



2015



State of  
Rhode Island

*Comprehensive  
Annual  
Financial  
Report*

Fiscal Year Ended  
June 30, 2015

Gina M. Raimondo  
Governor

Department of  
Administration  
Michael DiBiase  
Director of Administration

Office of  
Accounts and Control  
Marc A. Leonetti, CPA  
State Controller

## Table of Contents

Page

### Introductory Section

Letter of Transmittal .....	3
Certificate of Achievement for Excellence in Financial Reporting .....	8
Organization Chart .....	9
Officials of State Government .....	10

### Financial Section

Independent Auditor's Report - Report of the Auditor General .....	11
--	----

Management's Discussion and Analysis .....	15
--	----

#### Basic Financial Statements:

##### Government-wide Financial Statements:

Statement of Net Position .....	37
Statement of Activities .....	38

##### Fund Financial Statements:

Balance Sheet – Governmental Funds.....	39
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position .....	40
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities .....	42
Statement of Net Position – Proprietary Funds .....	43
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	44
Statement of Cash Flows – Proprietary Funds .....	45
Statement of Fiduciary Net Position – Fiduciary Funds.....	46
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	47

##### Component Unit Financial Statements:

Combining Statement of Net Position .....	48
Combining Statement of Activities .....	50

Notes to the Basic Financial Statements .....	51
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#### Required Supplementary Information:

Budgetary Comparison Schedule – General Fund .....	142
Budgetary Comparison Schedule – Intermodal Surface Transportation Fund.....	145
Note to Required Supplementary Information - Budget and Actual.....	146
Schedule of State's Proportionate Share of the Net Pension Liability-Employees' Retirement System- State Employees- Governmental Activities.....	148
Schedule of State Contributions-Employees' Retirement System-State Employees- Governmental Activities.....	149
Schedule of State's Proportionate Share of the Net Pension Liability-Employees' Retirement System- State Share-Teachers (Special Funding Situation).....	150
Schedule of State Contributions-Employees' Retirement System-State Share- Teachers (Special Funding Situation).....	151

## Table of Contents

	<u>Page</u>
Schedule of Changes in Net Pension Liability and Related Ratios-State Police Retirement Benefits Trust...	153
Schedule of Changes in Net Pension Liability and Related Ratios-Judicial Retirement Benefits Trust.....	154
Schedule of Changes in Net Pension Liability and Related Ratios-RI Judicial Retirement Fund Trust.....	155
Schedule of State Contributions-State Police Retirement Benefits Trust.....	156
Schedule of State Contributions-Judicial Retirement Benefits Trust.....	157
Schedule of State Contributions-RI Judicial Retirement Fund Trust.....	158
Schedule of Changes in Total Pension Liability-State Police Non-Contributory Retirement Plan.....	160
Schedule of Changes in Total Pension Liability-Judicial Non-Contributory Retirement Plan.....	161
Schedule of Funding Progress-Other Postemployment Benefits.....	162
Note to Required Supplementary Information-Other Post Employment Benefits.....	163

### Combining Financial Statements:

Combining Balance Sheet – Nonmajor Governmental Funds.....	166
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	169
Budgetary Comparison Schedule – R.I. Temporary Disability Insurance Fund.....	172
Combining Statement of Net Position – Internal Service Funds.....	174
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.....	176
Combining Statement of Cash Flows – Internal Service Funds.....	178
Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefits Trust Funds.....	183
Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefits Trust Funds.....	184
Combining Statement of Fiduciary Net Position – Pension Trust Funds.....	185
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds.....	186
Combining Statement of Fiduciary Net Position – Other Employee Benefits Trust Funds.....	187
Combining Statement of Changes in Fiduciary Net Position – Other Employee Benefits Trust Funds.....	188
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds.....	190
Combining Statement of Net Position – Nonmajor Component Units.....	191
Combining Statement of Activities – Nonmajor Component Units.....	192

### Statistical Section

Index.....	193
Schedule of Net Position by Components.....	194
Schedule of Changes in Net Position.....	195
Schedule of Fund Balances of Governmental Funds.....	197
Schedule of Changes in Fund Balances of Governmental Funds.....	198
Schedule of Taxable Sales by Industry.....	200
Schedule of Personal Income by Industry.....	201
Schedule of Personal Income Tax Revenue as a Percent of Personal Income.....	202
Schedule of Personal Income Tax Rates.....	203
Schedule of Resident Personal Income Tax Filers & Liability by AGI.....	205
Schedule of Ratios of Outstanding Debt by Type.....	207
Schedule of Pledged Revenue Coverage.....	208
Schedule of Nominal Personal Income and Per Capita Personal Income.....	209
Principal Employers.....	210
Full Time State Employees by Function.....	211
Schedule of Operating Indicators by Function.....	212
Schedule of Capital Asset Statistics by Function.....	213

State of  
Rhode Island

# Introductory Section

*Comprehensive  
Annual Financial  
Report*

Fiscal Year Ended  
June 30, 2015



Point Judith

By Rhode Island artist Liz McGrath



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DEPARTMENT OF ADMINISTRATION

**Marc A. Leonetti, CPA, State Controller**

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Providence, RI 02908-5890

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December 17, 2015

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, 2015.

## 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. Additional 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.

*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 (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 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 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 Rhode Island 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 September 2015 was 5.4 percent, a decrease from September 2014's rate of 7.2 percent. The State's unemployment rate continued to remain above the U.S. unemployment rate of 5.1 percent in September 2015. In September 2014, the difference in Rhode Island's unemployment rate and the U.S. unemployment rate was 1.3 percentage points. The gap between these two unemployment rates has narrowed considerably in the last 12 months and is now 0.3 percentage points. In testimony to the November 2015 Revenue Estimating Conference, Moody's Analytics (Moody's) noted that Rhode Island's economy faces lower than average risk from declining energy prices, export competition from China and its major trading partners, and equity market downturns. In addition, Moody's economic analyst noted that personal income growth in Rhode Island is gaining momentum, eclipsing rates of growth in all of the New England states except Massachusetts. Moody's economist did state that the breadth of Rhode Island's job growth bears watching as five sectors of the state's economy saw year-over-year employment contractions in September 2015. This stood in stark contrast to the United States as a whole, where all eleven sectors showed year-over-year employment gains in September 2015. Moody's did note that travel and tourism has contributed more to Rhode Island's economic growth recently but that Rhode

Island still lags in the number of mid-wage jobs that have been created when compared to New England, the Northeastern U.S. and the United States as a whole. The Rhode Island Department of Labor and Training (DLT) testified at the November 2015 Revenue Estimating Conference that the U.S. Bureau of Labor Statistics official job numbers for June 2015 would likely be revised upward by an estimated 1,500 jobs based on job counts derived from the State's unemployment insurance records through June of 2015. According to DLT, the construction and retail trade sectors of the State's labor market recorded the largest increase in jobs based on this analysis, a total of 3,500 jobs, or 1,800 and 1,700 jobs respectively. The November 2015 Consensus Economic Forecast, which was adopted at the November 2015 Revenue Estimating Conference, projects that Rhode Island's non-farm employment will surpass pre-recession peak levels in calendar year 2017.

The November 2015 Consensus Economic Forecast indicates that the State will experience faster growth later in the decade (FY 2017 and FY 2018) and that the State's ability to siphon economic activity from Boston will provide Rhode Island with its most promising avenue for long-term growth. According to Moody's, "while spillover from Boston will help Rhode Island, Rhode Island will struggle to compete with Boston in terms of innovation and entrepreneurship. Most venture capital that flows into New England goes to startups in Boston, and Rhode Island has few high-growth industries that can fuel strong organic growth. It does boast one of the better healthcare systems in the country, however, and a second neuroscience center being pursued by the University of Rhode Island would help cement the state's status as a regional medical hub. There is also good reason to believe that more college graduates from the state's quality universities are staying put, with net migration positive for the first time in a decade and the population of those in their mid- to late 20s once again expanding." A major uncertainty for Rhode Island's economy is the State's demographics. Older workers are retiring and leaving the labor market which has caused a decline in labor productivity in the State. New entrants to the labor market have significantly less experience than the older workers being replaced, especially in manufacturing, requiring employers to invest in training the new workers which, in turn, discourages these firms from hiring. Even with the hiring of new workers, Rhode Island's labor force participation rate is not expected to reach its pre-Great Recession peak as the number of older workers exiting the labor force is expected to continue to outpace the number of younger workers entering the labor force.

*Major Initiatives:* The following section highlights several notable initiatives that will likely impact revenue and expenditure trends in FY 2016 and beyond.

- Changes impacting personal income taxes include the exemption of taxable Social Security benefits from state personal income tax for filers who have reached full Social Security retirement age, including single filers with adjusted gross incomes of up to \$80,000 and joint filers with adjusted gross incomes of up to \$100,000. This change is effective for the tax year beginning January 1, 2016. In addition, the value of the Earned Income Tax credit for low and moderate wage earners was increased from 10.0 percent of the federal credit to 12.5 percent, effective January 1, 2016.
- The FY 2016 enacted budget included a number of economic development initiatives under the control of the newly appointed Secretary of Commerce. These include:
  - The First Wave Closing Fund will provide a company with financing to ensure that certain transactions that are deemed critical to the State's economy occur.
  - The I-195 Redevelopment Project Fund is a fund to provide developers and businesses with financing for capital investment, including land acquisition, in order to promote the development of the land. The Fund would be administered by the I-195 Redevelopment District Commission.
  - The Streetscape Improvement Fund will award loans, matching grants and other forms of financing to enhance sidewalks, signage of public space and lighting in order to create an attractive environment in local business districts.
  - Incentives for Tax Stabilization establishes an incentive program allowing the Commerce Corporation to enter into agreements to reimburse qualifying communities up to 10.0 percent of foregone property tax revenues in exchange for the municipalities providing developers with tax stabilization agreements for redeveloped and rehabilitated properties.

- The Small Business Assistance Program is for businesses with less than 200 employees that are having difficulties obtaining financing from traditional lending organizations. The maximum amount that any one business can obtain from the fund is \$750,000, and ten percent of the funding must be set aside for a microloan program to be administered by a third party with expertise in microloans.
  - Innovation Vouchers is a program for small businesses with less than 500 employees to purchase research and development support from the State's institutions of higher education and other providers. The program would allow small businesses to earn \$5,000 to \$50,000.
  - The Innovation Network Grant Program will provide matching grants to support promising companies in advanced industries, technology, and other strategically important sectors.
  - The Budget renames the Clean Water Finance Agency to the Rhode Island Infrastructure Bank, expands its purview to include renewable energy and efficiency projects, and authorizes the Bank to create an Efficient Buildings Fund to provide loans for energy-related public infrastructure projects.
  - Industry Cluster Grants will provide startup and technical assistance grants ranging from \$75,000 to \$250,000 and provide competitive grants ranging from \$100,000 to \$500,000 for activities within an industry cluster and to close industry cluster gaps.
- The FY 2016 Budget also includes a number of tax credits and incentive programs, including:
    - The Anchor Tax Credit is a tax credit program for businesses that successfully solicit the permanent relocation of a separate business or the permanent relocation of at least ten employees of that separate business. Credits may be applied against corporate income taxes.
    - Tax Increment Financing is a program in which the Commerce Corporation may contract with developers to develop or redevelop specific geographic areas in exchange for up to 75.0 percent of State revenues realized as a result of the development project, as calculated by the Division of Taxation.
    - The Rebuild Rhode Island Tax Credit is a partially refundable tax credit of up to 30.0 percent of project costs for capital investment projects. However, it includes a maximum allowable credit of \$15.0 million, reporting requirements for both the Commerce Corporation and the Division of Taxation, and it establishes a three-year sunset for the program.
    - The New Qualified Jobs Tax Credit is a new job creation and development tax incentive program for businesses. Qualified businesses may receive credits from \$2,500 up to \$7,500 per new full-time job, subject to certain criteria including the creation of new jobs in targeted industries, jobs created in specific communities, and jobs created by businesses that relocate from out of state. Credits may not exceed the income tax withholdings of the employees in the new jobs.
  - The FY 2016 Budget also enacted a number of reforms to the State's Medicaid program to drive long-term transformation of the program to result in higher quality care in lower cost settings. Included in the enacted budget were rate reductions in hospital and nursing home payments, establishment of a pay for performance goal program, and changes in managed care capitation payments.

## **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 the fiscal year ended June 30, 2014 CAFR. This is the fourth consecutive year that Rhode Island has achieved this prestigious award.

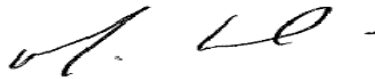


In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our fiscal year ended June 30, 2015 CAFR continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

The audited financial statements within the CAFR have received an unmodified opinion. We are proud of this as well as the GFOA award as they are not guaranteed from year to year. 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 would like 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,



---

Marc A. Leonetti  
State Controller



Government Finance Officers Association

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

Presented to

**State of Rhode Island  
and Providence Plantations**

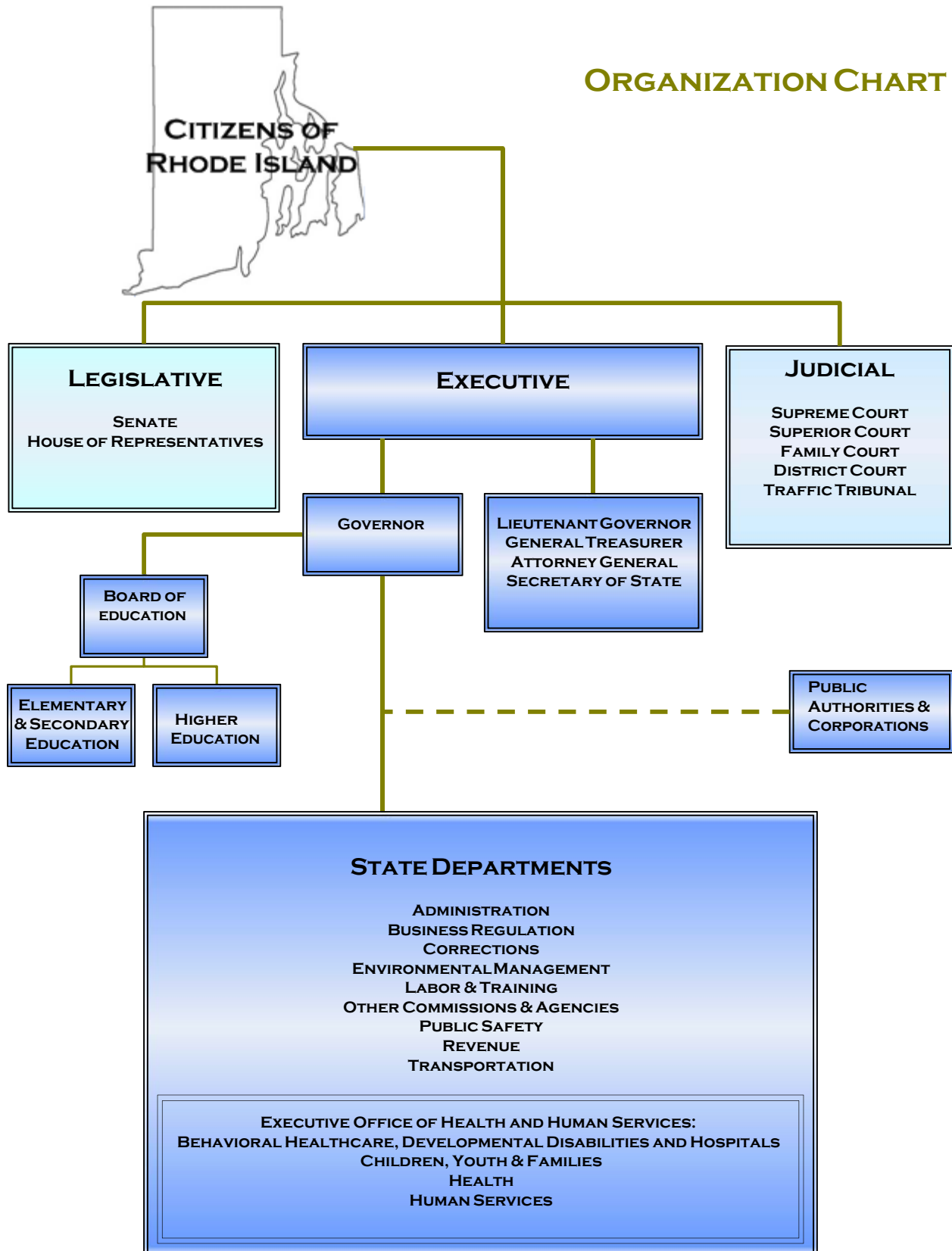
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

## ORGANIZATION CHART



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

***OFFICIALS OF STATE GOVERNMENT***

**EXECUTIVE BRANCH**

**Governor**

Gina M. Raimondo

**Lieutenant Governor**

Daniel J. McKee

**Secretary of State**

Nellie M. Gorbea

**General Treasurer**

Seth M. Magaziner

**Attorney General**

Peter F. Kilmartin

**LEGISLATIVE BRANCH**

**Senate**

**President of the Senate**

M. Teresa Paiva-Weed

**House of Representatives**

**Speaker of the House**

Nicholas A. Mattiello

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**

Paul A. Suttell

State of  
Rhode Island

# Financial Section

*Comprehensive  
Annual Financial  
Report*

Fiscal Year Ended  
June 30, 2015



Benefit Street

By Rhode Island artist Liz McGrath



# Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly

**Dennis E. Hoyle, CPA - Auditor General**

[oag.ri.gov](http://oag.ri.gov)

86 Weybosset Street • Providence, RI • 02903-2800  
tel: 401.222.2435 • fax: 401.222.2111

## 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, 2015, 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 1% of the assets and deferred outflows and 1% of the revenues of the governmental activities and 1% of the assets and 3% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 48% of the assets and deferred outflows and 2% of the revenues of the business-type activities;
- the HealthSource RI Trust, an agency fund, and the Ocean State Investment Pool, an external investment trust, which collectively 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.

The financial statements for these entities 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.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, 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(O), 1(T) and 17(F), the State implemented Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and Statement No. 73 - *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Accordingly, beginning net position of the governmental activities, the business-type activities, and the aggregate discretely presented component units has been restated to recognize net pension liabilities and deferred outflows related to defined benefit pension plans covering employees.

Approximately 27% of the holdings in the pooled investment trust (Note 2) within the pension trust funds are hedge funds, private equity, real estate, and certain infrastructure investments. Because the fair value of these investments were not all 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.

Our opinions are not modified with respect to these matters.

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

### *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 15 through 36, the Budgetary Comparison Schedules on pages 142 through 145, and information about the State's pension plans and other postemployment benefit plans on pages 147 through 164 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 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 165 through 192 which includes the budgetary comparison schedule for the Temporary Disability Insurance (TDI) Fund on page 172, and the other information, such as the introductory and statistical sections on pages 3 through 10 and pages 193 through 213, 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.

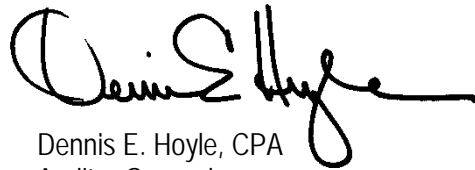
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



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

**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 2015 *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 17, 2015

State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2015



Management's  
Discussion  
and Analysis

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Rhode Island (State) for the fiscal year ended June 30, 2015. 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 plus deferred outflows of resources of the State was less than total liabilities plus deferred inflows of resources on June 30, 2015 by (\$524.2) million. This amount is presented as "net position (deficit)" on the Statement of Net Position for the Total Primary Government. Of this amount, (\$4,401.8) million was reported as unrestricted net position (deficit), \$997.5 million as restricted net position, and \$2,880.2 million as net investment in capital assets.

Effective July 1, 2014 the State adopted Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* and Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As required by Statements No. 68 and 73 the State restated its beginning net position to record the Net Pension Liability for the pension plans it has funding responsibility for. This restatement reduced the net position for governmental activities at July 1, 2014 by \$2.968 billion and the net position for business-type activities by \$13.5 million. Please see the Notes to Basic Financial Statements for a complete discussion of the effect of Statements No. 68 and 73 and the disclosures required by the two standards.

- **Changes in Net Position:** In the Statement of Activities, the State's total net position increased by \$473.0 million in fiscal year 2015. Net position of governmental activities increased by \$352.3 million compared to an increase of \$181.0 million in fiscal year 2014.

This year to year increase in the change in net position for governmental activities is primarily attributable to greater general revenues and transfers which increased by approximately \$231 million from the prior year. This increase is principally attributable to higher tax revenues due to the improving Rhode Island economy, which is discussed in more detail throughout this MD&A.

### Fund Financial Statements

#### Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$1,172.1 million, an increase of \$160.8 million in comparison with the previous fiscal year. This is primarily a result of the increase in the General Fund's fund balance of \$106.5 million, which was due principally to improved tax revenues, and new issuances of debt within the Historic Tax Credit and Certificates of Participation funds.
- As of June 30, 2015, the State's General Fund reported an ending fund balance of \$501.9 million, an increase of \$106.5 million as compared to the prior year. This change was primarily

attributable to an increase in tax revenues in a number of significant categories due to the improving Rhode Island economy and actual expenditures being less than budgeted amounts.

- As of June 30, 2015, the State's Intermodal Surface Transportation Fund reported an ending fund balance of \$112.5 million, a decrease of \$6.0 million as compared to the prior year. The decrease was mainly due to spending of bond proceeds from prior years' issuances for road and bridge construction projects.

### Proprietary Funds

- The Rhode Island State Lottery transferred \$381.9 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$5.6 million in comparison with the previous fiscal year.
- The Employment Security Fund ended the fiscal year with a net position of \$151.0 million, an increase of \$123.1 million from fiscal year 2014. This favorable change is principally attributable to a significant reduction in benefits paid due to the improving employment level in the State.
- The R.I. Convention Center Authority ended the fiscal year with a net position deficiency of (\$60.3) million, a deficit increase of (\$3.2) million compared with the prior year. The Authority has historically had a net position deficiency, because the amount of debt related to capital assets has exceeded the net book value of the capital assets and 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 pension obligations and progress in funding its obligation to provide 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 (deficit) (governmental and business-type activities) totaled (\$524.2) million at the end of fiscal year 2015, compared to (\$997.2) million (as restated) at the end of the prior fiscal year. Governmental activities reported unrestricted net position (deficit) of (\$4,380.5) 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, 2015  
(Expressed in Thousands)

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 2,180,618	\$ 1,914,572	\$ 187,869	\$ 119,546	\$ 2,368,487	\$ 2,034,118
Capital assets	3,857,807	3,683,740	154,569	162,001	4,012,376	3,845,741
Total assets	6,038,425	5,598,312	342,438	281,547	6,380,863	5,879,859
Deferred outflows of resources	296,111	26,723	6,431	6,819	302,542	33,542
Long-term liabilities outstanding	5,451,838	5,535,725	228,954	239,463	5,680,792	5,775,188
Other liabilities	1,177,042	1,010,133	46,335	97,159	1,223,377	1,107,292
Total liabilities	6,628,880	6,545,858	275,289	336,622	6,904,169	6,882,480
Deferred inflows of resources	302,235	28,076	1,166		303,401	28,076
Net position (deficit):						
Net investment in capital assets	2,942,128	2,706,209	(61,956)	(62,060)	2,880,172	2,644,149
Restricted	841,777	799,274	155,682	33,795	997,459	833,069
Unrestricted	(4,380,484)	(4,454,382)	(21,312)	(19,991)	(4,401,796)	(4,474,373)
Total net position (deficit)	\$ (596,579)	\$ (948,899)	\$ 72,414	\$ (48,256)	\$ (524,165)	\$ (997,155)

\* Restated

See Note 17 F for an explanation of the restatements.

As indicated above, the State reported a balance in unrestricted net position (deficit) of (\$4,401.8) million as of June 30, 2015. Two primary factors, which are discussed below, contributed to this deficit.

As discussed at the beginning of Management's Discussion & Analysis, in fiscal year 2015 the State implemented Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* and Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As a result of the implementation of these two standards, at June 30, 2015 the net pension liability now recorded in the Statement of Net Position related to governmental activities was approximately \$2.9 billion.

Also, another significant contributing factor is 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, 2015 approximately \$559.2 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 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. See Note 6 B for a detailed explanation of the refunding bond issue that took place during fiscal year 2015. As of June 30, 2015 approximately \$716.2 million of principal and \$73.4 million of accreted interest are included in the State's debt.
- Historic Tax Credit Bonds - In fiscal years 2009 and 2015 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$150.0 million and \$75.0 million, respectively, 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, 2015, approximately \$132.4 million of such bonds are outstanding.
- The State has entered into certain capital lease agreements, Certificates of Participation (COPS), the proceeds of which are to be used, for example, 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, 2015, approximately \$46.1 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 \$473.0 million during fiscal year 2015. Total revenues of \$7,945.8 million increased by \$459.6 million compared to fiscal year 2014. The favorable results were aided by increased general revenues due primarily to greater tax collections due to the improving economy and rising operating grants which, in part, related to federal assistance provided under the Affordable Care Act (ACA). The State's expenses, which cover a wide range of services, increased by \$272.9 million. This net increase, which occurred primarily in the human services and education categories, was caused by a number of factors including significant expenditures for initiatives under the ACA and increased investments in education. Offsetting these costs were savings in employment insurance costs which decreased by approximately \$90 million due to a significant decline in unemployment levels in the State.

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, 2015  
(Expressed in Thousands)

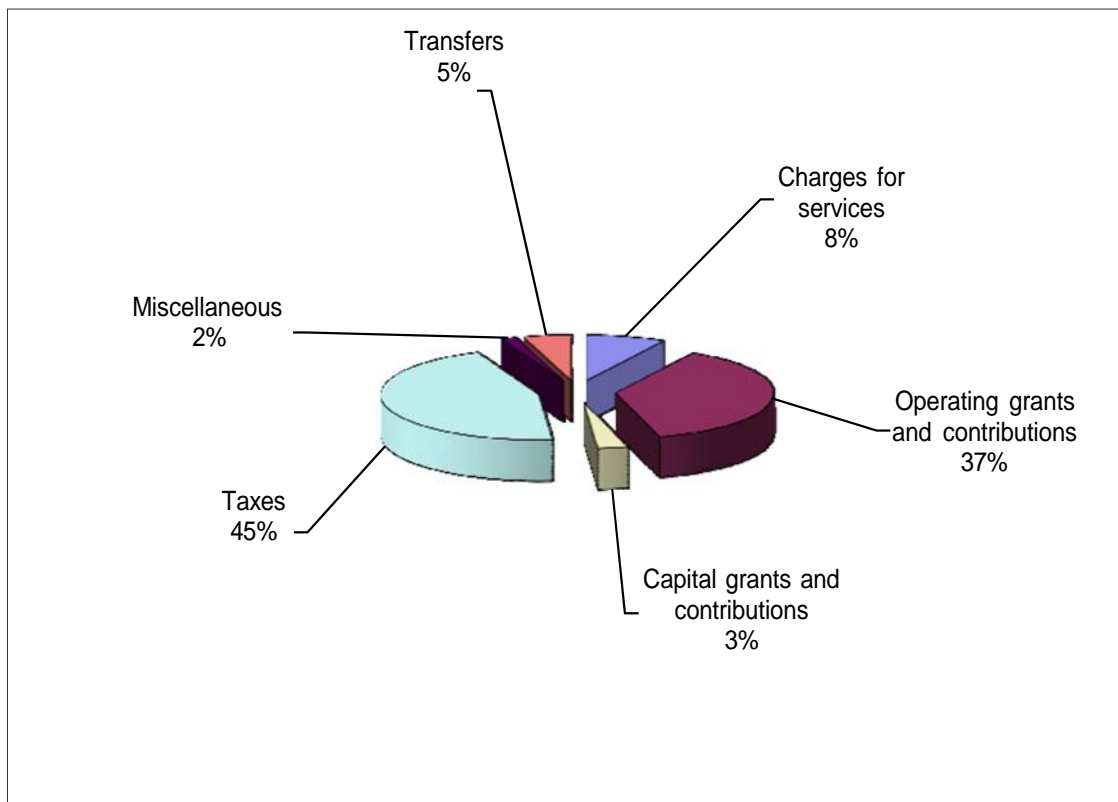
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 577,157	\$ 547,589	\$ 1,163,752	\$ 1,127,206	\$ 1,740,909	\$ 1,674,795
Operating grants and contributions	2,666,243	2,403,772	839	53,146	2,667,082	2,456,918
Capital grants and contributions	217,604	228,649			217,604	228,649
General revenues:						
Taxes	3,206,935	2,980,387			3,206,935	2,980,387
Interest and investment earnings	3,212	4,852	186	109	3,398	4,961
Miscellaneous	108,375	109,351	1,531	31,208	109,906	140,559
Total revenues	6,779,526	6,274,600	1,166,308	1,211,669	7,945,834	7,486,269
Program expenses:						
General government	695,611	736,911			695,611	736,911
Human services	3,631,236	3,302,590			3,631,236	3,302,590
Education	1,472,786	1,399,347			1,472,786	1,399,347
Public safety	478,854	478,826			478,854	478,826
Natural resources	83,979	80,690			83,979	80,690
Transportation	283,085	298,626			283,085	298,626
Interest and other charges	121,845	129,421			121,845	129,421
Lottery			484,293	462,153	484,293	462,153
Convention Center			48,628	49,255	48,628	49,255
Employment insurance			167,527	257,145	167,527	257,145
Total expenses	6,767,396	6,426,411	700,448	768,553	7,467,844	7,194,964
Excess (deficiency) before transfers	12,130	(151,811)	465,860	443,116	477,990	291,305
Transfers	345,190	332,824	(345,190)	(332,824)		
Special items	(5,000)				(5,000)	
Change in net position	352,320	181,013	120,670	110,292	472,990	291,305
Net position (deficit) - Beginning	2,006,755	1,825,742	(35,333)	(145,625)	1,971,422	1,680,117
Cumulative effect of prior period adjustments	(2,955,654)		(12,923)		(2,968,577)	
Net position (deficit) - Beginning, as restated	(948,899)	1,825,742	(48,256)	(145,625)	(997,155)	1,680,117
Net position (deficit) - Ending	\$ (596,579)	\$ 2,006,755	\$ 72,414	\$ (35,333)	\$ (524,165)	\$ 1,971,422

The fiscal year 2014 amounts presented above have not been restated for the implementation of GASB Statements 68 and 73 for pensions or other adjustments. Complete information to fully restate the fiscal year 2014 amounts was not available. For further information see Notes 13 and 17 F.

With the inclusion of the net pension liability in the Statement of Net Position as required by GASB Statement No. 68, changes in that liability due to changes in the fair value of investments and other actuarial or benefit related factors will affect the State's net position each year. For fiscal 2015, the net pension liability decreased by \$309.5 million before deferred inflows of \$268.6 million which will be recognized in future years.

**Chart 1** depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2015.

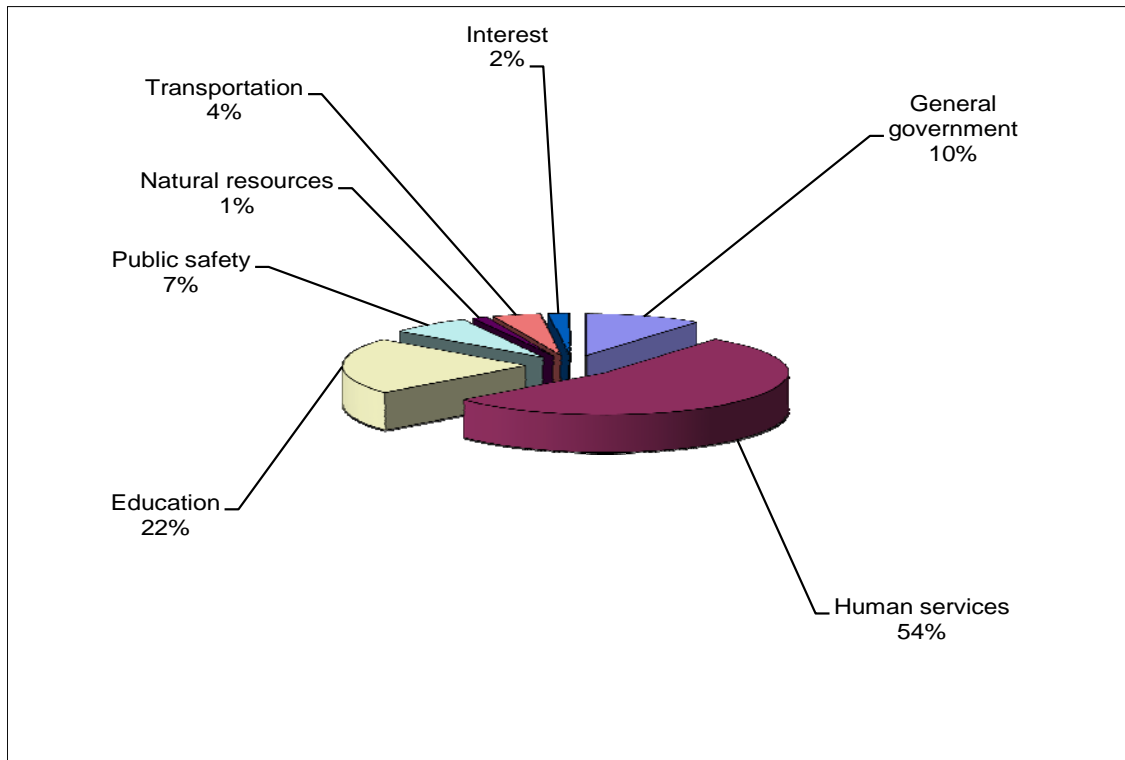
**Chart 1 - Revenues and Transfers - Governmental Activities**



The relative mix of revenue and transfers by source for governmental activities remained fairly constant in fiscal year 2015 versus the prior fiscal year. Taxes continued to represent the largest source of revenue at 45% of the total while operating grants and contributions represented 37% of the total in fiscal year 2015.

**Chart 2** depicts the purposes that program expenses related to Governmental Activities were expended for during the fiscal year ended June 30, 2015.

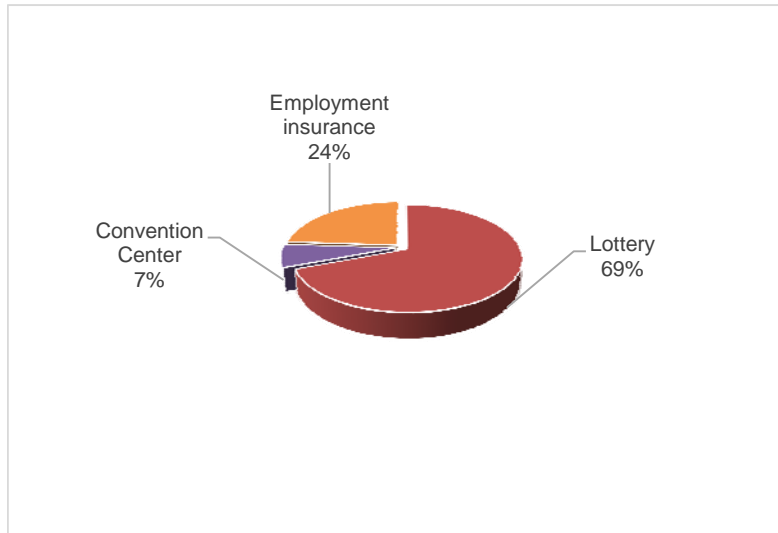
**Chart 2 - Program Expenses - Governmental Activities**



The relative mix of program expenses - governmental activities remained about the same in fiscal year 2015 as the prior fiscal year. The percent of total spending that is directed towards human services programs went from 52% to 54%.

**Chart 3** depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2015.

**Chart 3 – Program Expenses – Business Type Activities**



The relative mix of expenses – business type activities changed significantly due to a reduction in the amount of benefits paid under the employment insurance program.

## 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 \$1,172.1 million, an increase of \$160.8 million from June 30, 2014. A breakdown of the components follows (expressed in thousands):

	2015	2014	Increase (decrease) from 2014	
			Change	Percent
Governmental Funds				
Nonspendable	\$ 174	\$ 174	\$	
Restricted	959,136	899,490	59,646	6.63%
Unrestricted				
Committed	9,652	22,682	(13,030)	-57.45%
Assigned	155,986	72,005	83,981	116.63%
Unassigned	47,199	16,959	30,240	178.31%
Total	<u>\$ 1,172,147</u>	<u>\$ 1,011,310</u>	<u>\$ 160,837</u>	<u>15.90%</u>

See Note 17 F for an explanation of the 2014 reclassification.

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.
- 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 \$84 million increase in the assigned portion of the unrestricted fund balance is primarily attributable to an increase in the amount of the year end fund balance earmarked by the legislature as a resource in the subsequent fiscal year's budget. At June 30, 2014 this amount was approximately \$72 million; it increased to approximately \$156 million at June 30, 2015.
- The increase of \$30.2 million in the unassigned portion of the unrestricted fund balance primarily resulted from the actual general fund balance remaining for appropriation in fiscal year 2016 being greater than expected at the time the fiscal year 2016 budget was enacted by the legislature.

### 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):

	2015	2014*	Increase (decrease) from 2014	
			Change	Percent
Restricted	\$ 319,677	\$ 297,617	\$ 22,060	7.41%
Unrestricted				
Committed	2,561	4,770	(2,209)	-46.31%
Assigned	130,964	72,005	58,959	81.88%
Unassigned	48,685	20,987	27,698	131.98%
Total	\$ 501,887	\$ 395,379	\$ 106,508	26.94%

\*See Note 17 F for an explanation of the reclassification.

Revenues and transfers of the General Fund totaled \$6,557.8 million in fiscal year 2015, an increase of \$506.1 million or 8.36%, 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):

	2015	2014	Increase (decrease) from 2014	
			Amount	Percent
Taxes:				
Personal income	\$ 1,225,561	\$ 1,109,702	\$ 115,859	10.44%
Sales and use	1,168,852	1,126,729	42,123	3.74%
General business	435,219	377,361	57,858	15.33%
Other	44,802	52,731	(7,929)	-15.04%
Subtotal	2,874,434	2,666,523	207,911	7.80%
Federal grants	2,619,412	2,345,942	273,470	11.66%
Restricted revenues	227,631	216,142	11,489	5.32%
Licenses, fines, sales, and services	326,003	330,565	(4,562)	-1.38%
Other general revenues	59,364	60,458	(1,094)	-1.81%
Subtotal	3,232,410	2,953,107	279,303	9.46%
Total revenues	6,106,844	5,619,630	487,214	8.67%
Transfer from Lottery	381,936	376,327	5,609	1.49%
Other transfers	69,007	55,722	13,285	23.84%
Total revenue and transfers in	\$ 6,557,787	\$ 6,051,679	\$ 506,108	8.36%

Personal income taxes increased sharply between fiscal year 2014 and fiscal year 2015. Final payments, payments made with a return and extension payments, increased by 18.7 percent while estimated payments were up by 15.0 percent. The increases in final and estimated payments are likely due to the improvements in the state's economy between the two fiscal years. Personal income tax withholding payments showed accelerated growth of 4.6 percent in fiscal year 2015. The increase in withholding tax payments was contemporaneous with the decline in the state's unemployment rate and a third consecutive fiscal year of non-farm employment growth exceeding 1.0 percent. Personal income tax refunds and adjustments grew slightly at a rate of 0.8 percent continuing the trend of dampened growth in refunds and adjustments since the passage of the personal income tax reform in June 2010.

The State's unemployment rate continued its downward trajectory which, according to Moody's Analytics, fell from 8.5 percent in fiscal year 2014 to 6.7 percent in fiscal year 2015 while nominal personal income growth rose from 2.3 percent in FY 2014 to 4.6 percent in FY 2015. Sales and use taxes continued their strong upward trajectory increasing by 5.2 percent in FY 2015 after increasing by 5.0 percent in FY 2014. In FY 2015, motor vehicle use tax revenues increased by 4.0 percent below the rate of growth of 7.7 percent experienced for FY 2014. Sales taxes collected from the provision of prepared meals and beverages increased 7.0 percent in FY 2015.

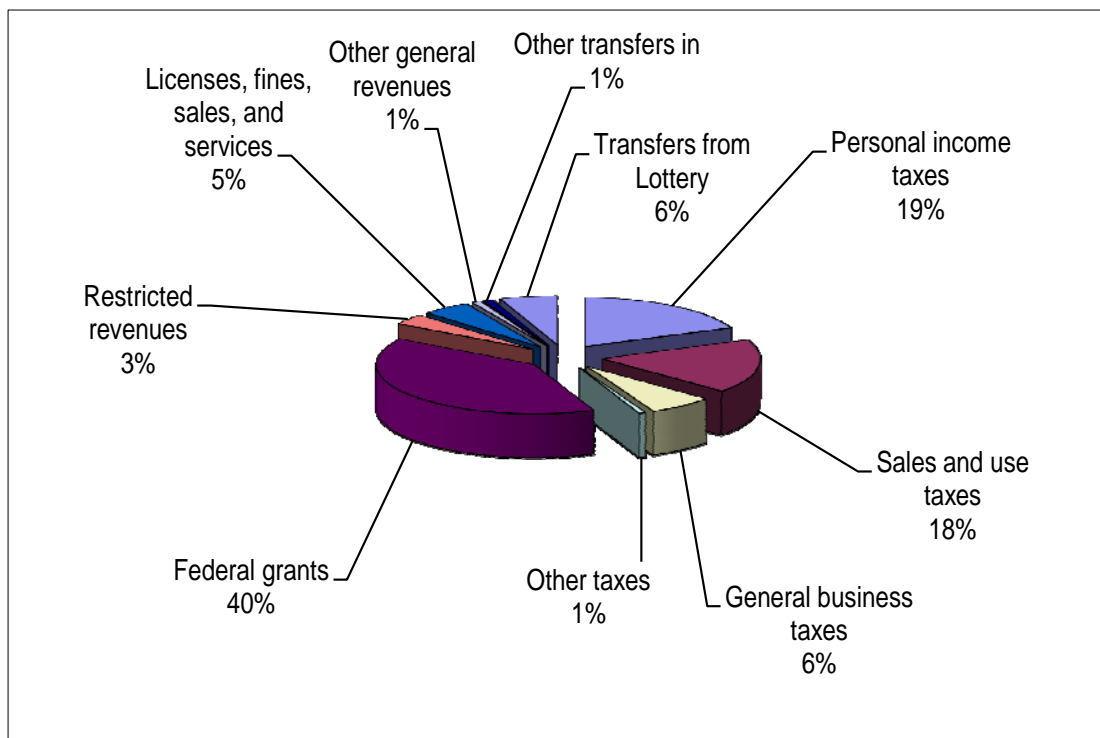
General business tax revenues grew significantly at 16.4 percent in FY 2015 driven primarily by substantial growth in business corporations tax payments of 29.6 percent, financial institutions tax revenues growth of 36.9 percent, and insurance companies gross premiums tax receipts of 17.5 percent. The strong growth in business corporations' tax revenues was attributable in part to the implementation of mandatory combined reporting for C corporations using single sales factor apportionment, market based sourcing of services and a reduced tax rate of 7.0 percent. The gain in insurance companies' gross premiums tax receipts reflected the continued expansion of health insurance coverage in the state via the Affordable Care Act.

