 48,382</u>	<u>\$ 48,389</u>	<u>\$ 48,391</u>	<u>\$ 43,646</u>	<u>\$ 44,147</u>	<u>\$ 44,182</u>	<u>\$ 41,801</u>	<u>\$ 41,809</u>	<u>\$ 0</u>
Debt service										
Principal	\$ 31,075	\$ 29,590	\$ 28,205	\$ 26,910	\$ 28,315	\$ 28,315	\$ 24,560	\$ 32,290	\$ 30,755	\$
Interest	17,308	18,792	20,184	21,481	15,895	15,895	19,650	9,517	11,054	6,141
Coverage (a)	100.00%	100.00%	100.00%	100.00%	98.72%	99.86%	99.94%	99.99%	100.00%	0.00%
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579	\$ 8,656	\$ 9,028	\$ 9,409	\$ 9,496	\$ 9,513	\$ 9,499
Net available revenue	<u>\$ 8,275</u>	<u>\$ 8,412</u>	<u>\$ 8,421</u>	<u>\$ 8,579</u>	<u>\$ 8,656</u>	<u>\$ 9,028</u>	<u>\$ 9,409</u>	<u>\$ 9,496</u>	<u>\$ 9,513</u>	<u>\$ 9,499</u>
Debt service										
Principal	\$ 3,840	\$ 3,710	\$ 3,585	\$ 3,480	\$ 3,730	\$ 3,730	\$ 3,630	\$ 5,150	\$ 5,150	\$ 5,625
Interest	3,304	3,439	3,561	3,667	3,241	3,241	3,335	2,105	1,653	981
Coverage (a)	115.83%	117.67%	117.84%	120.04%	124.17%	129.51%	135.09%	130.89%	139.84%	143.79%
Division of Motor Vehicles Capital Lease										
Revenue - \$1.50 surcharge per transaction	\$ 1,889	\$ 2,181	\$ 2,098	\$ 2,602						
Net available revenue	<u>\$ 1,889</u>	<u>\$ 2,181</u>	<u>\$ 2,098</u>	<u>\$ 2,602</u>						
Debt service										
Principal	\$ 1,500	1,440	1,385							
Interest	344	405	409							
Coverage (a)	102.44%	118.21%	116.95%	NA						

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

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

Source: Department of Administration

State of Rhode Island and Providence Plantations

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

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

	Personal Income				Per Capita Personal Income				Change in Population			
	<i>(in billions)</i>				<i>(in dollars)</i>				United States		Rhode Island	
	United States		Rhode Island		United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Population	Percent Change	Population	Percent Change
2013	\$ 14,142.8	3.0%	\$ 49.5	2.8%	\$ 44,746	2.3%	\$ 43,848	-4.4%	316,100	0.7%	1,052	0.1%
2012	13,401.9	3.5%	47.3	2.4%	42,693	2.7%	44,990	2.5%	313,914	0.7%	1,050	-0.1%
2011	12,949.9	5.2%	46.1	4.3%	41,560	4.4%	43,875	4.5%	311,592	0.7%	1,051	-0.2%
2010	12,308.5	3.8%	44.2	3.7%	39,791	3.0%	42,001	3.8%	309,330	0.8%	1,053	-0.1%
2009	11,852.7	-4.8%	42.6	-3.4%	38,637	-5.6%	40,460	-3.3%	306,772	0.9%	1,054	-0.1%
2008	12,451.7	4.6%	44.1	3.4%	40,947	3.6%	41,822	3.7%	304,094	1.0%	1,055	-0.2%
2007	11,900.6	5.7%	42.7	4.9%	39,506	4.7%	40,349	5.5%	301,231	1.0%	1,057	-0.5%
2006	11,256.5	7.4%	40.7	5.4%	37,725	6.4%	38,251	5.9%	298,380	1.0%	1,063	-0.5%
2005	10,476.7	5.5%	38.6	2.6%	35,452	4.6%	36,117	3.3%	295,517	0.9%	1,068	-0.6%
2004	9,928.8	6.0%	37.6	4.8%	33,909	5.0%	34,976	4.5%	292,805	0.9%	1,075	0.4%