Other taxes declined 15.0 percent year-over-year in FY 2015. Estate and transfer tax revenues fell 21.5 percent from FY 2014 levels. Much of this decline is attributable to the restructuring of the estate and transfer tax system from a cliff exemption amount of \$921,655 to an estate and transfer tax credit amount of \$64,400, the equivalent of a \$1.5 million full exemption amount. Realty transfer taxes were also up strongly from FY 2014 at 19.5 percent. This increase primarily reflects the state's improved housing market.

Finally, the R.I. Lottery's transfer to the General Fund was up 1.5 percent in fiscal year 2015 from fiscal year 2014. Sales of traditional lottery products were down 2.2 percent year-over-year while casino gaming revenues were up 1.9 percent for the video lottery terminals in operation at Twin River and Newport Grand and 9.0 percent for the live table games in place at Twin River.

Chart 4 depicts the General Fund's revenues and other sources for the fiscal year ended June 30, 2015.

**Chart 4 – Revenues and Other Sources – General Fund**



Expenditures and transfers out totaled \$6,482.6 million in fiscal year 2015, an increase of \$425.2 million, or 7.02%, 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):

	2015	2014	Increase (decrease) from 2014	
			Amount	Percent
General government	\$ 518,101	\$ 488,707	\$ 29,394	6.01%
Human services	3,661,964	3,325,538	336,426	10.12%
Education	1,403,507	1,357,630	45,877	3.38%
Public safety	490,981	478,108	12,873	2.69%
Natural resources	79,897	76,118	3,779	4.96%
Debt Service:				
Principal	123,178	117,975	5,203	4.41%
Interest	61,727	67,113	(5,386)	-8.03%
Total expenditures	6,339,355	5,911,189	428,166	7.24%
Transfers out	143,266	146,245	(2,979)	-2.04%
Total expenditures and transfers out	\$ 6,482,621	\$ 6,057,434	\$ 425,187	7.02%



The significant increase in Human Services function expenditures is primarily attributable to the first full year of the implementation of the Affordable Care Act and the new HealthSource RI health benefits exchange. Within the Medicaid program, both new enrollees and annualized costs for existing enrollees resulted in a significant increase in federally funded expenses. In addition, there were increases in costs under the regular Medicaid program due to caseload increases from those individuals who were previously eligible for Medicaid, but not yet enrolled.

The primary driver of the increase in the Education function expenditures is the continued transition to the new Education Funding Formula, which required over \$31.0 million in additional funding in fiscal year 2015. Also in this functional area, funding for the State's share of Teacher Retirement costs increased by over \$8.0 million and state aid to the State's university and colleges increased by over \$9.7 million.

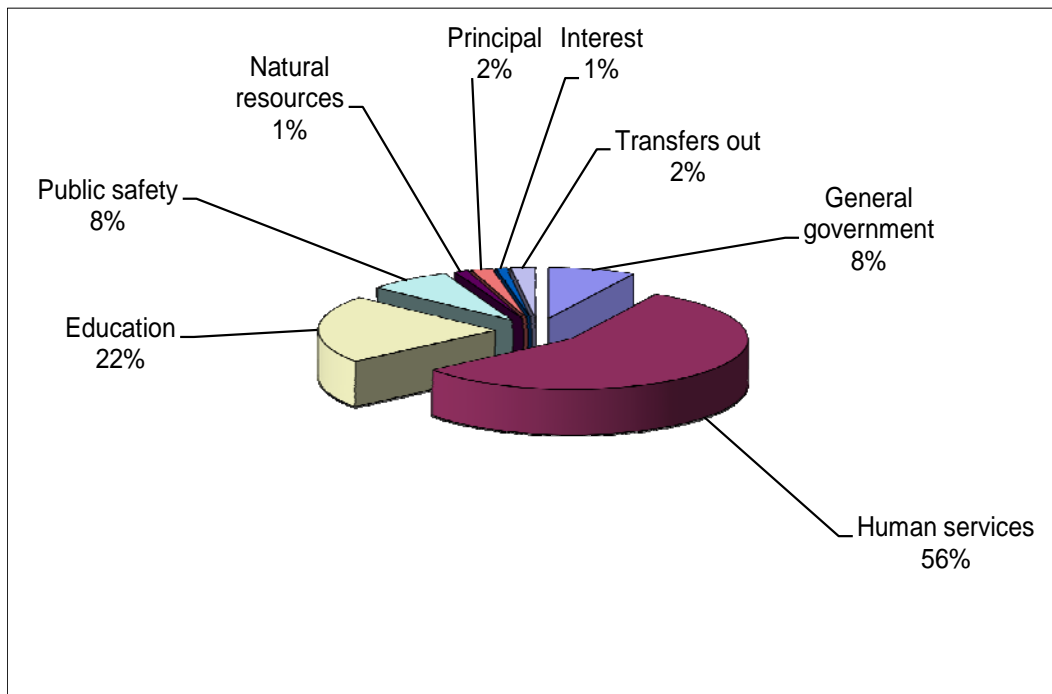
Within the General Government function, expenditures for the Payment In Lieu of Taxes aid program to cities and towns increased by \$5.0 million compared to FY 2014; the Public Financing of General Elections program resulted in spending of \$2.6 million in FY 2015 that did not occur in FY 2014; the Unclaimed Property and Retirement programs under the General Treasurer's Office each increased spending by over \$1.8 million; and within the Department of Administration, the Technology Investment Fund expended approximately \$2.2 million more in FY 2015 than the prior year due to increased investments for new software.

Within Public Safety, the Department of Corrections expended over \$7.8 million more in FY 2015, including \$4.4 million attributable to estimated contract settlement costs with the Correctional Officers' union. In the Department of Public Safety, expenditures from the Google Settlement received through the Department of Justice were approximately \$2.2 million higher than the prior year.

The increase in Natural Resources is due to additional federal grant funds available to the Department of Environmental Management, including funds for capital improvements at recreational facilities.

**Chart 5** depicts the General Fund's Expenditures and Other Uses for the fiscal year ended June 30, 2015.

**Chart 5 – 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, fees, federal grants, Rhode Island Capital Fund Plan funds, and bond proceeds that are used in maintenance, upgrading, and construction of the State's surface 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, the Mission 360 Loan Program and related expenditures. The components of fund balance of the IST fund are as follows (expressed in thousands):

	2015	2014	Increase (decrease) from 2014	
			Change	Percent
Restricted	\$ 106,961	\$ 118,426	\$ (11,465)	-9.68%
Unrestricted				
Committed	7,001	4,039	2,962	73.33%
Unassigned (deficit)	(1,486)	(4,028)	2,542	63.11%
Total	\$ 112,476	\$ 118,437	\$ (5,961)	-5.03%

The decrease in fund balance for the IST Fund at June 30, 2015 is primarily attributable to the use of bond proceeds from prior years' issuances for various road and bridge construction and rehabilitation projects.

**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 an increase of \$123.6 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$31.5 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights				
General Revenue Sources				
	Original Budget	Final Budget	Actual	Final Budget vs. Actual Variance
Revenues and sources:				
Taxes:				
Personal income	\$ 1,157,132	\$ 1,226,800	\$ 1,227,582	\$ 782
General business	402,353	438,100	441,322	3,222
Sales and use	1,142,862	1,159,400	1,168,852	9,452
Other taxes	36,610	41,600	44,802	3,202
Departmental revenue	351,672	350,860	354,121	3,261
Other sources:				
Lottery transfer	384,500	378,600	381,936	3,336
Unclaimed property	10,500	12,300	13,712	1,412
Miscellaneous	7,475	9,085	8,778	(307)
Total revenues and other sources	3,493,104	3,616,745	3,641,105	24,360
Expenditures and other uses:				
General government	452,986	437,237	426,311	10,926
Human services	1,342,024	1,378,284	1,366,447	11,837
Education	1,199,219	1,194,741	1,194,336	405
Public safety	413,216	427,944	428,375	(431)
Natural resources	37,726	38,418	38,424	(6)
Total expenditures and other uses	3,445,171	3,476,624	3,453,893	22,731
Excess of revenues and other sources over expenditures and other uses	\$ 47,933	\$ 140,121	\$ 187,212	\$ 47,091

The strong positive variance between the fiscal year 2015 actual revenues to the fiscal year 2015 original budget for personal income taxes was reflected in positive variances across all personal income tax components. Personal income tax estimated payments were \$21.3 million more than the original budget. Personal income tax final payments were \$25.8 million above the original budget while personal income tax refunds and adjustments were \$5.2 million less than the original budget, both indications of improved economic conditions in the state. Personal income tax withholding payments were slightly more than included in the original budget. The third largest contributor to the difference in actual total personal income tax revenues relative to the original budget was the net accrual which was \$15.7 million more.

Actual fiscal year 2015 general business taxes came in above the original budget due primarily to actual business corporation tax revenues coming in 24.5 percent higher than the estimated amount included in the original budget. Similarly, actual financial institutions tax revenues were nearly double their originally estimated amount.

Sales and use tax revenues actually received in fiscal year 2015 outperformed estimated sales and use tax revenues included in the fiscal year 2015 original budget due to stronger than anticipated cigarette and other tobacco products excise tax revenues, general sales and use tax revenues and alcohol excise tax revenues exceeding the estimates included in the original budget.

Finally, the actual fiscal year 2015 Lottery transfer to the General Fund lagged the estimated Lottery transfer to the General Fund contained in the fiscal year 2015 original budget as both actual traditional lottery products revenues fell \$2.6 million short of the estimated revenue included in the original FY 2015 budget. Actual revenues from both the video lottery terminals in operation at Twin River and Newport

Grand and the live table games in operation at Twin River were in line with the estimates included in the original budget.

The positive expenditure variance in the General Government function of approximately \$10.9 million was primarily in two agencies, Administration and Legislature. Within Administration, the majority of the positive variance, \$2.8 million, was in the Facilities Management program due to lower than anticipated energy and repair costs. In addition, several programs had surpluses due to funding enacted for specific projects remaining unspent at year end, which was subsequently approved by the Governor for reappropriation to fiscal year 2016. These included, \$450,750 for a classification and compensation study; \$527,000 for the implementation of an e-permitting system; and \$170,305 for the I-195 Commission. In the Legislature's budget, the positive variance of \$4.4 million was primarily in the grants category where funds may be committed but not fully expended within the fiscal year. Under Rhode Island law, the entire surplus for the Legislature is reappropriated to fiscal year 2016.

The positive variance in the Human Services function of approximately \$11.8 million was due to a positive variance of \$9.2 million in the Office of Health and Human Services (OHHS) and \$1.0 million in the Department of Children, Youth and Families. 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 2015. The DCYF positive variance was due to the availability of some federal resources to offset general revenue expenses.

The negative variance of \$0.4 million in the Public Safety function is primarily due to a \$0.8 million deficit in the Department of Public Safety due to retroactive payments to State Troopers based on the final arbitration award regarding their compensation contract.

## 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, 2015, amounts to \$4,012.4 million, net of accumulated depreciation of \$2,656.5 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 4.00% of net book value (as restated). This increase is primarily caused by investments in the construction and rehabilitation of highways and bridges as well as other infrastructure.

Actual expenditures to purchase or construct capital assets were \$324.5 million for the year. Of this amount \$201.0 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$176.6 million.

State of Rhode Island's Capital Assets as of June 30, 2015  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014*	2015	2014	2015	2014*
Capital assets not being depreciated or amortized						
Land	\$ 392,753	\$ 388,033	\$ 46,808	\$ 45,558	\$ 439,561	\$ 433,591
Works of Art	2,923	2,389			2,923	2,389
Intangibles	170,130	166,716			170,130	166,716
Construction in progress*	521,209	456,735	170	44	521,379	456,779
Total capital assets not being depreciated or amortized	1,087,015	1,013,873	46,978	45,602	1,133,993	1,059,475
Capital assets being depreciated or amortized						
Land improvements	3,700	3,700			3,700	3,700
Buildings	721,971	723,688	234,392	234,384	956,363	958,072
Building improvements	279,919	270,378			279,919	270,378
Equipment	294,897	265,842	31,255	30,145	326,152	295,987
Intangibles	14,040	14,040	175	175	14,215	14,215
Infrastructure*	3,954,550	3,747,835			3,954,550	3,747,835
	5,269,077	5,025,483	265,822	264,704	5,534,899	5,290,187
Less: Accumulated depreciation or amortization*	2,498,285	2,343,412	158,231	148,307	2,656,516	2,491,719
Total capital assets being depreciated or amortized	2,770,792	2,682,071	107,591	116,397	2,878,383	2,798,468
Total capital assets (net)	\$ 3,857,807	\$ 3,695,944	\$ 154,569	\$ 161,999	\$ 4,012,376	\$ 3,857,943

\*Certain fiscal year 2014 balances have been restated.

Additional information on the State's capital assets can be found in Note 5 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 \$2,174.7 million, of which \$1,022.9 million is general obligation debt, \$435.6 million is special obligation debt and \$716.2 million is debt of the blended component units. Additionally, accreted interest of \$73.4 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 \$60.8 million during fiscal year 2015. This decrease consists of a \$51.9 million decrease in general obligation debt, an increase of \$19.7 million in special obligation debt, and a decrease of \$28.6 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 \$367.5 million and \$1,022.5 million are supported by pledged revenue. These are discussed in Note 6 and 17 G.

As of July 2015 the State's assigned general obligation bond ratings are as follows: AA (Stable) by Standard & Poor's Ratings Services (S&P), Aa2 (Stable) by Moody's Investor Service, Inc. and AA (Stable) by Fitch Ratings. The State does not have any debt limitation.

Bonds authorized by the voters that remain unissued as of June 30, 2015 amounted to \$392.1 million; other obligations that are authorized but unissued totaled \$224.2 million and are described in Note 6. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

## Conditions Expected to Affect Future Operations

### **Fiscal Year 2016 Budget**

The first quarter report for fiscal year 2016 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the first quarter of fiscal year 2016, as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 2015 Caseload and Revenue Estimating Conferences. The fiscal year 2016 balance, based upon these assumptions, is estimated to reflect a \$50.6 million general revenue surplus in the General Fund.

The Budget Office continues to review department and agency fiscal year 2016 expenditure plans in conjunction with the fiscal year 2017 budget process. In the first quarter report for fiscal year 2016 prepared by the State Budget Office a number of departments, primarily in the human service area as well as the Department of Corrections, are projecting deficits. All changes recommended by the Governor in the fiscal year 2016 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 2016.

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 \$52.4 million more than enacted for fiscal year 2016. Taxes are expected to exceed enacted estimates by \$28.3 million, while departmental revenues and other sources, including lottery revenues, are expected to exceed enacted estimates by \$24.1 million. The November Revenue Estimating Conference estimates that revenues will be \$3,596.2 million as compared with the enacted estimate of \$3,543.8 million for fiscal year 2016.

The November Caseload Estimating Conference estimates reflect, in comparison to the fiscal year 2016 enacted budget, increased general revenue funding for fiscal year 2016 of \$14.9 million. This is due to a number of factors including increased costs for managed care and Rhody Health Options which were offset to an extent by savings in other programs.

### **Lottery Revenue**

The General Fund derives more than 10% of general revenue from the Rhode Island Lottery.

The Lottery's gaming operations currently compete with casinos in nearby Connecticut and Massachusetts. In addition, both neighboring States have already approved or are considering additional casino expansion likely to increase gaming competition in New England. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

### **Pension Benefits**

The State's fiscal 2015 financial statements, as required by the implementation of GASB Statement No. 68, include the net pension liability for the various defined benefit pension plans covering state employees.

Legal challenges to pension reforms initiated in prior years have been largely resolved through settlement and legislative enactment of those settlement provisions at the close of fiscal 2015. The changes to benefit provisions resulting from the settlement and subsequent amendment of the statutory provisions regarding pension benefits have been reflected in the actuarially determined contribution rates for fiscal 2017. The terms of the settlement maintained the majority of the future savings projected in the initial enactment of the Rhode Island Retirement Security Act.

With the implementation of GASB Statement No. 68, the accounting measures of pension expense and related liabilities will differ from those used for funding purposes. The accounting measures are likely to be more volatile year to year since the net pension liability reflects the fair value of pension plan assets at June 30 whereas the funding measures use a five-year smoothed actuarial value of assets.

Future operations will continue to be affected by the amounts actuarially required to responsibly fund pensions consistent with statutory and actuarial requirements. Similarly, the State's overall net position will continue to be affected by market conditions affecting the fair value of assets accumulated for future pension benefits and the accounting measures reflecting the changes in those pension liabilities year to year.

### **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, 2013 has determined the State's net unfunded actuarial liability for all six plans included in the Rhode Island State Employees' and Electing Teachers OPEB System to be \$714.1 million. Based on a discount rate of 5.0%, the State and other participating employers' annual required contribution was \$62.8 million. For fiscal year 2015, the State funded the retiree health care program in accordance with law by contributing the actuarially required contribution. At June 30, 2015 the OPEB Trust's net position was \$147.4 million.

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 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.

### **Transportation Funding Initiative**

In order to address Rhode Island's continuing issues with deteriorating roads and bridges in May 2015 a new initiative called Rhode Works was proposed. Rhode Works calls for investing an additional \$1 Billion above current plans in transportation infrastructure to fix more than 150 structurally deficient bridges and make repairs to another 500 bridges to prevent them from becoming structurally deficient. The plan also refocuses efforts to expand transit. The plan would be financed by 1) new revenue bonds that will be paid for by user fees on large commercial trucks 2) an application for \$400 million in matching federal funds and 3) \$120 million of federal funds made available sooner by restructuring existing federally funded debt. The plan is expected to save nearly \$1 billion over 10 years by addressing transportation infrastructure problems on a more proactive basis. It is expected that the General Assembly will consider the plan in its 2016 session.

### **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. Because several State law enforcement agencies participated in the investigation, the State was awarded \$110 million of this forfeiture. As of June 30, 2015 the State had spent approximately \$21.9 million of the total award and will be able to use the balance of the award in future years. The funds must 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, and unfunded pension and OPEB obligations. 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 through 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. In March 2015 it was determined that the fiscal health of the City improved to a level that such oversight was no longer necessary.

The State is continually monitoring the financial status of all municipalities and other governmental entities with the goal of avoiding 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](mailto:Peter.Keenan@doa.ri.gov). The State's Comprehensive Annual Financial Report may be found on the State Controller's home page, <http://controller.admin.ri.gov/index.php>. Requests for additional information related to component units should be addressed to the entities as listed in Note 1 of the financial statements.



State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2015



Basic  
Financial  
Statements

**State of Rhode Island and Providence Plantations**  
**Statement of Net Position**  
**June 30, 2015**  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 925,921	\$ 23,943	\$ 949,864	\$ 295,737
Funds on deposit with fiscal agent	189,434	71,881	261,315	
Investments				11,115
Receivables (net)	752,093	84,998	837,091	69,648
Restricted assets:				
Cash and cash equivalents	52,374	4,712	57,086	225,347
Investments				74,175
Receivables (net)				2,312
Other assets				42,666
Due from primary government				27,470
Due from component units	4,683		4,683	1,935
Internal balances	1,136	(1,136)		
Due from other governments and agencies	166,977	1,272	168,249	30,029
Inventories	3,110	912	4,022	10,493
Other assets	6,546	515	7,061	11,288
Total current assets	<u>2,102,274</u>	<u>187,097</u>	<u>2,289,371</u>	<u>802,215</u>
Noncurrent assets:				
Investments				180,642
Receivables (net)	14,750		14,750	45,401
Due from other governments and agencies	11,796		11,796	
Restricted assets:				
Cash and cash equivalents				56,791
Investments				330,971
Other assets				1,428,860
Due from component units	51,798		51,798	1,380
Capital assets - nondepreciable	1,087,015	46,978	1,133,993	298,892
Capital assets - depreciable (net)	2,770,792	107,591	2,878,383	1,677,104
Other assets		772	772	157,306
Total noncurrent assets	<u>3,936,151</u>	<u>155,341</u>	<u>4,091,492</u>	<u>4,177,347</u>
Total assets	<u>6,038,425</u>	<u>342,438</u>	<u>6,380,863</u>	<u>4,979,562</u>
<b>Deferred outflows of resources</b>	<u>296,111</u>	<u>6,431</u>	<u>302,542</u>	<u>38,909</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	638,694	19,586	658,280	104,808
Due to primary government				4,683
Due to component units	27,470		27,470	1,935
Due to other governments and agencies		1,599	1,599	
Accrued expenses		4,559	4,559	
Unearned revenue	128,463		128,463	
Other current liabilities	115,944	254	116,198	228,943
Current portion of long-term debt	266,471	14,757	281,228	201,861
Obligation for unpaid prize awards		5,580	5,580	
Total current liabilities	<u>1,177,042</u>	<u>46,335</u>	<u>1,223,377</u>	<u>542,230</u>
Noncurrent Liabilities:				
Due to primary government				51,798
Net pension liability	1,917,169	13,315	1,930,484	242,356
Net pension liability-special funding situation	990,129		990,129	
Net OPEB obligation	8,520		8,520	61,628
Unearned revenue		4,894	4,894	15,629
Due to component units				1,380
Notes payable	1,375		1,375	17,175
Loans payable				46,674
Obligations under capital leases	229,751		229,751	4,914
Compensated absences	12,768	301	13,069	21,925
Bonds payable	2,223,224	210,444	2,433,668	1,908,681
Other liabilities	68,902		68,902	334,560
Total noncurrent liabilities	<u>5,451,838</u>	<u>228,954</u>	<u>5,680,792</u>	<u>2,706,720</u>
Total liabilities	<u>6,628,880</u>	<u>275,289</u>	<u>6,904,169</u>	<u>3,248,950</u>
<b>Deferred inflows of resources</b>	<u>302,235</u>	<u>1,166</u>	<u>303,401</u>	<u>25,331</u>
<b>Net position (deficit)</b>				
Net investment in capital assets	2,942,128	(61,956)	2,880,172	1,262,764
Restricted for:				
Budget reserve	185,446		185,446	
Capital Projects	123,737		123,737	
Debt	76,715	4,712	81,427	252,749
Assistance to other entities	56,011		56,011	
Employment insurance programs	151,572	150,970	302,542	
Other	248,122		248,122	175,011
Nonexpendable	174		174	107,528
Unrestricted	(4,380,484)	(21,312)	(4,401,796)	(53,862)
Total net position (deficit)	<u>\$ (596,579)</u>	<u>\$ 72,414</u>	<u>\$ (524,165)</u>	<u>\$ 1,744,190</u>

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

**State of Rhode Island and Providence Plantations**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government			
					Governmental activities	Business-type activities	Totals	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 695,611	\$ 209,005	\$ 119,805	\$ 637	\$ (366,164)	\$	\$ (366,164)	\$
Human services	3,631,236	246,604	2,227,519	1,221	(1,155,892)		(1,155,892)	
Education	1,472,786	29,775	204,304	31	(1,238,676)		(1,238,676)	
Public safety	478,854	39,709	35,201	2,414	(401,530)		(401,530)	
Natural resources	83,979	29,258	24,431	5,343	(24,947)		(24,947)	
Transportation	283,085	22,806	54,983	207,958	2,662		2,662	
Interest and other charges	121,845				(121,845)		(121,845)	
Total governmental activities	<u>6,767,396</u>	<u>577,157</u>	<u>2,666,243</u>	<u>217,604</u>	<u>(3,306,392)</u>		<u>(3,306,392)</u>	
Business-type activities:								
State Lottery	484,293	865,995				381,702	381,702	
Convention Center	48,628	23,768				(24,860)	(24,860)	
Employment security	167,527	273,989	839			107,301	107,301	
Total business-type activities	<u>700,448</u>	<u>1,163,752</u>	<u>839</u>			<u>464,143</u>	<u>464,143</u>	
Total primary government	<u>\$ 7,467,844</u>	<u>\$ 1,740,909</u>	<u>\$ 2,667,082</u>	<u>\$ 217,604</u>	<u>(3,306,392)</u>	<u>464,143</u>	<u>(2,842,249)</u>	
<b>Component units:</b>	<u>\$ 1,269,656</u>	<u>\$ 722,200</u>	<u>\$ 453,057</u>	<u>\$ 149,167</u>				54,768
<b>General Revenues:</b>								
Taxes:								
Personal income					1,221,754		1,221,754	
General business					436,064		436,064	
Sales and use					1,168,781		1,168,781	
Gasoline					146,007		146,007	
Other					234,329		234,329	
Interest and investment earnings					3,212	186	3,398	9,416
Miscellaneous revenue					107,382	1,531	108,913	25,471
Gain on sale of capital assets					993		993	
Special items					(5,000)		(5,000)	(1,357)
<b>Transfers (net)</b>					345,190	(345,190)		
Total general revenues and transfers					<u>3,658,712</u>	<u>(343,473)</u>	<u>3,315,239</u>	<u>33,530</u>
Change in net position					<u>352,320</u>	<u>120,670</u>	<u>472,990</u>	<u>88,298</u>
Net position (deficit) - beginning as restated					<u>(948,899)</u>	<u>(48,256)</u>	<u>(997,155)</u>	<u>1,655,892</u>
Net position (deficit) - ending					<u>\$ (596,579)</u>	<u>\$ 72,414</u>	<u>\$ (524,165)</u>	<u>\$ 1,744,190</u>

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

**State of Rhode Island and Providence Plantations**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>General</b>	<b>Intermodal Surface Transportation</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 571,479	\$ 37,233	\$ 278,638	\$ 887,350
Funds on deposit with fiscal agent		72,578	116,856	189,434
Restricted cash equivalents			52,374	52,374
Receivables (net)	670,406	15,445	70,507	756,358
Due from other funds	3,993	3,273	783	8,049
Due from component units		907		907
Due from other governments and agencies	135,060	41,418		176,478
Loans to other funds	18,866		102,541	121,407
Other assets	580			580
<b>Total assets</b>	<b>\$ 1,400,384</b>	<b>\$ 170,854</b>	<b>\$ 621,699</b>	<b>\$ 2,192,937</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	563,088	27,024	27,456	617,568
Due to other funds			6,657	6,657
Due to component units	3,939	6,798	16,843	27,580
Loans from other funds	102,541		12,396	114,937
Unearned revenue	128,463			128,463
Other liabilities	86,672	14,587	563	101,822
<b>Total liabilities</b>	<b>884,703</b>	<b>48,409</b>	<b>63,915</b>	<b>997,027</b>
Deferred inflows of resources	13,794	9,969		23,763
<b>Fund Balances</b>				
Nonspendable			174	174
Restricted	319,677	106,961	532,498	959,136
Unrestricted				
Committed	2,561	7,001	90	9,652
Assigned	130,964		25,022	155,986
Unassigned	48,685	(1,486)		47,199
<b>Total fund balances</b>	<b>501,887</b>	<b>112,476</b>	<b>557,784</b>	<b>1,172,147</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,400,384</b>	<b>\$ 170,854</b>	<b>\$ 621,699</b>	<b>\$ 2,192,937</b>

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

**State of Rhode Island and Providence Plantations**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**  
**(Expressed in Thousands)**

Fund balance - total governmental funds		\$ 1,172,147
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds.</p>		
	Capital assets	6,349,574
	Accumulated depreciation	<u>(2,494,557)</u>
		3,855,017
Deferred outflows of resources		296,111
<p>Bonds, notes, certificates of participation, accrued interest, net pension liabilities and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds.</p>		
	Compensated absences	(75,736)
	Bonds payable	(2,248,075)
	Net premium/discount	(139,869)
	Obligations under capital leases	(235,130)
	Premium	(20,451)
	Interest payable	(19,599)
	Net pension liabilities	(2,907,298)
	Other liabilities	<u>(82,799)</u>
		(5,728,957)
<p>Other long-term assets and unearned revenue are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
	Receivables	2,293
	Due from component units	55,574
	Unavailable revenue	<u>23,763</u>
		81,630
Deferred inflows of resources		(302,235)
<p>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.</p>		
		<u>29,708</u>
Net position - total governmental activities		<u><u>\$ (596,579)</u></u>

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, 2015**  
**(Expressed in Thousands)**

	<b>General</b>	<b>Intermodal Surface Transportation</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes	\$ 2,874,434	\$ 158,707	\$ 176,982	\$ 3,210,123
Licenses, fines, sales, and services	326,003	20,918	1,293	348,214
Departmental restricted revenue	227,631	1,861		229,492
Federal grants	2,619,412	270,551		2,889,963
Income from investments	809	387	1,960	3,156
Other revenues	58,555	3,257	45,060	106,872
Total revenues	<u>6,106,844</u>	<u>455,681</u>	<u>225,295</u>	<u>6,787,820</u>
<b>Expenditures:</b>				
Current:				
General government	518,101		179,188	697,289
Human services	3,661,964			3,661,964
Education	1,403,507		300	1,403,807
Public safety	490,981			490,981
Natural resources	79,897		44	79,941
Transportation		372,013	1,702	373,715
Capital outlays			171,469	171,469
Debt service:				
Principal	123,178	38,345	29,261	190,784
Interest and other charges	61,727	17,217	61,784	140,728
Total expenditures	<u>6,339,355</u>	<u>427,575</u>	<u>443,748</u>	<u>7,210,678</u>
Excess (deficiency) of revenues over (under) expenditures	(232,511)	28,106	(218,453)	(422,858)
<b>Other financing sources (uses):</b>				
Bonds and notes issued			121,125	121,125
Proceeds from refundings and other escrow assets			830,139	830,139
Proceeds from the sale of certificates of participation			49,495	49,495
Premium			82,553	82,553
Transfers in	450,943	26,078	145,499	622,520
Payment to refunded bonds and other escrow agent			(866,168)	(866,168)
Proceeds from termination of investment contracts			26,361	26,361
Transfers out	(143,266)	(60,145)	(73,919)	(277,330)
Total other financing sources (uses)	<u>307,677</u>	<u>(34,067)</u>	<u>315,085</u>	<u>588,695</u>
Special items	31,342		(36,342)	(5,000)
Net change in fund balances	106,508	(5,961)	60,290	160,837
Fund balances - beginning	395,379	118,437	497,494	1,011,310
Fund balances - ending	<u>\$ 501,887</u>	<u>\$ 112,476</u>	<u>\$ 557,784</u>	<u>\$ 1,172,147</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, 2015**  
**(Expressed in Thousands)**

Net change in fund balances - total governmental funds \$ 160,837

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	327,792	
Depreciation expense	(166,081)	
	<u>161,711</u>	161,711

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	190,785	
Debt redeemed and defeased in refunding	798,215	
Accrued interest and other charges	(11,227)	
Proceeds from sale of debt	(953,670)	
Deferral of premium/discount	(82,553)	
Amortization of premium/discount	19,367	
Proceeds from early termination of debt related investment contracts	(26,361)	
Accreted interest paid	13,600	
Deferral of refunding gains/losses	19,694	
Amortization of refunding gains/losses	(2,970)	
	<u>(35,120)</u>	(35,120)

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	598	
Pension expenses, net of related deferred outflows	48,857	
Program expenses	29,909	
Program revenue	(548)	
Capital grant revenue	(6,125)	
General revenue - taxes	(3,186)	
General revenue-miscellaneous	1,494	
	<u>70,999</u>	70,999

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. (6,107)

Change in net position - total governmental activities	<u>\$ 352,320</u>	
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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 Net Position**  
**Proprietary Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Business-type Activities-- Enterprise Funds</b>			<b>Totals</b>	<b>Governmental Activities</b>
	<b>R.I. State Lottery</b>	<b>R.I. Convention Center</b>	<b>Employment Security</b>		<b>Internal Service Funds</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 19,720	\$ 3,414	\$ 809	\$ 23,943	\$ 38,571
Restricted cash and cash equivalents		4,712		4,712	
Funds on deposit with fiscal agent			71,881	71,881	
Receivables (net)	5,423	827	78,748	84,998	10,487
Due from other funds		60	197	257	955
Due from other governments and agencies			1,272	1,272	
Inventories	912			912	3,111
Other assets	42	473		515	5,993
Total current assets	<u>26,097</u>	<u>9,486</u>	<u>152,907</u>	<u>188,490</u>	<u>59,117</u>
Noncurrent assets:					
Capital assets - nondepreciable		46,978		46,978	
Capital assets - depreciable (net)	455	107,136		107,591	2,790
Other assets		772		772	
Total noncurrent assets	<u>455</u>	<u>154,886</u>		<u>155,341</u>	<u>2,790</u>
Total assets	<u>26,552</u>	<u>164,372</u>	<u>152,907</u>	<u>343,831</u>	<u>61,907</u>
<b>Deferred outflows of resources</b>	<u>1,183</u>	<u>5,248</u>		<u>6,431</u>	
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	14,265	5,276	45	19,586	21,126
Due to other funds	1,393			1,393	1,211
Due to other governments and agencies			1,599	1,599	
Loans from other funds					6,470
Accrued expenses	4,559			4,559	
Unearned revenue	625	2,309	288	3,222	
Other current liabilities	249		5	254	3,392
Bonds payable		11,330		11,330	
Compensated absences	205			205	
Obligation for unpaid prize awards	5,580			5,580	
Total current liabilities	<u>26,876</u>	<u>18,915</u>	<u>1,937</u>	<u>47,728</u>	<u>32,199</u>
Noncurrent liabilities:					
Net pension liability	13,315			13,315	
Unearned revenue	4,375	519		4,894	
Bonds payable		210,444		210,444	
Compensated absences	301			301	
Total noncurrent liabilities	<u>17,991</u>	<u>210,963</u>		<u>228,954</u>	
Total liabilities	<u>44,867</u>	<u>229,878</u>	<u>1,937</u>	<u>276,682</u>	<u>32,199</u>
<b>Deferred inflows of resources</b>	<u>1,166</u>			<u>1,166</u>	
<b>Net Position (Deficit)</b>					
Net investment in capital assets	455	(62,411)		(61,956)	2,790
Restricted for:					
Debt		4,712		4,712	
Employment insurance programs			150,970	150,970	
Unrestricted	(18,753)	(2,559)		(21,312)	26,918
Total net position (deficit)	<u>\$ (18,298)</u>	<u>\$ (60,258)</u>	<u>\$ 150,970</u>	<u>\$ 72,414</u>	<u>\$ 29,708</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, 2015**  
**(Expressed in Thousands)**

	<b>Business-type Activities-- Enterprise Funds</b>			<b>Governmental Activities</b>	
	<b>R.I. State Lottery</b>	<b>R.I. Convention Center</b>	<b>Employment Security</b>	<b>Totals</b>	<b>Internal Service Funds</b>
Operating revenues:					
Charges for services	\$	\$ 23,313	\$ 268,800	\$ 292,113	\$ 304,761
Lottery sales	243,092			243,092	
Video lottery, net	516,262			516,262	
Table games	106,641			106,641	
Federal grants			839	839	
Miscellaneous		455	5,189	5,644	
Total operating revenues	<u>865,995</u>	<u>23,768</u>	<u>274,828</u>	<u>1,164,591</u>	<u>304,761</u>
Operating expenses:					
Personal services	9,277	14,947		24,224	12,855
Supplies, materials, and services	327,470	11,375		338,845	297,914
Prize awards, net of prize recoveries	147,444			147,444	
Depreciation and amortization	102	10,263		10,365	170
Benefits paid			167,177	167,177	
Total operating expenses	<u>484,293</u>	<u>36,585</u>	<u>167,177</u>	<u>688,055</u>	<u>310,939</u>
Operating income (loss)	381,702	(12,817)	107,651	476,536	(6,178)
Nonoperating revenues (expenses):					
Interest revenue	107	79		186	55
Other nonoperating revenue	952		579	1,531	16
Interest expense		(12,043)	(350)	(12,393)	
Total nonoperating revenue (expenses)	<u>1,059</u>	<u>(11,964)</u>	<u>229</u>	<u>(10,676)</u>	<u>71</u>
Income (loss) before transfers	382,761	(24,781)	107,880	465,860	(6,107)
Transfers in		21,559	15,350	36,909	
Transfers out	(381,936)		(163)	(382,099)	
Change in net position	825	(3,222)	123,067	120,670	(6,107)
Net position (deficit) - beginning as restated	(19,123)	(57,036)	27,903	(48,256)	35,815
Net position (deficit) - ending	<u>\$ (18,298)</u>	<u>\$ (60,258)</u>	<u>\$ 150,970</u>	<u>\$ 72,414</u>	<u>\$ 29,708</u>

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

**State of Rhode Island and Providence Plantations**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from gaming activities	\$ 863,816			\$ 863,816	
Cash received from customers		23,029	265,258	288,287	304,406
Cash received from grants			2,826	2,826	
Cash payments for gaming activities	(467,611)			(467,611)	
Cash payments to suppliers	(4,473)	(10,448)		(14,921)	(296,433)
Cash payments to employees	(9,441)	(15,154)		(24,595)	(11,845)
Cash payments for benefits			(164,806)	(164,806)	
Other operating revenue (expense)			61	61	16
Net cash provided by (used for) operating activities	382,291	(2,573)	103,339	483,057	(3,856)
<b>Cash flows from noncapital financing activities:</b>					
Loan from federal government			44,242	44,242	
Payment of interest on loan from federal government			(2,263)	(2,263)	
Loans from other funds					6,453
Loans to other funds					(5,590)
Repayment of loans to other funds					3,453
Repayment of loans from other funds					(7,343)
Transfers in		22,567	19,026	41,593	
Transfers out	(381,144)		(53)	(381,197)	
Net transfers from (to) fiscal agent			(164,588)	(164,588)	
Net cash provided by (used for) noncapital financing activities	(381,144)	22,567	(103,636)	(462,213)	(3,027)
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from bond issue		31,900		31,900	
Principal paid on capital obligations		(43,633)		(43,633)	
Interest paid on capital obligations		(7,937)		(7,937)	
Acquisition of capital assets	(97)	(1,859)		(1,956)	(194)
Net cash provided by (used for) capital and related financing activities	(97)	(21,529)		(21,626)	(194)
<b>Cash flows from investing activities:</b>					
Interest on investments	106	83		189	55
Net cash provided by investing activities	106	83		189	55
Net increase (decrease) in cash and cash equivalents	1,156	(1,452)	(297)	(593)	(7,022)
Cash and cash equivalents, July 1	18,564	9,578	1,106	29,248	45,593
Cash and cash equivalents, June 30	\$ 19,720	\$ 8,126	\$ 809	\$ 28,655	\$ 38,571
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	381,702	(12,817)	107,651	476,536	(6,178)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	102	10,263		10,365	170
Other revenue (expense) and transfers in (out)	327		61	388	16
Net changes in assets and liabilities:					
Receivables, net	1,121	293	(3,434)	(2,020)	(879)
Operating revenue deposited directly with the fiscal agent			(939)	(939)	
Inventory	(216)			(216)	(1,300)
Deferred outflows of resources	(56)			(56)	
Prepaid items	3	43		46	
Due to / due from transactions	61			61	
Accounts and other payables	1,742	676		2,418	3,300
Accrued expenses	(29)			(29)	1,015
Net pension liability	(1,310)			(1,310)	
Deferred inflows of resources	1,166			1,166	
Unearned revenue	5	(1,031)		(1,026)	
Prize awards payable	(2,327)			(2,327)	
Total adjustments	589	10,244	(4,312)	6,521	2,322
Net cash provided by (used for) operating activities	\$ 382,291	\$ (2,573)	\$ 103,339	\$ 483,057	\$ (3,856)

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

**State of Rhode Island and Providence Plantations**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust Ocean State Investment Pool</b>	<b>Private Purpose Touro Jewish Synagogue</b>	<b>Agency</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 11,658	\$ 106	\$	\$ 16,003
Deposits held as security for entities doing business in the State				54,841
Advance held by claims processing agent	775			
Receivables				
Contributions	35,808			
Due from State for teachers	17,656			
Due from other plans	335			
Miscellaneous	997			2,881
Total receivables	54,796			2,881
Prepaid expenses	4,194			
Investments, at fair value				
Equity in short-term investment fund		5,833		
Equity in pooled trust	8,110,441			
Other investments	411,231		2,655	
Total investments	8,521,672	5,833	2,655	
Total assets	8,593,095	5,939	2,655	\$ 73,725
<b>Liabilities</b>				
Accounts payable	6,226	128		3,283
Due to other plans	335			
Incurred but not reported claims	1,838			
Unearned revenue	1,185			
Deposits held for others				70,442
Total liabilities	9,584	128		\$ 73,725
<b>Net position</b>				
Restricted for:				
Pension benefits	8,436,125			
Other postemployment benefits	147,386			
Pool participants		5,811		
Other			2,655	
Total net position	\$ 8,583,511	\$ 5,811	\$ 2,655	

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, 2015**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust Ocean State Investment Pool</b>	<b>Private Purpose Touro Jewish Synagogue</b>
<b>Additions</b>			
Contributions			
Member contributions	\$ 191,324	\$	\$
Employer contributions	428,076		
Supplemental employer contributions	414		
State contributions for teachers	84,944		
Interest on service credits purchased	290		
Service credit transfer payments	38		
From participants		2,056	
Total contributions	<u>705,086</u>	<u>2,056</u>	
Amortization of advance contributions	3,033		
Other income	<u>1,380</u>		
Investment income			
Net appreciation in fair value of investments	139,153		(83)
Interest	58,619	13	
Dividends	14,008		40
Other investment income	8,600		206
	<u>220,380</u>	<u>13</u>	<u>163</u>
Less: investment expense	14,293	8	
Net income from investing activities	<u>206,087</u>	<u>5</u>	<u>163</u>
Total additions	<u>915,586</u>	<u>2,061</u>	<u>163</u>
<b>Deductions</b>			
Retirement benefits	899,296		
Death benefits	4,009		
Distributions	5,333	1,567	113
Refund of contributions	10,220		
Administrative expense	9,249		
Service credit transfers	38		
OPEB benefits	41,107		
Total deductions	<u>969,252</u>	<u>1,567</u>	<u>113</u>
Change in net position:			
Pension benefits	(91,378)		
Other postemployment benefits	37,712		
Other		494	50
Net position - beginning	8,637,177	5,317	2,605
Net position - ending	<u>\$ 8,583,511</u>	<u>\$ 5,811</u>	<u>\$ 2,655</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, 2015**  
**(Expressed in Thousands)**

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 28,423	\$ 2,035	\$ 161	\$ 4,351	\$ 1,313
Investments				741	
Receivables (net)	2,936	1,397		2,492	51
Restricted assets:					
Cash and cash equivalents	22,841	20,899	128		7,006
Investments	11,704	3,312			49,309
Receivables (net)	1,582	92			599
Other assets	93				
Due from primary government		800	111	6,758	1,317
Due from other governments	18,065	456	47		
Due from other component units		708			
Inventories				1,738	109
Other assets	545	69	45	338	175
Total current assets	<u>86,189</u>	<u>29,768</u>	<u>492</u>	<u>16,418</u>	<u>59,879</u>
Noncurrent Assets:					
Investments		1,385		2,159	7,193
Receivables (net)	504	4,288			
Restricted assets:					
Cash and cash equivalents	38,491	12,777			
Investments		21,559			1,323
Receivables (net)		1,423			
Other assets		478			
Capital assets - nondepreciable	98,051	129		16,382	406
Capital assets - depreciable (net)	459,399	43		130,281	170,781
Due from other component units					
Other assets, net of amortization	1,389		262		
Total noncurrent assets	<u>597,834</u>	<u>42,082</u>	<u>262</u>	<u>148,822</u>	<u>179,703</u>
Total assets	<u>684,023</u>	<u>71,850</u>	<u>754</u>	<u>165,240</u>	<u>239,582</u>
<b>Deferred outflows of resources</b>					
	<u>4,953</u>	<u>158</u>		<u>14,904</u>	
<b>Liabilities</b>					
Current liabilities:					
Cash overdraft					
Accounts payable	8,182	146	132	5,508	9,394
Due to primary government				1,048	154
Due to other component units	235				
Other liabilities	14,799	3,742	269	6,836	3,850
Current portion of long-term debt	10,888	10,386			62,855
Total current liabilities	<u>34,104</u>	<u>14,274</u>	<u>401</u>	<u>13,392</u>	<u>76,253</u>
Noncurrent liabilities:					
Due to primary government	495			12,990	753
Due to other component units	1,380				
Unearned revenue		14,910			
Notes payable					
Loans payable	41,541				
Obligations under capital leases					
Net pension liability	1,973	274		48,783	
Net OPEB obligation				50,291	
Other liabilities		14,228		9,928	
Compensated absences				623	
Bonds payable	281,984	24,144	38,400		55,435
Total noncurrent liabilities	<u>327,373</u>	<u>53,556</u>	<u>38,400</u>	<u>122,615</u>	<u>56,188</u>
Total liabilities	<u>361,477</u>	<u>67,830</u>	<u>38,801</u>	<u>136,007</u>	<u>132,441</u>
<b>Deferred inflows of resources</b>					
	<u>173</u>	<u>382</u>		<u>5,096</u>	<u>56</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	247,478	172		132,625	80,206
Restricted for:					
Debt					58,231
Other	39,488				
Other nonexpendable		4,952			
Unrestricted	40,360	(1,328)	(38,047)	(93,584)	(31,352)
Total net position (deficit)	<u>\$ 327,326</u>	<u>\$ 3,796</u>	<u>\$ (38,047)</u>	<u>\$ 39,041</u>	<u>\$ 107,085</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2015**  
**(Expressed in Thousands)**

	URI	RIC	CCRI	Other Component Units	Totals
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 133,347	\$ 25,494	\$ 18,878	\$ 81,735	\$ 295,737
Investments				10,374	11,115
Receivables (net)	39,354	7,086	2,560	13,772	69,648
Restricted assets:					
Cash and cash equivalents				174,473	225,347
Investments				9,850	74,175
Receivables (net)				39	2,312
Other assets				42,573	42,666
Due from primary government	5,962	8,300	1,534	2,688	27,470
Due from other governments	7,108	699	607	3,047	30,029
Due from other component units				1,227	1,935
Inventories	3,556	497	1,117	3,476	10,493
Other assets	4,938	52	150	4,976	11,288
Total current assets	<u>194,265</u>	<u>42,128</u>	<u>24,846</u>	<u>348,230</u>	<u>802,215</u>
Noncurrent Assets:					
Investments	139,576	27,097	3,232		180,642
Receivables (net)	25,045	4,168	3	11,393	45,401
Restricted assets:					
Cash and cash equivalents	731	483		4,309	56,791
Investments				308,089	330,971
Receivables (net)					1,423
Other assets	20,930	1,166		1,404,863	1,427,437
Capital assets - nondepreciable	78,215	9,098	10,177	86,434	298,892
Capital assets - depreciable (net)	558,825	122,237	69,999	165,539	1,677,104
Due from other component units				1,380	1,380
Other assets, net of amortization	402	6		155,247	157,306
Total noncurrent assets	<u>823,724</u>	<u>164,255</u>	<u>83,411</u>	<u>2,137,254</u>	<u>4,177,347</u>
Total assets	<u>1,017,989</u>	<u>206,383</u>	<u>108,257</u>	<u>2,485,484</u>	<u>4,979,562</u>
<b>Deferred outflows of resources</b>	<u>8,870</u>	<u>3,122</u>	<u>2,282</u>	<u>4,620</u>	<u>38,909</u>
<b>Liabilities</b>					
Current liabilities:					
Cash overdraft					
Accounts payable	42,465	9,478	2,782	26,721	104,808
Due to primary government	1,840	986	655		4,683
Due to other component units				1,700	1,935
Other liabilities	18,829	8,749	8,161	163,708	228,943
Current portion of long-term debt	10,317	875	257	106,283	201,861
Total current liabilities	<u>73,451</u>	<u>20,088</u>	<u>11,855</u>	<u>298,412</u>	<u>542,230</u>
Noncurrent liabilities:					
Due to primary government	13,750	20,175	3,635		51,798
Due to other component units					1,380
Unearned revenue				719	15,629
Notes payable		1,128		16,047	17,175
Loans payable	628			4,505	46,674
Obligations under capital leases	4,621			293	4,914
Net pension liability	100,312	35,621	26,224	29,169	242,356
Net OPEB obligation				11,337	61,628
Other liabilities	10,602	3,639	13	296,150	334,560
Compensated absences	16,878	1,469	398	2,557	21,925
Bonds payable	215,927	16,878	2,349	1,273,564	1,908,681
Total noncurrent liabilities	<u>362,718</u>	<u>78,910</u>	<u>32,619</u>	<u>1,634,341</u>	<u>2,706,720</u>
Total liabilities	<u>436,169</u>	<u>98,998</u>	<u>44,474</u>	<u>1,932,753</u>	<u>3,248,950</u>
<b>Deferred inflows of resources</b>	<u>8,784</u>	<u>3,119</u>	<u>2,296</u>	<u>5,425</u>	<u>25,331</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	406,822	98,775	73,461	223,225	1,262,764
Restricted for:					
Debt				194,518	252,749
Other	84,687	6,919	3,425	40,492	175,011
Other nonexpendable	84,251	16,429	1,896		107,528
Unrestricted	6,146	(14,735)	(15,013)	93,691	(53,862)
Total net position (deficit)	<u>\$ 581,906</u>	<u>\$ 107,388</u>	<u>\$ 63,769</u>	<u>\$ 551,926</u>	<u>\$ 1,744,190</u>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Activities**  
**Component Units**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
<b>Expenses</b>	\$ 87,291	\$ 36,782	\$ 1,407	\$ 118,454	\$ 25,000	\$ 485,070	\$ 140,415	\$ 121,123	\$ 254,114	\$ 1,269,656
<b>Program revenues:</b>										
Charges for services	68,486	2,421	18	24,588	20,073	317,316	68,467	39,588	181,243	722,200
Operating grants and contributions		2,587	1,565	66,837		164,997	71,442	80,353	65,276	453,057
Capital grants and contributions	45,195			3,381	15,357	72,231	7,184	4,433	1,386	149,167
Total program revenues	113,681	5,008	1,583	94,806	35,430	554,544	147,093	124,374	247,905	1,324,424
Net (Expenses) Revenues	26,390	(31,774)	176	(23,648)	10,430	69,474	6,678	3,251	(6,209)	54,768
<b>General revenues:</b>										
Interest and investment earnings	135	2,236		44	360	(97)	635	338	5,765	9,416
Miscellaneous revenue	415	19,782		1,036	339		554		3,345	25,471
Total general revenue	550	22,018		1,080	699	(97)	1,189	338	9,110	34,887
Special items									(1,357)	(1,357)
Change in net position	26,940	(9,756)	176	(22,568)	11,129	69,377	7,867	3,589	1,544	88,298
Net position (deficit) - beginning as restated	300,386	13,552	(38,223)	61,609	95,956	512,529	99,521	60,180	550,382	1,655,892
Net position (deficit) - ending	\$ 327,326	\$ 3,796	\$ (38,047)	\$ 39,041	\$ 107,085	\$ 581,906	\$ 107,388	\$ 63,769	\$ 551,926	\$ 1,744,190

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

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## Index

<b>Note 1. Summary of Significant Accounting Policies .....</b>	<b>54</b>
<b>A. Basis of Presentation .....</b>	<b>54</b>
<b>B. Reporting Entity .....</b>	<b>54</b>
<b>C. Financial Statement Presentation .....</b>	<b>59</b>
<b>D. Measurement Focus and Basis of Accounting .....</b>	<b>62</b>
<b>E. Cash and Cash Equivalents .....</b>	<b>62</b>
<b>F. Funds on Deposit with Fiscal Agent .....</b>	<b>62</b>
<b>G. Investments .....</b>	<b>63</b>
<b>H. Receivables .....</b>	<b>63</b>
<b>I. Due From Other Governments and Agencies .....</b>	<b>63</b>
<b>J. Interfund Activity .....</b>	<b>63</b>
<b>K. Inventories .....</b>	<b>63</b>
<b>L. Capital Assets .....</b>	<b>63</b>
<b>M. Bonds Payable .....</b>	<b>64</b>
<b>N. Obligations Under Capital Leases .....</b>	<b>64</b>
<b>O. Pensions .....</b>	<b>65</b>
<b>P. Compensated Absences .....</b>	<b>65</b>
<b>Q. Other Assets and Liabilities .....</b>	<b>65</b>
<b>R. Deferred Outflows of Resources and Deferred Inflows of Resources .....</b>	<b>65</b>
<b>S. Fund Balances .....</b>	<b>66</b>
<b>T. Recently Issued Accounting Standards .....</b>	<b>67</b>
 <b>Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust. ....</b>	 <b>68</b>
<b>A. Primary Government-Governmental and Business-Type Activities .....</b>	<b>68</b>
<b>B. Concentration of Credit Risk .....</b>	<b>72</b>
<b>C. Pension Trusts .....</b>	<b>73</b>
<b>D. OPEB Trust Funds .....</b>	<b>81</b>
<b>E. Private Purpose Trust .....</b>	<b>83</b>
<b>F. Agency Funds .....</b>	<b>83</b>
 <b>Note 3. Receivables .....</b>	 <b>84</b>
 <b>Note 4. Intra-Entity Receivables and Payables .....</b>	 <b>84</b>



<b>Note 5. Capital Assets .....</b>	<b>85</b>
<b>Note 6. Long-Term Liabilities .....</b>	<b>87</b>
<b>A. Changes in Long-Term Liabilities .....</b>	<b>87</b>
<b>B. Bonds Payable .....</b>	<b>88</b>
<b>C. Notes Payable.....</b>	<b>93</b>
<b>D. Loans Payable .....</b>	<b>93</b>
<b>E. Obligations Under Capital Leases .....</b>	<b>94</b>
<b>F. Defeased Debt .....</b>	<b>95</b>
<b>G. Conduit Debt .....</b>	<b>95</b>
<b>H. Job Creation Guaranty Program – Moral Obligations .....</b>	<b>96</b>
<b>I. Pollution Remediation Liabilities.....</b>	<b>97</b>
<b>J. Due to Other Governments and Agencies.....</b>	<b>97</b>
<b>K. Compensated Absences .....</b>	<b>97</b>
<b>L. Arbitrage Rebate.....</b>	<b>97</b>
<b>M. Due to the Primary Government .....</b>	<b>98</b>
<b>N. Other Long-Term Liabilities.....</b>	<b>98</b>
<b>Note 7. Net Position/Fund Balances.....</b>	<b>98</b>
<b>Note 8. Taxes .....</b>	<b>100</b>
<b>Note 9. Transfers.....</b>	<b>101</b>
<b>Note 10. Operating Lease Commitments .....</b>	<b>101</b>
<b>Note 11. Commitments .....</b>	<b>102</b>
<b>Note 12. Contingencies .....</b>	<b>106</b>
<b>Note 13. Employer Pension Plans.....</b>	<b>111</b>
<b>A. Summary of Employer Plans.....</b>	<b>111</b>
<b>B. Defined Benefit Plan Descriptions – Advance Funded Plans .....</b>	<b>112</b>
<b>C. Defined Benefit Advance Funded Plans – Summary of Significant Accounting Policies .....</b>	<b>117</b>

<b>D. Defined Benefit Plan Descriptions – Non-Contributory (pay-as-you-go) Pension</b>	
Plans.....	118
<b>E. Special Funding Situation – ERS Plan – Teachers .....</b>	<b>119</b>
<b>F. Contributions and Funding Policy .....</b>	<b>119</b>
<b>G. Net Pension Liability .....</b>	<b>120</b>
<b>H. Changes in the Net Pension Liability.....</b>	<b>123</b>
<b>I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.....</b>	<b>123</b>
<b>J. Defined Benefit Plan - LIUNA .....</b>	<b>125</b>
<b>K. Defined Contribution Plan - ERS.....</b>	<b>125</b>
<b>L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program .....</b>	<b>126</b>
<b>M. Other Pension Plans – Component Units.....</b>	<b>127</b>
<b>Note 14. Other Post-Employment Benefits.....</b>	<b>128</b>
<b>A. Plan Descriptions.....</b>	<b>128</b>
<b>B. Funding Policy, Funding Status and Funding Progress.....</b>	<b>129</b>
<b>C. Annual OPEB Cost and Net OPEB Obligation .....</b>	<b>130</b>
<b>D. Actuarial Methods and Assumptions .....</b>	<b>131</b>
<b>Note 15. Deferred Compensation.....</b>	<b>133</b>
<b>Note 16. Risk Management .....</b>	<b>134</b>
<b>Note 17. Other Information.....</b>	<b>135</b>
<b>A. Elimination Entries.....</b>	<b>135</b>
<b>B. Related Party Transactions .....</b>	<b>135</b>
<b>C. Budgeting, Budgetary Control, and Legal Compliance .....</b>	<b>136</b>
<b>D. Significant Transactions with Component Units .....</b>	<b>137</b>
<b>E. Individual Fund Deficits.....</b>	<b>137</b>
<b>F. Restatements – Net Position and Reclassifications.....</b>	<b>138</b>
<b>G. Pledged Revenue .....</b>	<b>139</b>
<b>H. Special Items .....</b>	<b>140</b>
<b>Note 18. Subsequent Events .....</b>	<b>140</b>

## 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, the Central Falls School District and The Metropolitan Regional Career and Technical Center 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; or
- 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.

For each blended 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. Also, for the blended component units included in the State's CAFR, the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards.

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 Veterans 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; therefore RICCA's total debt outstanding, including leases, is expected to be repaid entirely with the resources of the State. 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.

The Corporation recognizes receivables and revenue with respect to TSRs based on the domestic shipment of cigarettes. The Corporation accrues at June 30th for TSRs that are derived from estimated sales of cigarettes from January 1 to June 30. This accrual is estimated based upon the historical TSR payments for the prior three fiscal years.

The GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues (the Statement)*, effective for financial statement periods beginning on or after December 15, 2006. The Statement required restatement of prior period financial statements, except for the deferral requirements relative to sales of future revenues which were permitted to be applied prospectively.

As allowed under GASB Statement No. 48, the Corporation and State elected to not retroactively apply the deferral requirements to its 2002 and 2007 TSR sales completed prior to the effective date. In accordance with accounting standards in effect at the time of the 2002 and 2007 TSR sales, the State fully recognized the amount received for its sale of future TSRs to the Tobacco Settlement Financing Corporation as revenue in those years.

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 RIPRC for all costs associated with the purchase of such coverage. RIPRC provides services exclusively to the State. Separately issued financial statements are not available for RIPRC.

*Rhode Island Refunding Bond Authority (RIRBA)*

The RIRBA was created by law in 1987 and has a number of powers, including being allowed to issue bonds and notes when authorized by the General Assembly. It was dormant for several years until August 2014 when it issued debt in connection with a refinancing transaction discussed in Note 6. RIRBA is legally separate and exists exclusively for the benefit of the primary government.

**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 (DPCUs) 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. 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](http://www.pvdairport.com).

#### *Rhode Island Commerce Corporation (RICC)*

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. RICC has the power to issue tax-exempt bonds to accomplish its corporate purpose. Until June 30, 2013 the corporation was known as the R.I. Economic Development Corporation. RICC 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. RICC's activities are largely supported by State appropriations and RICC 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. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.commerceri.com](http://www.commerceri.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 I-195 RDC will oversee the sale of the land in an attempt to maximize the economic benefits to the State. The I-195 RDC issued debt and utilized the proceeds to reimburse the State for the fair value of the land acquired. The State will appropriate amounts to the I-195 RDC 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, R. I. Commerce 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 State 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](http://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. RITBA 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 RITBA. 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](http://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, and private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805. The financial statements can also be viewed at [www.ribghe.org](http://www.ribghe.org).

#### **Nonmajor Component Units**

##### *Central Falls School District*

The Central Falls School District (the 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 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 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 attending eligible institutions and administering other programs of post-secondary student assistance. RIHEAA 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](http://www.riheaa.org).

In July 2015, pursuant to a law enacted by the General Assembly in the 2015 session, RIHEAA ceased operations and transferred certain of its assets and functions to the newly created Division of Higher Education Assistance within the Office of the Postsecondary Education Commissioner. The CollegeBoundfund Program administered by RIHEAA was transferred to the Office of the General Treasurer.

##### *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 RIHMFC is secured in part by capital reserve funds. The General Assembly may, but is not required to, appropriate funding of 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](http://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 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.commerceri.com](http://www.commerceri.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. RIIRBA'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.commerceri.com](http://www.commerceri.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. RIRRC coordinates and administers a statewide recycling program and has periodically transferred amounts to the State's general fund as operating assistance. The State is one of several potentially responsible parties for the costs of remedial actions at RIRRC's superfund site. For more detailed information, a copy of the financial statements can be obtained by writing to R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919, or at [www.rirrc.org](http://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 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 R.I. Water Resources Board Corporate, One Capitol Hill, Providence, RI 02908.

In June 2015 pursuant to a law enacted by the General Assembly, RIWRBC ceased operations and transferred its remaining assets and functions to the RI Clean Water Finance Agency (now known as the RI Infrastructure Bank), a related organization.

*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](http://www.quonset.com).

#### *The Metropolitan Regional Career and Technical Center*

The Metropolitan Regional Career and Technical Center (The Met) is a state funded, local education agency established by the R.I. Department of Education under the Rhode Island General Laws. The Met serves approximately 900 students statewide in grades 9-12. It is governed by a board of trustees that is appointed by the State's Board of Education. The Met is funded primarily through State appropriations and federal grant funds. In addition, it conducts its operations in facilities that are owned by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, The Metropolitan Regional Career and Technical Center, 325 Public Street, Providence, RI 02905.

#### **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 (effective September 1, 2015, the name of this agency was changed to the Rhode Island Infrastructure Bank). 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 Funds* - These 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.

*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 Employee 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, Teachers' Survivors Benefit Plan, FICA Alternative Retirement Income Security Program, and the defined contribution retirement plan, which all accumulate resources for pension benefit payments to eligible retirees.

*Other Employee Benefit Trust Funds* - These funds account for the activities of the Rhode Island State Employees' and Electing Teachers OPEB System, which accumulates resources to provide post-employment health care benefits to eligible retirees.

*Investment Trust Fund* - 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 addition, in fiscal year 2014 an agency fund was established to account for the HealthSource RI Trust. The Trust was created for the purpose of collecting health and dental insurance premium payments from qualified employers and individuals and paying such premiums to insurance carriers for plans offered through the HealthSource RI health benefits exchange established under Section 1311 of the Patient Protection and Affordable Care Act.

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 and deferred outflows, liabilities and deferred inflows, resources/revenues, **or** expenditures/expenses of that fund are at least 10% of the respective total for all funds of that type, **and**
- Total assets and deferred outflows, liabilities and deferred inflows, resources/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, bond proceeds, Rhode Island Capital Plan funds, and certain motor vehicle registration and licensing surcharges, 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, the Mission 360 Loan Program and related expenditures. Management considers this a major fund regardless of the above criteria.

### Proprietary funds:

#### *Rhode Island Lottery*

The R.I. Lottery, 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](http://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 Veterans Memorial Auditorium Arts and Cultural Center located in Providence.

#### *Employment Security Fund*

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

federal government, interest income, and loans from the Federal Unemployment Trust Fund. Management considers this a major fund regardless of the above criteria.

#### 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 (amounts not expected to be collected in the next twelve months) 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:

<u>Asset Category</u>	<u>Capitalization Thresholds</u>	<u>Estimated Useful Lives</u>
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 5, 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, and deferred gains and losses 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 and deferred amounts on refundings are generally deferred and amortized over the term of the bonds using the interest method. Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred gains and losses on refundings are presented as either deferred inflows of resources or deferred outflows of resources.

#### 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 6E).

## O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) cost-sharing plan and the single-employer plans administered by the Employees' Retirement System of Rhode Island (System) and the additions to and deductions from the plans' net position have been recognized on the same basis as they are reported by the System. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable and in accordance with the benefit terms. Investments are recorded at fair value.

As more fully explained in Note 13, a special funding situation exists with respect to local teachers for which the State funds 40% of actuarially determined contributions to the ERS plan. Accordingly, the financial statements reflect the State's proportionate share of the net pension liability, pension expense and deferred inflows/outflows related to this special funding situation.

For the State's two non-contributory (pay-as-you-go) plans covering certain judges and state police, the provisions of GASB Statement No. 73 have been implemented which is largely consistent with the provisions of GASB Statement No. 68, regarding recognition of the pension liability, pension expense and deferred inflows/outflows except there is no fiduciary net position accumulated to offset the total pension liability and no employer contributions are made other than the amount needed to provide benefits on a pay-as you-go basis.

For certain employees participating in the LIUNA defined benefit pension plan (a non-governmental union sponsored plan), there is no required employer contribution and no pension expense is recorded in the financial statements. Consistent with the provisions of GASB Statement No. 78, which provides an exception for non-governmental sponsored plans, no determination of the proportionate net pension liability, pension expense, or deferred inflows or outflows, if any, is made for this cost-sharing defined benefit pension plan.

## P. Compensated Absences

Vacation pay may be discharged, subject to limitations as to carry-over from year to year, by future paid leave or by cash payment upon termination of service. Sick pay may be discharged by payment for an employee's future absence caused by illness or, to the extent of vested rights, by cash payment upon death or retirement. 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.

## Q. 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.

## R. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net position by the State that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position by the

State that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

The components of the deferred outflows of resources and deferred inflows of resources related to the primary government and its discretely presented component units as of June 30, 2015 are as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Primary Government	Component Units
Deferred outflows of resources:				
Deferred loss on refunding of debt	\$ 42,638	\$ 5,248	\$ 47,886	\$ 4,778
Deferred pension costs	253,473	1,183	254,656	32,888
Derivatives				1,243
Total deferred outflows of resources	<u>\$ 296,111</u>	<u>\$ 6,431</u>	<u>\$ 302,542</u>	<u>\$ 38,909</u>
Deferred inflows of resources:				
Deferred pension credit	\$ 268,644	\$ 1,166	\$ 269,810	\$ 25,275
Deferred gain on refunding of debt	33,591		33,591	56
Total deferred inflows of resources	<u>\$ 302,235</u>	<u>\$ 1,166</u>	<u>\$ 303,401</u>	<u>\$ 25,331</u>

The components of the deferred outflows of resources and deferred inflows of resources related to the governmental funds as of June 30, 2015 are as follows (expressed in thousands):

	General Fund	IST Fund	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:				
Taxes	\$ 6,287	\$	\$	\$ 6,287
Other general revenue	7,507			7,507
Federal revenue		9,969		9,969
Total deferred inflows of resources	<u>\$ 13,794</u>	<u>\$ 9,969</u>	<u>\$</u>	<u>\$ 23,763</u>

## S. 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.
- 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.

#### T. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2015, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting Pensions – an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations of Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The State early implemented this standard, which is effective for reporting periods beginning after December 15, 2015, for the fiscal year ending June 30, 2015.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The State early implemented this standard, which is effective for reporting periods beginning after December 15, 2015, for the fiscal year ending June 30, 2015.

The implementation of GASB Statements No. 68, 71 and 73 represented a significant change in the accounting and reporting of pension expense and the related liability. In general, the statements revise and establish new financial reporting requirements for governments that provide their employees with pension benefits. Among other requirements, the statements require governments providing defined benefit pension benefits to recognize their long term obligation for pension benefits as a liability and the related recognition of pension expense. The implementation of these statements also significantly expanded pension related note disclosures and the required supplementary information. As a result of these changes in accounting principles, the State has restated its beginning net position at July 1, 2014. See Note 17 F Restatements for more information about the impact of the implementation of these statements.

The implementation of GASB Statement No. 69 had no material reporting impact on the State’s financial statements.

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

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for financial statements for periods beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting



purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for financial statements for periods beginning after June 15, 2016. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for financial statements for periods beginning after June 15, 2017. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for financial statements for periods beginning after June 15, 2015. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted account principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for financial statements for periods beginning after December 15, 2015. This statement requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues in order to better allow users to understand how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and the impact those abatements have on a government’s financial position and economic condition.

Management has not yet determined the effect that the above GASB statements will have on the financial statements.

## 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, 2015 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 2a-7. While investment in the pool is not guaranteed or fully collateralized, certain investments within the pool are collateralized. At June 30, 2015, of the \$274.4 million invested, \$62.3 million were Collateralized Repurchase Agreements.

With the exception of \$874,755 in bank balances of the R.I. Convention Center Authority, as of June 30, 2015 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, 2015 are as follows:

<b>Pooled cash equivalents (at amortized cost)</b>	
Financial company commercial paper	\$ 106,152
Other commercial paper	26,986
Asset backed commercial paper	33,102
Government agency repurchase agreement	29,281
Other repurchase agreements	33,000
Certificates of deposit	15,000
Other Municipal Debt	1,900
Other notes	7,000
Other Instruments	22,000
Total investments	<u>274,421</u>
Plus: other assets in excess of other liabilities	(1,021)
Total investment pool	<u>273,400</u>
<b>Funds held by fiduciary funds and discretely presented component units</b>	
Less:	
Amounts categorized as funds on deposit with fiscal agent	2
Amounts held by fiduciary trust funds:	
Pension trusts	5,406
OPEB trust	2,281
RIPTA health fund	36
Amounts held by discretely presented component units:	
URI	10,138
RIHEAA	209
RIIRBA	2,509
Amounts held for external parties	5,811
<b>Primary government pooled cash equivalents</b>	<u>247,009</u>
<b>Other primary government cash equivalents and investments</b>	
Repurchase agreements	2,221
Money Market Mutual Funds	58,707
<b>Total primary government cash equivalents and investments</b>	<u>\$ 307,937</u>
Cash equivalents and investments	\$ 307,937
Cash	699,013
Total cash, cash equivalents and investments	<u>\$ 1,006,950</u>
<u>Statement of Net Position</u>	
Cash and cash equivalents	\$ 949,864
Restricted cash and cash equivalents	57,086
Total cash, cash equivalents and investments	<u>\$ 1,006,950</u>

Of the State's restricted cash and cash equivalents totaling \$57,086,000, \$52,374,000 is held by the Tobacco Settlement Financing Corporation and \$4,712,000 is held by the R.I. Convention Center Authority. Both entities are blended component units.

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, 2015, 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	At Fair Value	Total Amortized Cost	Investment Maturities (in days) (At Amortized Cost)			
			0-30	31-90	91-180	181-397
Financial Company Commercial Paper	\$ 106,163	\$ 106,152	\$ 19,799	\$ 51,376	\$ 34,977	\$
Other Commercial Paper	26,987	26,986	17,000		9,986	
Asset Backed Commercial Paper	33,103	33,102	19,104	13,998		
Gov't Agency Repurchase Agreements	29,281	29,281	29,281			
Other Repurchase Agreements	33,004	33,000	20,000	11,000	2,000	
Certificates of Deposit	15,000	15,000	15,000			
Other Municipal Debt	1,900	1,900				1,900
Other Notes	7,000	7,000		1,000	6,000	
Other Instruments	22,000	22,000	22,000			
<b>Grand Total</b>	<b>\$ 274,438</b>	<b>\$ 274,421</b>	<b>\$ 142,184</b>	<b>\$ 77,374</b>	<b>\$ 52,963</b>	<b>\$ 1,900</b>

**Non-pooled Cash Equivalents and Investments:**

Investment Type	Fair Value
Money Market Mutual Funds	58,707
Repurchase agreements	2,221
Cash equivalents and investments	<u>\$ 60,928</u>

All the non-pooled cash equivalents and investments have a maturity date of less than one year.

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, 2015, 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	At Fair Value	Total Amortized Cost	Quality Ratings (1) (At Amortized Cost)		
			A-1+	A-1	A-2
Financial Company Commercial Paper	\$ 106,163	\$ 106,152	\$ 13,995	\$ 92,157	\$
Other Commercial Paper	26,987	26,986	9,986	13,000	4,000
Asset Backed Commercial Paper	33,103	33,102	3,000	30,102	
Gov't Agency Repurchase Agreements	29,281	29,281	28,281	1,000	
Other Repurchase Agreements	33,004	33,000		33,000	
Certificates of Deposit	15,000	15,000	13,000	2,000	
Other Municipal Debt	1,900	1,900	1,900		
Other Notes	7,000	7,000	6,000		1,000
Other Instruments	22,000	22,000		9,000	13,000
<b>Grand Total</b>	<b>\$ 274,438</b>	<b>\$ 274,421</b>	<b>\$ 76,162</b>	<b>\$ 180,259</b>	<b>\$ 18,000</b>

1- Mbody's Investor Service, except where not available Standard & Poor's ratings are used.

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

**Non-pooled Cash Equivalents and Investments:**

**Funds on Deposit with Fiscal Agent**

Issuer	Fair Value	Type of Investment	Moody's Rating	Average Maturities in Days
Money market mutual funds				
Fidelity Institutional Money Market Gvt. Port Class III	\$ 5,269	Money Market	Aaa-mf	52
Goldman Sachs Treasury Instruments Fund	53,438	Money Market	Aaa-mf	58
	<u>\$ 58,707</u>			

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, 2015 and the breakdown by maturity are as follows:

Investment Type	Fair Value
Money Market Mutual Funds	\$ 183,436
Investment Contracts	5,998
Investments	<u>\$ 189,434</u>

All of the investments have a maturity date of less than one year.

The 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	\$ 943	Aaa-mf	48
Federated Govt. Obligation Tax Managed Fund	15,337	Aaa-mf	58
Fidelity Institutional Money Market Gvt. Port Class III	91,519	Aaa-mf	33
First American Government Obligations Fund	38,630	Aaa-mf	46
Goldman Sachs Financial Square Money Market Fund	36,032	Aaa-mf	41
Wells Fargo Advantage 100% Treasury Money Market Fund	328	Aaa-mf	48
Morgan Stanley Prime Portfolio	645	Aaa-mf	14
Ocean State Investment Pool	2	N/A	N/A
Investment Contracts			
FSA Capital Management GIC	5,998	N/A	N/A
	<u>\$ 189,434</u>		

Funds on deposit with fiscal agent also include approximately \$71,881,000 held by the Federal Unemployment Insurance Trust Fund.

**B. Concentration of Credit Risk**

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

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

Type	Issuer	Amount	Percentage
Money Market Funds	Fidelity Institutional Money Market Gvt. Port Class III	\$ 96,788	19.46%
Money Market Funds	First American Government Obligations Fund	38,630	7.77%
Money Market Funds	Goldman Sachs Treasury Instruments Fund	53,438	10.74%
Money Market Funds	Goldman Sachs Financial Square Money Market Fund	36,032	7.24%

### C. Pension Trusts

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

#### Cash Deposits and Cash Equivalents

At June 30, 2015, the carrying amount of the System cash deposits was \$5,633,000 and the bank balance was \$5,797,000. 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, \$5,562,000, and the remainder representing interest-bearing collateralized bank deposits totaling \$135,000, 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, 2015 (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. In January 2014, the assets of the RIJRFT were added to the pool for investment purposes only. The assets of the TSBP had previously been pooled with the assets of the ERS.

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 plan's respective contributions to, or withdrawals from, the trust. Investment expense is allocated to each plan based on the plan's units in the Pooled Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Trust for the defined benefit plans at June 30, 2015 (expressed in thousands):

Pooled Investment Trust Investment Type	Fair Value
Cash and Cash Equivalents	\$ 44,685
Foreign Currencies	2,604
Money Market Mutual Funds	207,045
US Government Securities	334,504
US Government Inflation Linked Bonds	291,732
US Government Agency Securities	328,489
Collateralized Mortgage Obligations	33,141
Corporate Bonds	469,246
International Government Bonds	3,407
Term Loans	305,942
Domestic Equity Securities	832
International Equity Securities	243
Commingled Funds - Domestic Equity	1,899,731
Commingled Funds - International Equity	1,862,564
Private Equity	545,080
Real Estate	393,750
Hedge Funds	1,171,344
Infrastructure Investments	156,766
Derivative Investments	620
Investments at Fair Value	\$ 8,051,726
Receivable for investments sold	58,934
Payable for investments purchased	(142,465)
Total	\$ 7,968,194

### 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 System 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 System 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, 2015, no fixed income manager was outside of the policy guidelines.

The following table shows the System's fixed income investments by type, fair value and the effective duration at June 30, 2015 (expressed in thousands):

Investment Type:	Fair Value (in thousands)	Effective Duration
US Government Securities	\$ 626,236	5.26
US Government Agency Obligations	328,489	3.60
Collateralized Mortgage Obligations	33,141	1.45
Corporate Bonds	469,246	6.16
International Government Bonds	3,407	6.83
Term Loans	305,942	1.01
Total Fixed Income	\$ 1,766,461	4.39

The System had investments at June 30, 2015 totaling \$5,406,191 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The System's investment accounted for 2% of the total OSIP at June 30, 2015.

OSIP operates in a manner consistent with an 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, 50 Service Avenue, Warwick, RI 02886.

The System also invested \$201,638,354 in a short-term money market mutual fund that held investments with a weighted average maturity of 54 days at June 30, 2015.

The System 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 System 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 prepayments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.



### Credit Risk

The System 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 System's exposure to credit risk as of June 30, 2015 is as follows (expressed in thousands):

Rating	US Government Agency Obligations	Collateralized Mortgage Obligations	Corporate Bonds	International Government Bonds	Term Loans
Aaa	\$ 328,489	\$ 16,268	\$ 17,401		
Aa		3,279	16,946		
A		10,933	99,091	513	
Baa		2,661	222,340	2,894	9,568
Ba			56,258		85,759
B			38,943		143,169
Caa			16,970		18,157
Ca			81		-
C					-
D					373
Not Rated			1,219		48,916
Fair Value	\$ 328,489	\$ 33,141	\$ 469,246	\$ 3,407	\$ 305,942

### 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 System'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 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, 2015, all securities were registered in the name of the System (or in the nominee name of its custodial agent) and were held in the possession of the System'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 System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments.

Fiscal Year Ended June 30, 2015

The System's exposure to foreign currency risk at June 30, 2015, was as follows (expressed in thousands):

Currency	Commingled Funds	Currency	Equities	Private Equity	Derivatives	Total
Australian Dollar	\$ 87,764	\$ 143	\$	\$	\$ 35	\$ 87,942
Brazilian Real	29,484					29,484
Canadian Dollar	129,020	52	165	16,798	30	146,065
Chilean Peso	5,170					5,170
Colombian Peso	2,440					2,440
Czech Republic Koruna	793					793
Danish Krone	21,414					21,414
Egyptian Pound	1,021					1,021
Euro Currency	386,939	1,978		67,846	(73)	456,691
Great Britain Pound	261,965	308	78		105	262,457
Hong Kong Dollar	148,995					148,995
Hungarian Forint	995					995
Indian Rupee	32,381					32,381
Indonesia Rupiah	11,052					11,052
Israeli Shekel	7,799					7,799
Japanese Yen	297,981	88			112	298,180
Malaysian Ringgit	13,622					13,622
Mexican Peso	19,447					19,447
New Zealand Dollar	1,690					1,690
Norwegian Krone	8,277					8,277
Philippine Peso	5,804					5,804
Polish Zloty	6,356					6,356
Qatari Real	4,054					4,054
Russian Ruble	3,459					3,459
Singapore Dollar	19,000					19,000
Swedish Krona	38,011	35			11	38,057
Swiss Franc	115,769					115,769
South African Rand	34,019					34,019
South Korean Won	61,711					61,711
Taiwan Dollar	53,598					53,598
Thailand Baht	9,534					9,534
Turkish Lira	6,373					6,373
United Arab Emirates Dirham	2,720					2,720
Total	\$ 1,828,657	\$ 2,604	\$ 243	\$ 84,644	\$ 221	\$ 1,916,369
United States	33,907					
Grand Total	\$ 1,862,564					

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 System'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 System's derivative investments include forward foreign currency transactions, futures contracts, options, rights, and warrants. The System 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 System 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 System's Statements of Fiduciary Net Position. The face or contract amount in U.S. dollars reflects the total exposure the System 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 System 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 System'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 System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument, or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

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

The System 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 System 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 System when the price of a security underlying the short sale increases and the System is obligated to deliver the security in order to cover the position.

The following summarize the System's exposure to specific derivative investments at June 30, 2015 (expressed in thousands):

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2015	Notional Amount
Fixed income futures - long	\$ (21)	\$ 5	\$ 3,284
Fixed income futures - short	(13)	(44)	6,796
Equity index futures - long	630	1,112	(57,428)
Equity index futures - short	680	(217)	11,311
Credit default swaps	(5)	80	1,287
Interest rate swaps	(772)	(316)	4,093
<b>Total</b>	<b>\$ 499</b>	<b>\$ 620</b>	
Foreign currency forward contracts:			
Pending Payable (liability)		\$ (262)	
Pending Receivable (asset)		141	
		<b>\$ (122)</b>	

The System 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, 2015 was \$141,000. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

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 the manager time to invest in individual cash bonds in line with the mandate.

Interest rate swaps can be used to manage interest rate risk and increase returns in the fixed income or term loan portion of the portfolio.

The System 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 Plans

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.

Fiscal Year Ended June 30, 2015

The Plan's holdings at June 30, 2015 are as follows (expressed in thousands):

Investment Type	Fair Value	% of Total	Duration (years)	Weighted Average Maturity (days)
<b>Annuities</b>				
TIAA Stable Value	\$ 4,980	1.2%		
TIAA Real Estate - variable annuity	2,332	0.6%		
Total	<u>\$ 7,312</u>	<u>1.8%</u>		
<b>Money Market</b>				
Vanguard Prime Money Market Fund	\$ 498	0.1%		43
<b>Fixed Income Funds</b>				
Pimco Real Return Institutional Class	3,114	0.8%	4.84	
Vanguard Total Bond Market Index Admiral	2,606	0.6%	5.70	
Total	<u>\$ 5,720</u>	<u>1.4%</u>		
<b>Target Retirement Funds</b>				
Vanguard Target Retirement 2010 Trust II	7,289	1.8%		
Vanguard Target Retirement 2015 Trust II	30,134	7.3%		
Vanguard Target Retirement 2020 Trust II	56,630	13.8%		
Vanguard Target Retirement 2025 Trust II	60,889	14.8%		
Vanguard Target Retirement 2030 Trust II	60,933	14.8%		
Vanguard Target Retirement 2035 Trust II	57,088	13.9%		
Vanguard Target Retirement 2040 Trust II	44,884	10.9%		
Vanguard Target Retirement 2045 Trust II	32,939	8.0%		
Vanguard Target Retirement 2050 Trust II	17,735	4.3%		
Vanguard Target Retirement 2055 Trust II	4,518	1.1%		
Vanguard Target Retirement 2060 Trust II	430	0.1%		
Vanguard Target Retirement Income Trust II	2,228	0.5%		
Total	<u>\$ 375,697</u>	<u>91.5%</u>		
<b>Equity Mutual Funds</b>				
TIAA-CREF International Equity Index Fund Institutional	2,235	0.5%		
TIAA-CREF Social Ch Equity Institutional	360	0.1%		
Vanguard Institutional Index Fund	9,289	2.3%		
Vanguard Emerging Markets Stock Index Fund Admiral	1,853	0.5%		
Vanguard Mid-Cap Index Fund Admiral	4,180	1.0%		
Vanguard Small Cap Index Fund Admiral	3,631	0.9%		
Total	<u>\$ 21,549</u>	<u>5.2%</u>		
Total	<u>\$ 410,776</u>	<u>100.0%</u>		

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the plan 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, 2015, 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.

The assets of the FICA Alternative Retirement Income Security Program are primarily invested in an array of Vanguard Target Retirement Funds that are selected based on the age of the participant. At June 30, 2015, all assets and securities were registered in the name of TIAA-CREF as the record keeper for the benefit of plan members and were held in the possession of TIAA-CREF's custodian, J.P. Morgan Bank.

#### 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, 2015, the carrying amount of the OPEB System's cash deposits was approximately \$3,746,000 and the bank balance was \$3,740,000. 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, 2015, the System's cash deposits were either federally insured or collateralized.

In addition, at June 30, 2015, the System also had cash equivalent investments consisting of approximately \$2,281,000 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The System's investment accounted for 0.8% of the total investment in OSIP at June 30, 2015. 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 an 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, 2015 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
Money Market Mutual Fund	\$ 4,832
US Government Securities	18,878
US Government Agency Securities	15,044
Corporate Bonds	14,552
Commingled Funds - Domestic Equity	92,038
	<u>145,343</u>
Net investment payable	(3,098)
<b>Investments at Fair Value</b>	<u><u>\$ 142,245</u></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, 2015 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
US Government Agency Securities	\$ 15,044	3.52
US Government Securities	18,878	5.89
Corporate Bonds	14,552	6.51
Total Fixed Income	<u><u>\$ 48,473</u></u>	4.86

The OPEB System's investment in Dreyfus Institutional Cash Advantage Fund, a money market mutual fund, had an average maturity of 67 days at June 30, 2015.