Source: *United States Bureau of Economic Analysis
The 2013 information is estimated by Moody's Analytics.*

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

	Civilian Labor Force		Unemployment Rate		Existing Single Family Home Sales	
	<i>(in thousands)</i>					
	Number in Labor Force	Percent Change	Rate	Percent Change	Number of Sales	Percent Change
2013	556	-0.9%	9.1%	-12.5%	10,528	16.8%
2012	560	-0.5%	10.4%	-7.1%	8,727	-9.0%
2011	563	-1.7%	11.2%	-3.4%	9,594	-3.6%
2010	572	0.9%	11.7%	7.3%	9,954	-10.6%
2009	567	-1.0%	10.9%	41.4%	11,128	14.5%
2008	572	-0.5%	7.7%	47.8%	9,716	-17.9%
2007	574	0.1%	5.2%	4.0%	11,837	-11.8%
2006	573	1.9%	5.0%	0.0%	13,422	-5.5%
2005	561	1.3%	5.1%	-3.8%	14,205	1.2%
2004	554	-1.3%	5.2%	-3.7%	14,031	10.4%

Source: *This information is provided by the State's revenue estimating conference.
The 2013 information is estimated.
Amounts for various calendar years may differ from the amounts presented in the same tables in the June 30, 2012 CAFR, as a result of revised data.*

**State of Rhode Island and Providence Plantations
Principal Employers
2012 and 2003**

2012				2003			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	9,984	1.78%	1	Lifespan	10,082	1.80%
2	CVS Corporation	6,200	1.11%	2	CVS Corporation	5,622	1.00%
3	Citizens Financial Group (Royal Bank of Scotland)	5,350	0.95%	3	Care New England	5,608	1.01%
4	Care New England	5,150	0.92%	4	Stop and Shop Supermarket Co., Inc.	4,555	0.80%
5	Brown University	4,525	0.81%	5	Brown University	4,450	0.79%
6	Roman Catholic Diocese of Providence	3,600	0.64%	6	Citizens Financial Group (Royal Bank of Scotland)	4,100	0.73%
7	CharterCare Health Partners	3,091	0.55%	7	Fleet Financial Corp	3,967	0.71%
8	Bank of America	3,000	0.54%	8	The Jan Companies	3,465	0.62%
9	Fidelity Investments	3,000	0.54%	9	Shaw's Super Market	2,100	0.37%
10	Naval Undersea Warfare Center	2,752	0.49%	10	General Dynamics	2,075	0.37%
Total employment		560,428		Total employment		561,000	

Source: Rhode Island Economic Development Corporation.

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

Source: 2012 information is provided by Providence Business News Book of Lists.

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>Full-time Employees</u>										
General Government	2,414	2,337	2,561	2,533	2,474	2,508	2,479	2,480	2,531	2,528
Human Services	3,273	3,118	3,247	3,125	3,164	3,671	4,144	4,370	4,176	4,269
Education	370	354	358	352	343	365	373	373	364	364
Public Safety	3,023	3,002	2,685	2,693	2,684	2,865	2,952	2,939	2,953	2,851
Natural Resources	898	887	865	863	890	905	978	1,015	963	957
Transportation	781	797	802	763	708	719	767	828	813	826
State Total	<u>10,759</u>	<u>10,495</u>	<u>10,518</u>	<u>10,329</u>	<u>10,263</u>	<u>11,033</u>	<u>11,693</u>	<u>12,005</u>	<u>11,800</u>	<u>11,795</u>