#### 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, 2015 is as follows (expressed in thousands):

<u>Rating(1)</u>	<u>US Government Agency Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ 15,044	\$ 812
Aa		439
A		4,454
Baa		8,564
Ba		282
<b>Fair Value</b>	<u>\$ 15,044</u>	<u>\$ 14,551</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, 2015, 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 approximately \$2,655,000 in the Fidelity Balanced Fund as of June 30, 2015.

**F. Agency Funds**

As of June 30, 2015, 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. Receivables

Receivables at June 30, 2015 (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	\$ 490,197	\$ 501,529	\$ 3,800	\$ 995,526	\$ 178,773	\$ 56,481
Less: Allowance for Uncollectibles	116,464	109,375	2,844	228,683		
Governmental receivables, net	<u>373,733</u>	<u>392,154</u>	<u>956</u>	<u>766,843</u>	<u>178,773</u>	<u>56,481</u>
Business-type receivables	79,682	28,928		108,610	1,272	
Less: Allowance for Uncollectibles	4,082	19,530		23,612		
Business-type receivables, net	<u>75,600</u>	<u>9,398</u>		<u>84,998</u>	<u>1,272</u>	
Receivables, Net of Allowance for Uncollectibles	449,333	401,552	956	851,841	180,045	56,481
Less: Current Portion						
Governmental receivables	367,447	384,646		752,093	166,977	4,683
Business-type receivables	75,600	9,398		84,998	1,272	
Noncurrent Receivables, Net	<u>\$ 6,286</u>	<u>\$ 7,508</u>	<u>\$ 956</u>	<u>\$ 14,750</u>	<u>\$ 11,796</u>	<u>\$ 51,798</u>

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2015 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	\$ 3,993	\$	Operating expenses
Intermodal Surface Transportation	3,273		Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance		647	Debt service and administrative costs
Bond Capital	605		State match for transportation
RI Capital Plan		4,527	Primarily for transportation State match
Certificates of Participation	178		Fees restricted for COPS debt service
Debt service		1,483	Debt service
Total Non-Major Funds	<u>783</u>	<u>6,657</u>	
Total Governmental Funds	<u>8,049</u>	<u>6,657</u>	
Proprietary Funds			
Enterprise			
RI Lottery		1,393	Net income owed to General Fund
RI Convention Center Authority	60		Project funding
Employment Security Trust	197		Benefit payments
Total Enterprise Funds	<u>257</u>	<u>1,393</u>	
Internal Service	955	1,211	Settlement of services rendered
Total primary government	<u>\$ 9,261</u>	<u>\$ 9,261</u>	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2015 consists of the following (expressed in thousands):

Primary Government

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 388,033	\$ 5,251	\$ (531)	\$ 392,753
Works of Art	2,389	534		2,923
Intangibles	166,716	3,414		170,130
Construction in progress *	456,735	294,162	(229,688)	521,209
Total capital assets not being depreciated or amortized	1,013,873	303,361	(230,219)	1,087,015
Capital assets being depreciated or amortized:				
Land improvements	3,700			3,700
Buildings	723,688	3,164	(4,881)	721,971
Building Improvements	270,378	9,541		279,919
Furniture and equipment	265,842	37,145	(8,090)	294,897
Intangibles	14,040			14,040
Infrastructure	3,747,835	206,715		3,954,550
Total capital assets being depreciated or amortized	5,025,483	256,565	(12,971)	5,269,077
Less accumulated depreciation or amortization for:				
Land improvements	3,473	28		3,501
Buildings	240,228	13,995	(3,340)	250,883
Building Improvements	191,291	8,953		200,244
Furniture and equipment	227,201	15,581	(8,038)	234,744
Intangibles	13,686	356		14,042
Infrastructure*	1,667,533	127,338		1,794,871
Total accumulated depreciation or amortization	2,343,412	166,251	(11,378)	2,498,285
Total capital assets being depreciated or amortized, net	2,682,071	90,314	(1,593)	2,770,792
Governmental activities capital assets, net	\$ 3,695,944	\$ 393,675	\$ (231,812)	\$ 3,857,807

\* Beginning balances have been restated.

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

General government	\$ 8,402
Human services	6,595
Education	4,983
Public safety	13,631
Natural resources	5,349
Transportation	127,291
Total depreciation or amortization expense - governmental activities	\$ 166,251

**Business-type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 45,558	\$ 1,250	\$	\$ 46,808
Construction in progress	44	170	(44)	170
Total capital assets not being depreciated	<u>45,602</u>	<u>1,420</u>	<u>(44)</u>	<u>46,978</u>
Capital assets being depreciated:				
Buildings	234,384	8		234,392
Machinery and equipment	30,145	1,551	(441)	31,255
Intangibles	175			175
Total capital assets being depreciated	<u>264,704</u>	<u>1,559</u>	<u>(441)</u>	<u>265,822</u>
Less accumulated depreciation for:				
Buildings	125,654	8,182		133,836
Machinery and equipment	22,613	2,158	(441)	24,330
Intangibles	40	25		65
Total accumulated depreciation	<u>148,307</u>	<u>10,365</u>	<u>(441)</u>	<u>158,231</u>
Total capital assets being depreciated, net	<u>116,397</u>	<u>(8,806)</u>		<u>107,591</u>
Business-type activities capital assets, net	<u>\$ 161,999</u>	<u>\$ (7,386)</u>	<u>\$ (44)</u>	<u>\$ 154,569</u>

**Discretely Presented Component Units**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 119,474	\$ 9,715	\$ (6,338)	\$ 122,851
Construction in progress	125,534	154,870	(104,613)	175,791
Other	250			250
Total capital assets not being depreciated or amortized	<u>245,258</u>	<u>164,585</u>	<u>(110,951)</u>	<u>298,892</u>
Capital assets being depreciated or amortized:				
Buildings	1,985,002	81,121	8,251	2,074,374
Land improvements	215,932	2,864	417	219,213
Machinery and equipment	415,241	27,399	(10,319)	432,321
Infrastructure	209,619	20,805	(500)	229,924
Total capital assets being depreciated or amortized	<u>2,825,794</u>	<u>132,189</u>	<u>(2,151)</u>	<u>2,955,832</u>
Less accumulated depreciation or amortization for:				
Buildings	740,292	64,440	(570)	804,162
Land improvements	124,914	5,307		130,221
Machinery and equipment	251,106	29,987	(7,128)	273,965
Infrastructure	62,675	8,218	(513)	70,380
Total accumulated depreciation or amortization	<u>1,178,987</u>	<u>107,952</u>	<u>(8,211)</u>	<u>1,278,728</u>
Total capital assets being depreciated or amortized, net	<u>1,646,807</u>	<u>24,237</u>	<u>6,060</u>	<u>1,677,104</u>
Total capital assets, net	<u>\$ 1,892,065</u>	<u>\$ 188,822</u>	<u>\$ (104,891)</u>	<u>\$ 1,975,996</u>

Fiscal Year Ended June 30, 2015

## Note 6. Long-Term Liabilities

## A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 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			
<b>Governmental Activities</b>						
<i>Bonds Payable</i>						
General obligation bonds (see section B)	\$ 1,074,750	\$ 208,240	\$ (260,095)	\$ 1,022,895	\$ 83,720	\$ 939,175
RICC Grant Anticipation Revenue Bonds	279,030		(34,160)	244,870	40,080	204,790
RICC Rhode Island Motor Fuel Tax Revenue Bonds	62,525		(4,185)	58,340	4,375	53,965
Tobacco Settlement Asset-Backed Bonds	744,821	620,935	(649,555)	716,201	11,150	705,051
Accreted interest on TSFC bonds	101,654	11,166	(39,441)	73,379		73,379
RICC Historic Tax Credit Bonds	74,400	75,000	(17,010)	132,390	25,395	106,995
Net unamortized premium/discount	62,718	75,900	1,251	139,869		139,869
Bonds Payable, net	<u>2,399,898</u>	<u>991,241</u>	<u>(1,003,195)</u>	<u>2,387,944</u>	<u>164,720</u>	<u>2,223,224</u>
Obligation under capital leases (see section E)	207,595	49,495	(21,960)	235,130	25,830	209,300
Net unamortized premium/discount	16,611	6,653	(2,813)	20,451		20,451
Obligation under capital leases, net	<u>224,206</u>	<u>56,148</u>	<u>(24,773)</u>	<u>255,581</u>	<u>25,830</u>	<u>229,751</u>
Net pension liability (see note 13)	2,093,707		(176,538)	1,917,169		1,917,169
Net pension liability-special funding situation (see note 13)	1,121,734		(131,605)	990,129		990,129
Net OPEB Obligation (see note 14 C)	8,485	35		8,520		8,520
Job Creation Guaranty Program Obligation (see section H)	82,673		(18,576)	64,097	2,306	61,791
Compensated absences (see section K)	77,649	65,826	(65,575)	77,900	65,132	12,768
Special obligation notes (see section C)	5,110		(2,035)	3,075	1,700	1,375
Pollution remediation (see section I)	4,522	3,215	(2,238)	5,499	3,215	2,284
Other (see section N)	21,179	3,630	(16,414)	8,395	3,568	4,827
Total Governmental Long-term Liabilities	<u>\$ 6,039,163</u>	<u>\$ 1,120,095</u>	<u>\$ (1,440,949)</u>	<u>\$ 5,718,309</u>	<u>\$ 266,471</u>	<u>\$ 5,451,838</u>
<b>Business-type Activities</b>						
Revenue bonds (see section B)	\$ 226,900	\$ 31,900	\$ (43,590)	\$ 215,210	\$ 11,330	\$ 203,880
Net unamortized premium/discount	3,938	4,791	(2,164)	6,565		6,564
Revenue bonds, net	<u>230,838</u>	<u>36,691</u>	<u>(45,754)</u>	<u>221,775</u>	<u>11,330</u>	<u>210,444</u>
Net pension liability	14,626		(1,310)	13,315		13,315
Notes payable (see section C)	43		(43)			
Unearned Revenue	9,484	288	(1,656)	8,116	3,222	4,894
Compensated absences (see section K)	496	350	(340)	506	205	301
Due to Other Governments and Agencies (see Section J)	52,024	20,559	(72,583)			
Total Business-type Long-term Liabilities	<u>\$ 307,511</u>	<u>\$ 57,888</u>	<u>\$ (121,686)</u>	<u>\$ 243,712</u>	<u>\$ 14,757</u>	<u>\$ 228,954</u>
<b>Component Units</b>						
Bonds payable (see section B)	\$ 2,071,339	\$ 222,350	\$ (333,283)	\$ 1,960,406	\$ 64,221	\$ 1,896,185
Net unamortized premium/discount	15,323	216	(2,299)	13,240	744	12,496
Bonds Payable, net	<u>2,086,662</u>	<u>222,566</u>	<u>(335,582)</u>	<u>1,973,646</u>	<u>64,965</u>	<u>1,908,681</u>
Notes payable (see section C)	107,901	310,500	(276,451)	141,950	124,775	17,175
Loans payable (see section D)	46,602	2,041	(1,034)	47,609	935	46,674
Obligations under capital leases	6,907	718	(1,393)	6,232	1,318	4,914
Net pension liability	261,102	3,785	(22,531)	242,356		242,356
Net OPEB obligation	54,462	7,172	(6)	61,628		61,628
Compensated absences (see section K)	32,355	883	(1,727)	31,511	9,586	21,925
Due to primary government (see section M)	55,028	7,466	(6,012)	56,482	4,684	51,798
Unearned Revenue	20,117	9,101	(4,711)	24,507	8,878	15,629
Due to Component Units	1,586	1,729		3,315	1,935	1,380
Other Long-term liabilities						
Arbitrage rebate (see section L)	1,265		(239)	1,026		1,026
Pollution remediation (see section I)	19,821	1,363		21,184	1,213	19,971
Other liabilities (see section N)	309,483	19,131	(5,764)	322,850	9,287	313,563
Total Component Units Long-term Liabilities	<u>\$ 3,003,291</u>	<u>\$ 586,455</u>	<u>\$ (655,450)</u>	<u>\$ 2,934,296</u>	<u>\$ 227,576</u>	<u>\$ 2,706,720</u>

\*as restated

Certain beginning balances have been reclassified to conform to the current financial statement presentation.

B. Bonds Payable

At June 30, 2015, 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		
2016	\$ 164,720	\$ 95,663	\$ 11,330	\$ 11,638	\$ 64,221	\$ 75,736
2017	172,280	88,181	11,440	11,025	79,426	71,339
2018	168,245	80,200	11,110	10,463	81,264	68,781
2019	137,805	72,032	11,660	9,906	84,133	66,051
2020	135,060	65,701	12,240	9,312	78,654	63,087
2021 - 2025	500,995	243,424	77,030	35,983	418,781	267,704
2026 - 2030	300,915	145,913	51,355	15,355	397,941	184,199
2031 - 2035	138,160	89,100	29,045	5,487	326,849	107,879
2036 - 2040	67,615	66,665			266,715	50,721
2041 - 2045	146,985	50,968			109,862	22,141
2046 - 2050	121,130	30,283			45,095	5,132
2051 - 2055	120,786	1,608,984 *			7,465	205
	<u>\$ 2,174,696</u>	<u>\$ 2,637,114</u>	<u>\$ 215,210</u>	<u>\$ 109,169</u>	<u>\$ 1,960,406</u>	<u>\$ 982,975</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, 2015 the State issued \$46,125,000 of general obligation bonds with interest rates ranging from 0.42% to 5.00%, maturing from 2016 through 2035. \$12,500,000 of these bonds are federally taxable. Also, the State issued \$162,115,000 of refunding bonds with interest rates ranging from 2.00% to 5.00%, maturing from 2015 through 2028. These bonds, combined with the premium of \$35,565,000, were used to advance refund \$174,180,000 of bonds with interest rates from 4.00% to 6.00% and maturities from 2016 to 2028. The refunding resulted in a reduction of debt service of \$17,821,000 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$16,168,000. A deferred loss on the refunding of approximately \$19,694,000 was recorded.

At June 30, 2015, general obligation bonds authorized by the voters and unissued amounted to approximately \$392,100,000. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved, unless extended by the General Assembly.

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 - \$11,950,000 (2) Nursing Education Center Debt - \$36,000,000, and (3) Garrahy Courthouse Garage - \$45,000,000.

*Historic Tax Credit Bonds* - In fiscal years 2009 and 2015 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$150,000,000 and \$75,000,000, respectively, 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. RICC 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 \$131,200,000 of Historic Tax Credit Bonds.

*RICC Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds* - RICC, 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. RICC 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 2015 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 Financing Corporation* – The TSFC had previously issued \$685,390,000 of Tobacco Settlement Asset-Backed Bonds (2002 Series) and \$197,005,742 of additional Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the "MSA"). The 2007 series bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accreting to full value at maturity in the year 2052.

The bonds were subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium.

On March 19, 2015 the TSFC sold \$620,935,000 of Tobacco Settlement Asset-Backed Bonds (series A and B) that bear interest at annual rates ranging from 0.590% to 5.000% and mature in varying amounts through June 1, 2050. The bonds are subject to a number of early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. Term Maturities represent the minimum amount of principal that the Corporation has to pay as of specific dates.

The bond indenture contains "Turbo Maturity" provisions, whereby the Corporation is required to apply the funds collected that are in excess of the then current funding requirements of the indenture to the early redemption of certain of the Series 2015 B bonds (based upon a minimum turbo redemption schedule established for the bonds) and then to the Series 2007 bonds. The amount available for turbo redemptions on the Series 2015 B bonds are credited against the term maturities in ascending chronological order based on a schedule contained in the indenture. Excess turbo funds available, if any, will be used to retire Series 2007 bonds.

The proceeds along with other sources were used to refund (and subsequently redeem in April 2015) all the remaining balance, \$547,815,000, of the 2002 Series bonds and repurchase and retire \$76,220,155 of the 2007 Series bonds. This resulted in a cash flow savings of \$1,283,693,000 and an economic gain of \$369,823,000. In addition, a portion of the proceeds and other resources were used to pay \$31,342,127 to the State and \$5,000,000 to the RI Clean Water Finance Agency, a related organization of the State. A deferred gain on refunding of debt in the amount of \$33,589,000 is reflected as a deferred inflow of resources in the accompany Statement of Net Position. The proceeds from the early termination of the investment contracts for the 2002 Series bonds were included in the determination of the deferred amount on refunding.

Reserve accounts in the amount of \$26,700,250 for the Series 2015A bonds and \$12,175,975 for the Series 2015B bonds were established. The TSFC is required to maintain these reserve accounts to the extent of available funds. Amounts on deposit with the trustee in the reserve accounts are available to pay (i) the principal of, sinking fund installments of and interest on the Series 2015A and Series 2015B bonds to the extent revenues are insufficient for such purpose and (ii) upon the occurrence of an event of default, extraordinary prepayments. Unless an event of default has occurred, amounts withdrawn from the reserve accounts will be replenished from revenues.

The bonds are payable both as to principal and interest solely out of the assets of the Corporation pledged for such purpose, and neither the faith and credit nor the taxing power of the State of Rhode Island or any political subdivision thereof is pledged to the payment of the principal of or the interest on the bonds. The bonds do not constitute an indebtedness of or a general, legal or "moral" obligation of the State or any political subdivision of the State.

## 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, 2015, outstanding bond indebtedness totaled \$215,210,000.

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 (DDC). The revenue bonds are secured by all rents receivable, if any, under a lease agreement between RICCA and the State covering all property purchased by 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.

During April, 2015, RICCA issued Refunding Revenue Bonds 2015 Series A, in an aggregate amount of \$31,900,000 for the purpose of refunding RICCA's outstanding Refunding Revenue Bonds, 2005 Series A and refunding a portion of RICCA's outstanding Refunding Revenue Bonds 1993 Series B and to pay costs of issuance. The final principal and interest payment for the 1993 Series B occurred on May 15, 2015. The refunding bonds mature between 2015 and 2023 and bear interest at rates ranging from 2.00% to 5.00%. This refunding resulted in savings of debt service of approximately \$5,651,000 with an economic gain of approximately \$5,298,000.

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

Each of RICCA's Bond Resolutions contains certain restrictive covenants. During fiscal year 2015, RICCA was unable to fund the Operating Reserve requirement and Renewal and Replacement component of the restrictive covenants pursuant to its indentures.

During July 2013, RICCA and the State entered into two agreements that provide for total appropriations from the Rhode Island Capital Plan Fund (RICAP) 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 Convention Center.

The RICAP agreement continues not only as originally planned through June 30, 2018, but at June 30, 2015 is ongoing and additionally includes the Veterans Auditorium (Vets) - post renovation. Under the agreement for the DDC, RICCA was authorized to receive funding of \$925,000 in fiscal year 2014 and annual appropriations of \$1,387,500 through fiscal year 2019, with a subsequent increase to \$1,850,000 through fiscal year 2021 (the current six year Capital Plan). Under the agreement for the Convention Center, RICCA was authorized to receive funding of \$500,000 in fiscal year 2013, \$1,000,000 in fiscal year 2014, \$1,000,000 in fiscal year 2015, and will receive annual appropriations of \$1,000,000 through fiscal year 2021. Under the agreement for the Vets, post renovation, RICCA was authorized to receive \$250,000 through fiscal year 2021. Any unexpended funds from one fiscal year will be recommended to be re-appropriated to the subsequent fiscal year. During fiscal year 2015, RICCA received appropriations for the DDC totaling \$26,334 and for the Convention Center totaling \$552,443, which both included carryover funding from the prior 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, 2015 revenue bonds outstanding were approximately as follows: URI - \$219,060,000, RIC - \$17,070,000, and CCRI - \$2,500,000.

### *R.I. Airport Corporation*

Revenue bonds are issued by RICC on behalf of RIAC. The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds, except for the 2006 First Lien Special Facility Bonds, are secured by the net revenues derived from the operation of the airports. The 2006 First Lien Special Facility Bonds are secured solely by the net revenues derived from the InterLink facility.

Per its Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenues derived from the operation by RIAC of the Airport and certain general aviation airports to repay approximately \$241,329,000 in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture, including pledged passenger facility charges, were approximately \$36,860,000 for the year ended June 30, 2015. Principal and interest payments for the year ended June 30, 2015 were approximately \$20,950,000.

In March 2015, RIAC issued \$42,980,000 of Series A Direct Placement Airport Revenue Refunding Bonds, which, along with a cash paydown of \$6,598,000, enabled the defeasance of \$48,625,000 in 2004 Series A General Airport Revenue Refunding Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with interest coupons at 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of \$5,884,000, or 12% of the refunded bonds. The cash savings of the difference was approximately \$7,105,000. The refunding resulted in a deferred loss on refunding in the amount of approximately \$1,659,000, which is included in the Deferred Outflows of Resources in the statements of net position.

### *I-195 Redevelopment District Commission*

In April 2013, RICC issued Economic Development Revenue Bonds 2013 Series A, and Economic Development Bonds 2013 Series B (federally taxable) in the aggregate principal amounts of \$37,440,000, for which the I-195 RDC is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (0.184% at June 30, 2015) plus applicable margin, or 7.75%. Applicable 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):	<u>AA/Aa2 or Higher</u>	<u>AA-/Aa3</u>	<u>A/A1</u>	<u>A/A2</u>	<u>A-/A3</u>
Applicable Margins, 2013 Series A	1.00%	1.17%	1.37%	1.57%	1.82%

At June 30, 2015, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2015, the 2013 Series A Bonds bore interest at 1.184%.



Concurrently with the issuance of the 2013 Series A Bonds, RICC 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 and bear interest at the lesser of the 30-Day LIBOR (0.184% at June 30, 2015) plus the lesser of the two long-term bond ratings of the State from Moody's and S&P in the following table:

State Bond Rating (S & P/Moody's):	<u>AA/Aa2 or Higher</u>	<u>AA-/Aa3</u>	<u>A/A1</u>	<u>A/A2</u>	<u>A-/A3</u>
Applicable Taxable Margins 2013 Series B	1.15%	1.32%	1.52%	1.72%	1.97%

Based on the State's most recent bond ratings, the 2013 Series B bonds bore interest at 1.334% at June 30, 2015.

Proceeds from the 2013 Series A and B bonds were transferred by the I-195 RDC to the State.

Simultaneously with the issuance of the 2013 Series A and B Bonds, the I-195 RDC, RICC, and a 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 RICC on either April 1, 2023 or April 1, 2028.

Concurrently with the issuance of the 2013 Series A and B Bonds, the State entered into a separate Rate Cap Agreement 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 (0.184% at June 30, 2015) 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 Bonds 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 (0.184% at June 30, 2015) to the extent 30-Day LIBOR exceeds the interest rate cap on the notional amount, which mirrors the scheduled principal balance of the 2013 B Bonds through April 1, 2019. The State made no payment to the Bank under the terms of the agreement. The interest rate under the 2013 Series B Rate Cap Agreement is capped at 6.85%. At June 30, 2015, the fair value of the 2013 Series A and B Cap agreements was \$158,984, which is estimated as the amount the Bank would receive to terminate the Rate Cap Agreements at the reporting dates, taking into account current interest rates and the current credit worthiness of the counter parties.

Repayment of the 2013 Series A and B Bonds shall be solely from a) appropriated funds, if any, made available and appropriated by the General Assembly for bond payments, but not for payment of administrative expenses and b) 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 I-195 RDC.

The I-195 RDC has pledged and granted to RICC 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. To the extent that the I-195RDC has insufficient funds to meet its payment obligations under the bonds, it shall seek appropriations from the State; however, there are no assurances that the State will appropriate amounts to fund the I-195RDC's payment obligations.

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

In 2010 the RI Turnpike and Bridge Authority (RITBA) issued \$50,000,000 of series 2010A Revenue Bonds. The proceeds of the Series 2010A Bonds are being used to finance the renovation, renewal, repair, rehabilitation, retrofitting, upgrading, and improvement of the Claiborne Pell Bridge, the Mount Hope Bridge, and other such activities as are authorized under the Authority Act authorizing the issuance of the bonds. The Series 2010A Bonds are fixed-rate bonds bearing interest at rates ranging from 3.5% to 5%, payable semi-annually on December 1 and June 1. Principal repayments of the bonds are due annually commencing December 1, 2018, with the final payment due on December 1, 2039. The Series 2010A Bonds maturing on or after December 1, 2021 are subject to redemption prior to maturity at the option of RITBA.

At June 30, 2015, RITBA had revenue bonds outstanding with principal amounts totaling \$59,015,000. The State has authorized RITBA to issue approximately \$68,000,000 of additional revenue bonds. The terms and expected date for such issuance have not yet been determined.

*Other Component Units*

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, 2015 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>3,075</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 is being 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 2015 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, 2015 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.	\$ 1,240
R.I. Resource Recovery note payable to the host municipality with an interest rate of 1.4%, payable in equal installments over the next 13 years.	1,393
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0.31% to 6.25% interest, payable through 2043.	79,272
R.I. Turnpike and Bridge Authority Bond Anticipation Note maturing on February 1, 2016 at interest at the thirty-day London InterBank Offered Rate (LIBOR) plus an applicable margin rate based on RITBA's debt rating payable monthly.	60,000
R.I. Airport Corporation note payable at 4.15% interest, payable through 2016	45
	<u>141,950</u>
Less: current portion	(124,775)
	<u>\$ 17,175</u>

**D. Loans Payable**

**Discretely Presented Component Units**

In June 2006, the R.I. Airport Corporation (RIAC), R.I. Commerce Corporation (RICC), 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 was to reimburse RICC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink Facility Project. RIAC was permitted under the Agreement to make requisition of funds for eligible project costs through fiscal year 2013. RIAC began making monthly payments of interest in fiscal year 2012, with interest at a rate of 5.26%. Payments are made on behalf of RICC (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2015, RIAC had approximately \$41,541,000 in borrowings under this agreement.

The remaining balance consists of loans payable by the University of Rhode Island, the Quonset Development Corporation, and the Metropolitan Regional Career and Technical Center of approximately \$807,000, \$5,183,000, and \$78,000, 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, 2015 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, the State issued the following capital leases:

- \$11,650,000 Series 2014A Pastore Center Energy Conservation Project with interest rates ranging between 0.50% and 5.00% and maturities from 2016 to 2025.
- \$7,465,000 Series 2014B Rhode Island College Energy Conservation Project with interest rates ranging between 2.00% and 5.00% and maturities from 2018 to 2030.
- \$30,380,000 Series 2014C Information Technology Project with interest rates ranging between 0.50% and 5.00% and maturities from 2016 to 2025.

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015:

Fiscal Year Ending June 30	Total
2016	\$ 36,197
2017	36,298
2018	31,120
2019	31,232
2020	31,353
2021 - 2025	111,233
2026 - 2030	14,768
Total future minimum lease payments	292,201
Amount representing interest	(57,071)
Present value of future minimum lease payments	\$ 235,130

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 5, 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

The State and its component units have 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.

Pursuant to legislation passed by the General Assembly in the 2014 session, on August 21, 2014 the R.I. Refunding Bond Authority (RIRBA), a blended component unit which had been dormant for several years, was reactivated and entered into a loan with a bank for approximately \$23.5 million. The loan bears interest at an annual rate of 1.087% and is repayable in three annual payments, beginning on August 1, 2015 and ending on August 1, 2017.

Approximately \$21.8 million of the loan proceeds were transferred to an escrow account and used in September 2014 to retire certain debt of the Depositors Economic Protection Corporation (DEPCO) which had previously been defeased. DEPCO was formerly a blended component unit that was liquidated in 2004. The investments held in the DEPCO escrow account were transferred to a new escrow account and are irrevocably held in trust and pledged as collateral for the loan and will be used to pay principal and interest payments on the bank loan as they come due. As a result of this transaction, after paying costs of issuance, RIRBA transferred to the State approximately \$1.5 million which was used as a resource in fiscal year 2015.

As sufficient investments are held in trust to repay the loan, it has been treated as a defeased debt obligation and is not reflected in the accompanying financial statements as of June 30, 2015.

At June 30, 2015, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 271,555
Certificates of Participation	46,545
RI Refunding Bond Authority	22,926
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	83,915
R.I. Commerce Corporation	5,710
R.I. Turnpike and Bridge Authority	9,156

#### G. Conduit Debt

The R.I. Industrial Facilities Corporation and the R.I. Commerce 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, 2015 was \$51,000,000 and \$896,000,000 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 12.

#### H. Job Creation Guaranty Program – Moral Obligations

The Job Creation Guaranty Program (JCGP) was established by the General Assembly in 2010 for the purpose of promoting economic development in the State and authorized the issuance of a maximum of \$125 million of obligations by the RI Commerce Corporation (RICC).

In November 2010, RICC issued \$75 million of taxable revenue bonds under the JCGP. 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 were to be used in the event that 38 Studios failed to make any required loan payments. In accordance with the enabling legislation and the agreement between RICC, the trustee and 38 Studios, should amounts in the Capital Reserve Fund fall below minimum requirements, RICC 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. On August 8, 2012, a federal judge allowed the assets to be liquidated through the state court in Rhode Island.

It is estimated that the total remaining debt service on the bonds, after considering any existing reserves held by the trustee, will be approximately \$74.3 million. The maturity dates on the bonds range from 2015 to 2020 with maximum annual debt service of approximately \$12.5 million. The General Assembly made appropriations for fiscal years 2014 and 2015 to restore the shortfall in the Capital Reserve Fund. The fiscal year 2016 enacted budget includes an appropriation of \$12.5 million which will be used to pay the principal and interest on the bonds due in fiscal year 2016.

In November 2012, RICC sued various individuals and entities involved with the loan to 38 Studios including principals of 38 Studios, former employees of RICC and various advisors to RICC 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. A settlement was reached with two of the defendants and, after expenses, a net recovery of approximately \$3.2 million was received in August of 2014. The net amount of the settlement was paid to the trustee for the benefit of the bondholders and was used to pay a portion of the fiscal year 2015 debt service.

In addition, subsequent to June 30, 2015, a Rhode Island Superior Court ruling upheld a settlement entered into by RICC with four named defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al., pending in Providence Superior Court. The settlement will result in the gross payment of \$12,500,000. After payments of fees, costs and expenses, the net amount from the settlement is expected to be approximately \$9,900,000 and will be paid to Bank of New York Mellon Trust Company, N.A., for the benefit of the bondholders of the "Rhode Island Economic Corporation's Job Creation Guaranty Program series 2010 (38 Studios LLC Project)" bonds.

The State has recorded a liability of \$64.1 million relating to its moral obligation to the 38 Studios bondholders under the JCGP at June 30, 2015. This amount represents the current estimate of the amount of probable loss by the State and considers funds actually recovered as a result of the litigation discussed above. The \$64.1 million, although recorded as a liability for financial statement purposes, is still subject to annual appropriation by the General Assembly. The estimated liability will be reduced in future years as the related debt is extinguished.

To the extent there are additional recoveries resulting from the lawsuit, such amounts, net of legal fees and other costs, would be available to reduce amounts, if any, appropriated by the State to fund the Capital Reserve Fund and pay debt service on the bonds.

The General Assembly repealed the authority for RICC to guarantee further loans under the JCGP during the 2013 legislative session.

## 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, 2015, 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 under this loan was approximately \$48,660,000 on June 30, 2014. Interest accrued beginning January 1, 2011 and was payable on October 1 of each year. Additional amounts borrowed and the amounts outstanding were paid in full in November 2014.

## 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.

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 7. Net Position/Fund Balances

#### **Governmental Activities**

##### *Restricted Net Position*

The Statement of Net Position-Governmental Activities reflects \$841.8 million of restricted net position, of which \$285.8 million is restricted by enabling legislation. The net position that is restricted by enabling legislation is included in the Employment Insurance Programs 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):

Governmental Funds - Fund Balance

	Major Funds			Total
	General Fund	IST Fund	Other Funds	
Fund Balances:				
Nonspendable:				
Permanent Fund Principal	\$	\$	\$ 174	\$ 174
Restricted for:				
Budget Reserve and Cash Stabilization	185,446			185,446
Purposes specified by enabling legislation	134,231			134,231
Debt Service		20,305	52,374	72,679
Capital Projects			252,938	252,938
Temporary Disability Insurance			151,572	151,572
Historic Tax Credit Redemption			73,132	73,132
Transportation-Infrastructure		84,955		84,955
Mission 360 Loan Program		1,701		1,701
Education			1,781	1,781
Other			701	701
Committed to:				
Transportation-Maintenance		7,001	90	7,091
Other	2,561			2,561
Assigned to:				
Subsequent Years Expenditures	126,242			126,242
Other	4,722		25,022	29,744
Unassigned:	48,685	(1,486)		47,199
Totals	<u>\$ 501,887</u>	<u>\$ 112,476</u>	<u>\$ 557,784</u>	<u>\$ 1,172,147</u>

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (the "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 2015, 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.

According to the State Constitution and related enabling laws the Reserve, or any portion thereof, may be appropriated by a majority of the members of the General Assembly "in the event of an emergency involving the health, safety or welfare of the citizens of the State." The Reserve may also be appropriated by a majority of the members of the General Assembly "to fund any unanticipated general revenue deficit caused by a general revenue shortfall" in any given year. As general revenue estimates are adjusted several times each year, including at the May Revenue Estimating Conference, significant shortfalls between the final estimated revenue amounts and actual revenues for a fiscal year have been very rare. In fact, since its inception the Reserve has been accessed only once in fiscal year 2009 to address an unexpected severe revenue shortfall.

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.

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



## Note 8. Taxes

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

	Governmental Funds	Statement of Activities
	<u>          </u>	<u>          </u>
General Fund		
Personal Income	\$ 1,225,561	\$ 1,221,754
General Business Taxes:		
Business Corporations	147,158	148,112
Public Utilities Gross Earnings	103,950	103,890
Financial Institutions	22,743	22,752
Insurance Companies	114,983	114,920
Bank Deposits	2,260	2,260
Health Care Provider Assessment	44,125	44,130
Sub-total - General Business Taxes	<u>435,219</u>	<u>436,064</u>
Sales and Use Taxes:		
Sales and Use	963,452	963,300
Motor Vehicle	49,117	49,108
Motor Fuel	(125)	(122)
Cigarettes	138,045	138,132
Alcoholic Beverages	18,363	18,363
Sub-total - Sales and Use Taxes	<u>1,168,852</u>	<u>1,168,781</u>
Other Taxes:		
Inheritance and Gift	34,202	34,047
Racing and Athletics	1,107	1,107
Realty Transfer	9,493	9,493
Sub-total - Other Taxes	<u>44,802</u>	<u>44,647</u>
Total - General Fund	<u>2,874,434</u>	<u>2,871,246</u>
Intermodal Surface Transportation Fund		
Gasoline	146,007	146,007
RI Highway Maintenance	12,700	12,700
Other Governmental Funds	176,982	176,982
Total Taxes	<u>\$ 3,210,123</u>	<u>\$ 3,206,935</u>

## Note 9. Transfers

Transfers for the fiscal year ended June 30, 2015 are presented below (expressed in thousands):

	Transfers	Description
Governmental Activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 58,459	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,820	Administrative cost
Historic Tax Credit	8,126	Tax credits claimed
Bond Capital	433	Interest earnings transfer
RI Capital Plan	6	Capital expenditures
Business-Type Activities		
Lottery	381,936	Net income transfer
Employment Security	163	Administrative cost
Intermodal Surface Transportation		
General Fund	2,380	Infrastructure funding
Bond Capital	4,837	Infrastructure funding
RI Capital Plan	18,861	Infrastructure funding
Nonmajor Funds		
COPs		
General	2,028	Debt service
RI Capital Plan		
General	102,541	Transfer statutory excess in budget reserve
Bond Capital	6,375	Premium on new bonds
RI Public Rail Corporation		
Intermodal Surface Transportation	1,686	Operating assistance
Debt Service		
RI Refunding Bond Authority	1,527	Debt service
Tobacco Settlement Trust		
Tobacco Settlement Financing Corporation	31,342	Operating transfer
Total Governmental Activities	<u>622,520</u>	
Business-Type Activities		
Convention Center		
General	20,976	Debt service
RI Capital Plan	583	Capital Improvement
Employment Security		
General	15,350	Debt service
Total transfers primary government	<u><u>\$ 659,429</u></u>	

## Note 10. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$14,023,000 for the fiscal year ended June 30, 2015. 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, 2015:

Fiscal Year Ending June 30	
2016	\$ 11,712
2017	5,186
2018	4,531
2019	4,232
2020	1,899
2021 - 2025	3,516
Total	<u><u>\$ 31,076</u></u>

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

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## Note 11. Commitments

### Primary Government

The primary government is committed at June 30, 2015 under various contractual obligations for transportation infrastructure improvements, construction and renovation of buildings, software development and implementation, and other capital projects which will be principally financed with debt proceeds, Rhode Island Capital Plan Funds and federal grants.

At June 30, 2015, the primary government had transportation infrastructure design, construction and other contract commitments of \$410.8 million, and contract commitments for the design, construction and renovation of buildings, and certain improvements to land of \$26.2 million. At June 30, 2015, the primary government had software development and implementation contract commitments of \$77.7 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2015. The State is also committed under multiple contracts for services which are not included in these commitment amounts.

The R. I. Public Rail Corporation (RIPRC), a special revenue fund, has obtained a letter of credit in the amount of \$7.5 million in favor of AMTRAK to secure RIPRC's performance of its obligations arising under any South County Rail Service agreements. RIPRC has been designated as the entity responsible for securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, 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.

### *Performance-based Agreements*

The R.I. Commerce Corporation (RICC), 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) \$3.7 million in the first five years and \$3.6 million in years 6 through 20. In the year ended June 30, 2015, \$3.6 million was paid to the developer.

RICC 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 \$3.2 million of the debt on the related economic development revenue bonds in fiscal year 2015. The State has commitments relating to this debt through fiscal year 2027.

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

#### *Gaming Systems Provider - GTECH*

In May 2003 the Lottery 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. International Game Technology (IGT) and GTECH merged in April 2015, and all contractual requirements remain separate.

*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 2015, Twin River was authorized and issued approximately \$38 million in promotional points to facility patrons.

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 (61.04% for fiscal year 2015). 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). The Master Contract has been amended to reflect legislation regarding the Lottery's reimbursement to UTGR for allowable marketing expenses not to exceed an additional \$3 million multiplied by the Lottery's percentage of net terminal income. The reimbursement of marketing expenses by the Lottery occurs after UTGR has incurred an additional \$4 million in qualified 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. Legislation increased the percentage of net terminal income by 2.25% effective July 1, 2013, and expiring June 30, 2015. Recent legislation increased the percentage of net terminal income by 1.9% to be used for approved marketing expenses at Newport Grand.

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 2015, Newport Grand was authorized and issued approximately \$5.5 million in promotional points to facility patrons.

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 thousand multiplied by the Lottery's percentage of net terminal income (59.41% for fiscal year 2015). The reimbursement of marketing expenses by the State occurs only after Newport Grand has incurred \$560 thousand in qualified marketing expenses (with marketing expenses to be defined by the Lottery).

**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 Protection Zone, and an airport service road. Approximately \$12.911 million was expended in fiscal year 2015 and construction is expected to be complete by December 2017.

In addition, RIAC is constructing a Deicer Management System. In fiscal year 2015, approximately \$12.906 million was expended on the Deicer Management System. The project includes online monitoring and

diversion of deicing storm water to comply with the Rhode Island Pollutant Discharge Elimination System (RIPDES) permit issued by the Rhode Island Department of Environmental Management (RIDEM). The improvements prevent the discharge of deicing runoff to surface waters when the concentration exceeds the RIPDES permit limits.

As of June 30, 2015, RIAC is obligated for the completion of certain airport improvements under commitments of approximately \$31 million, which are expected to be funded from current available resources and future operations.

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

During 2013, R.I. Turnpike and Bridge Authority entered into contracts totaling \$39.2 million for Phase II of the steel repairs and painting on the Claiborne Pell Bridge, which is expected to take two to three years to complete. As of June 30, 2015, remaining commitments on these contracts total \$13.324 million.

During 2015, R.I. Turnpike and Bridge Authority entered into contracts totaling \$26.751 million for steel repairs and the placement of the median barrier on the Claiborne Pell Bridge, which is expected to take over a year to complete. As of June 30, 2015, remaining commitments on these contracts total \$21.567 million.

#### *University of Rhode Island*

At June 30, 2015, the University had outstanding commitments for the construction and remodeling of its buildings of approximately \$20.857 million.

#### *Rhode Island College*

At June 30, 2015, the College had outstanding commitments for the construction and remodeling of its buildings of approximately \$1.608 million. The College awarded a \$4.553 million contract for the construction of an addition to its Life Sciences building on July 30, 2015.

#### *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 RIRRC has been segregated into six distinct phases. Phases I, II and III were closed by RIRRC in prior years, while Phase IV reached capacity during fiscal year 2012, with final capping completed during fiscal year 2014. In 2005, RIRRC began landfilling in Phase V. As of June 30, 2015 RIRRC has not begun landfilling in phase VI.

A liability for closure and post-closure care of \$64.271 million as of June 30, 2015 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2015
Phase I	\$ 9,903,198
Phase II and III	6,099,179
Phase IV	10,781,865
Phase V	37,486,467
	<u>\$ 64,270,709</u>

Phase VI has been licensed by RIDEM; however it is not open to receive waste as of June 30, 2015.

As of June 30, 2015, 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	\$ 4,005,471	90.35%	9 months

As of June 30, 2015 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$4.519 million increase of the corresponding liability from \$80.936 million at June 30, 2014 to \$85.455 million at June 30, 2015 and was primarily attributable to improved leachate flow data.

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 statements of net position as of June 30, 2015 is \$41.731 million placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV and V. 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.

The pollution remediation obligation for the year ended June 30, 2015 is as follows:

Balance, June 30, 2014	Additions	Reductions	Balance, June 30, 2015	Current Portion
\$ 19,821,265	\$ 1,362,979	\$ 0	\$ 21,184,244	\$ 1,213,298

#### Superfund site:

In prior years, the EPA issued administrative orders requiring 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, RIRRC entered into a Consent Decree with the EPA concerning remedial actions taken by 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 million for remedial purposes. The balance of the trust fund totaled \$42.588 million as of June 30, 2015.

In 2004, RIRRC began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. RIRRC has recorded a liability for future remediation costs of approximately \$21.184 million as of June 30, 2015.

#### *R.I. Public Transit Authority*

The R.I. Public Transit Authority is committed under various contracts in the amount of \$3.033 million at June 30, 2015.

#### *Other Component Units*

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

## Note 12. Contingencies

### Primary Government

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

### Challenges to Pension Reforms

Various legal challenges to enacted pension reforms initiated in recent years were settled in 2015. To carry out the settlement, the Rhode Island General Assembly passed legislation amending the Rhode Island Retirement Security Act ("RIRSA"), which was enacted into law on June 30, 2015 and which became generally effective July 1, 2015 ("New RIRSA"). On July 8, 2015, the Court entered final judgment. Four *pro se* appeals have been filed with respect to the final judgment. In addition, 65 public safety employees and 70 retirees have, through counsel, filed appeals. The appeals in the case do not affect the implementation of New RIRSA.

Several other legal challenges to RIRSA, which were not encompassed by the settlement, were dismissed without prejudice on the grounds that because RIRSA was amended by New RIRSA, the plaintiffs' claims were moot.

A lawsuit commenced by the Rhode Island Trooper's Association challenging the constitutionality of the RIRSA (prior to the amendments) remains outstanding. The benefits at issue are those to be paid from the State Police Retirement Benefits Trust.

Finally, on October 28, 2015, a retired state employee filed a charge of discrimination in the Rhode Island Commission for Human Rights alleging, *inter alia*, that she was discriminated against on the basis of her age through the enactment of the RIRSA. The State has responded and requested that the charge be dismissed because, *inter alia*, it is barred by the doctrine of *res judicata*.

The State intends to vigorously defend these matters and cannot presently estimate any potential loss, if any.

### United States v. RIDOC

The Department of Justice (DOJ) filed a federal civil rights action against the RI Department of Corrections (DOC or the State) on February 10, 2014 alleging a disparate impact in the selection process of entry level corrections officers for the time period of 2000 through 2014. The DOJ claims that the DOC has engaged in an unintentional pattern or practice of employment discrimination against African Americans and Hispanics through use of testing procedures used during the selection process for admission to the Training Academy for entry-level Correctional Officer positions. The DOJ is seeking injunctive relief, which would enjoin the DOC from using these examinations in the screening and selection process, and (among other measures) may seek "make whole" relief for individuals who were not hired as a result of the use of these examinations. This may involve relief in the form of back pay, seniority hiring, benefits, and retroactive hiring reaching back to 2000. The State's Motion to dismiss the individual "make whole relief" sought by the United States and limit the State's potential liability was denied. The State's interlocutory appeal was denied by the District Court. Following settlement/mediation discussions, the DOC provided the DOJ with a counter settlement offer; the DOJ countered again. The parties are currently assessing whether further mediation is possible. Discovery continues to proceed.

### Cassie M. et al. v. Chafee, EOHHS, and DCYF

Children's Rights Incorporated (CRI) brought suit against the Governor, Secretary of EOHHS, and the Director of DCYF in their official capacities (the State) in 2007. The then R.I. Child Advocate sought to put the State's foster care program administered by DCYF and EOHHS under federal court supervision through a class action seeking prospective relief. The State's second Motion to Dismiss was granted in part and denied in part in 2011. The U.S. District Court ordered mediation in the fall of 2011 and again in 2013 that was not successful. After mediation failed, the Court determined that, instead of considering dispositive motions, the

Court would hold a trial on the claims of the named Plaintiffs before reaching the issue of whether the case should continue by certifying a class. The trial of the individual claims of two remaining named Plaintiffs began on November 12, 2013. On January 9, 2014, after a sixteen day trial, Plaintiffs rested and the State promptly moved the Court to enter judgment on the record for all claims in the case. On April 30, 2014, the Court issued a Decision granting the State's motion, and Judgment entered on the same day in favor of the State dismissing the case. The First Circuit Court of Appeals reversed the dismissal and returned the case to the Court. Children's Rights Inc. has added four new Plaintiff children and has submitted its Fourth Amended Complaint. Discovery has commenced. Plaintiffs filed a Motion for Summary Denial which the State objected to. After a period of fact and expert discovery the parties will have a hearing on class certification, and dispositive motions.

### **RI Department of Transportation (RIDOT) Consent Decree with the EPA**

The RIDOT has entered into a Consent Decree with the EPA concerning violations of the Clean Water Act by failing to comply with the conditions in the General Permit – Rhode Island Pollutant Discharge Elimination System Storm Water Discharge from Small Municipal Separate Storm Sewer Systems. The Consent Decree was lodged with the U.S. District Court on October 15, 2015 and is pending final approval by the Court. The Consent Decree requires RIDOT to implement remedial actions necessary in order to address discharges to impaired waters, illicit discharge detection and elimination, street sweeping pollution prevention and catch basin and other drainage system component inspection and maintenance. In addition to the remedial measures that must be implemented by RIDOT, upon approval by the Court RIDOT has agreed to pay a civil penalty in the amount of \$315 thousand and complete two supplemental environmental projects that require the transfer of certain parcels of land for conservation purposes which have a value of \$77 thousand and \$157.6 thousand respectively. The Consent Decree also incorporates stipulated penalties for RIDOT's failure to meet specific compliance deadlines.

### **Other**

The State was sued by an individual, who became a quadriplegic after diving into a pond at Veterans Memorial Park in Woonsocket. After the trial, a verdict was rendered for the State and two years later a motion for a new trial was granted. During the trial, the Plaintiff asserted damages in excess of \$70 million, including over \$2 million in past medical expenses and approximately \$9 million in future expenses. The State has appealed the grant of the new trial and the denial of other motions, and intends to continue to contest this case. The case will likely be argued in the 2015-2016 judicial term.

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 Significant Factor Proceedings for calendar years 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014.

From April 2005 through April 2015, 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 total share of these disputed payments applicable to Rhode Island was \$44.381 million at March 19, 2015 and \$44.379 million at June 30, 2015.



Disputed payments funds received, if any, that relate to the balance at March 19, 2015 would be shared by the Corporation and the State in the following percentages: 70% to the Corporation and 30% to the State. The Corporation has agreed to use any disputed payment funds it receives to retire Series 2007 bonds.

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 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.

Twenty-eight (28) MSA States and Territories ("States and Territories") have not accepted the terms of the Term Sheet, so the NPM Adjustment disputes between these States and Territories 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 Corporation in the future. Due to these uncertainties regarding the ultimate realization of the remaining amount of these disputed payments, they have not been recognized as revenue in the accompanying financial statements. The Corporation and the other affected parties are taking actions prescribed in the MSA to arrive at a resolution of these matters.

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 Corporation 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 gaming operations currently compete with casinos in nearby Connecticut and Massachusetts. In addition, both neighboring States have already approved or are considering additional casino expansion likely to increase gaming competition in New England. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in the Rhode Island Superior Court on or about September 28, 2011, challenging, *inter alia*, the constitutionality of the Rhode Island Casino Gaming Act ("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 Rhode Island Superior Court found that the Narragansett Indian Tribe had not sustained their burden of proof beyond a reasonable doubt that the Act is facially unconstitutional. The Narragansett Indian Tribe filed a notice of appeal of that decision with the Rhode Island Supreme Court. On or about March 4, 2015, the Rhode Island Supreme Court issued a decision upholding the Superior Court. The remaining issues in the case relating to whether the State "operates" Twin River and Newport Grand facilities remain pending in the Superior Court.

In the event of default on an insurance annuity contract for a Rhode Island winner of the Lucky for Life® jackpot prize award, the Lottery may be contingently liable for any remaining prize amounts due the winner.

## 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, 2014 was issued in March 2015. That report identified approximately \$2.2 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 2015 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 of the issuing agency 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.

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

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) had \$87.360 million outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to \$26.180 million on June 30, 2015. 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. RIHMFC has never been required to request such appropriations. Such reserve funds relate solely to select multi-family issues of RIHMFC.

### *R.I. Commerce Corporation (RICC)*

At June 30, 2015 in addition to the State's moral obligation under the Job Creation Guaranty Program (JCGP) for the bonds discussed in Note 6 H, certain bonds secured by RICC's capital reserve fund carry a moral obligation of the State. If at any time, certain reserve funds of RICC pledged fall below their funding requirements, a request will be made to the General Assembly to appropriate the amount of the deficiency. Additional outstanding moral obligations relating to these bonds total \$26.5 million at June 30, 2015.

## Component Units

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

The R.I. Industrial-Recreational Building Authority (RIIRBA) is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60 million of outstanding principal balances under such insured mortgages and security agreements.

Losses, if any, are first payable from RIIRBA's available resources. The Authority must then request appropriations of the General Assembly for any losses in excess of insured amounts. The Authority's insurance guarantee is backed by the full faith and credit of the State.

At June 30, 2015, the Authority has 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, 2015 are \$11.335 million.

The Authority insures a bond issued by Rhode Island Industrial Facilities Corporation (RIIFC) on behalf of a private sector entity. During the year ended June 30, 2012 the private sector entity defaulted on its payments to the bond holder and the Authority assumed responsibility for making the debt payments. The payments are being made by first exhausting the Authority's available financial resources. At June 30, 2015, the Authority has determined that it is likely that it will incur a loss under the insured commitment. The Authority has accrued an insured commitment payable of \$2.047 million equal to the estimated loss at June 30, 2015. No request has been made to the General Assembly at June 30, 2015 for appropriations to satisfy any liability under the insurance guarantee.

*R.I. Higher Education Assistance Authority (RIHEAA)*

In its 2015 session the Rhode Island General Assembly determined that the higher education financial assistance needs of Rhode Islanders will be better served by transferring all of the functions and programs handled by RIHEAA to the Rhode Island Division of Higher Education Assistance and the Office of the General Treasurer. The Division of Higher Education Assistance was established within the Office of the Postsecondary Commissioner to assume some of the duties of RIHEAA. In addition, the CollegeBoundfund® and CollegeBound Baby programs, which were previously managed by RIHEAA, were transferred to the General Treasurer.

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

As of June 30, 2015, RIHMFC may borrow up to a maximum of \$90 million under various revolving loan agreements expiring between August 2015 and December 2016. Borrowings under the lines of credit are payable on demand and are unsecured.

RIHMFC is a party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose RIHMFC to credit risk in excess of the amounts recognized in the statements of net position. 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, 2015 is \$86 million.

*Other Component Units*

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

## Note 13. Employer Pension Plans

## A. Summary of Employer Plans

The State provides pension benefits for its employees through multiple retirement benefit plans as outlined below:

	Plan	Plan type	Covered employees	FY 2015 pension expense	Net pension liability at June 30, 2014 measurement date
A	Employees' Retirement System (ERS)	Cost-sharing multiple-employer defined benefit plan – advance funded through a trust	State employees excluding state police and judges		
			Governmental activities	\$117,061,000	\$1,585,647,000
			Business-type activities	\$983,000	\$13,315,000
			<i>Special funding – teachers - state share (see Note Section 13-E.)</i>	\$68,829,880	\$990,129,000
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$2,447,000	\$3,339,000
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan -- advance funded through a trust	Judges appointed after December 31, 1989	\$1,649,000	\$3,762,000
D	RI Judicial Retirement Fund Trust (RIJRFT)	Single-employer defined benefit plan - -- advance funded through a trust	Covers 7 active judges appointed prior to January 1, 1990	\$1,335,000	\$17,188,000
E	State Police Non-Contributory Retirement Plan (SPNCRP)	Single employer defined benefit – non trustee – pay-as-you-go plan	State Police hired before July 1, 1987	\$10,795,000	\$253,580,000
F	Judicial Non-Contributory Retirement Plan (JNCRP)	Single employer defined benefit – non trustee – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	\$2,334,000	\$53,653,000
G	LIUNA – union plan for members of the LIUNA bargaining units	Cost-sharing multiple employer defined benefit plan – “Taft-Hartley” non-governmental plan	Members of the LIUNA bargaining unit	Not applicable ( see note below)	Not applicable ( see note below)
H	ERS – Defined Contribution Plan	Multiple employer defined contribution plan	State employees subject to the “hybrid” defined benefit/defined contribution plan provisions	\$5,368,000	Not applicable
I	FICA Alternative Retirement Income Security Program	Single employer defined contribution plan	State employees not eligible to participate in the State’s other defined benefit plans	Not applicable	Not applicable

Employer pension expense and related liabilities and deferred inflows/outflows for defined benefit plans A-D as identified above is recognized in the financial statements based on the provisions of GASB Statement No. 68, newly effective for fiscal 2015.

Employer pension expense and related liabilities and deferred inflows/outflows for defined benefit plans E and F as identified above is recognized in the financial statements consistent with the provisions of GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The State has early implemented this standard which affords similar accounting treatment to GASB Statement No. 68 for plans that are not specifically subject to the provisions of GASB Statement No. 68 because they are not provided through a qualifying trust. The State provides these benefits on a pay-as-you-go basis rather than through an advance funding arrangement and a qualifying trust.

The LIUNA sponsored, cost-sharing, multiple-employer pension plan (plan G) is not a state or local government pension plan. The State has early implemented GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. As there is no required employer contribution for covered employees, no employer pension expense reflected in these financial statements. Consistent with the requirements of GASB Statement No. 78, there is no recognition of an employer proportionate net pension liability, if any.

Pension expense recognized for the defined contribution plans (H and I) – is recognized based on actual employer contributions required and made during the fiscal year consistent with the requirements of GASB Statement No. 68 regarding defined contribution plans. There is no required employer contribution to the FICA Alternative Income Security Program.

Plan membership is summarized in the table below:

	<i>Retirees and beneficiaries</i>	<i>Terminated plan members entitled to but not yet receiving benefits</i>	<i>Active Vested</i>	<i>Active Non-vested</i>	<i>Total by Plan</i>
ERS - State Employees	11,103	2,898	8,652	2,649	25,302
SPRBT	26	25	42	208	301
JRBT	13	-	18	38	69
RIJRFT	0	0	7	0	7
JNCRP	58	0	0	0	58
SPNCRP	276	0	0	0	276

#### B. Defined Benefit Plan Descriptions – Advance Funded Plans

**EMPLOYEES' RETIREMENT SYSTEM (ERS)** - The ERS was established and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of Title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of Title 16 of the Rhode Island General Laws.

**Plan members** - The plan covers most State employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). The plan also covers teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Membership in the plan is mandatory for all covered state employees and teachers. Elected officials may become members on an optional basis and legislators may participate if elected to office prior to January 1, 1995.

Certain employees of the Rhode Island Airport Corporation (hired before July 1, 1993), the Rhode Island Commerce Corporation (active contributing members and employees of the Department of Economic Development before October 31, 1995 who elected to continue membership) and, the Narragansett Bay Commission (members of a collective bargaining unit) are also covered and have the same benefits as State employees.

**Plan vesting provisions** – after five years of service.

**Retirement eligibility and plan benefits** – are summarized in the following table:

Schedule		Retirement Eligibility	Benefit accrual rates	Maximum benefit
(A)	Completed 10 years of service on or before July, 1, 2005 and eligible to retire as of September 30, 2009	Age 60 with 10 years of service or after 28 years of service at any age	Effective until June 30, 2012: 1.7% for each of first ten years 1.9% for each of next ten years 3.0% for each of next fourteen years 2% for the 35 <sup>th</sup> year  Effective July 1, 2012: 1.0% per year	80% of final average (3 consecutive highest years) earnings and 35 years of service
(AB)	Completed 10 years of service on or before July, 1, 2005 but ineligible to retire as of September 30, 2009	Minimum retirement age of 62 and ten years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Effective until June 30, 2012:  Same accrual rates as (A) above to September 30, 2009 and then Schedule B rates (below) thereafter  Effective July 1, 2012: 1.0% per year	80% of final average (5 consecutive highest years) earnings
(B)	Less than 10 years of service before July 1, 2005 and eligible to retire as of September 30, 2009	Age 65 with 10 years of service or after 29 years of service and age 59	Effective until June 30, 2012: 1.6% for each of first ten years 1.8% for each of next ten years 2.0% for each of next five years 2.25% for each of next five years 2.5% for each of next seven years 2.25% for the 38 <sup>th</sup> year  Effective July 1, 2012: 1.0% per year	75% of final average earnings (3 consecutive highest years) and 38 years of service
(B1)	Less than 10 years of service before July 1, 2005 and ineligible to retire as of September 30, 2009	Age 65 with ten years of service, or age 62 with at least 29 years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Same as Schedule B	75% of final average earnings (5 consecutive highest years) and 38 years of service
(B2)	Less than 5 years of service as of July 1, 2012	Social Security Normal Retirement Age not to exceed age 67 and 5 years of contributory service	1.6% for each of first ten years  Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years) and 38 years of service

State correctional officers may retire at age 50 with 20 years of service. However, if not eligible to retire as of September 30, 2009, the minimum retirement age was modified to 55 with 25 years of service credit for correctional officers and registered nurses at the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

The plan provides for survivor's benefits for service-connected death and certain lump sum death benefits.

Joint and survivor options are available to members. The Service Retirement Allowance (SRA) Plus option provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Vested members who have 10 or more years of contributing service credit on June 30, 2012, may choose to retire at a retirement eligibility date that was calculated as of September 30, 2009, if the member continues to work and make retirement contributions until that date. If the member chooses this option, their retirement benefits will be calculated using the benefit that they have accrued as of June 30, 2012 - members will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

State employees and public school teachers may retire with a reduced pension benefit if they have 20 years of service credit and they are within five years of their retirement date as prescribed in the Rhode Island Retirement Security Act (RIRSA). The actuarially reduced benefit will be calculated based on how close the member is to their RIRSA eligibility date.

**Cost of Living Adjustments** – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a five-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**Disability retirement provisions** - The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability pensions with no minimum service requirement. Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%. Disability benefits are subject to annual review by the Retirement Board.

**Other plan provisions** - Service credit purchases, excluding contribution refund paybacks and military service, requested after June 16, 2009 are calculated at full actuarial cost.

**Changes in plan benefits and contributions after June 30, 2015** - Changes to benefit or contribution provisions due to settlement of the pension litigation and subsequent enactment of those provisions by the General Assembly are summarized in Note 18 – Subsequent Events.

**JUDICIAL RETIREMENT BENEFITS TRUST (JRBT)** - The Judicial Retirement Benefits Trust was established under Rhode Island General Laws 8-8.2-7; 8-3-16; 8-8-10.1; 28-30-18.1; and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to Justices of the Traffic Tribunal, Supreme, Superior, Family, District and Workers Compensation courts.

**Plan members** – The plan covers all Judges appointed after December 31, 1989.

**Retirement eligibility and plan benefits** – are summarized in the following table:

	Retirement benefit
Judges appointed after December 31, 1989 but before July 2, 1997	75% of the final salary at the time of retirement after 20 years of service, or 10 years of service and attainment of age 65. Judges retiring after 20 years of service after age 65 or 15 years of service after age 70 receive full retirement benefits, which is the final salary at time of retirement.
Judges appointed after July 2, 1997 but before January 1, 2009	Same as above, except salary is the average highest three (3) consecutive years of compensation rather than final salary.
Judges appointed after January 1, 2009 but before July 1, 2009	Judges with 20 years of service after age 65 or judges with 15 years of service after age 70 will receive 90% of the average of the highest three consecutive years of compensation. Judges appointed on or after January 1, 2009 with 10 years of service and age 65 or 20 years of service at any age are entitled to a reduced benefit of 70% of the average highest three consecutive years of compensation.  Judges designating a survivor benefit with 20 years of service and age 65 or 15 years of service and age 70 receive a reduced benefit equal to 80% of the average highest three consecutive years of compensation. Judges designating a survivor benefit with 10 years of service after age 65 or 20 years of service at any age receive a reduced benefit equal to 60% of the average highest three consecutive years of compensation.
Judges appointed after July 1, 2009	Judges with 20 years of service after age 65 or with 15 years of service after age 70 will receive 80% of the average of the highest five consecutive years of compensation. Judges with 10 years of service and age 65 or 20 years of service at any age are entitled to a reduced benefit of 65% of the average highest five consecutive years of compensation.  Judges designating a survivor benefit with 20 years of service and age 65 or 15 years of service and age 70 receive a reduced benefit equal to 70% of the average highest five consecutive years of compensation. Judges designating a survivor benefit with 10 years of service after age 65 or 20 years of service at any age receive a reduced benefit equal to 55% of the average highest five consecutive years of compensation.

Certain survivor benefits are also provided to judges who are plan members, which is 50% of the benefit amount payable to the judicial member.

**Cost of Living Adjustments** – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a five-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**Changes in plan benefits and contributions after June 30, 2015** - Changes to benefit or contribution provisions due to settlement of the pension litigation and subsequent enactment of those provisions by the General Assembly are summarized in Note 18 – Subsequent Events.

**STATE OF RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST (RIJRFT)** - Effective July 1, 2012, under the direction of Rhode Island General Law 8-3-16, the retirement board established a trust to collect proceeds for the purpose of paying retirement benefits to participating judges or their beneficiaries.

**Plan members** – The plan covers seven (7) judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 who do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded



on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for sixty-five (65) retired judges and surviving beneficiaries who were not members of either judicial plan. The employee contribution rate is 12% of salary (except for members of the Supreme Court who contribute 8.75%).

**Retirement eligibility and plan benefits** – The plan generally provides retirement benefits for members who have served as a justice of the supreme court, the superior court, the family court, the district court, or any combination of them for 20 years and have reached the age of 65 years, or have served 15 years, and reached the age of 70 years may retire from regular service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement. Members of the traffic tribunal who served as a justice for 20 years, or have served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. However, any traffic tribunal judge who has served 20 years and has reached age 65 years, or has served for 15 years and has reached age 70 years may retire from active service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement.

**Cost of Living Adjustments** – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a five-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed.

**Changes in plan benefits and contributions after June 30, 2015** - Changes to benefit or contribution provisions due to settlement of the pension litigation and subsequent enactment of those provisions by the General Assembly are summarized in Note 18 – Subsequent Events.

**STATE POLICE RETIREMENT BENEFITS TRUST (SPRBT)** - The State Police Retirement Benefits Trust was established under Rhode Island General Law Section 42-28-22.1 and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to State Police.

**Plan members** – The plan covers all State Police and Superintendents hired after July 1, 1987.

**Retirement eligibility and plan benefits** – Prior to June 30, 2012 the plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, plus 3.0% of final salary times service in excess of 20 years through 25 years to a maximum of 65% of final salary. Such benefits are available to members after 20 years of service regardless of age. The Superintendent of the State Police will receive 50% of his/her final salary and may retire after attainment of age 60 and 10 years of service.

The General Laws were amended such that any member of the state police, other than the superintendent, who is hired on or after July 1, 2007 and who has served for twenty-five (25) years shall be entitled to a retirement allowance of 50% of the final salary. In addition, any member may serve up to a maximum of 30 years and shall be allowed an additional amount equal to 3.0% for each completed year served after 25 years to a maximum retirement allowance not to exceed 65% of the final salary.

Benefits are based on the final base salary earned at retirement including longevity increment, holiday pay, clothing allowance and up to 400 overtime hours.

Effective July 1, 2012 state police officers are eligible to retire once they have accrued a retirement benefit equal to 50% of their whole salary, with mandatory retirement once they have accrued a retirement benefit equal to 65% of their whole salary. State police officers will earn a 2% accrual rate for each year of contributing service. Benefits will be calculated on the average of the highest five consecutive years of salary, including up to 400 hours of mandatory overtime service. Benefits accrued as of June 30, 2012 will be protected under the Rhode Island Retirement Security Act.

**Cost of Living Adjustments** – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a five-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a

COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**Disability retirement provisions** - The plan provides nonservice-connected disability benefits after 10 years of service and service-connected disability pensions with no minimum service requirement.

**Changes in plan benefits and contributions after June 30, 2015** - Changes to benefit or contribution provisions due to settlement of the pension litigation and subsequent enactment of those provisions by the General Assembly are summarized in Note 18 – Subsequent Events.

### C. Defined Benefit Advance Funded Plans - Summary of Significant Accounting Policies

The Fiduciary Net Position presented for defined benefit plans which are advance funded and accounted for in a trust has been determined on a basis consistent with that used by the respective plans in preparing their financial statements. ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The plans' basis of accounting and accounting policies, including those related to benefit payments and valuation of plan investments is summarized below.

#### *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 or amortized 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. The fair value of mutual fund investments reflects the published closing net asset value as reported by the fund manager.

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

Private equity and real estate investments represented 6.6% and 3.1%, respectively, of the total reported fair value of all ERS investments at June 30, 2014. Of the underlying holdings within private equity investments, approximately 21% 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 69% 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 25% 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*

Certain 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.

#### **D. Defined Benefit Plan Descriptions – Non-Contributory (pay-as-you-go) Pension Plans**

In addition to the defined benefit plans administered by the ERS, the State also administers two other non-trusted single employer defined benefit pension plans that are closed to new members. The Judicial Non-Contributory Retirement Plan (JNCRP) provides retirement benefits to judges appointed before January 1, 1990 and who retired before July 1, 2012. The State Police Non-Contributory Retirement Plan (SPNCRP) provides retirement benefits to members of the State Police hired before July 1, 1987. Both plans were created by statute and have historically been funded by the State on a pay as you basis. Accordingly, no assets have been accumulated to pay benefits under these two non-trusted plans.

Pension benefits paid under the JNCRP and SPNCRP are generally determined based on years of service at retirement and are payable to the retiree or their beneficiary. JNCRP members, in general, are eligible for full retirement benefits equal to their final annual compensation at age 65, if the member has served for 20 years,

or at age 70 with 15 years of service. For SPNCRP members, in general, benefits are equal to 50% of salary after 20 years of service; for those who retired after July 1, 1972 an additional 3% annual increment is added until attaining a maximum benefit of 65% of salary after 25 years of service. Both plans have provisions that allow survivors, upon the death of the participant, to continue to receive a portion of the participant's benefit.

#### E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute 40% of the cost of providing retirement benefits for teachers covered by the Employees' Retirement System. Under GASB Statement No. 68, for teachers, the State is considered to be a non-employer contributing entity under a special funding situation. The total net pension liability for teachers covered by the Employees' Retirement System measured as of June 30, 2014 is approximately \$2,434,000,000 and the State's share of the net pension liability is approximately \$990,129,000. The State's share of the net pension liability for teachers has been allocated based upon the statutory contribution percentage and is reflected in the Statement of Net Position as of June 30, 2015 as Net Pension Liability-Special Funding Situation. Benefit provisions, contribution requirements, and other information related to the measurement and proportionate share of the net pension liability under a special funding situation for teachers are described in other sections of this Note relating to the ERS plan.

#### F. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws. With the exception of the RIJRFT, employers are required by statute to contribute at an actuarially determined rate for the respective defined benefit plans.

The fiscal 2015 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, 2012. The fiscal year 2015 actuarially determined contribution for the Judicial Retirement Fund Trust was also based on the actuarial valuation of that plan performed as of June 30, 2012. However, while members contribute to the RIJRFT, the State as employer has not opted to make contributions. The non-contributory judges (JNCRP) and state police (SPNCRP) plans are financed on a pay as you go basis.

A summary of the contribution rates by both the participating employers and members and the State's annual pension plan contributions (expressed in thousands) for the fiscal year ended June 30, 2015 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	JNCRP	SPNCRP
Contribution:						
State	23.33%	28.32%	\$1,623	17.24%	-	-
Plan members	3.75%	8.75% and 12.00%	8.75% and 12.00%	8.75%	-	-
State contribution for teachers	8.77% to 9.19%					
Contributions made for state	\$138,689	\$2,709	-	\$3,432	\$6,020	\$17,512
Contribution made for teachers	\$84,944					

\*- Actuarially determined contribution not expressed as a rate.

ERS Plan 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 2015, no contribution to the System was required in accordance with this provision of the General Laws.

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 \$414 thousand was paid to the System pursuant to Section 42-149-3.1 of the General Laws.

Employer contributions to the defined contribution plan are also prescribed by statute. In addition, plan member contributions for both the defined benefit and defined contribution plans are set by statute. Member and employer contribution rates can be changed by the General Assembly.

ERS Plan Special funding situation for local teachers - the State is required by law to contribute 40% of the cost of providing retirement benefits for teachers covered by the Employees' Retirement System. Because the State deferred certain payments to the System in 1990/1991 and 1991/1992 the State's actual share of the total annual contributions is approximately 40.7%. Under GASB Statement No. 68, for teachers, the State is considered to be a non-employer contributing entity under a special funding situation.

### G. Net Pension Liability

The net pension liability of the State and other participating employers in the Employees' Retirement System, a multiple employer cost-sharing plan, has been apportioned based on the percentage share of total contributions made by each employer in fiscal year 2014.

Following is a summary of the net pension liability of the State and other employers participating in the Employees' Retirement System as well as the State's liability related to the five single employer defined benefit plans it sponsors, all measured as of June 30, 2014 (expressed in thousands and excluding amounts related to teachers under the special funding arrangement discussed above):

<b>Total Net Pension Liability - Employees' Retirement System (ERS) - State Employees</b>				\$	1,781,905
<i>Less portion attributable to other entities:</i>					
Enterprise Fund - RI Lottery					(13,315)
Discretely Presented Component Units					
University of Rhode Island	\$	100,312			
Rhode Island College		35,621			
Community College of Rhode Island		26,224			
RI Higher Education Assistance Authority		2,985			
RI Commerce Corporation		274			
RI Airport Corporation		1,973			(167,389)
Related organization -- Narragansett Bay Commission					(15,554)
<b>ERS - Net Pension Liability - Governmental Activities</b>				\$	1,585,647
<b>Net Pension Liability - Single Employer Defined Benefit Pension Plans</b>					
JRBT					3,762
RIJRFT					17,188
SPRBT					3,339
JNCRP					53,653
SPNCRP					253,580
<b>Total Net Pension Liability</b>				\$	<u>1,917,169</u>

Further details regarding the State's total pension liability and net pension liability for the single employer trustee defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2014 is presented below:

	JRBT		RIJRFT		SPRBT	
Total pension liability	\$	59,934	\$	17,506	\$	113,018
Plan Fiduciary net position		56,172		318		109,679
Net Pension Liability	\$	3,762	\$	17,188	\$	3,339
Plan Fiduciary Net Position as a percentage of total pension liability		93.7%		1.8%		97.0%

**a. Actuarial assumptions used in determining total pension liability**

The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

	ERS						
	State Employees	Teachers	JRBT	RIJRF	SPRBT	JNCRP	SPNCRP
Valuation Date	6/30/2013 rolled forward to 6/30/2014	6/30/2013 rolled forward to 6/30/2014	6/30/2013 rolled forward to 6/30/2014	6/30/2013 rolled forward to 6/30/2014	6/30/2013 rolled forward to 6/30/2014	6/30/2014	6/30/2014
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
Assumptions							
Investment Rate of Return	7.50%	7.50%	7.50%	4.29%	7.50%	4.29%	4.29%
Projected Salary Increases	3.50% to 6.50%	3.50% to 13.50%	3.50%	4.00%	3.75% to 8.00%	N/A	N/A
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Mortality	Male employees: 115% of RP-200 Combined Healthy For Males with White Collar adjustments, projected with Scale AA from 2000. Female employees: 95% of RP-200 Combined Healthy For Females with White Collar adjustments, projected with Scale AA from 2000. Male and Female Teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.						
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 plan will not achieve the targeted 80% funded status for 15 years.						

The actuarial assumptions used in the June 30, 2013 valuations rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	<u>100%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

#### b. Discount rate

The discount rate used to measure the total pension liability of the plans was 7.5 percent for all plans except the RIJRFT, JNCRP and SPNCRP plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the RIJRFT, JNCRP and SPNCRP plans, the State has not opted to make actuarially determined employer contributions and based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Consequently, for those plans, the municipal bond index rate, based on the 20-year Bond Buyer GO Index, (4.29% at June 30, 2014) was applied to all periods of projected benefit payments to determine the total pension liability.

#### c. Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent (for all plans except the RIJRFT, JNCRP and SPNCRP), as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT, JNCRP and SPNCRP plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members and consequently the municipal bond index rate of 4.29% at June 30, 2014 was used in the determination of the net pension liability for those plans with a similar +1/-1 % sensitivity analysis (expressed in thousands):

	1.00% Decrease (6.50%)	Current Discount Rate (7.5%)	1.00% Increase (8.50%)
ERS - State employees	\$ 1,958,415	\$ 1,585,647	\$ 1,205,236
ERS - Teachers (State share)	\$ 1,240,014	\$ 990,129	\$ 735,116
JRBT	\$ 9,317	\$ 3,762	\$ (1,906)
SPRBT	\$ 13,684	\$ 3,339	\$ (7,214)
	1.00% Decrease (3.29%)	Municipal Bond Index Discount Rate (4.29%)	1.00% Increase (5.29%)
RIJRFT	\$ 19,777	\$ 17,188	\$ 16,188
JNCRP	\$ 57,799	\$ 53,653	\$ 50,039
SPNCRP	\$ 284,995	\$ 253,580	\$ 227,768

## H. Changes in the Net Pension Liability

Information on the State's net pension liability for single employer plans is as follows (expressed in thousands):

	JRBT	RIJRFT	SPRBT	JNCRP	SPNCRP
<b>Total Pension Liability</b>					
Service Cost	\$ 3,002	\$ 498	\$ 5,122	\$ -	\$ -
Interest	4,134	710	7,768	2,334	10,795
Differences between expected and actual experience		1,617			
Changes of assumptions	(672)	(1,160)	(364)		
Benefit payments	(1,631)		(1,767)	(6,173)	(17,700)
<b>Net change in Total Pension Liability</b>	<b>4,833</b>	<b>1,665</b>	<b>10,759</b>	<b>(3,839)</b>	<b>(6,905)</b>
<b>Total pension liability - beginning</b>	<b>55,101</b>	<b>15,841</b>	<b>102,259</b>	<b>57,492</b>	<b>260,485</b>
<b>Total pension liability - ending</b>	<b>\$ 59,934</b>	<b>\$ 17,506</b>	<b>\$ 113,018</b>	<b>\$ 53,653</b>	<b>\$ 253,580</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 2,543		\$ 3,331		
Employee contributions	1,093	153	2,034		
Net investment income	7,221	12	14,124		
Benefit payments	(1,631)		(1,767)		
Administrative expenses	(43)		(83)		
Other			5		
<b>Net change in fiduciary net position</b>	<b>\$ 9,183</b>	<b>\$ 165</b>	<b>\$ 17,644</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary net position - beginning</b>	<b>\$ 46,989</b>	<b>153</b>	<b>92,035</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary net position - ending</b>	<b>\$ 56,172</b>	<b>\$ 318</b>	<b>\$ 109,679</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Pension Liability</b>	<b>\$ 3,762</b>	<b>\$ 17,188</b>	<b>\$ 3,339</b>	<b>\$ 53,653</b>	<b>\$ 253,580</b>

\*These two plans are non-trusted plans which historically have been funded on a pay as you go basis; therefore no assets have been accumulated and total pension liability and net pension liability are the same.

## I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

### Employees' Retirement System of Rhode Island

For the fiscal year ended June 30, 2015 the State recognized pension expense of \$117,060,528 related to State employees who are covered by ERS. In addition, it recognized an Education expense of \$68,829,880 in the Statement of Activities relating to the State's share of the pension expense for teachers who are covered by the ERS.

At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the ERS from the following sources (expressed in thousands):

	<u>State Employees</u>	<u>Teachers</u>
<u>Deferred Outflows of Resources</u>		
State contributions subsequent to the measurement date	\$ 138,689	84,944
<b>Total</b>	<b>\$ 138,689</b>	<b>\$ 84,944</b>
<u>Deferred Inflows of Resources</u>		
Change of assumptions	\$ 17,222	\$ 35,072
Net difference between projected and actual earnings on pension plan investments	121,632	85,261
<b>Total</b>	<b>\$ 138,854</b>	<b>\$ 120,333</b>

The \$138,689,000 reported as deferred outflows of resources related to pensions resulting from State contributions to ERS subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. In addition, the \$84,944,000 reported as deferred outflows of



resources related to pensions resulting from State contributions to ERS for the teachers plan subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

Year ended June 30:	State	
	<u>Employees</u>	<u>Teachers</u>
2016	\$ 34,331	\$ 26,281
2017	34,331	26,281
2018	34,331	26,281
2019	34,331	26,281
2020	1,530	4,966
Thereafter	-	10,243

### **Other Single Employer Pension Plans**

For the fiscal year ended June 30, 2015 the table below provides information about pension expense recognized for each of the State's five single employer plans (expressed in thousands):

<u>Plan</u>	<u>Annual Pension Expense</u>
JRBT	\$ 1,649
RIJRFT	1,335
SPRBT	2,447
JNCRP	2,334
SPNCRP	10,795

At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

<u>Deferred Outflows of Resources</u>	JRBT	RIJRFT	SPRBT	JNCRP	SPNCRP
Employer contributions subsequent to the measurement date	\$ 2,709	\$ -	\$ 3,432	\$ 6,020	\$ 17,512
Change of assumptions	-	166	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	1	-	-	-
Total	<u>\$ 2,709</u>	<u>\$ 167</u>	<u>\$ 3,432</u>	<u>\$ 6,020</u>	<u>\$ 17,512</u>
<u>Deferred Inflows of Resources</u>					
Change of assumptions	\$ 558	\$ -	\$ 5,672	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	2,898	-	329	-	-
Total	<u>\$ 3,456</u>	<u>\$ -</u>	<u>\$ 6,001</u>	<u>\$ -</u>	<u>\$ -</u>

\$29,673,000 reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows/ (inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

Year Ending December 31,	JRBT	RIJRFT	SPRBT	JNCRP	SPNCRP
2015	\$ (839)	\$ 167	\$ (1,453)		\$
2016	(839)		(1,453)		
2017	(839)		(1,453)		
2018	(839)		(1,453)		
2019	(100)		(35)		
Thereafter	-		(154)		
Total	\$ (3,456)	\$ 167	\$ (6,001)	\$ -	\$ -

#### J. Defined Benefit Plan - LIUNA

All State employees who are members of the Laborers' International Union of North America (LIUNA), in addition to participating in ERSRI, also participate in the Laborers' International Union of North America National Pension Fund (the "Plan"), a cost sharing multi-employer defined benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan is administered by the Fund's Board of Trustees. Eligibility and benefit provisions are defined in the Plan document adopted by the Board of Trustees. As of June 30, 2015, 865 employees of the State were members of the Plan.

All Employees who are members of LIUNA are eligible to participate in the Plan. An employee is eligible for a regular pension if they have attained age 62, have five or more years of pension credits and have had at least one pension credit in a year after contributions paid to the Fund by an employer on their behalf began. Vesting of benefits is attained for participants who have five or more years of vesting service, at least one year of which was earned during the period in which the employer paid contributions to the Plan on behalf of the participant. Participants who pay their own contributions are immediately and fully vested in their accrued benefits, plus interest credited to their account. Benefit amounts for employees of the same age with the same years of service may be different because their employers' contribution to the Pension Fund may have been at different levels. The Plan allows for an optional immediate 25% partial lump sum for all surviving spouses of participants who died pre-retirement with an actuarially reduced monthly benefit to be paid at age 55. Information regarding the Plan can be obtained from the Fund Office maintained by the Board of Trustees at the following address: Laborers' International Union of North America National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, DC 20006-1765, or at [www.lnipf.org](http://www.lnipf.org).

The contribution requirements of the State and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$0.51 to \$1.17 per hour up to a maximum of 1820 hours per year to the Plan for calendar year 2015. The State is not required to contribute to the Plan.

The Multiemployer Pension Plan Amendments Act of 1980 imposes certain liabilities upon employees associated with multiemployer pension plans who withdraw from such a plan or upon termination of said plan. The State has no plans to withdraw or partially withdraw from the plan.

#### K. Defined Contribution Plan - ERS

**Plan Description** - Employees participating in the Employees Retirement System (ERS) defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan contributions - Members contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Member contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the members and employers are established by the General Laws, which are subject to amendment by the General Assembly. As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying members will increase slightly beginning in fiscal 2016.

The State contributed and recognized as pension expense \$5,368,000 for the fiscal year ended June 30, 2015, equal to 100% of the required contributions for the fiscal year.

**Plan vesting and contribution forfeiture 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 employee and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

**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 the member attains age 70 ½ or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

#### L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program

The State of Rhode Island FICA Alternative Retirement Income Security Program (the “FARP”) is a defined contribution (money purchase) plan that operates under Section 401(a) of the Internal Revenue Code. The FARP was established under Rhode Island General Law section 36-7-33.1 and was placed under the management of the State’s Department of Administration (DOA), which also serves as the FARP plan sponsor. The FARP took effect on December 15, 2013. TIAA-CREF serves as record keeper for the FARP, and FARP assets are held by J.P. Morgan as investment custodian.

**Plan members** – Eligible members of the FARP are any part-time, seasonal, or temporary employees of the State of Rhode Island, hired after July 1, 2013, who are ineligible for participation in the Employees’ Retirement System of Rhode Island (ERSRI). With the exception of the One-Time Opt-Out Provision described below, participation in the FARP is mandatory for these employees. Part-time, seasonal, or temporary employees hired prior to July 1, 2013, who do not participate in the ERSRI may opt to continue contributing to Social Security for the duration of their continuous employment.

**One-time opt-out provision** – The FARP contains a provision which allows a FARP-eligible employee, hired after July 1, 2013, to opt-out or elect to not participate in the FARP. An employee who opts to not participate will continue to make FICA contributions and the State will continue to make FICA contributions on behalf of the employee. An employee who opts to not participate in the FARP may subsequently, without penalty, choose to participate in the FARP; this election is irrevocable as long as the employee is a FARP-eligible employee.

**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 State does not make matching contributions to the FARP.

**Member accounts** – Each member’s account is credited with the member’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.

**Contributions** – FARP benefits are funded by contributions from the participants as specified in RI General Law section 36-7-33.1. FARP participants make mandatory payroll deduction contributions to the FARP equal to 7.5% of the employee's gross wages for each pay period.

**Investment options** – Member and employer contributions must be invested in one of the Vanguard Target Retirement Trusts, which are age-appropriate.

**Retirement benefits** – Benefits may be paid to a member after termination from employment, death, total disability, or upon attaining age 59 ½. In the case of termination, a 10% IRS penalty upon withdrawal will apply if the member is younger than 55 years of age. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70 ½ or terminates employment, if later.

#### M. Other Pension Plans – Component Units

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 \$16,579,000 during the year ended June 30, 2015.

The Rhode Island Public Transit Authority has a single employer defined benefit pension plan that covers eligible employees. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of age 62 and 5 years of 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 June 30, 2015 the plan's total pension liability exceeded the plan's fiduciary net position by \$48,782,731. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2015. For the fiscal year ended June 30, 2015 pension expense of \$6,465,308 was recorded related to the plan. Other information about the plan can be found in the audited financial statements of RIPTA which are available at [www.ripta.com](http://www.ripta.com).