Source: Department of Administration

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,422,640	\$2,330,068	\$2,242,867	\$2,135,981	\$2,049,159	\$2,047,671	\$1,920,770	\$1,810,045	\$1,672,875	\$1,523,094
Number of business transactions electronically	988,669	970,394	917,982	857,553	782,659	767,971	719,800	661,209	622,115	548,073
Personal Income Tax returns filed electronically -Tax Year	463,900	451,406	442,383	379,495	349,211	289,346	246,230	217,524	185,154	128,763
Department of Labor and Training										
Labor force total (expressed in thousands)	560	566	569	567	568	577	575	565	533	538
Unemployment rate (percentage)	11.1%	11.4%	11.6%	11.2%	7.8%	5.0%	5.1%	5.1%	5.2%	5.4%
Human Services										
Department of Children, Youth and Families										
Average Number of Children in Out of Home Placement	2,116	2,249	2,201	2,410	2,729	2,436	2,517	2,346	2,331	2,227
Health Department										
Diagnosed AIDS cases	39	51	36	62	56	69	89	105	139	98
Number of births (expressed in thousands)	12	12	12	12	13	14	13	13	14	14
Education										
Enrollment - Higher Education	44,504	43,254	43,224	43,409	42,601	41,503	40,374	40,008	39,920	39,937
Number of certificates and degrees awarded - Higher Education	6,804	6,500	6,516	6,255	5,754	5,518	5,418	5,404	5,567	5,330
Public Safety										
Department of Corrections										
Incarcerated offenders (male)	3,022	3,084	3,154	3,499	3,567	3,542	3,518	3,175	3,354	3,329
Incarcerated offenders (female)	169	189	187	190	204	231	242	186	200	208
Natural Resources										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	131	114	119	136	148	140	140	140	140	140
Park visitations (expressed in thousands)	3,449	5,213	5,386	5,374	5,174	5,928	6,135	6,010	5,861	5,976
Recreational registrations (boats)	38,583	40,525	41,158	42,301	42,999	44,000	41,933	41,366	42,759	41,696
Transportation										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	7,786	7,901	8,280	8,279	8,188	8,679	8,300	8,299	8,472	8,365

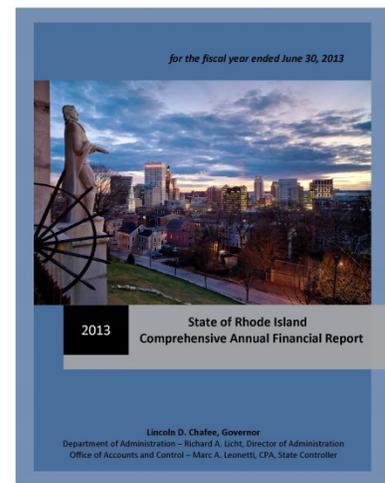
Amounts for various calendar years may differ from the amounts presented in the same tables in the June 30, 2012 CAFR, as a result of revised data.

Source: Various Agencies

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>General Government</u>										
Buildings	16	16	15	14	14	15	15	17	17	17
Vehicles	257	251	258	260	271	263	238	104	95	88
<u>Human Services</u>										
Buildings	199	196	197	201	200	199	198	197	197	197
Vehicles	286	304	337	339	365	360	353	335	320	326
<u>Education</u>										
Buildings	9	10	10	9	10	12	12	13	13	13
Vehicles	13	14	19	20	20	20	19	23	26	31
<u>Public Safety</u>										
Buildings	64	62	59	53	52	52	53	54	54	54
Vehicles	643	561	604	586	614	644	580	604	586	574
<u>Natural Resources</u>										
Buildings	80	67	49	47	45	44	44	43	41	37
Vehicles	419	426	428	420	423	414	417	431	398	412
Number of state parks, beaches, bike paths	21	21	21	21	21	21	21	21	21	21
Area of state parks, beaches (acres)	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289	13,289
<u>Transportation</u>										
Buildings	23	21	19	19	19	19	19	23	22	21
Vehicles	547	555	621	611	628	635	708	676	733	742
Miles of state highway	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100

Source: Department of Administration



Scenes from Providence

Cover – Roger Williams monument from Prospect Park and Providence skyline

photo – Kevin M. Bernard

The Rhode Island Council on the Arts assisted in providing photos for the State of Rhode Island's 2013 Comprehensive Annual Financial Report