The Rhode Island Commerce Corporation (RICC) sponsors a cost sharing multiple employer pension plan for all employees, who were hired before January 1, 2006 who meet eligibility requirements. Eligible employees of Quonset Development Corporation, another component unit, who were hired before January 1, 2006 also participate in the plan. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefits vest upon completion of five years of service. The plan assigns to RICC the authority to amend benefit provisions. At June 30, 2015, the plan fiduciary net position exceeded the total pension liability by \$1,134,009. Accordingly, a net pension asset in that amount has been recorded as of that date. For the fiscal year ended June 30, 2015 pension expense of \$65,866 was recorded related to this plan. Other information about the plan can be found in the audited financial statements of RICC which are available at [www.commerceri.com](http://www.commerceri.com).

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.

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## Note 14. Other Post-Employment Benefits

### A. Plan Descriptions

The Rhode Island State Employees' and Electing Teachers OPEB System (the "System") acts as a common investment and administrative agent for post-employment health care 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 Commerce 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 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 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 02908.

A summary of the principal provisions of the plans follows:

	State Employees and Teachers	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 retirees access their benefits through a Health Reimbursement Account that the OPEB Trust makes a monthly deposit to based on years of service.	May purchase active employee plan for member and dependents until age 65.	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.	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.
Other	Retired teachers can purchase coverage for themselves and dependents at active or early retirement rate, as applicable until they are Medicare eligible.				

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, 2015, the State and other participating employers paid \$58,694,000 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):

	State Employees	Teachers	Judicial	State Police	Legislators	BOE
Date of Actuarial Valuation	06/30/11	06/30/11	06/30/11	06/30/11	06/30/11	06/30/11
Annual required contribution as a percent of payroll	7.49%	N/A	0.12%	39.00%	0.00%	2.65%
Annual required contribution	\$ 47,769	\$ 2,799	\$ 13	\$ 8,135	\$ 0	\$ 3,011
Plus: Interest on net OPEB obligation at beginning of year	0	N/A	0	424	0	0
Less: Adjustment to ARC	0	N/A	0	389	0	0
Annual OPEB cost	47,769	2,799	13	8,170	0	3,011
Participating State and/or other employer contributions	45,695	2,321	13	8,135	0	2,530
Credit For Portion of Residual Balance From Predecessor Fund	2,074	478	0	0	0	481
Increase in OPEB obligation	0	0	0	35	0	0
Net OPEB obligation at beginning of year	0	0	0	8,485	0	0
Net OPEB obligation at end of year	\$ 0	\$ 0	\$ 0	\$ 8,520	\$ 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	2013	\$ 45,800	100.00%	-
	2014	49,072	100.00%	-
	2015	47,769	100.00%	-
Teachers	2013	2,321	100.00%	-
	2014	2,799	100.00%	-
	2015	2,799	100.00%	-
Judicial	2013	802	97.01%	\$ 2,891
	2014	13	100.00%	-
	2015	13	100.00%	-
State Police	2013	6,287	98.91%	8,450
	2014	7,874	99.56%	8,485
	2015	8,170	99.57%	8,520
Legislators	2013	0	N/A	-
	2014	0	N/A	-
	2015	0	N/A	-
BOE	2013	3,106	100.00%	-
	2014	3,095	100.00%	-
	2015	3,011	100.00%	-

The table below displays the funded status of each plan at June 30, 2013, the most recent actuarial valuation date (dollar amounts expressed in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age -	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
State Employees	\$ 39,527	\$ 637,059	\$ 597,532	6.2%	\$ 671,762	88.9%
Teachers	3,230	12,569	9,339	25.7%	n/a	n/a
Judicial	2,151	1,054	(1,097)	204.1%	13,447	-8.2%
State Police	9,587	70,385	60,798	13.6%	17,748	342.6%
Legislators	2,202	1,549	(653)	142.2%	1,695	-38.5%
BOE	7,486	55,706	48,220	13.4%	113,375	42.5%

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 2015 were determined based on the June 30, 2011 valuations for all plans.

As of the June 30, 2011 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, 2011 is 25 years. The UAAL for teachers is being amortized as a level dollar amount over an 8-year period from June 30, 2007, and the remaining amortization period as of June 30, 2011 is 4 years.

For the June 30, 2011 valuation the actuarial assumptions include a 5.0% discount rate, a health care cost trend assumption of 9% progressively declining to 4% after 10 years, and salary growth assumption rates ranging between 4% and 12%. 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, 2013.

Several changes were made in OPEB specific actuarial assumptions and methods between the June 30, 2011 and June 30, 2013 valuations. Changes to the OPEB specific assumptions include a decrease in the wage inflation and long term health care cost inflation assumptions from 4% to 3.5%. In addition, the excise tax load expected to be imposed under the Patient Protection and Affordable Care Act on pre-65 liabilities was changed from 7.4% to 11%. Also, there was a change in actuarial method. The premium development methodology was changed to create a single premium for all groups.

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 two most recent valuations assume that the plans will be subject to the excise tax in 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. Effective October 1, 2014 the State established health reimbursement accounts (HRA) for each Medicare eligible retiree who elects to receive health insurance coverage through the state sponsored program. In addition, certain changes in benefits offered under the program are effective in July 2014 and January 2015. The effect on the Actuarial Accrued Liability resulting from these changes is reflected in the valuation table on the preceding page.

The table on the following page summarizes the actuarial methods and assumptions used in the most recent actuarial valuation.

Summary of Actuarial Methods and Assumptions as of June 30, 2013 valuation						
	Plan					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Education
Plan Type	Cost sharing multiple employer	Single Employer	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll	Level Dollar	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Equivalent Single Remaining Amortization Period	23 years closed	Determined by statutory contribution	30 years open	23 years closed	30 years open	23 years closed
Asset Valuation Method	Four year smoothed market					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.50% to 6.50%	NA	3.50%	3.50% to 11.5%	3.75% to 8.00%	3.50% to 6.50%
Valuation Health Care Cost Trend Rate	9% in 2014, grading to 3.5% in 2023					
<p>Note: 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 15. Deferred Compensation

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

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

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

Note 16. Risk Management

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

The State has entered into agreements with commercial insurance companies for comprehensive insurance coverage on State property to protect the State against loss from fire and other risks. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees in the sum of \$100,000 per person and \$300,000 per accident for personal injury and \$20,000 for property damage. During fiscal year 2015, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

The State also has a contract with an insurance carrier/administrator to provide health care benefits to active and certain retired employees. For coverage provided to active employees and retirees who are not eligible for Medicare, the State retains the risk of loss. The State reimburses the company for the costs of all claims paid plus administrative fees. Effective October 1, 2014 retirees who are Medicare eligible participate in a Health Reimbursement Account arrangement as more fully described in Note 14.

The estimated liability for incurred but not reported (IBNR) claims at June 30, 2015 and June 30, 2014 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1, 2014	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30, 2015
Health Insurance Internal Service Fund Unpaid claims	\$ 16,328	\$ 221,513	\$ 219,209	\$ 18,632

	Liability at July 1, 2013	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30, 2014
Health Insurance Internal Service Fund Unpaid claims	\$ 15,436	\$ 213,066	\$ 212,174	\$ 16,328

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.

The State has entered into contracts with managed care health plans to share in either the aggregate risk (loss) or gain (profit) incurred by the plans over the course of the contract year. Managed care expenditures represent a relatively large portion of the State's medical assistance expenditures.

Note 17. Other Information

A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 8,049	\$ 955	\$ 9,004	\$ (7,868)	\$ 1,136
Loans to other funds	121,407		121,407	(121,407)	
Total assets	<u>\$ 129,456</u>	<u>\$ 955</u>	<u>\$ 130,411</u>	<u>\$ (129,275)</u>	<u>\$ 1,136</u>
<b>Liabilities</b>					
Due to other funds	\$ 6,657	\$ 1,211	\$ 7,868	\$ (7,868)	\$
Loans from other funds	114,937	6,470	121,407	(121,407)	
Total liabilities	<u>\$ 121,594</u>	<u>\$ 7,681</u>	<u>\$ 129,275</u>	<u>\$ (129,275)</u>	<u>\$</u>
<b>Program revenue</b>					
General government	\$	\$ 294,033	\$ 294,033	\$ (294,033)	
Public safety		10,728	10,728	(10,728)	
<b>Expenses</b>					
General government		(294,765)	(294,765)	294,765	
Public safety		(9,996)	(9,996)	9,996	
Net revenue (expenses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Transfers</b>					
Transfers in	\$ 622,520	\$	\$ 622,520	\$ (277,330)	\$ 345,190
Transfers out	(277,330)		(277,330)	277,330	
Net transfers	<u>\$ 345,190</u>	<u>\$</u>	<u>\$ 345,190</u>	<u>\$</u>	<u>\$ 345,190</u>
<b>Total Business-type Activities</b>					
			Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 257	\$	\$ 257	\$ (1,393)	\$ (1,136)
Total assets	<u>\$ 257</u>	<u>\$</u>	<u>\$ 257</u>	<u>\$ (1,393)</u>	<u>\$ (1,136)</u>
<b>Liabilities</b>					
Due to other funds	\$ 1,393	\$	\$ 1,393	\$ (1,393)	\$
Total liabilities	<u>\$ 1,393</u>	<u>\$</u>	<u>\$ 1,393</u>	<u>\$ (1,393)</u>	<u>\$</u>
<b>Transfers</b>					
Transfers in	\$ 36,909	\$	\$ 36,909	\$ (36,909)	\$
Transfers out	(382,099)		(382,099)	36,909	(345,190)
Net transfers	<u>\$ (345,190)</u>	<u>\$</u>	<u>\$ (345,190)</u>	<u>\$</u>	<u>\$ (345,190)</u>

B. Related Party Transactions

The State has 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. While maintenance responsibilities for the two bridges rest with RITBA, ownership and title 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.

The State has 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. Commerce Corporation (RICC) 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 was included in the General Government's expenses in the State's financial statements.

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.

The State's budget documents may be accessed at the following website: <http://www.budget.ri.gov>.

#### Budgetary Controls

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

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

#### D. Significant Transactions with Component Units

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

Significant transactions between primary government and component units		
	Expense	Description
Governmental activities		
General		
University of Rhode Island	\$ 70,221	Operating assistance
Rhode Island College	42,767	Operating assistance
Community College of Rhode Island	45,677	Operating assistance
Central Falls School District	45,574	Operating assistance
The Met	11,034	Operating assistance
RI Commerce Corporation	21,974	Operating and capital assistance
R.I. Public Transit Authority	5,870	Operating assistance
IST		
R.I. Public Transit Authority	42,960	Operating assistance
Bond Capital		
University of Rhode Island	40,988	Construction, improvement or purchase of assets
Certificates of Participation		
Rhode Island College	7,635	Building improvements
R. I. Capital Plan		
University of Rhode Island	14,514	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 349,214</u>	

#### E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2015:

- Assessed Fringe Benefits (\$1,918,000)
- Central Utilities (\$11,000)
- Central Mail (\$574,000)
- State Telecommunications (\$469,000)
- Records Center (\$73,000)
- Capitol Police (\$48,000)

The deficits will be eliminated through charges for services in fiscal year 2016.

F. Restatements – Net Position and Reclassifications

Restatements of beginning net position (expressed in thousands) are in the following table:

	Governmental Activities	Proprietary and Business-type Activities	Discretely Presented Component Units
Balances previously reported at June 30, 2014			
Net position	\$ 2,006,755	\$ (35,333)	\$ 1,885,481
Restatement due to:			
1) <i>Eliminate prior net pension obligation</i>	3,469		
2) <i>GASB 68 NPL opening balance restatement</i>	(1,635,591)	(13,498)	(206,288)
3) <i>GASB 68 NPL opening balance restatement-Teachers     Special Funding Arrangement</i>	(1,041,632)		
4) <i>GASB 73 opening balance restatement</i>	(294,104)		
5) <i>Correction of errors</i>		575	
6) <i>Adjustments to Carrying Value of Capital Assets</i>	12,204		
July 1, 2014 net position, as restated	<u>\$ (948,899)</u>	<u>\$ (48,256)</u>	<u>\$ 1,679,193</u>

- 1) In conjunction with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the net pension obligation at June 30, 2014 relating to the Judicial Retirement Fund Trust, one of the State's single employer plans, was written off.
- 2) In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State and its discretely presented component units have restated beginning net position to recognize their proportionate share of the net pension liability at June 30, 2014 (measurement date) as participating employers in the Employees' Retirement System, a cost sharing multiple employer plan, and for the other pension plans that the component units administer. In addition, the State has restated beginning net position for the net pension liability for the following single employer plans: 1) Judicial Retirement Benefits Trust, 2) Judicial Retirement Fund Trust and 3) State Police Retirement Benefits Fund Trust.
- 3) In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State has restated beginning net position to recognize its proportionate share under a special funding situation of the net pension liability at June 30, 2014 (measurement date) for teachers employed by local school districts who participate in the Employees' Retirement System, a cost sharing multiple employer plan.
- 4) In accordance with the requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the State has restated beginning net position to recognize the total pension liability at June 30, 2014 (measurement date) for the following single employer non-trusted plans: 1) Judicial Non-Contributory Retirement Plan and 2) State Police Non-Contributory Retirement Plan.
- 5) During the fiscal year ended June 30, 2015, RICCA evaluated the classification and reporting of intangible assets and the application of GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*. As a result of this evaluation, RICCA reclassified intangible assets previously reported as other assets and amortized, as capital assets, net of depreciation. As a result, capital assets and net position were restated.
- 6) To increase capital assets for amounts previously expensed.

Under a law that was effective until June 30, 2014, upon issuance of the audited financial statements, the State Controller was 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. For fiscal year 2014 the amount of such transfer was calculated to be \$13,794,501, which was reflected in the committed category of

fund balance at June 30, 2014. The transfer was to be made in fiscal year 2015 upon issuance of the audited financial statements. In the 2015 session of the General Assembly this law was repealed retroactive to July 1, 2014. Accordingly, the transfer of \$13,794,501 to the Employees' Retirement System was not made.

### G. Pledged Revenue

The State's debt supported by pledged revenue is as follows (expressed in thousands):

#### Revenue Bonds-Tobacco Settlement Financing Corporation

Revenue:

Tobacco settlement revenue-cash basis	\$	45,295
Investment income		1,436
Total revenue		<u>46,731</u>

Operating expenses		126
Net revenue available for debt service	\$	<u>46,605</u>

Debt service

Interest ( a )	\$	35,633
Covered ratio before turbo principal payments		130.79%
Principal (b)		<u>25,520</u>

Total annual debt service	\$	<u>61,153</u>
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Coverage ( c ) 76.21%

Term of commitment - through June 2052

#### Revenue Bonds-GARVEE (Federal Highway)

Revenue - FHWA participation	\$	48,356
Less: operating expenses		-
Net available revenue	\$	<u>48,356</u>

Debt service

Principal	\$	34,160
Interest		14,196

Coverage ( c ) 100.00%

Term of commitment - through June 2021

#### Revenue Bonds-GARVEE (Gas Tax)

Revenue - 2 cents per gallon of the gasoline tax	\$	8,793
Less: operating expenses		-
Net available revenue	\$	<u>8,793</u>

Debt service

Principal	\$	4,185
Interest		3,006

Coverage ( c ) 122.28%

Term of commitment - through June 2027

#### Division of Motor Vehicles Capital Lease

Revenue - \$1.50 surcharge per transaction	\$	2,015
Less: operating expenses		-
Net available revenue	\$	<u>2,015</u>

Debt service

Principal - required	\$	1,635
Interest		207

Coverage ( c ) 109.39%

Term of commitment - through March 2017

(a) The amount reflected above is less than the amount included in the financial statements for the TSFC as the latter amount includes accreted interest paid in connection with the repurchase of certain capital appreciation bonds as discussed in Note 6.

(b) Debt service principal includes "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.

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



## H. Special Items

### Primary Government

In March 2015, the Tobacco Settlement Financing Corporation, a blended component unit, refunded all of the outstanding 2002 bonds and a portion of its 2007 bonds. The proceeds from the sale of the 2015 Series A and Series B refunding bonds were sufficient to transfer \$31,342,127 to the State's general fund and transfer \$5,000,000 to a related organization. The funds transferred to the general fund have been reflected as a special item in the accompanying financial statements.

### Discretely Presented Component Units

#### RI Water Resources Board Corporate

Under Article 5 of the 2010 Appropriations Act, with the maturity of all outstanding bonds, the financial functions of the Board Corporate are to be transferred to the Rhode Island Clean Water Finance Agency (RICWFA). In March 2015, the Board Corporate made its final bond payment. Management of the Board Corporate subsequently transferred all remaining assets. The transfer included accounts receivable of approximately \$303,000 to the Rhode Island Infrastructure Bank (the RIIB), formerly the Rhode Island Clean Water Finance Agency, and cash of approximately \$1,050,000, temporarily to the State of Rhode Island General Fund. When a formal agreement is in place, the cash portion will be transferred to the RIIB. In June 2015 the Board Corporate permanently ceased operations.

### Note 18. Subsequent Events

#### Primary Government

Subsequent to June 30, 2015, the State issued \$175,155,000 of General Obligation Refunding Bonds. The bonds mature from 2016 to 2027 and have yields ranging from .31% to 3.08%. The bonds were issued to restructure debt service for a portion of the State's outstanding general obligation bonds to achieve savings in fiscal years 2016 and 2017 to provide resources for economic development initiatives.

#### Employees' Retirement System

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan. Going forward, service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends.
- A one-time 2% COLA was granted to all retirees and beneficiaries that retired on or before June 30, 2012 on the first \$25,000 of their benefit. The COLA provided to retired members is contingent on the investment performance, the annual change in the CPI-U, and the funded status of the System.
- The interim cost of living increases will occur at 4 year intervals rather than 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.

The most recent valuation performed as of June 30, 2015 (for funding purposes) indicated that the funded ratio at that date was 56.6% for state employees and 58.8% for teachers.

### **Discretely Presented Component Units**

In August 2015, the R.I. Housing & Mortgage Finance Corporation (RIHMFC) issued Homeownership Opportunity Bonds Series 66 in the amount of \$75,000,000. On August 10, 2015, \$29,635,000 in Homeownership Opportunity Bonds were redeemed prior to maturity, and on October 1, 2015, \$41,935,000 in Homeownership Opportunity Bonds and \$9,375,000 in Home Funding Bonds were redeemed prior to maturity, all under provisions in the bond resolutions that allow mortgage prepayments, excess revenues and refunded amounts to be used for such purpose.

RIHMFC has been informed by the United States Department of Housing and Urban Development (HUD) that it may be required to reimburse HUD for certain funds that RIHMFC advanced under the federal Continuum of Care Program to the Urban League of Rhode Island in support of the Safe Haven program in Pawtucket, RI. Based upon the information available, RIHMFC does not believe that the final resolution of this matter will have a material impact on its operations, programs or financial condition.

HUD's Office of Inspector General is conducting an ongoing review of RIHMFC's administration of the HOME program for the period of March 1, 2010 through February 28, 2013. Based upon the information available, RIHMFC does not believe that the resolution of this matter will have a material impact on its operations, programs or financial condition.

State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2015



Required  
Supplementary  
Information

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>				
General Revenues:				
Personal Income Tax	\$ 1,157,132	\$ 1,226,800	\$ 1,227,582	\$ 782
General Business Taxes:				
Business Corporations	118,812	143,200	147,979	4,779
Public Utilities Gross Earnings	112,000	103,600	103,950	350
Financial Institutions	11,500	22,000	22,743	743
Insurance Companies	115,504	123,100	120,265	(2,835)
Bank Deposits	2,400	1,900	2,260	360
Health Care Provider Assessment	42,137	44,300	44,125	(175)
Sales and Use Taxes:				
Sales and Use	939,620	954,000	963,453	9,453
Motor Vehicle	49,500	49,900	49,117	(783)
Motor Fuel	500	(200)	(125)	75
Cigarettes	135,800	136,900	138,046	1,146
Alcohol	17,442	18,800	18,363	(437)
Other Taxes:				
Inheritance and Gift	27,010	31,500	34,202	2,702
Racing and Athletics	1,100	1,100	1,107	7
Realty Transfer Tax	8,500	9,000	9,494	494
Total Taxes (1)	<u>2,738,957</u>	<u>2,865,900</u>	<u>2,882,561</u>	<u>16,661</u>
Departmental Revenue	<u>351,672</u>	<u>350,860</u>	<u>354,122</u>	<u>3,262</u>
Total Taxes and Departmental Revenue	<u>3,090,629</u>	<u>3,216,760</u>	<u>3,236,683</u>	<u>19,923</u>
Other Sources:				
Lottery	384,500	378,600	381,936	3,336
Unclaimed Property	10,500	12,300	13,712	1,412
Other Miscellaneous	7,475	9,085	8,778	(307)
Total Other Sources	<u>402,475</u>	<u>399,985</u>	<u>404,426</u>	<u>4,441</u>
Total General Revenues	<u>3,493,104</u>	<u>3,616,745</u>	<u>3,641,109</u>	<u>24,364</u>
Federal Revenues	2,718,946	2,734,212	2,619,412	(114,800)
Restricted Revenues	270,059	280,756	253,973	(26,783)
Other Revenues	55,829	78,318	74,635	(3,683)
Total Revenues (2)	<u>6,537,938</u>	<u>6,710,031</u>	<u>6,589,130</u>	<u>(120,902)</u>
<b>Expenditures (4):</b>				
General government	718,880	785,171	711,824	73,347
Human services	3,731,847	3,713,040	3,661,964	51,076
Education	1,449,050	1,451,829	1,433,035	18,794
Public safety	499,264	519,931	493,361	26,570
Natural resources	90,962	99,938	79,897	20,041
Total Expenditures (2)	<u>6,490,003</u>	<u>6,569,909</u>	<u>6,380,081</u>	<u>\$ 189,828</u>
Transfer of Excess Budget Reserve to RI Capital Fund			102,541	
Total Expenditures and Transfers	<u>\$ 6,490,003</u>	<u>\$ 6,569,909</u>	<u>6,482,622</u>	
Change in Fund Balance			106,508	
Fund balance - beginning			<u>395,379</u>	
Fund balance - ending			<u>\$ 501,887</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, 2015**  
**(Expressed in Thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Expenditures by Source:</b>				
General Revenues	\$ 3,445,170	\$ 3,476,623	\$ 3,453,893	\$ 22,730
Federal Funds	2,718,945	2,734,212	2,621,118	113,094
Restricted Receipts	270,059	280,756	232,949	47,807
Other Funds	55,829	78,318	72,121	6,197
	<u>\$ 6,490,003</u>	<u>\$ 6,569,909</u>	<u>\$ 6,380,081</u>	<u>\$ 189,828</u>

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

**Budgeted Surplus:**

Total Revenue - Final Budget	\$ 6,710,032
Total Expenditures - Final Budget	<u>6,569,909</u>
<b>Final Budget - Projected Surplus (3)</b>	\$ 140,123

**Final Budget and Actual - Results**

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (120,902)
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>189,828</u>
<b>Surplus resulting from operations compared to final budget</b>	<u>\$ 68,926</u>
Total General Fund Surplus - Fiscal Year Ended June 30, 2015	\$ 209,049
Transfer of Excess Budget Reserve to RICAP Fund	<u>(102,541)</u>
<b>Net Change in General Fund - Fund Balance</b>	\$ 106,508
Fund Balance, Beginning	<u>395,379</u>
Fund Balance, Ending	<u>\$ 501,887</u>

**Notes:**

*Due to rounding, numbers presented may not add up precisely to the totals provided.*

*(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, 2015.*

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

General government	\$ 155,368
Education	29,537
	<u>\$ 184,905</u>

(continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective**

	<b>Fund Balance Reported in the Financial Statements</b>	<b>Budgetary Perspective</b>	
		<b>Fund Balance Not Available for Appropriation in Fiscal 2016</b>	<b>Fund Balance Available for Appropriation in Fiscal 2016</b>
Restricted	\$ 319,677	\$ 319,677	\$
Committed	2,561	2,561	
Assigned	130,964	11,611 (a)	119,353 (b)
Unassigned	48,685		48,685 (c)
<b>Total Fund Balance</b>	<b>\$ 501,887</b>	<b>\$ 333,849</b>	<b>\$ 168,038</b>

(a) Assigned fund balance not available for appropriation in fiscal 2016 includes (1) centralized cost allocation surplus that requires offset through fiscal 2016 centralized charges and (2) general revenue appropriations carried forward by the Governor, Judiciary, and Legislature.

(b) Assigned fund balance available for appropriation in fiscal 2016 includes fiscal 2015 ending surplus amounts of \$118.5 million appropriated as resources in the 2016 enacted budget, and fund balance amounts encumbered at June 30, 2015.

(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**  
**Intermodal Surface Transportation Fund**  
**For the Fiscal Year Ended June 30, 2015**  
*(Expressed in Thousands)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 135,297	\$ 142,929	\$ 158,707	\$ 15,778
Licenses, fines, sales, and services		33,572	20,918	(12,654)
Departmental restricted revenue	12,353	2,250	1,861	(389)
Federal grants	352,115	309,681	270,551	(39,130)
Other revenues	160	33,697	2,957	(30,740)
Total revenues	<u>499,925</u>	<u>522,129</u>	<u>454,994</u>	<u>(67,135)</u>
<b>Revenues and other Financing Sources (unbudgeted):</b>				
Miscellaneous revenue			687	
Total revenues			<u>455,681</u>	
Other Financing Sources:				
Transfers from RI Capital Plan and Bond Capital Funds (State FHWA Match)			26,558	
Total Other Financing Sources			<u>26,558</u>	
Total Revenues and Other Financing Sources			<u>482,239</u>	
<b>Expenditures (budgeted):</b>				
Central Management				
Federal Funds	9,200	12,700	9,891	2,809
Gasoline Tax	1,771	2,187	1,025	1,162
Total - Central Management	<u>10,971</u>	<u>14,887</u>	<u>10,916</u>	<u>3,971</u>
Management and Budget				
Gasoline Tax	2,243	3,003	451	2,552
Total - Management and Budget	<u>2,243</u>	<u>3,003</u>	<u>451</u>	<u>2,552</u>
Infrastructure-Engineering-GARVEE/				
Motor Fuel Tax Bonds				
Federal Funds	325,726	287,186	256,465	30,721
Federal Funds-Stimulus	17,188	9,794	1,299	8,495
Restricted Receipts	12,353	2,250	2,411	(161)
Gasoline Tax	68,065	72,902	69,691	3,211
Motor Fuel Tax Residuals		53		53
Land Sale Revenue	21,300	17,700	729	16,971
Total - Infrastructure - Engineering	<u>444,632</u>	<u>389,885</u>	<u>330,595</u>	<u>59,290</u>
Infrastructure - Maintenance				
Gasoline Tax	30,791	15,534	17,951	(2,417)
Non-Land Surplus Property	10	25		25
Outdoor Advertising	150	100		100
Rhode Island Highway Maintenance Account		33,572	33,047	525
Total - Infrastructure - Maintenance	<u>30,951</u>	<u>49,231</u>	<u>50,998</u>	<u>(1,767)</u>
Total Expenditures (budgeted)	<u>\$ 488,797</u>	<u>\$ 457,006</u>	<u>\$ 392,960</u>	<u>\$ 64,046</u>
<b>Expenditures and Financing Uses (unbudgeted):</b>				
Infrastructure Expenditures - State Match funded by RI Capital Plan and Bond Capital Funds			24,276	
Infrastructure Expenditures - GARVEE			15,732	
I-195 Redevelopment District Project			1,452	
Mission 360 Loan Program			470	
Transfers to General Fund - Gas Tax			53,310	
Total Expenditures and Financing Uses (unbudgeted)			<u>95,240</u>	
Total Expenditures and Other Financing Uses			<u>488,200</u>	
Net change in fund balance			<u>(5,961)</u>	
Fund balance, beginning			<u>118,437</u>	
Fund balance, ending			<u>\$ 112,476</u>	

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 the preceding pages 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 the preceding page 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.



**State of Rhode Island and Providence Plantations  
Pension Information  
Defined Benefit Multiple Employer Cost-Sharing Plan**

The Employees' Retirement System (ERS) Plan is a multiple-employer cost-sharing defined benefit plan covering state employees and local teachers. Separate actuarial valuations are performed for state employees and teachers but not for individual employers within those groups. The net pension liability and other pension related amounts are apportioned based on proportionate employer contributions to the plan.

By statute, the State funds 40% of the actuarially determined employer contribution for teachers. This constitutes a special funding situation as described in GASB Statement No. 68. Consequently, the State has recognized its proportionate share of the net pension liability and other related pension amounts for this special funding situation in its financial statements.

The amounts included in these schedules for fiscal 2015 reflect a June 30, 2014 measurement date.

Additional information for the ERS plan is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island and an additional report prepared to provide the GASB 68 related information for participating employers.

The following schedules are presented for the ERS cost-sharing plan with a special funding situation:

- **ERS – Schedule of State's Proportionate Share of the Net Pension Liability – State Employees**
- **ERS – Schedule of State Contributions**
- **ERS – Schedule of State's Proportionate Share of the Net Pension Liability – Teachers**
- **ERS – Schedule of State Contributions – Teachers**

These schedules are intended to show information for 10 years – additional years will be displayed as information becomes available. Note 13 to the financial statements contains detailed information concerning pension plans.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of State's Proportionate Share**  
**of the Net Pension Liability**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Employees' Retirement System-State Employees-Governmental Activities**

State's proportion of the net pension liability	89.0%
State's proportionate share of the net pension liability	\$ 1,585,647
State's covered employee payroll	\$ 581,589
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	272.6%
Fiduciary net position as a percentage of the total pension liability	58.6%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of State Contributions**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Employees' Retirement System-State Employees-Governmental Activities**

Actuarially determined contribution	\$ 138,689
Contributions in relation to the actuarially determined contribution	138,689
Contribution deficiency (excess)	\$ <u>          -</u>
Covered-employee payroll	\$ 594,466
Contributions as a percentage of covered-employee payroll	23.33%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of the State's Proportionate Share**  
**of the Net Pension Liability**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Employees' Retirement System-State Share-Teachers (Special Funding Situation)**

State's proportion of the net pension liability		40.68%
State's proportionate share of the net pension liability	\$	990,129
Plan fiduciary net position as a percentage of the total pension liability		61.40%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of State Contributions**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Employees' Retirement System-State Share-  
Teachers (Special Funding Situation)**

Statutorily required contribution	\$ 84,944
Contributions in relation to the statutorily required contribution	84,944
Annual contribution deficiency (excess)	<u><u>\$ -</u></u>

**State of Rhode Island and Providence Plantations  
Pension Information  
Single Employer Defined Benefit Plans**

Certain state employees are covered by the following single-employer plans, separate from the ERS plan, which covers most state employees.

- State Police Retirement Benefits Trust (SPRBT)
- Judicial Retirement Benefits Trust (JRBT)
- Rhode Island Judicial Retirement Fund Trust (RIJRFT)

These plans are administered within the Employees' Retirement System of Rhode Island. Separate actuarial valuations are performed of each plan. Additional information for the plans is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

The amounts included in these schedules for fiscal 2015 reflect a June 30, 2014 measurement date. The following schedules are presented for each single-employer plan:

- **Schedule of Changes in the Net Pension Liability and Related Ratios**
  - SPRBT
  - JRBT
  - RIJRFT
- **Schedule of State Contributions**
  - SPRBT
  - JRBT
  - RIJRFT

These schedules are intended to show information for 10 years – additional years will be displayed as information becomes available. Note 13 to the financial statements contains detailed information concerning pension plans.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**State Police Retirement Benefits Trust**

**Total Pension Liability**

Service cost	\$ 5,122
Interest	7,768
Differences between expected and actual experience	-
Changes of assumptions	(364)
Benefit payments	<u>(1,767)</u>
<b>Net Change in Total Pension Liability</b>	<b>10,759</b>
<b>Total Pension Liability-Beginning</b>	<b>102,259</b>
<b>Total Pension Liability-Ending</b>	<b><u>\$ 113,018</u></b>

**Plan Fiduciary Net Position**

Employer contributions	\$ 3,331
Employee contributions	2,034
Net investment income	14,124
Benefit payments	(1,767)
Transfers of member contributions	-
Administrative expenses	(83)
Other	<u>5</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 17,644</b>

<b>Plan Fiduciary Net Position-Beginning</b>	<b>92,035</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b><u>\$ 109,679</u></b>

<b>Net Pension Liability</b>	<b><u>\$ 3,339</u></b>
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**Plan Fiduciary Net Position as a Percentage of the Total**

<b>Pension Liability</b>	<b>97.0%</b>
<b>Covered Employee Payroll</b>	<b>\$ 23,051</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>14.5%</b>

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Judicial Retirement Benefits Trust**

**Total Pension Liability**

Service cost	\$ 3,002
Interest	4,134
Differences between expected and actual experience	-
Changes of assumptions	(672)
Benefit payments	(1,631)
<b>Net Change in Total Pension Liability</b>	<u>4,833</u>
<b>Total Pension Liability-Beginning</b>	<u>55,101</u>
<b>Total Pension Liability-Ending</b>	<u><u>\$ 59,934</u></u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 2,543
Employee contributions	1,093
Net investment income	7,221
Benefit payments	(1,631)
Transfers of member contributions	-
Administrative expenses	(43)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 9,183</u>

<b>Plan Fiduciary Net Position-Beginning</b>	<u>46,989</u>
<b>Plan Fiduciary Net Position-Ending</b>	<u><u>\$ 56,172</u></u>

<b>Net Pension Liability</b>	<u><u>\$ 3,762</u></u>
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<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	93.7%
<b>Covered Employee Payroll</b>	\$ 9,314
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	40.4%



**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Rhode Island Judicial Retirement Fund Trust**

**Total Pension Liability**

Service cost	\$ 498
Interest	710
Differences between expected and actual experience	1,617
Changes of assumptions	(1,160)
Benefit payments	-
<b>Net Change in Total Pension Liability</b>	<u>1,665</u>
<b>Total Pension Liability-Beginning</b>	<u>15,841</u>
<b>Total Pension Liability-Ending</b>	<u><u>\$ 17,506</u></u>

**Plan Fiduciary Net Position**

Employer contributions	\$ -
Employee contributions	153
Net investment income	12
Benefit payments	-
Transfers of member contributions	-
Administrative expenses	-
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 165</u>

**Plan Fiduciary Net Position-Beginning**

	<u>153</u>
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**Plan Fiduciary Net Position-Ending**

	<u><u>\$ 318</u></u>
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**Net Pension Liability**

	<u><u>\$ 17,188</u></u>
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**Plan Fiduciary Net Position as a Percentage of the Total**

<b>Pension Liability</b>	1.8%
<b>Covered Employee Payroll</b>	\$ 1,276
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	1346.8%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of State Contributions**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**State Police Retirement Benefits Trust**

Actuarially determined contribution	\$ 3,432
Contributions in relation to the actuarially determined contribution	3,432
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 19,907
Contributions as a percentage of covered-employee payroll	17.24%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of State Contributions**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Judicial Retirement Benefits Trust**

Actuarially determined contribution	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,709
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 9,566
Contributions as a percentage of covered-employee payroll	28.32%

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of State Contributions**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Rhode Island Judicial Retirement Fund Trust**

Actuarially determined contribution	\$ 1,623
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	<u>\$ 1,623</u>
Covered-employee payroll	\$ 1,276
Contributions as a percentage of covered-employee payroll	NA

**State of Rhode Island and Providence Plantations**  
**Pension Information**  
**Non-Contributory (pay-as-you-go) Defined Benefit Single Employer Plans**

Certain retired state employees are covered by the following single-employer plans, which are separate from the plans previously described, and are not part of the Employees' Retirement System of Rhode Island.

- State Police Non-Contributory Retirement Plan
- Judicial Non-Contributory Retirement Plan

The State funds these plans on a pay-as-you-go basis and no actuarially determined advance employer contribution is made nor are assets accumulated in a trust to pay future benefits. Separate actuarial valuations are performed to provide the accounting measures of the total pension liability for each of the plans.

The amounts included in these schedules for fiscal 2015 reflect a June 30, 2014 measurement date. The following schedules are presented for each plan:

- **Schedule of Changes in the Total Pension Liability**
  - State Police Non-Contributory Retirement Plan
  - Judicial Non-Contributory Retirement Plan

The Schedule of State Contributions is not presented as the plans operate on a pay-as-you-go basis and there is no covered payroll because there are no active members of the plans.

These schedules are intended to show information for 10 years – additional years will be displayed as information becomes available. Note 13 to the financial statements contains detailed information concerning pension plans.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of Changes in Total Pension Liability**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**State Police Non-Contributory Retirement Plan**

<b>Total Pension Liability</b>	
Service cost	\$ -
Interest	10,795
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(17,700)
<b>Net Change in Total Pension Liability</b>	<u>(6,905)</u>
<b>Total Pension Liability-Beginning</b>	260,485
<b>Total Pension Liability-Ending</b>	<u><u>\$ 253,580</u></u>

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information**  
**Schedule of Changes in Total Pension Liability**  
**Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

**Judicial Non-Contributory Retirement Plan**

**Total Pension Liability**

Service cost	\$ -
Interest	2,334
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(6,173)
<b>Net Change in Total Pension Liability</b>	<u>(3,839)</u>
<b>Total Pension Liability-Beginning</b>	<u>57,492</u>
<b>Total Pension Liability-Ending</b>	<u><u>\$ 53,653</u></u>

State of Rhode Island and Providence Plantations  
Required Supplementary Information  
Schedules of Funding Progress  
Other Postemployment Benefits  
June 30, 2015  
(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)
06/30/2013	\$ 39,527	\$ 637,059	\$ 597,532	6.2%	\$ 671,762	88.9%
06/30/2011	11,545	728,207	716,662	1.6%	600,273	119.4%
06/30/2009	-	673,640	673,640	0.0%	574,569	117.2%

**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)
06/30/2013	\$ 3,230	\$ 12,569	\$ 9,339	25.7%	NA	NA
06/30/2011	2,040	11,512	9,472	17.7%	NA	NA
06/30/2009	-	13,529	13,529	0.0%	NA	NA

**Judicial Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded)/ Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2013	\$ 2,151	\$ 1,054	\$ (1,097)	204.1%	\$ 13,447	-8.2%
06/30/2011	841	2,610	1,769	32.2%	10,813	16.4%
06/30/2009	-	8,665	8,665	0.0%	9,395	92.2%

**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)
06/30/2013	\$ 9,587	\$ 70,385	\$ 60,798	13.6%	\$ 17,748	342.6%
06/30/2011	1,488	81,759	80,271	1.8%	17,384	461.8%
06/30/2009	-	67,079	67,079	0.0%	16,725	401.1%

**Legislators Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded)/ Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2013	\$ 2,202	\$ 1,549	\$ (653)	142.2%	\$ 1,695	-38.5%
06/30/2011	1,442	1,443	1	99.9%	1,615	0.1%
06/30/2009	-	11,752	11,752	0.0%	1,612	729.0%

**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)
06/30/2013	\$ 7,486	\$ 55,706	\$ 48,220	13.4%	\$ 113,375	42.5%
06/30/2011	3,189	53,751	50,562	5.9%	125,340	40.3%
06/30/2009	-	58,476	58,476	0.0%	106,665	54.8%

See Notes to Required Supplementary Information.



## 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, 2013, is included in Note 14.

### 2. Schedules of Funding Progress

#### ***Changes affecting the June 30, 2013 Actuarial Valuation:***

Several changes were made in OPEB specific actuarial assumptions and methods between the June 30, 2011 and June 30, 2013 valuations. Changes to the OPEB specific assumptions include a decrease in the wage inflation and long term health care assumptions from 4% to 3.5%. In addition, the excise tax load expected to be imposed under the Patient Protection and Affordable Care Act on pre-65 liabilities was changed from 7.4% to 11%. Also, there was a change in actuarial method. The premium development methodology was changed to create a single premium for all groups.

#### ***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. 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.

***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.

State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2015



Combining  
Financial  
Statements

## Nonmajor Funds

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

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

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

**Historic Tax Credit Financing Fund** – 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.

**Tobacco Settlement Financing Trust** – created to account for the proceeds from the TSFC until the proceeds are transferred to other funds as prescribed by the legislature.

**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 (TSFC)** – created to securitize the tobacco settlement revenues from the State.

**R.I. Refunding Bond Authority (RIRBA)** – accounts for the refinancing and retirement of certain defeased debt of the Depositors Economic Protection Corporation (DEPCO), a blended component unit that was liquidated in 2004.

**Debt Service Fund** – accounts for funds received from the RIRBA pursuant to law for debt service.

**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, 2015**  
**(Expressed in Thousands)**

	Special Revenue					
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corporation	Tobacco Settlement Financing Trust	Total Special Revenue Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 702	\$ 105,968	\$ 4,107	\$ 90	\$	\$ 110,867
Funds on deposit with fiscal agent			74,813			74,813
Restricted cash equivalents						
Receivables (net)		46,549				46,549
Due from other funds						
Loans to other funds						
Total assets	\$ 702	\$ 152,517	\$ 78,920	\$ 90	\$	\$ 232,229
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	1	52				53
Due to other funds		647				647
Due to component units						
Loans from other funds			5,788			5,788
Other liabilities		246				246
Total liabilities	1	945	5,788			6,734
<b>Fund balances</b>						
Nonspendable						
Restricted	701	151,572	73,132			225,405
Unrestricted						
Committed				90		90
Assigned						
Total fund balances	701	151,572	73,132	90		225,495
Total liabilities and fund balances	\$ 702	\$ 152,517	\$ 78,920	\$ 90	\$	\$ 232,229

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Capital Project</b>				
	<b>Bond Capital</b>	<b>R.I. Capital Plan</b>	<b>R.I. Clean Water Act Environmental Trust</b>	<b>Certificates of Participation</b>	<b>Total Capital Project Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 101,854	\$ 55,872	\$ 5,294	\$	\$ 163,020
Funds on deposit with fiscal agent				42,043	42,043
Restricted cash equivalents					
Receivables (net)					
Due from other funds	605			178	783
Loans to other funds		102,541			102,541
	<b>\$ 102,459</b>	<b>\$ 158,413</b>	<b>\$ 5,294</b>	<b>\$ 42,221</b>	<b>\$ 308,387</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	10,658	13,062		3,434	27,154
Due to other funds		4,527			4,527
Due to component units	934	8,000		7,909	16,843
Loans from other funds	6,600			8	6,608
Other liabilities	67	250			317
	<b>18,259</b>	<b>25,839</b>	<b></b>	<b>11,351</b>	<b>55,449</b>
<b>Fund balances</b>					
Nonspendable					
Restricted	84,200	132,574	5,294	30,870	252,938
Unrestricted					
Committed					
Assigned					
	<b>84,200</b>	<b>132,574</b>	<b>5,294</b>	<b>30,870</b>	<b>252,938</b>
Total liabilities and fund balances	<b>\$ 102,459</b>	<b>\$ 158,413</b>	<b>\$ 5,294</b>	<b>\$ 42,221</b>	<b>\$ 308,387</b>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<u>Debt Service</u>			<u>Permanent</u>		
	<u>Tobacco Settlement Financing Corporation</u>	<u>Debt Service</u>	<u>RI Refunding Bond Authority</u>	<u>Total Debt Service Funds</u>	<u>Permanent School</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 1,064	\$ 1,483	\$	\$ 2,547	\$ 2,204	\$ 278,638
Funds on deposit with fiscal agent						116,856
Restricted cash equivalents	52,374			52,374		52,374
Receivables (net)	23,958			23,958		70,507
Due from other funds						783
Loans to other funds						102,541
Total assets	<u>\$ 77,396</u>	<u>\$ 1,483</u>	<u>\$</u>	<u>\$ 78,879</u>	<u>\$ 2,204</u>	<u>\$ 621,699</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable					249	27,456
Due to other funds		1,483		1,483		6,657
Due to component units						16,843
Loans from other funds						12,396
Other liabilities						563
Total liabilities		<u>1,483</u>		<u>1,483</u>	<u>249</u>	<u>63,915</u>
<b>Fund balances</b>						
Nonspendable					174	174
Restricted	52,374			52,374	1,781	532,498
Unrestricted						
Committed						90
Assigned	25,022			25,022		25,022
Total fund balances	<u>77,396</u>			<u>77,396</u>	<u>1,955</u>	<u>557,784</u>
Total liabilities and fund balances	<u>\$ 77,396</u>	<u>\$ 1,483</u>	<u>\$</u>	<u>\$ 78,879</u>	<u>\$ 2,204</u>	<u>\$ 621,699</u>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>Special Revenue</b>					
	<b>Coastal Resources Management Council Dredge</b>	<b>R.I. Temporary Disability</b>	<b>Historic Tax Credit</b>	<b>R.I. Public Rail Corporation</b>	<b>Tobacco Settlement Financing Trust</b>	<b>Total Special Revenue Funds</b>
<b>Revenues:</b>						
Taxes	\$	\$ 176,982	\$	\$	\$	\$ 176,982
Licenses, fines, sales, and services	72		955	27		1,054
Income from investments		242	4			246
Other revenues						
Total revenues	72	177,224	959	27		178,282
<b>Expenditures:</b>						
Current:						
General government		179,062				179,062
Education						
Natural resources	44					44
Transportation				1,702		1,702
Capital outlays						
Debt service:						
Principal						
Interest and other charges			187			187
Total expenditures	44	179,062	187	1,702		180,995
Excess (deficiency) of revenues over (under) expenditures	28	(1,838)	772	(1,675)		(2,713)
<b>Other financing sources (uses)</b>						
Bonds and notes issued			75,000			75,000
Proceeds from refundings and other escrow assets						
Proceeds from the sale of Certificates of Participation						
Premium						
Transfers in				1,686	31,342	33,028
Payment to refunded bonds and other escrow agent						
Proceeds from termination of investment contracts						
Transfers out		(1,822)	(8,126)		(31,342)	(41,290)
Total other financing sources (uses)		(1,822)	66,874	1,686		66,738
Special items						
Net change in fund balances	28	(3,660)	67,646	11		64,025
Fund balances - beginning	673	155,232	5,486	79		161,470
Fund balances - ending	\$ 701	\$ 151,572	\$ 73,132	\$ 90	\$	\$ 225,495

(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, 2015**  
**(Expressed in Thousands)**

	<b>Capital Projects</b>				
	<b>Bond Capital</b>	<b>R.I. Capital Plan</b>	<b>R.I. Clean Water Act Environmental Trust</b>	<b>Certificates of Participation</b>	<b>Total Capital Project Funds</b>
<b>Revenues:</b>					
Taxes	\$	\$	\$	\$	\$
Licenses, fines, sales, and services					
Income from investments	144	104	7	21	276
Other revenues					
Total revenues	144	104	7	21	276
<b>Expenditures:</b>					
Current:					
General government					
Education					
Natural resources					
Transportation					
Capital outlays	65,730	81,454	5	24,280	171,469
Debt service:					
Principal				2,214	2,214
Interest and other charges	1,287			1,455	2,742
Total expenditures	67,017	81,454	5	27,949	176,425
Excess (deficiency) of revenues over (under) expenditures	(66,873)	(81,350)	2	(27,928)	(176,149)
<b>Other financing sources (uses)</b>					
Bonds and notes issued	46,125				46,125
Proceeds from refundings and other escrow assets	162,115				162,115
Proceeds from the sale of Certificates of Participation				49,495	49,495
Premium	42,117			6,653	48,770
Transfers in		108,916		2,028	110,944
Payment to refunded bonds and other escrow agent	(196,740)				(196,740)
Proceeds from termination of investment contracts					
Transfers out	(11,644)	(19,458)			(31,102)
Total other financing sources (uses)	41,973	89,458		58,176	189,607
Special items					
Net change in fund balances	(24,900)	8,108	2	30,248	13,458
Fund balances - beginning	109,100	124,466	5,292	622	239,480
Fund balances - ending	\$ 84,200	\$ 132,574	\$ 5,294	\$ 30,870	\$ 252,938

(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, 2015**  
**(Expressed in Thousands)**

	Debt Service			Permanent		
	Tobacco Settlement Financing Corporation	Debt Service	RI Refunding Bond Authority	Total Debt Service Funds	Permanent School	Total Nonmajor Governmental Funds
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	176,982
Licenses, fines, sales, and services					239	1,293
Income from investments	1,436			1,436	2	1,960
Other revenues	45,060			45,060		45,060
Total revenues	46,496			46,496	241	225,295
<b>Expenditures:</b>						
Current:						
General government	126			126		179,188
Education					300	300
Natural resources						44
Transportation						1,702
Capital outlays						171,469
Debt service:						
Principal	25,520	1,527		27,047		29,261
Interest and other charges	58,685		170	58,855		61,784
Total expenditures	84,331	1,527	170	86,028	300	443,748
Excess (deficiency) of revenues over (under) expenditures	(37,835)	(1,527)	(170)	(39,532)	(59)	(218,453)
<b>Other financing sources (uses)</b>						
Bonds and notes issued						121,125
Proceeds from refundings and other escrow assets	620,935		47,089	668,024		830,139
Proceeds from the sale of Certificates of Participation						49,495
Premium	33,783			33,783		82,553
Transfers in		1,527		1,527		145,499
Payment to refunded bonds and other escrow agent	(624,036)		(45,392)	(669,428)		(866,168)
Proceeds from termination of investment contracts	26,361			26,361		26,361
Transfers out			(1,527)	(1,527)		(73,919)
Total other financing sources (uses)	57,043	1,527	170	58,740		315,085
Special items	(36,342)			(36,342)		(36,342)
Net change in fund balances	(17,134)			(17,134)	(59)	60,290
Fund balances - beginning	94,530			94,530	2,014	497,494
Fund balances - ending	\$ 77,396	\$	\$	\$ 77,396	\$ 1,955	\$ 557,784

(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, 2015**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
<b>* Revenues:</b>				
Taxes	\$ 176,982	\$ 176,982	\$ 176,982	\$
Other Revenues	242	242	242	
Total Revenues	<u>177,224</u>	<u>177,224</u>	<u>177,224</u>	
<b>Expenditures:</b>				
Department of Labor and Training	198,486	190,582	180,683	9,899
Treasury Department	221	219	201	18
Total Expenditures	<u>\$ 198,707</u>	<u>\$ 190,801</u>	<u>\$ 180,884</u>	<u>\$ 9,917</u>
Net change in fund balance			(3,660)	
* Fund balance - beginning			155,232	
Fund balance - ending			<u>\$ 151,572</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 provision 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 telecommunication services for the State and processes all of the telephone bills for the State and charges the expending department/agency.

**Automotive Maintenance** – approves work orders, pays the corresponding bills for the State's motor vehicle 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 the expenses incurred from the disposition of State surplus property.

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

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

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

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

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>	<b>Correctional Industries</b>
<b>Assets:</b>							
Current assets:							
Cash and cash equivalents	\$ 1,031	\$ 632	\$ 421	\$ 131	\$ 1,196	\$ 2,746	\$ 560
Receivables (net)	2,364	231	421	437	394	34	965
Due from other funds		157				218	141
Inventories			326		310	611	1,864
Other assets					(1)		
Total current assets	<u>3,395</u>	<u>1,020</u>	<u>747</u>	<u>568</u>	<u>1,899</u>	<u>3,609</u>	<u>3,530</u>
Noncurrent assets:							
Capital assets (net)	17				44	2,491	238
Total noncurrent assets	<u>17</u>				<u>44</u>	<u>2,491</u>	<u>238</u>
Total assets	<u>3,412</u>	<u>1,020</u>	<u>747</u>	<u>568</u>	<u>1,943</u>	<u>6,100</u>	<u>3,768</u>
<b>Liabilities:</b>							
Current liabilities:							
Accounts payable	423	231	71	95	411	475	762
Due to other funds	242		335		361		
Loans from other funds	2,650	794	747	821			1,050
Other liabilities	2,015	6	168	121	49	129	255
Total current liabilities	<u>5,330</u>	<u>1,031</u>	<u>1,321</u>	<u>1,037</u>	<u>821</u>	<u>604</u>	<u>2,067</u>
<b>Net Position (Deficit):</b>							
Net investment in capital assets	17				44	2,491	238
Unrestricted	(1,935)	(11)	(574)	(469)	1,078	3,005	1,463
Total net position (deficit)	<u>\$ (1,918)</u>	<u>\$ (11)</u>	<u>\$ (574)</u>	<u>\$ (469)</u>	<u>\$ 1,122</u>	<u>\$ 5,496</u>	<u>\$ 1,701</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Surplus Property</b>	<b>Records Center</b>	<b>Health Insurance Active</b>	<b>State Fleet Replacement Revolving Loan</b>	<b>Capitol Police</b>	<b>Total</b>
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 69	\$ 282	\$ 26,360	\$ 5,695	\$	\$ 38,571
Receivables (net)		79	600	5,268		10,487
Due from other funds			2			955
Inventories						3,111
Other assets			5,994			5,993
Total current assets	69	361	32,956	10,963		59,117
Noncurrent assets:						
Capital assets (net)						2,790
Total noncurrent assets						2,790
Total assets	69	361	32,956	10,963		61,907
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	1	25	18,632			21,126
Due to other funds				273		1,211
Loans from other funds		360			48	6,470
Other liabilities		49	600			3,392
Total current liabilities	1	434	19,232	273	48	32,199
<b>Net Position (Deficit):</b>						
Net investment in capital assets						2,790
Unrestricted	68	(73)	13,724	10,690	(48)	26,918
Total net position (deficit)	\$ 68	\$ (73)	\$ 13,724	\$ 10,690	\$ (48)	\$ 29,708

(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, 2015**  
**(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>
<b>Operating revenues:</b>							
Charges for services	\$ 39,696	\$ 17,550	\$ 5,509	\$ 2,638	\$ 12,178	\$ 5,748	\$ 3,988
Total operating revenues	<u>39,696</u>	<u>17,550</u>	<u>5,509</u>	<u>2,638</u>	<u>12,178</u>	<u>5,748</u>	<u>3,988</u>
<b>Operating expenses:</b>							
Personal services	6,467		1,000	1,012	606	887	1,510
Supplies, materials, and services	33,755	17,548	4,813	1,825	11,339	4,595	2,133
Depreciation	5				32	95	38
Total operating expenses	<u>40,227</u>	<u>17,548</u>	<u>5,813</u>	<u>2,837</u>	<u>11,977</u>	<u>5,577</u>	<u>3,681</u>
Operating income (loss)	<u>(531)</u>	<u>2</u>	<u>(304)</u>	<u>(199)</u>	<u>201</u>	<u>171</u>	<u>307</u>
<b>Nonoperating revenues (expenses):</b>							
Interest revenue	1						
Other nonoperating revenues and (expenses)	16						
Change in net position	<u>(514)</u>	<u>2</u>	<u>(304)</u>	<u>(199)</u>	<u>201</u>	<u>171</u>	<u>307</u>
Net position (deficit) - beginning	<u>(1,404)</u>	<u>(13)</u>	<u>(270)</u>	<u>(270)</u>	<u>921</u>	<u>5,325</u>	<u>1,394</u>
Net position (deficit) - ending	<u>\$ (1,918)</u>	<u>\$ (11)</u>	<u>\$ (574)</u>	<u>\$ (469)</u>	<u>\$ 1,122</u>	<u>\$ 5,496</u>	<u>\$ 1,701</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, 2015**  
**(Expressed in Thousands)**

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance Active</u>	<u>State Fleet Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
<b>Operating revenues:</b>						
Charges for services	\$	\$ 844	\$ 215,563	\$ 58	\$ 989	\$ 304,761
Total operating revenues		844	215,563	58	989	304,761
<b>Operating expenses:</b>						
Personal services		432			941	12,855
Supplies, materials, and services	2	385	221,513		6	297,914
Depreciation						170
Total operating expenses	2	817	221,513		947	310,939
Operating income (loss)	(2)	27	(5,950)	58	42	(6,178)
<b>Nonoperating revenues (expenses):</b>						
Interest revenue			38	16		55
Other nonoperating revenues and (expenses)						16
Change in net position	(2)	27	(5,912)	74	42	(6,107)
Net position (deficit) - beginning	70	(100)	19,636	10,616	(90)	35,815
Net position (deficit) - ending	\$ 68	\$ (73)	\$ 13,724	\$ 10,690	\$ (48)	\$ 29,708

(Concluded)



**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>Assessed Fringe Benefits</b>	<b>Central Utilities</b>	<b>Central Mail</b>	<b>State Tele- communications</b>	<b>Automotive Maintenance</b>	<b>Central Warehouse</b>	<b>Correctional Industries</b>
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$ 39,117	\$ 17,551	\$ 5,959	\$ 2,108	\$ 12,372	\$ 5,745	\$ 4,135
Cash payments to suppliers for goods and services	(33,526)	(18,425)	(4,901)	(1,769)	(11,262)	(4,574)	(2,977)
Cash payments to employees	(5,316)	(2)	(1,020)	(1,010)	(637)	(876)	(1,509)
Other operating revenue (expense)	16						
Net cash provided by (used for) operating activities	<u>291</u>	<u>(876)</u>	<u>38</u>	<u>(671)</u>	<u>473</u>	<u>295</u>	<u>(351)</u>
<b>Cash flows from noncapital financing activities:</b>							
Loans from other funds	1,000	2,422	749	820	305		1,050
Loans to other funds							
Repayment of loans to other funds							
Repayment of loans from other funds	(3,000)	(2,616)	(787)	(149)	(305)		
Net cash provided by (used for) noncapital financing activities	<u>(2,000)</u>	<u>(194)</u>	<u>(38)</u>	<u>671</u>			<u>1,050</u>
<b>Cash flows from capital and related financing activities:</b>							
Acquisition of capital assets						(12)	(182)
Net cash provided by (used for) capital and related financing activities						<u>(12)</u>	<u>(182)</u>
<b>Cash flows from investing activities:</b>							
Interest on investments	1						
Net cash provided by (used for) investing activities	<u>1</u>						
Net increase (decrease) in cash and cash equivalents	(1,708)	(1,070)			473	283	517
Cash and cash equivalents - July 1	2,739	1,702			723	2,463	43
Cash and cash equivalents - June 30	<u>\$ 1,031</u>	<u>\$ 632</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,196</u>	<u>\$ 2,746</u>	<u>\$ 560</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(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>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>							
Operating income (loss)	\$ (531)	\$ 2	\$ (304)	\$ (199)	\$ 201	\$ 171	\$ 307
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>							
Depreciation	5				32	95	38
Other revenue (expense) and transfers in (out)	16						
(Increase) decrease in assets:							
Receivables	(611)	1	116	(529)	28	(3)	147
Inventory			(99)		105	(105)	(1,201)
Increase (decrease) in liabilities:							
Accounts payable	261	(877)	345	55	138	126	357
Accrued expenses	1,151	(2)	(20)	2	(31)	11	1
Total adjustments	<u>822</u>	<u>(878)</u>	<u>342</u>	<u>(472)</u>	<u>272</u>	<u>124</u>	<u>(658)</u>
Net cash provided by (used for) operating activities	<u>\$ 291</u>	<u>\$ (876)</u>	<u>\$ 38</u>	<u>\$ (671)</u>	<u>\$ 473</u>	<u>\$ 295</u>	<u>\$ (351)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>Surplus Property</b>	<b>Records Center</b>	<b>Health Insurance Active</b>	<b>State Fleet Replacement Revolving Loan</b>	<b>Capitol Police</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$	\$ 850	\$ 214,957	\$ 146	\$ 1,466	\$ 304,406
Cash payments to suppliers for goods and services		(1)	(387)	(218,611)		(296,433)
Cash payments to employees			(448)		(1,027)	(11,845)
Other operating revenue (expense)						16
Net cash provided by (used for) operating activities		(1)	15	(3,654)	146	439
<b>Cash flows from noncapital financing activities:</b>						
Loans from other funds			60		47	6,453
Loans to other funds				(5,590)		(5,590)
Repayment of loans to other funds				3,453		3,453
Repayment of loans from other funds					(486)	(7,343)
Net cash provided by (used for) noncapital financing activities			60	(2,137)	(439)	(3,027)
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets						(194)
Net cash provided by (used for) capital and related financing activities						(194)
<b>Cash flows from investing activities:</b>						
Interest on investments			39	15		55
Net cash provided by (used for) investing activities			39	15		55
Net increase (decrease) in cash and cash equivalents	(1)	75	(3,615)	(1,976)		(7,022)
Cash and cash equivalents - July 1	70	207	29,975	7,671		45,593
Cash and cash equivalents - June 30	\$ 69	\$ 282	\$ 26,360	\$ 5,695	\$	\$ 38,571

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance Active</u>	<u>State Fleet Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ (2)	\$ 27	\$ (5,950)	\$ 58	\$ 42	\$ (6,178)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation						170
Other revenue (expense) and transfers in (out)						16
(Increase) decrease in assets:						
Receivables		6	(600)	88	478	(879)
Inventory						(1,300)
Increase (decrease) in liabilities:						
Accounts payable	1	(2)	2,896			3,300
Accrued expenses		(16)			(81)	1,015
Total adjustments	<u>1</u>	<u>(12)</u>	<u>2,296</u>	<u>88</u>	<u>397</u>	<u>2,322</u>
Net cash provided by (used for) operating activities	<u>\$ (1)</u>	<u>\$ 15</u>	<u>\$ (3,654)</u>	<u>\$ 146</u>	<u>\$ 439</u>	<u>\$ (3,856)</u>

(Concluded)

## Trust Funds

### Pension Trust Funds

**Pension Trust Funds** – used to report resources that are required to be held 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 State judges appointed before January 1, 1990.

**Teachers' Survivors Benefit Plan** – a multiple-employer, cost-sharing plan that provides a survivor benefit to certain public school teachers in lieu of Social Security, since not all school districts participate in Social Security.

**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, correctional 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.

**FICA Alternative Retirement Income Security Program** – a money purchase plan that operates under Section 401 (a) of the Internal Revenue Code. The plan covers any part-time, seasonal, or temporary employees of the State of Rhode Island hired after July 1, 2013, who are ineligible for participation in the Employees' Retirement System of Rhode Island (ERSRI).

### Other Employee Benefit 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 Commerce 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 Employee Benefits Trust Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Other Employee Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,632	\$ 6,026	\$ 11,658
Advance held by claims processing agent		775	775
Receivables			
Contributions	33,666	2,142	35,808
Due from state for teachers	17,656		17,656
Due from other plans	335		335
Miscellaneous	997		997
Total receivables	52,654	2,142	54,796
Prepaid expenses	4,194		4,194
Investments, at fair value			
Equity in pooled trust	7,968,196	142,245	8,110,441
Other	411,231		411,231
Total investments	8,379,427	142,245	8,521,672
Total assets	8,441,907	151,188	8,593,095
<b>Liabilities</b>			
Accounts payable	5,447	779	6,226
Due to other plans	335		335
Incurred but not reported claims		1,838	1,838
Other		1,185	1,185
Total liabilities	5,782	3,802	9,584
Net position held in trust for pension and other postemployment benefits	\$ 8,436,125	\$ 147,386	\$ 8,583,511

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Other Employee Benefits Trust</b>	<b>Totals</b>
<b>Additions</b>			
Contributions			
Member contributions	\$ 181,903	\$ 9,421	\$ 191,324
Employer contributions	369,382	58,694	428,076
Supplemental employer contributions	414		414
State contributions for teachers	84,944		84,944
Interest on service credits purchased	290		290
Service credit transfer payments	38		38
Total contributions	<u>636,971</u>	<u>68,115</u>	<u>705,086</u>
Amortization of advance contributions		3,033	3,033
Other income		1,380	1,380
Investment income			
Net appreciation in fair value of investments	133,896	5,257	139,153
Interest	57,408	1,211	58,619
Dividends	14,008		14,008
Other investment income	8,600		8,600
	<u>213,912</u>	<u>6,468</u>	<u>220,380</u>
Less investment expense	14,211	82	14,293
Net income from investing activities	<u>199,701</u>	<u>6,386</u>	<u>206,087</u>
Total additions	<u>836,672</u>	<u>78,914</u>	<u>915,586</u>
<b>Deductions</b>			
Retirement benefits	899,296		899,296
Death benefits	4,009		4,009
Distributions	5,333		5,333
Refund of contributions	10,220		10,220
Administrative expense	9,154	95	9,249
Service credit transfers	38		38
OPEB benefits		41,107	41,107
Total deductions	<u>928,050</u>	<u>41,202</u>	<u>969,252</u>
Change in net position	(91,378)	37,712	(53,666)
Net position held in trust for pension and other postemployment benefits			
Net position - beginning	8,527,503	109,674	8,637,177
Net position - ending	<u>\$ 8,436,125</u>	<u>\$ 147,386</u>	<u>\$ 8,583,511</u>

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Judicial Retirement Fund Trust</b>	<b>Teachers' Survivors Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>FICA Alternative Retirement Program</b>	<b>Totals</b>
<b>Assets</b>									
Cash and cash equivalents	\$ 4,346	\$ 996	\$ 135	\$ 117	\$ 38	\$	\$	\$	\$ 5,632
Receivables									
Contributions	29,485	3,851	183	141	6				33,666
Due from state for teachers	17,656								17,656
Due from other plans						335			335
Miscellaneous	902	95							997
Total receivables	<u>48,043</u>	<u>3,946</u>	<u>183</u>	<u>141</u>	<u>6</u>	<u>335</u>			<u>52,654</u>
Prepaid expenses	3,262	701	54	27		150			4,194
Investments, at fair value									
Equity in Pooled Trust	6,113,253	1,387,314	114,584	59,250	442	293,353			7,968,196
Other-Defined Contribution Plan							410,776	455	411,231
Total investments	<u>6,113,253</u>	<u>1,387,314</u>	<u>114,584</u>	<u>59,250</u>	<u>442</u>	<u>293,353</u>	<u>410,776</u>	<u>455</u>	<u>8,379,427</u>
Total assets	<u>6,168,904</u>	<u>1,392,957</u>	<u>114,956</u>	<u>59,535</u>	<u>486</u>	<u>293,838</u>	<u>410,776</u>	<u>455</u>	<u>8,441,907</u>
<b>Liabilities</b>									
Accounts payable	4,613	732	51	25		26			5,447
Due to other plans	335								335
Total liabilities	<u>4,948</u>	<u>732</u>	<u>51</u>	<u>25</u>		<u>26</u>			<u>5,782</u>
Net position held in trust for pension benefits	<u>\$ 6,163,956</u>	<u>\$ 1,392,225</u>	<u>\$ 114,905</u>	<u>\$ 59,510</u>	<u>\$ 486</u>	<u>\$ 293,812</u>	<u>\$ 410,776</u>	<u>\$ 455</u>	<u>\$ 8,436,125</u>



**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, 2015**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Judicial Retirement Fund Trust</b>	<b>Teachers' Survivors Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>FICA Alternative Retirement Program</b>	<b>Totals</b>
<b>Additions</b>									
Contributions									
Member contributions	\$ 64,949	\$ 11,592	\$ 1,732	\$ 1,121	\$ 159	\$ 603	\$ 101,336	\$ 411	\$ 181,903
Employer contributions	289,838	44,577	3,432	2,709		603	28,223		369,382
Supplemental employer contributions	414								414
State contributions for teachers	84,944								84,944
Interest on service credits purchased	242	45	3						290
Service credit transfer payments	38								38
Total contributions	<u>440,425</u>	<u>56,214</u>	<u>5,167</u>	<u>3,830</u>	<u>159</u>	<u>1,206</u>	<u>129,559</u>	<u>411</u>	<u>636,971</u>
Investment income									
Net appreciation in fair value of investments	95,322	21,441	1,754	904	6	4,552	9,917		133,896
Interest	44,245	9,867	797	410	3	2,086			57,408
Dividends	10,389	2,317	187	96	1	489	529		14,008
Other investment income	6,617	1,474	118	60		308	14	9	8,600
	<u>156,573</u>	<u>35,099</u>	<u>2,856</u>	<u>1,470</u>	<u>10</u>	<u>7,435</u>	<u>10,460</u>	<u>9</u>	<u>213,912</u>
Less investment expense	10,967	2,456	200	103	1	484			14,211
Net income from investing activities	<u>145,606</u>	<u>32,643</u>	<u>2,656</u>	<u>1,367</u>	<u>9</u>	<u>6,951</u>	<u>10,460</u>	<u>9</u>	<u>199,701</u>
Total additions	<u>586,031</u>	<u>88,857</u>	<u>7,823</u>	<u>5,197</u>	<u>168</u>	<u>8,157</u>	<u>140,019</u>	<u>420</u>	<u>836,672</u>
<b>Deductions</b>									
Retirement benefits	800,245	86,998	2,500	1,802		7,751			899,296
Death benefits	3,322	679		8					4,009
Distributions							5,333		5,333
Refund of contributions	8,618	1,361				241			10,220
Administrative expense	6,071	1,303	100	50		275	1,298	57	9,154
Service credit transfers		38							38
Total deductions	<u>818,256</u>	<u>90,379</u>	<u>2,600</u>	<u>1,860</u>		<u>8,267</u>	<u>6,631</u>	<u>57</u>	<u>928,050</u>
Net increase	<u>(232,225)</u>	<u>(1,522)</u>	<u>5,223</u>	<u>3,337</u>	<u>168</u>	<u>(110)</u>	<u>133,388</u>	<u>363</u>	<u>(91,378)</u>
Net position held in trust for pension benefits									
Net position - beginning	6,396,181	1,393,747	109,682	56,173	318	293,922	277,388	92	8,527,503
Net position - ending	<u>\$ 6,163,956</u>	<u>\$ 1,392,225</u>	<u>\$ 114,905</u>	<u>\$ 59,510</u>	<u>\$ 486</u>	<u>\$ 293,812</u>	<u>\$ 410,776</u>	<u>\$ 455</u>	<u>\$ 8,436,125</u>

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**June 30, 2015**  
**(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>
<b>Assets</b>							
Cash and cash equivalents	\$ 3,936	\$ 681	\$ 145	\$ 730	\$ 208	\$ 326	\$ 6,026
Advance held by claims processing agent	775						775
Receivables							
Contributions receivable	1,733		1	271		137	2,142
Investments at fair value - equity in pooled trust	92,549	6,538	2,823	23,104	2,393	14,838	142,245
Total assets	98,993	7,219	2,969	24,105	2,601	15,301	151,188
<b>Liabilities</b>							
Accounts payable	575	44	11	106	7	36	779
Incurred but not reported claims	1,340	256	16	142	24	60	1,838
Other	1,185						1,185
Total liabilities	3,100	300	27	248	31	96	3,802
Net position held in trust for other postemployment benefits	\$ 95,893	\$ 6,919	\$ 2,942	\$ 23,857	\$ 2,570	\$ 15,205	\$ 147,386

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>State Employees</b>	<b>Teachers</b>	<b>Judicial</b>	<b>State Police</b>	<b>Legislators</b>	<b>Board of Education</b>	<b>Totals</b>
<b>Additions</b>							
Contributions							
Member contributions	\$ 5,081	\$ 2,124	\$ 387	\$ 249	\$ 228	\$ 1,352	\$ 9,421
Employer contributions	45,695	2,321	13	8,135		2,530	58,694
Total contributions	<u>50,776</u>	<u>4,445</u>	<u>400</u>	<u>8,384</u>	<u>228</u>	<u>3,882</u>	<u>68,115</u>
Amortization of advance contributions	2,074	478				481	3,033
Other income	1,067	136	23	101	25	28	1,380
Investment income							
Net appreciation in fair value of investments	3,373	261	120	816	112	575	5,257
Interest and dividends	780	60	26	191	24	130	1,211
	<u>4,153</u>	<u>321</u>	<u>146</u>	<u>1,007</u>	<u>136</u>	<u>705</u>	<u>6,468</u>
Less investment expense	(52)	(4)	(2)	(13)	(2)	(9)	(82)
Net investment income	<u>4,101</u>	<u>317</u>	<u>144</u>	<u>994</u>	<u>134</u>	<u>696</u>	<u>6,386</u>
Total additions	<u>58,018</u>	<u>5,376</u>	<u>567</u>	<u>9,479</u>	<u>387</u>	<u>5,087</u>	<u>78,914</u>
<b>Deductions</b>							
Benefits	32,091	3,879	382	2,547	393	1,815	41,107
Administrative expense	76	6	1	2	1	9	95
Total deductions	<u>32,167</u>	<u>3,885</u>	<u>383</u>	<u>2,549</u>	<u>394</u>	<u>1,824</u>	<u>41,202</u>
Net increase (decrease)	25,851	1,491	184	6,930	(7)	3,263	37,712
Net position held in trust for other postemployment benefits							
Net position - beginning	70,042	5,428	2,758	16,927	2,577	11,942	109,674
Net position - ending	<u>\$ 95,893</u>	<u>\$ 6,919</u>	<u>\$ 2,942</u>	<u>\$ 23,857</u>	<u>\$ 2,570</u>	<u>\$ 15,205</u>	<u>\$ 147,386</u>

## Agency Funds

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

**HealthSource RI Trust**– accounts for health and dental insurance premium payments from qualified employers and individuals, and payments for such premiums to issuers of qualified health and dental insurance plans offered through HealthSource RI.

**RIPTA Health** – accounts for 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**  
**June 30, 2015**  
**(Expressed in Thousands)**

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>
<b>HealthSource RI Trust</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 820	\$ 65,062	\$ 63,947	\$ 1,935
Receivables	14		14	
<b>Total assets</b>	<b>\$ 834</b>	<b>\$ 65,062</b>	<b>\$ 63,961</b>	<b>\$ 1,935</b>
<b>Liabilities</b>				
Deposits held for others	\$ 782	\$ 64,772	\$ 63,715	\$ 1,839
Accounts payable	52	290	246	96
<b>Total liabilities</b>	<b>\$ 834</b>	<b>\$ 65,062</b>	<b>\$ 63,961</b>	<b>\$ 1,935</b>
<b>RIPTA Health Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 689	\$ 15,002	\$ 14,212	\$ 1,479
Receivables	2,932	2,881	2,932	2,881
<b>Total assets</b>	<b>\$ 3,621</b>	<b>\$ 17,883</b>	<b>\$ 17,144</b>	<b>\$ 4,360</b>
<b>Liabilities</b>				
Deposits held for others	\$ 681	\$ 503	\$	\$ 1,184
Accounts payable	2,940	14,857	14,621	3,176
<b>Total liabilities</b>	<b>\$ 3,621</b>	<b>\$ 15,360</b>	<b>\$ 14,621</b>	<b>\$ 4,360</b>
<b>Statutory Deposits</b>				
<b>Assets</b>				
Deposits held as security for entities doing business in the State	\$ 58,207	\$ 16	\$ 3,382	\$ 54,841
<b>Total assets</b>	<b>\$ 58,207</b>	<b>\$ 16</b>	<b>\$ 3,382</b>	<b>\$ 54,841</b>
<b>Liabilities</b>				
Deposits held for others	\$ 58,207	\$ 16	\$ 3,382	\$ 54,841
<b>Total liabilities</b>	<b>\$ 58,207</b>	<b>\$ 16</b>	<b>\$ 3,382</b>	<b>\$ 54,841</b>
<b>Court Deposits</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 16,776	\$ 12,234	\$ 16,421	\$ 12,589
Receivables	212	5,069	5,281	
<b>Total assets</b>	<b>\$ 16,988</b>	<b>\$ 17,303</b>	<b>\$ 21,702</b>	<b>\$ 12,589</b>
<b>Liabilities</b>				
Deposits held for others	\$ 16,986	\$ 33,057	\$ 37,465	\$ 12,578
Accounts payable	2	337	328	11
<b>Total liabilities</b>	<b>\$ 16,988</b>	<b>\$ 33,394</b>	<b>\$ 37,793</b>	<b>\$ 12,589</b>
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 18,285	\$ 92,298	\$ 94,580	\$ 16,003
Deposits held as security for entities doing business in the State	58,207	16	3,382	54,841
Receivables	3,158	7,950	8,227	2,881
<b>Total assets</b>	<b>\$ 79,650</b>	<b>\$ 100,264</b>	<b>\$ 106,189</b>	<b>\$ 73,725</b>
<b>Liabilities</b>				
Deposits held for others	\$ 76,656	\$ 98,348	\$ 104,562	\$ 70,442
Accounts payable	2,994	15,484	15,195	3,283
<b>Total liabilities</b>	<b>\$ 79,650</b>	<b>\$ 113,832</b>	<b>\$ 119,757</b>	<b>\$ 73,725</b>

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2015**  
**(Expressed in Thousands)**

	CFSD	The Met	RIHEAA	RIHMFC	RIIFC	RIIRBA	RIRRC	RIWRBC	QDC	Totals
<b>Assets</b>										
Current Assets:										
Cash and cash equivalents	\$ 4,711	\$ 8,517	\$ 28,737	\$ 4,454	\$ 119	\$ 2,556	\$ 32,280	\$	\$ 361	\$ 81,735
Investments			10,374							10,374
Receivables (net)	10	636	1,975	1,447	4	16	8,295		1,389	13,772
Restricted assets:										
Cash and cash equivalents			1,082	171,382	697				1,312	174,473
Investments				9,850						9,850
Receivables (net)				39						39
Other assets				42,573						42,573
Due from primary government	1,617	474							597	2,688
Due from other governments	1,481	260	329	686					291	3,047
Due from other component units					295	697			235	1,227
Inventories							3,476			3,476
Other assets	39	85	54	3,974	14	3	605		202	4,976
<b>Total current assets</b>	<b>7,858</b>	<b>9,972</b>	<b>42,551</b>	<b>234,405</b>	<b>1,129</b>	<b>3,272</b>	<b>44,656</b>		<b>4,387</b>	<b>348,230</b>
Noncurrent Assets:										
Investments										
Receivables (net)				11,266					127	11,393
Restricted assets:										
Cash and cash equivalents			630				3,679			4,309
Investments				223,770			84,319			308,089
Other assets	5,469			1,398,738					656	1,404,863
Capital assets - nondepreciable			194				28,920		57,320	86,434
Capital assets - depreciable (net)	2,803	277	1,372				45,420		115,667	165,539
Due from other component units									1,380	1,380
Other assets, net of amortization				154,638			609			155,247
<b>Total noncurrent assets</b>	<b>8,272</b>	<b>277</b>	<b>2,196</b>	<b>1,788,412</b>			<b>162,947</b>		<b>175,150</b>	<b>2,137,254</b>
<b>Total assets</b>	<b>16,130</b>	<b>10,249</b>	<b>44,747</b>	<b>2,022,817</b>	<b>1,129</b>	<b>3,272</b>	<b>207,603</b>		<b>179,537</b>	<b>2,485,484</b>
<b>Deferred outflows of resources</b>	<b>2,957</b>		<b>232</b>	<b>1,243</b>					<b>188</b>	<b>4,620</b>
<b>Liabilities</b>										
Current liabilities:										
Accounts payable	4,224	1,622	1,352	1,140	12	3	16,323		2,045	26,721
Due to other component units					706	994				1,700
Due to other governments										
Other liabilities		310	53	157,742			5,603			163,708
Current portion of long-term debt	256	38	423	98,912	8	463	3,828		2,355	106,283
<b>Total current liabilities</b>	<b>4,480</b>	<b>1,970</b>	<b>1,828</b>	<b>257,794</b>	<b>726</b>	<b>1,460</b>	<b>25,754</b>		<b>4,400</b>	<b>298,412</b>
Noncurrent liabilities:										
Due to other component units										
Unearned revenue			448		45	23			203	719
Notes payable				14,761			1,286			16,047
Loans payable		40						4,465		4,505
Obligations under capital leases	223							70		293
Net pension liability	26,184		2,985							29,169
Net OPEB obligation	6,978			3,707			652			11,337
Other liabilities			986	213,054		1,595	80,515			296,150
Compensated absences	1,086		123	1,348						2,557
Bonds payable				1,239,820			29,143		4,601	1,273,564
<b>Total noncurrent liabilities</b>	<b>34,471</b>	<b>40</b>	<b>4,542</b>	<b>1,472,690</b>	<b>45</b>	<b>1,618</b>	<b>111,596</b>		<b>9,339</b>	<b>1,634,341</b>
<b>Total liabilities</b>	<b>38,951</b>	<b>2,010</b>	<b>6,370</b>	<b>1,730,484</b>	<b>771</b>	<b>3,078</b>	<b>137,350</b>		<b>13,739</b>	<b>1,932,753</b>
<b>Deferred inflows of resources</b>	<b>4,672</b>		<b>261</b>						<b>492</b>	<b>5,425</b>
<b>Net position (deficit)</b>										
Net investment in capital assets	2,430	198	1,566	8,187			48,509		162,335	223,225
Restricted for:										
Debt				194,518						194,518
Other		21	36,782	1,625			2,064			40,492
Unrestricted	(26,966)	8,020		89,246	358	194	19,680		3,159	93,691
<b>Net position (deficit)</b>	<b>\$ (24,536)</b>	<b>\$ 8,239</b>	<b>\$ 38,348</b>	<b>\$ 293,576</b>	<b>\$ 358</b>	<b>\$ 194</b>	<b>\$ 70,253</b>	<b>\$</b>	<b>\$ 165,494</b>	<b>\$ 551,926</b>

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Activities**  
**Nonmajor Component Units**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<b>CFSD</b>	<b>The Met</b>	<b>RIHEAA</b>	<b>RIHMFC</b>	<b>RIIFC</b>	<b>RIIRBA</b>	<b>RIRRC</b>	<b>RIWRBC</b>	<b>QDC</b>	<b>Totals</b>
<b>Expenses</b>	\$ 48,938	\$ 15,164	\$ 16,580	\$ 98,363	\$ 71	\$ 405	\$ 63,108	\$ 45	\$ 11,440	\$ 254,114
<b>Program revenues:</b>										
Charges for services	3,363	4,505	16,947	89,550	60	349	53,667	794	12,008	181,243
Operating grants and contributions	46,529	12,472	147	6,128						65,276
Capital grants and contributions	205								1,181	1,386
Total program revenues	<u>50,097</u>	<u>16,977</u>	<u>17,094</u>	<u>95,678</u>	<u>60</u>	<u>349</u>	<u>53,667</u>	<u>794</u>	<u>13,189</u>	<u>247,905</u>
Net (Expenses) Revenues	1,159	1,813	514	(2,685)	(11)	(56)	(9,441)	749	1,749	(6,209)
<b>General revenues:</b>										
Interest and investment earnings		12	154	4,658		3	908	22	8	5,765
Miscellaneous revenues	20	12	121				3,192			3,345
Total general revenues	<u>20</u>	<u>24</u>	<u>275</u>	<u>4,658</u>		<u>3</u>	<u>4,100</u>	<u>22</u>	<u>8</u>	<u>9,110</u>
Special items								(1,357)		(1,357)
Change in net position	1,179	1,837	789	1,973	(11)	(53)	(5,341)	(586)	1,757	1,544
Net position (deficit) - beginning as restated	<u>(25,715)</u>	<u>6,402</u>	<u>37,559</u>	<u>291,603</u>	<u>369</u>	<u>247</u>	<u>75,594</u>	<u>586</u>	<u>163,737</u>	<u>550,382</u>
Net position (deficit) - ending	<u>\$ (24,536)</u>	<u>\$ 8,239</u>	<u>\$ 38,348</u>	<u>\$ 293,576</u>	<u>\$ 358</u>	<u>\$ 194</u>	<u>\$ 70,253</u>	<u>\$</u>	<u>\$ 165,494</u>	<u>\$ 551,926</u>

State of  
Rhode Island

# Statistical Section

*Comprehensive  
Annual Financial  
Report*

Fiscal Year Ended  
June 30, 2015



Slater Mill

By Rhode Island artist Liz McGrath



## 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.

	<u>Page</u>
<b>Financial Trends Information</b>	<b>194</b>
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
<b>Revenue Capacity Information</b>	<b>200</b>
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
<b>Debt Capacity Information</b>	<b>207</b>
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.	
<b>Demographic and Economic Information</b>	<b>209</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
<b>Operating Information</b>	<b>210</b>
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.

*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									
	2015	2014**	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net investment in capital assets	\$ 2,942,128	\$ 2,706,209	\$ 2,486,783	\$ 2,302,368	\$ 2,115,001	\$ 2,064,231	\$ 1,958,718	\$ 1,877,872	\$ 1,691,793	\$ 1,591,074
Restricted *	841,777	799,274	775,758	696,743	553,421	538,104	507,999	496,630	373,788	369,137
Unrestricted *	(4,380,484)	(4,454,382)	(1,436,799)	(1,458,163)	(1,529,992)	(1,644,279)	(1,622,296)	(1,498,314)	(1,082,664)	(929,476)
<b>Total governmental activities net position</b>	<b>\$ (596,579)</b>	<b>\$ (948,899)</b>	<b>\$ 1,825,742</b>	<b>\$ 1,540,948</b>	<b>\$ 1,138,430</b>	<b>\$ 958,056</b>	<b>\$ 844,421</b>	<b>\$ 876,188</b>	<b>\$ 982,917</b>	<b>\$ 1,030,735</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ (61,956)	\$ (62,060)	\$ (67,394)	\$ (64,492)	\$ (63,156)	\$ (61,806)	\$ (59,453)	\$ (60,902)	\$ (109,435)	\$ (131,941)
Restricted	155,682	33,795	8,340	9,308	11,036	13,161	20,130	198,928	294,395	302,689
Unrestricted	(21,312)	(19,991)	(86,571)	(157,396)	(159,388)	(122,955)	(7,251)	(15,345)	(16,616)	(10,691)
<b>Total business-type activities net position</b>	<b>\$ 72,414</b>	<b>\$ (48,256)</b>	<b>\$ (145,625)</b>	<b>\$ (212,580)</b>	<b>\$ (211,508)</b>	<b>\$ (171,600)</b>	<b>\$ (46,574)</b>	<b>\$ 122,681</b>	<b>\$ 168,344</b>	<b>\$ 160,057</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 2,880,172	\$ 2,644,149	\$ 2,419,389	\$ 2,237,876	\$ 2,051,845	\$ 2,002,425	\$ 1,899,265	\$ 1,816,970	\$ 1,582,358	\$ 1,459,133
Restricted	997,459	833,069	784,098	706,051	473,787	497,092	440,345	626,516	668,183	671,826
Unrestricted	(4,401,796)	(4,474,373)	(1,523,370)	(1,615,559)	(1,598,710)	(1,713,061)	(1,541,763)	(1,444,617)	(1,099,280)	(940,167)
<b>Total primary government net position</b>	<b>\$ (524,165)</b>	<b>\$ (997,155)</b>	<b>\$ 1,680,117</b>	<b>\$ 1,328,368</b>	<b>\$ 926,922</b>	<b>\$ 786,456</b>	<b>\$ 797,847</b>	<b>\$ 998,869</b>	<b>\$ 1,151,261</b>	<b>\$ 1,190,792</b>

\* Reclassifications from fiscal years 2010 through 2013 were made to conform with current presentation.

\*\* Restated

**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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental activities:										
General government	\$ 695,611	\$ 736,911	\$ 625,081	\$ 653,003	\$ 644,194	\$ 741,329	\$ 754,386	\$ 894,766	\$ 858,729	\$ 527,841
Human services	3,631,236	3,302,590	3,038,841	2,970,269	3,013,081	2,900,673	2,719,346	2,736,956	2,519,745	2,622,935
Education	1,472,786	1,399,347	1,364,575	1,334,355	1,332,453	1,273,985	1,278,391	1,361,310	1,320,384	287,119
Public safety	478,854	478,826	473,580	468,098	436,940	418,485	414,830	428,351	391,354	370,706
Natural resources	83,979	80,690	76,730	85,039	80,360	73,551	75,103	90,087	91,758	74,695
Transportation	283,085	298,626	300,639	268,523	300,366	305,460	324,007	240,644	281,518	323,517
Intergovernmental										1,213,050
Interest and other charges	121,845	129,421	129,714	145,964	148,850	142,924	136,737	133,298	107,211	92,121
Total governmental activities	<u>6,767,396</u>	<u>6,426,411</u>	<u>6,009,160</u>	<u>5,925,251</u>	<u>5,956,244</u>	<u>5,856,407</u>	<u>5,702,800</u>	<u>5,885,412</u>	<u>5,570,699</u>	<u>5,511,984</u>
Business-type activities:										
Lottery	484,293	462,153	397,625	399,421	368,870	358,127	356,046	365,333	342,662	355,444
Convention Center	48,628	49,255	48,437	49,439	32,986	50,732	48,764	41,007	42,859	37,862
Employment Security	167,527	257,145	396,909	559,440	645,979	783,878	573,288	259,246	210,060	197,724
Total business-type activities	<u>700,448</u>	<u>768,553</u>	<u>842,971</u>	<u>1,008,300</u>	<u>1,047,835</u>	<u>1,192,737</u>	<u>978,098</u>	<u>665,586</u>	<u>595,581</u>	<u>591,030</u>
Total primary government expenses	<u>\$ 7,467,844</u>	<u>\$ 7,194,964</u>	<u>\$ 6,852,131</u>	<u>\$ 6,933,551</u>	<u>\$ 7,004,079</u>	<u>\$ 7,049,144</u>	<u>\$ 6,680,898</u>	<u>\$ 6,550,998</u>	<u>\$ 6,166,280</u>	<u>\$ 6,103,014</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 209,005	\$ 212,275	\$ 220,376	\$ 212,750	\$ 185,918	\$ 179,646	\$ 168,210	\$ 178,590	\$ 132,152	\$ 146,575
Human services	246,604	229,047	227,158	204,287	210,905	198,555	187,973	167,241	125,901	127,738
Education	29,775	27,617	26,840	26,044	22,022	18,263	8,335	36,241	11,180	5,638
Public safety	39,709	44,192	47,075	37,339	34,389	35,272	32,770	36,194	49,821	53,851
Natural resources	29,258	27,259	28,975	26,060	29,046	29,746	31,385	31,753	31,932	27,487
Transportation	22,806	7,199	1,076	1,660	372	744	181	(207)	875	(561)
Operating grants and contributions	2,666,243	2,403,772	2,211,800	2,194,892	2,387,540	2,361,446	2,114,821	1,827,704	1,716,318	1,821,134
Capital grants and contributions	217,604	228,649	190,551	210,720	162,032	162,090	103,515	112,712	151,528	156,828
Total governmental activities program revenues	<u>3,461,004</u>	<u>3,180,010</u>	<u>2,953,851</u>	<u>2,913,752</u>	<u>3,032,224</u>	<u>2,985,762</u>	<u>2,647,190</u>	<u>2,390,228</u>	<u>2,219,707</u>	<u>2,338,690</u>
Business-type activities:										
Charges for services	1,163,752	1,127,206	1,055,070	1,056,285	985,556	947,825	913,333	923,694	883,893	894,042
Operating grants and contributions	839	53,146	166,164	278,671	358,932	418,270	194,857	3,285	4,607	2,342
Total business-type activities program revenues	<u>1,164,591</u>	<u>1,180,352</u>	<u>1,221,234</u>	<u>1,334,956</u>	<u>1,344,488</u>	<u>1,366,095</u>	<u>1,108,190</u>	<u>926,979</u>	<u>888,500</u>	<u>896,384</u>
Total primary government program revenues	<u>\$ 4,625,595</u>	<u>\$ 4,360,362</u>	<u>\$ 4,175,085</u>	<u>\$ 4,248,708</u>	<u>\$ 4,376,712</u>	<u>\$ 4,351,857</u>	<u>\$ 3,755,380</u>	<u>\$ 3,317,207</u>	<u>\$ 3,108,207</u>	<u>\$ 3,235,074</u>
<b>Net (Expenses)/Revenues</b>										
Governmental activities	(3,306,392)	(3,246,401)	(3,055,309)	(3,011,499)	(2,924,020)	(2,870,645)	(3,055,610)	(3,495,184)	(3,350,992)	(3,173,294)
Business-type activities	464,143	411,799	378,263	326,656	296,653	173,358	130,092	261,393	292,919	305,354
Total primary government net expenses	<u>\$ (2,842,249)</u>	<u>\$ (2,834,602)</u>	<u>\$ (2,677,046)</u>	<u>\$ (2,684,843)</u>	<u>\$ (2,627,367)</u>	<u>\$ (2,697,287)</u>	<u>\$ (2,925,518)</u>	<u>\$ (3,233,791)</u>	<u>\$ (3,058,073)</u>	<u>\$ (2,867,940)</u>

(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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Revenue and Other Changes in Net Position</b>										
Governmental activities:										
Taxes	\$ 3,206,935	\$ 2,980,387	\$ 2,870,969	\$ 2,824,368	\$ 2,665,169	\$ 2,577,519	\$ 2,588,417	\$ 2,820,709	\$ 2,842,828	\$ 2,794,230
Interest and investment earnings	3,212	4,852	4,893	4,304	5,561	4,309	9,435	32,466	37,539	25,644
Miscellaneous	107,382	108,398	143,240	118,506	102,478	91,110	95,758	121,273	106,543	114,362
Gain on sale of capital assets	993	953	3,757				1,656	3,026		
Special items	(5,000)									
Transfers	345,190	332,824	333,804	344,386	331,186	318,772	315,408	324,928	304,906	312,755
Payments from component units						7,228	13,569	39,284	10,108	14,715
Total governmental activities	<u>3,658,712</u>	<u>3,427,414</u>	<u>3,356,663</u>	<u>3,291,564</u>	<u>3,104,394</u>	<u>2,998,938</u>	<u>3,024,243</u>	<u>3,341,686</u>	<u>3,301,924</u>	<u>3,261,706</u>
Business-type activities:										
Interest and investment earnings	186	109	117	94	79	164	4,279	9,531	12,137	8,826
Miscellaneous	1,531	31,208	24,490	16,564	(5,454)	20,224	11,782	8,341	8,137	6,752
Transfers	(345,190)	(332,824)	(333,804)	(344,386)	(331,186)	(318,772)	(315,408)	(324,928)	(304,906)	(312,755)
Total business-type activities	<u>(343,473)</u>	<u>(301,507)</u>	<u>(309,197)</u>	<u>(327,728)</u>	<u>(336,561)</u>	<u>(298,384)</u>	<u>(299,347)</u>	<u>(307,056)</u>	<u>(284,632)</u>	<u>(297,177)</u>
Total primary government	<u>3,315,239</u>	<u>3,125,907</u>	<u>3,047,466</u>	<u>2,963,836</u>	<u>2,767,833</u>	<u>2,700,554</u>	<u>2,724,896</u>	<u>3,034,630</u>	<u>3,017,292</u>	<u>2,964,529</u>
<b>Changes in Net Position</b>										
Governmental activities	352,320	181,013	301,354	280,065	180,374	128,293	(31,367)	(153,498)	(49,068)	88,412
Business-type activities	120,670	110,292	69,066	(1,072)	(39,908)	(125,026)	(169,255)	(45,663)	8,287	8,177
Total primary government	<u>\$ 472,990</u>	<u>\$ 291,305</u>	<u>\$ 370,420</u>	<u>\$ 278,993</u>	<u>\$ 140,466</u>	<u>\$ 3,267</u>	<u>\$ (200,622)</u>	<u>\$ (199,161)</u>	<u>\$ (40,781)</u>	<u>\$ 96,589</u>

(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					
	2015	2014*	2013	2012	2011	2010
General Fund						
Nonspendable	\$	\$	\$	\$	\$ 53,353	\$ 49,302
Restricted	319,677	297,617	282,137	232,348	197,885	161,904
Unrestricted						
Committed	2,561	4,770	4,035	22,793	5,956	4,285
Assigned	130,964	72,005	105,639	97,639	8,425	
Unassigned	48,685	20,987	9,323	20,374	5,281	(30,041)
<b>Total General Fund</b>	<b>\$ 501,887</b>	<b>\$ 395,379</b>	<b>\$ 401,134</b>	<b>\$ 373,154</b>	<b>\$ 270,900</b>	<b>\$ 185,450</b>
All Other Governmental Funds						
Nonspendable	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174
Restricted	639,459	615,667	660,198	619,799	528,251	681,782
Unrestricted						
Committed	7,091	4,118	163	1,742	1,448	3,366
Assigned	25,022		255	318	284	19,704
Unassigned	(1,486)	(4,028)	(4,113)	(4,717)	(5,043)	(6,160)
<b>Total All Other Governmental Funds</b>	<b>\$ 670,260</b>	<b>\$ 615,931</b>	<b>\$ 656,677</b>	<b>\$ 617,316</b>	<b>\$ 525,114</b>	<b>\$ 698,866</b>

	Fiscal Year			
	2009	2008	2007	2006
General Fund				
Reserved	\$ 132,245	\$ 149,605	\$ 144,166	\$ 164,866
Unreserved	(62,286)	(42,950)		38,331
<b>Total General Fund</b>	<b>\$ 69,959</b>	<b>\$ 106,655</b>	<b>\$ 144,166</b>	<b>\$ 203,197</b>
All Other Governmental Funds				
Reserved	\$ 274,180	\$ 264,727	\$ 260,607	\$ 220,612
Unreserved, reported in:				
Special Revenue Funds	93,498	7,805	155,482	22,759
Permanent Funds	1,368	2,173	1,186	988
Capital Projects Funds	459,489	303,965	360,026	469,018
<b>Total All Other Governmental Funds</b>	<b>\$ 828,535</b>	<b>\$ 578,670</b>	<b>\$ 777,301</b>	<b>\$ 713,377</b>

Beginning in fiscal year 2010, the fund balance categories were reclassified due to the implementation of GASB Statement 54. Fund balance has not been reclassified for prior years.

\* The 2014 General Fund section reflects a reclassification as discussed in Note 17 F.

**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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
Taxes	\$ 3,210,123	\$ 2,975,016	\$ 2,868,503	\$ 2,814,331	\$ 2,664,420	\$ 2,577,406	\$ 2,589,751	\$ 2,818,085	\$ 2,848,284	\$ 2,792,961
Licenses, fines, sales, and services	348,214	332,655	320,767	313,724	308,564	311,040	295,662	323,329	242,743	253,857
Departmental restricted revenue	229,492	223,314	222,027	194,279	174,563	150,357	134,029	125,883	110,059	105,181
Federal grants	2,889,963	2,630,678	2,402,444	2,411,262	2,541,335	2,518,048	2,218,816	1,936,610	1,869,336	1,962,375
Income from investments	3,156	4,809	4,840	4,280	5,537	4,207	9,014	31,522	36,068	24,941
Other revenues	106,872	115,804	147,090	121,202	100,164	93,687	104,665	122,723	103,099	107,475
Total operating revenues	6,787,820	6,282,276	5,965,671	5,859,078	5,794,583	5,654,745	5,351,937	5,358,152	5,209,589	5,246,790
<b>Expenditures:</b>										
Current:										
General government	697,289	656,826	634,010	635,554	620,110	714,861	755,366	803,561	806,865	515,677
Human services	3,661,964	3,325,538	3,042,705	2,969,166	3,009,097	2,884,419	2,711,167	2,727,534	2,512,286	2,616,608
Education	1,403,807	1,357,903	1,330,388	1,282,063	1,287,733	1,239,258	1,216,208	1,289,687	1,267,255	284,294
Public safety	490,981	478,108	463,734	459,114	428,687	394,860	401,976	410,605	396,029	361,647
Natural resources	79,941	76,127	70,202	75,156	71,818	67,435	68,941	72,984	81,518	71,539
Transportation	373,715	383,816	373,887	399,512	367,496	306,730	299,881	244,638	310,019	247,248
Capital outlays	171,469	139,848	130,415	111,044	138,843	250,653	215,600	264,713	269,550	300,404
Intergovernmental										1,213,050
Debt service:										
Principal	190,784	176,885	176,970	164,245	154,475	163,063	157,817	143,368	115,752	117,663
Interest and other charges	140,728	122,663	126,852	135,806	138,066	139,723	132,813	131,575	128,527	105,264
Total operating expenditures	7,210,678	6,717,714	6,349,163	6,231,660	6,216,325	6,161,002	5,959,769	6,088,665	5,887,801	5,833,394
Excess (deficiency) of revenues over (under) expenditures	(422,858)	(435,438)	(383,492)	(372,582)	(421,742)	(506,257)	(607,832)	(730,513)	(678,212)	(586,604)

(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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Other financing sources (uses):</b>										
Bonds and notes issued	121,125	53,150	81,400	145,035		155,665	427,180	131,755	314,852	320,820
Proceeds from refundings and other escrow assets	830,139	78,700	88,175	146,730		78,960	12,445	46,570	74,835	
Proceeds from the sale of Certificates of Participation	49,495		26,690	31,980			54,610	59,185	45,325	6,000
Premium and accrued interest	82,553	14,719	27,507	45,437		9,839	8,100	7,241	9,930	16,298
Transfers in	622,520	566,076	592,804	581,679	545,229	586,025	622,212	724,428	828,885	593,902
Payments from component units						7,228	13,568	39,284	10,108	14,715
Payment to refunded bonds escrow agent	(866,168)	(91,991)	(101,172)	(172,094)		(84,769)	(12,697)	(111,253)	(78,198)	
Discount on issuance of debt							(66)	(4)		
Proceeds from termination of investment contracts	26,361									
Transfers out	(277,330)	(231,717)	(264,571)	(235,253)	(211,789)	(261,473)	(304,351)	(403,012)	(522,631)	(280,176)
<b>Total other financing sources (uses)</b>	<b>588,695</b>	<b>388,937</b>	<b>450,833</b>	<b>543,514</b>	<b>333,440</b>	<b>491,475</b>	<b>821,001</b>	<b>494,194</b>	<b>683,106</b>	<b>671,559</b>
Special items	(5,000)									
<b>Net change in fund balances</b>	<b>\$ 160,837</b>	<b>\$ (46,501)</b>	<b>\$ 67,341</b>	<b>\$ 170,932</b>	<b>\$ (88,302)</b>	<b>\$ (14,782)</b>	<b>\$ 213,169</b>	<b>\$ (236,319)</b>	<b>\$ 4,894</b>	<b>\$ 84,955</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	4.8%	4.7%	5.0%	5.1%	5.0%	5.0%	4.9%	5.0%	4.7%	4.4%
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	327,792	360,267	315,644	264,770	230,746	319,509	185,636	227,169	318,076	308,051
A separate calculation has been done to obtain the interest expense.										
Interest expense	138,220	124,498	125,457	131,793	137,768	138,285	126,935	127,987	126,918	NA
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 Industry**  
**Prior Ten Calendar Years**  
(expressed in millions)

Taxable Sales By Industry	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Grocery, Food Stores, Delis, Bakeries	\$ 1,162.49	\$ 1,188.56	\$ 1,097.36	\$ 1,091.81	\$ 1,093.34	\$ 1,084.78	\$ 1,080.13	\$ 1,073.75	\$ 1,052.45	\$ 1,065.10
Restaurants and Bars	2,310.88	2,198.74	2,113.00	1,983.05	1,939.09	1,874.93	1,860.96	1,912.54	1,803.19	1,651.39
Room Rentals - Motels, Hotels	503.30	429.10	530.74	388.82	407.15	491.30	587.55	574.25	450.46	412.93
Utilities - Telephone, Electric, Gas, Water	673.23	600.82	617.53	583.28	588.48	589.94	641.09	636.72	668.28	549.40
<b>Total</b>	<b>\$ 4,649.90</b>	<b>\$ 4,417.22</b>	<b>\$ 4,358.63</b>	<b>\$ 4,046.96</b>	<b>\$ 4,028.06</b>	<b>\$ 4,040.95</b>	<b>\$ 4,169.73</b>	<b>\$ 4,197.26</b>	<b>\$ 3,974.38</b>	<b>\$ 3,678.82</b>
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.

\* **Note:** Reflects adjusted figure for 2005



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

	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Farm Earnings	\$ 21	\$ 16	\$ 15	\$ 15	\$ 14	\$ 17	\$ 17	\$ 17	\$ 23	\$ 22
<b><u>Private Earnings</u></b>										
Forestry, Fishing and Other	(D)	47	46	(D)	(D)	(D)	40	41	44	47
Mining	(D)	18	17	(D)	(D)	(D)	13	18	19	18
Utilities	158	143	150	165	165	160	149	161	131	140
Construction	1,747	1,739	1,650	1,575	1,558	1,523	1,565	1,705	1,810	1,847
Manufacturing	3,046	2,835	2,750	2,822	2,797	2,769	2,683	3,062	3,240	3,162
Wholesale Trade	1,510	1,529	1,473	1,394	1,378	1,346	1,309	1,396	1,441	1,340
Retail Trade	1,977	1,861	1,847	1,786	1,811	1,799	1,727	1,804	1,907	1,856
Transportation and warehousing	591	596	598	558	562	521	500	519	515	505
Information	1,383	995	1,050	1,087	1,089	998	953	927	889	920
Finance and Insurance	2,975	2,819	2,657	2,702	2,560	2,549	2,262	2,194	2,131	2,098
Real Estate and Rental and Leasing	544	478	456	380	430	369	350	353	379	432
Professional, scientific, and technical services	2,621	2,533	2,387	2,305	2,300	2,192	2,201	2,344	2,161	2,205
Management of companies and enterprises	1,602	1,602	1,426	1,247	1,256	1,198	1,054	1,189	1,139	1,071
Administrative and waste services	1,259	1,233	1,122	1,046	1,064	1,015	951	988	973	946
Educational services	1,344	1,293	1,235	1,239	1,264	1,244	1,196	1,138	1,072	1,004
Health care and social assistance	5,056	5,039	4,850	4,594	4,742	4,723	4,523	4,362	4,127	4,023
Arts, entertainment, and recreation	374	333	302	296	291	285	277	286	289	266
Accommodation and food services	1,197	1,126	1,072	995	1,001	945	903	949	954	932
Other services, except public administration	1,189	1,177	1,135	1,060	1,100	1,084	1,063	1,089	1,166	1,188
<b><u>Government and Government Enterprises</u></b>										
Federal/Civilian	1,160	1,117	1,132	1,200	1,114	1,103	1,031	976	955	927
Military	472	520	509	636	508	513	494	475	447	417
State and Local	4,169	4,199	4,162	3,931	4,149	4,140	3,956	4,048	3,936	3,804
<b>Total Personal Income by Industry*</b>	<b>\$ 34,395</b>	<b>\$ 33,248</b>	<b>\$ 32,041</b>	<b>\$ 31,033</b>	<b>\$ 30,553</b>	<b>\$ 29,218</b>	<b>\$ 29,217</b>	<b>\$ 30,041</b>	<b>\$ 29,748</b>	<b>\$ 29,170</b>

\* Total Personal Income by Industry may not sum due to inclusion of non-disclosed data in total amount.

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Personal Income Tax (PIT) Revenue	\$ 1,116	\$ 1,086	\$ 1,060	\$ 1,021	\$ 898	\$ 941	\$ 1,074	\$ 1,065	\$ 997	\$ 979
Personal Income	49,683	49,434	48,184	46,881	45,268	43,471	44,144	43,126	41,258	38,993
PIT Revenue as a Percent of Personal Income	2.25%	2.20%	2.20%	2.18%	1.98%	2.16%	2.43%	2.47%	2.42%	2.51%

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 2014 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$59,600	4.75% \$59,600 - \$133,500	5.99% over \$133,500		
Tax Year 2013 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - 58,600	4.75% \$58,600 - \$133,250	5.99% over \$133,250		
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		
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
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
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
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

(Continued)

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

Tax Year 2006 Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 30,650	\$30,650 - 74,200	\$ 74,200 - 154,800	\$ 154,800 - 336,550	over \$ 336,550
Married Filing Joint Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 51,200	\$ 51,200 - 123,700	\$ 123,700 - 188,450	\$ 188,450 - 336,550	over \$ 336,550
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 25,600	\$ 25,600 - 61,850	\$ 61,850 - 94,225	\$ 94,225 - 168,275	over \$ 168,275
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 41,050	\$ 41,050 - 106,000	\$ 106,000 - 171,650	\$ 171,650 - 336,550	over \$ 336,550

Tax Year 2005 Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 29,700	\$ 29,700 - 71,950	\$ 71,950 - 150,150	\$ 150,150 - 326,450	over \$ 326,450
Married Filing Joint Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 49,650	\$ 49,650 - 119,950	\$ 119,950 - 182,800	\$ 182,800 - 326,450	over \$ 326,450
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 24,825	\$ 24,825 - 59,975	\$ 59,975 - 91,400	\$ 91,400 - 163,225	over \$ 163,225
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	\$ 0 - 39,800	\$ 39,800 - 102,800	\$ 102,800 - 166,450	\$ 166,450 - 326,450	over \$ 326,450

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 2004 through 2013**

Federal AGI	Tax Year 2013		Personal Income Tax Liability	Percentage of Total
	Number of Filers	Percentage of Total		
\$0 - \$25,000	186,349	38.18%	\$ 15,089,983	1.50%
\$25,001 - \$50,000	113,558	23.26%	82,381,470	8.17%
\$50,001 - \$75,000	67,598	13.85%	107,951,957	10.70%
\$75,001 - \$100,000	43,910	8.99%	109,078,637	10.82%
\$100,001 - \$200,000	60,524	12.40%	284,258,122	28.18%
\$200,001 - \$500,000	13,449	2.75%	197,666,346	19.60%
\$500,001 - \$1,000,000	1,977	0.40%	75,753,497	7.51%
\$1,000,001 and greater	825	0.17%	136,376,437	13.52%
	<u>488,190</u>	<u>100.00%</u>	<u>\$ 1,008,556,449</u>	<u>100.00%</u>

Federal AGI	Tax Year 2012		Personal Income Tax Liability	Percentage of Total
	Number of Filers	Percentage of Total		
\$0 - \$25,000	185,433	38.34%	\$ 15,788,095	1.55%
\$25,001 - \$50,000	114,123	23.61%	83,752,980	8.24%
\$50,001 - \$75,000	67,181	13.90%	107,779,597	10.60%
\$75,001 - \$100,000	43,316	8.96%	108,406,641	10.66%
\$100,001 - \$200,000	58,008	12.00%	273,640,681	26.93%
\$200,001 - \$500,000	12,612	2.61%	186,607,713	18.36%
\$500,001 - \$1,000,000	1,863	0.39%	72,200,723	7.10%
\$1,000,001 and greater	901	0.19%	168,326,180	16.56%
	<u>483,437</u>	<u>100.00%</u>	<u>\$ 1,016,502,611</u>	<u>100.00%</u>

Federal AGI	Tax Year 2011		Personal Income Tax Liability	Percentage of Total
	Number of Filers	Percentage of Total		
\$0 - \$25,000	187,194	38.94%	\$ 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>

Federal AGI	Tax Year 2010		Personal Income Tax Liability	Percentage of Total
	Number of Filers	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>

Federal AGI	Tax Year 2009		Personal Income Tax Liability	Percentage of Total
	Number of Filers	Percentage of Total		
\$0 - \$25,000	183,072	39.17%	\$ 21,585,517	2.56%
\$25,001 - \$50,000	112,295	24.02%	86,815,876	10.28%
\$50,001 - \$75,000	67,079	14.35%	111,368,728	13.19%
\$75,001 - \$100,000	42,121	9.01%	107,753,288	12.76%
\$100,001 - \$200,000	51,242	10.96%	256,844,961	30.41%
\$200,001 - \$500,000	9,771	2.09%	143,328,323	16.97%
\$500,001 - \$1,000,000	1,312	0.28%	48,180,994	5.71%
\$1,000,001 and greater	547	0.12%	68,608,744	8.12%
	<u>467,439</u>	<u>100.00%</u>	<u>\$ 844,486,431</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 2004 through 2013**

Federal AGI	Tax Year 2008		Personal Income Tax Liability	Percentage of Total
	Number of Filers	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>

Federal AGI	Tax Year 2007		Personal Income Tax Liability	Percentage of Total
	Number of Filers	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>

Federal AGI	Tax Year 2006		Personal Income Tax Liability	Percentage of Total
	Number of Filers	Percentage of Total		
\$0 - \$25,000	186,777	39.30%	\$ 24,824,956	2.41%
\$25,001 - \$50,000	117,943	24.81%	95,815,612	9.30%
\$50,001 - \$75,000	68,647	14.44%	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	23.54%
\$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%	196,466,444	19.08%
	<u>475,357</u>	<u>100.00%</u>	<u>\$ 1,029,965,685</u>	<u>100.00%</u>

Federal AGI	Tax Year 2005		Personal Income Tax Liability	Percentage of Total
	Number of Filers	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>

Federal AGI	Tax Year 2004		Personal Income Tax Liability	Percentage of Total
	Number of Filers	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>

Source: Department of Revenue - Division of Taxation

(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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities</b>										
General obligation bonds	\$ 1,022,895	\$ 1,074,750	\$ 1,103,945	\$ 1,110,585	\$ 1,049,400	\$ 1,118,030	\$ 1,036,189	\$ 997,398	\$ 916,531	\$ 848,666
Revenue bonds (blended component units)	716,201	744,821	765,161	779,426	795,161	807,731	828,481	867,776	902,871	729,695
Capital leases	235,130	207,595	232,975	233,800	224,045	244,805	269,340	236,060	256,865	226,755
Special purpose bonds	435,600	415,955	468,730	519,060	567,190	613,355	658,550	358,065	390,110	418,300
<b>Total governmental activities</b>	<u>2,409,826</u>	<u>2,443,121</u>	<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>
<b>Business-type Activities</b>										
Revenue bonds	215,210	226,900	236,960	250,510	259,620	268,280	275,810	270,960	279,935	287,185
<b>Total primary government</b>	<u>\$ 2,625,036</u>	<u>\$ 2,670,021</u>	<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>
Debt as a Percentage of Personal Income	5.3%	5.4%	5.9%	6.1%	6.3%	7.1%	7.1%	6.9%	6.2%	6.3%
Amount of Debt Per Capita	\$ 2	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 2

**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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>* Revenue Bonds-Tobacco Settlement Financing Corporation</b>										
Revenue:										
Tobacco settlement revenue, cash basis	\$ 45,295	\$ 51,757	\$ 46,692	\$ 49,944	\$ 50,166	\$ 48,620	\$ 58,039	\$ 53,247	\$ 44,025	\$ 41,546
Investment income	1,436	3,300	3,376	3,234	4,354	3,410	3,995	4,123	3,566	2,996
Total revenue	<u>46,731</u>	<u>55,057</u>	<u>50,068</u>	<u>53,178</u>	<u>54,520</u>	<u>52,030</u>	<u>62,034</u>	<u>57,370</u>	<u>47,591</u>	<u>44,542</u>
Less: operating expenses	126	62	33	74	74	69	99	33	54	40
Net available revenue	<u>\$ 46,605</u>	<u>\$ 54,995</u>	<u>\$ 50,035</u>	<u>\$ 53,104</u>	<u>\$ 54,446</u>	<u>\$ 51,961</u>	<u>\$ 61,935</u>	<u>\$ 57,337</u>	<u>\$ 47,537</u>	<u>\$ 44,502</u>
Debt service										
Interest	\$ 35,633	\$ 35,229	\$ 36,085	\$ 37,029	\$ 37,783	\$ 38,614	\$ 40,918	\$ 40,918	\$ 41,287	\$ 41,609
Covered ratio before turbo principal payment	131%	156%	139%	143%	144%	135%	151%	140%	115%	108%
Turbo principal payments (b)	25,520	20,340	14,265	15,735	12,570	14,710	16,620	16,620		
Total debt service	<u>\$ 61,153</u>	<u>\$ 55,569</u>	<u>\$ 50,350</u>	<u>\$ 52,764</u>	<u>\$ 50,353</u>	<u>\$ 53,324</u>	<u>\$ 57,538</u>	<u>\$ 57,538</u>	<u>\$ 41,287</u>	<u>\$ 41,609</u>
Coverage ratio after turbo principal payments (a)	76%	99%	99%	101%	108%	97%	108%	100%	115%	108%
<b>Revenue Bonds-GARVEE (Federal Highway)</b>										
Revenue - FHWA participation	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391	\$ 43,646	\$ 44,147	\$ 44,182	\$ 41,801
Net available revenue	<u>\$ 48,356</u>	<u>\$ 48,387</u>	<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>
Debt service										
Principal	\$ 34,160	\$ 32,615	\$ 31,075	\$ 29,590	\$ 28,205	\$ 26,910	\$ 28,315	\$ 28,315	\$ 24,560	\$ 32,290
Interest	14,196	15,772	17,308	18,792	20,184	21,481	15,895	15,895	19,650	9,517
Coverage (a)	100%	100%	100%	100%	100%	100%	99%	100%	100%	100%
<b>Revenue Bonds-GARVEE (Gas Tax)</b>										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579	\$ 8,656	\$ 9,028	\$ 9,409	\$ 9,496
Net available revenue	<u>\$ 8,793</u>	<u>\$ 8,473</u>	<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>
Debt service										
Principal	\$ 4,185	\$ 3,985	\$ 3,840	\$ 3,710	\$ 3,585	\$ 3,480	\$ 3,730	\$ 3,730	\$ 3,630	\$ 5,150
Interest	3,006	3,162	3,304	3,439	3,561	3,667	3,241	3,241	3,335	2,105
Coverage (a)	122%	119%	116%	118%	118%	120%	124%	130%	135%	131%
<b>Division of Motor Vehicles Capital Lease</b>										
Revenue - \$1.50 surcharge per transaction	\$ 2,015	\$ 2,015	\$ 1,889	\$ 2,181	\$ 2,098	\$ 2,602				
Net available revenue	<u>\$ 2,015</u>	<u>\$ 2,015</u>	<u>\$ 1,889</u>	<u>\$ 2,181</u>	<u>\$ 2,098</u>	<u>\$ 2,602</u>				
Debt service										
Principal	\$ 1,635	\$ 1,565	\$ 1,500	\$ 1,440	\$ 1,385					
Interest	207	281	344	405	409					
Coverage (a)	109%	109%	102%	118%	117%	NA				

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

(b) Debt service principal includes "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.

\* Prior years were restated to agree to new format

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  
Prior Ten Fiscal Years**

	<b>Personal Income</b>				<b>Per Capita Personal Income</b>				<b>Population</b>			
	<i>(in billions)</i>				<i>(in dollars)</i>				<i>(in thousands)</i>			
	<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>
<b>2014</b>	\$ 14,683.1	4.4%	\$ 51.0	5.0%	\$ 46,049	3.6%	\$ 48,359	4.8%	318,857	0.7%	1,055	0.2%
<b>2013</b>	14,081.2	2.6%	49.4	2.6%	44,543	2.7%	47,012	2.5%	316,129	0.7%	1,052	0.1%
<b>2012</b>	13,729.1	4.2%	48.2	2.8%	43,375	2.5%	45,877	2.8%	313,914	0.7%	1,050	0.0%
<b>2011</b>	13,179.6	6.1%	46.9	3.6%	42,298	5.3%	44,621	3.8%	311,588	0.7%	1,051	-0.2%
<b>2010</b>	12,423.3	2.9%	45.3	4.1%	40,163	2.0%	42,999	4.2%	309,326	0.8%	1,053	-0.1%
<b>2009</b>	12,073.7	-2.9%	43.5	-1.5%	39,357	-3.7%	41,257	-1.4%	306,772	0.9%	1,054	-0.1%
<b>2008</b>	12,429.3	3.7%	44.1	2.4%	40,873	2.7%	41,842	2.6%	304,094	1.0%	1,055	-0.2%
<b>2007</b>	11,990.2	5.4%	43.1	4.5%	39,804	4.4%	40,788	5.1%	301,231	1.0%	1,057	-0.5%
<b>2006</b>	11,376.5	7.3%	41.3	5.8%	38,127	6.2%	38,809	6.3%	298,380	1.0%	1,063	-0.5%
<b>2005</b>	10,605.6	5.6%	39.0	2.3%	35,888	4.6%	36,513	2.9%	295,517	0.9%	1,068	-0.6%

Source: *United States Bureau of Economic Analysis*

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

	<b>Civilian Labor Force</b>		<b>Existing Single Family Home Sales</b>	
	<i>(in thousands)</i>			
	<b>Number in Labor Force</b>	<b>Percent Change</b>	<b>Number of Sales</b>	<b>Percent Change</b>
<b>2014</b>	555	-0.5%	8,749	-0.3%
<b>2013</b>	556	-0.6%	10,310	14.4%
<b>2012</b>	559	-0.7%	9,012	-6.7%
<b>2011</b>	563	-1.7%	9,662	-2.9%
<b>2010</b>	572	1.1%	9,954	-10.6%
<b>2009</b>	566	-1.0%	11,128	14.5%
<b>2008</b>	572	-0.4%	9,716	-17.9%
<b>2007</b>	574	0.2%	11,837	-11.8%
<b>2006</b>	573	2.1%	13,422	-5.5%
<b>2005</b>	561	1.1%	14,205	1.2%

Source: This information is provided by the State's revenue estimating conference.

**State of Rhode Island and Providence Plantations  
Principal Employers  
2014 and 2005**

2014				2005			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	11,582	2.09%	1	Lifespan	10,597	1.89%
2	Care New England	8,063	1.45%	2	Care New England	6,526	1.16%
3	CVS Caremark Corporation	7,000	1.26%	3	Royal Bank of Scotland	5,500	0.98%
4	RBS Citizens Financial Group	5,250	0.95%	4	CVS Corporation	5,314	0.95%
5	Brown University	4,326	0.78%	5	Stop & Shop	4,455	0.79%
6	Fidelity Investments	3,934	0.71%	6	Brown University	3,251	0.58%
7	Stop & Shop	3,880	0.70%	7	Bank of America	3,240	0.58%
8	Roman Catholic Diocese of Providence	3,500	0.63%	8	Shaw's Super Market	2,240	0.40%
9	General Dynamics Corp	3,400	0.61%	9	General Dynamics Corp	2,200	0.39%
10	Naval Undersea Warfare Center	2,566	0.46%	10	The Jan Company	2,115	0.38%
	Total employment	555,000	9.64%		Total employment	561,000	8.10%

**Source:** Rhode Island Commerce Corporation.

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

**Source:** 2014 information is provided by the RI Department of Labor and Training.

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

**Full Time State Employees as of June 30th for each fiscal year**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Full-time Employees</b>										
General Government	2,364	2,384	2,414	2,337	2,561	2,533	2,474	2,508	2,479	2,480
Human Services	3,273	3,353	3,273	3,118	3,247	3,125	3,164	3,671	4,144	4,370
Education	340	359	370	354	358	352	343	365	373	373
Public Safety	3,029	3,057	3,023	3,002	2,685	2,693	2,684	2,865	2,952	2,939
Natural Resources	879	904	898	887	865	863	890	905	978	1,015
Transportation	735	771	781	797	802	763	708	719	767	828
<b>State Total</b>	<b>10,620</b>	<b>10,828</b>	<b>10,759</b>	<b>10,495</b>	<b>10,518</b>	<b>10,329</b>	<b>10,263</b>	<b>11,033</b>	<b>11,693</b>	<b>12,005</b>

**Source:** Department of Administration

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b><u>General Government</u></b>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,630,196	\$2,479,404	\$2,422,640	\$2,330,068	\$2,242,867	\$2,135,981	\$2,049,159	\$2,047,671	\$1,920,770	\$1,810,045
Number of business transactions processed electronically	1,026,097	1,160,506	988,669	970,394	917,982	857,553	782,659	767,971	719,800	661,209
Personal Income Tax returns filed electronically -Tax Year	505,137	490,000	463,900	451,406	442,383	379,495	349,211	289,346	246,230	217,524
Department of Labor and Training										
Labor force total (expressed in thousands)	553	554	560	566	569	567	568	577	575	565
Unemployment rate (percentage)	7.7%	8.9%	11.1%	11.4%	11.6%	11.2%	7.8%	5.0%	5.1%	5.1%
<b><u>Human Services</u></b>										
Department of Children, Youth and Families										
Average Number of Children in Out of Home Placement	2,306	2,141	2,116	2,249	2,201	2,410	2,729	2,436	2,517	2,346
Number of births (expressed in thousands)	11	11	12	12	12	12	13	14	13	13
<b><u>Education</u></b>										
Office of Postsecondary Commissioner										
Enrollment - Higher Education	42,765	42,786	44,504	43,254	43,224	43,409	42,601	41,503	40,374	40,008
Number of certificates and degrees awarded - Higher Education	7,400	7,256	6,804	6,500	6,516	6,255	5,754	5,518	5,418	5,404
<b><u>Public Safety</u></b>										
Department of Corrections										
Incarcerated offenders (male)	3,060	2,988	3,022	3,084	3,154	3,499	3,567	3,542	3,518	3,175
Incarcerated offenders (female)	154	173	169	189	187	190	204	231	242	186
<b><u>Natural Resources</u></b>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	145	138	131	114	119	136	148	140	140	140
Park visitations (expressed in thousands)	1,904	1,302	3,449	5,213	5,386	5,374	5,174	5,928	6,135	6,010
Recreational registrations (boats)	38,950	39,012	38,583	40,525	41,158	42,301	42,999	44,000	41,933	41,366
<b><u>Transportation</u></b>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	7,677	7,775	7,786	7,901	8,280	8,279	8,188	8,679	8,300	8,299

**Source:** Various Agencies

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b><u>General Government</u></b>										
Buildings	16	16	16	16	15	14	14	15	15	17
Vehicles	163	272	257	251	258	260	271	263	238	104
<b><u>Human Services</u></b>										
Buildings	205	199	199	196	197	201	200	199	198	197
Vehicles	280	291	286	304	337	339	365	360	353	335
<b><u>Education</u></b>										
Buildings	12	12	9	10	10	9	10	12	12	13
Vehicles	17	16	13	14	19	20	20	20	19	23
<b><u>Public Safety</u></b>										
Buildings	65	65	64	62	59	53	52	52	53	54
Vehicles	646	635	643	561	604	586	614	644	580	604
<b><u>Natural Resources</u></b>										
Buildings	78	80	80	67	49	47	45	44	44	43
Vehicles	416	431	419	426	428	420	423	414	417	431
* Number of state parks, beaches, bike paths	26	21	21	21	21	21	21	21	21	21
* Area of state parks, beaches (acres)	8,052	8,052	8,052	8,052	8,052	8,052	8,052	8,052	8,052	8,052
<b><u>Transportation</u></b>										
Buildings	33	23	23	21	19	19	19	19	19	23
Vehicles	652	558	547	555	621	611	628	635	708	676
Miles of state highway	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100

\* Prior years' information was restated because acreage of other categories was included in prior years.

**Source:** Department of Administration

The Rhode Island Council on the Arts assisted in providing artwork for the State of Rhode Island's 2015 Comprehensive Annual Financial Report.

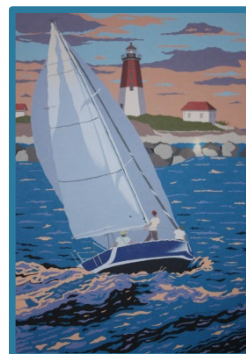
Liz McGrath is a local illustrator and painter. She has lived in Providence for 14 years. Her artwork has appeared in several national publications, including two children's books: *Even More* (Raven Tree Press 2004) and *The Ghouls Come Haunting One by One* (Pelican Publishing, 2010). Liz was also a selected artist-in-residence at Acadia National Park in Maine in 2014. Locally, her artwork is displayed in Rhode Island Hospital, Hasbro Children's Hospital, and Women & Infants Hospital. To view images of her art, go to [www.lizmcgrathillustrations.com](http://www.lizmcgrathillustrations.com)



*Slater Mill*



*Benefit Street*



*Point Judith*