

# State of Rhode Island Comprehensive Annual Financial Report

*Fiscal year ended June 30, 2020*



**Gina M. Raimondo, Governor**

Department of Administration

Brett Smiley, Director of Administration

Office of Accounts and Control

Peter B. Keenan, CPA, State Controller

# 2020

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# Introductory Section



*State of Rhode Island*  
**Comprehensive Annual Financial Report**  
*Fiscal year ended June 30, 2020*

**2020**



*STATE OF RHODE ISLAND*  
DEPARTMENT OF ADMINISTRATION

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February 19, 2021

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, I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the State of Rhode Island for the fiscal year ended June 30, 2020.

## **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 accompanying information 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 make an annual submission regarding these internal controls in accordance with the Financial Integrity and Accountability Act.

*Financial Reporting Entity:* The State Reporting Entity includes the primary government and its discretely presented component units. The primary government of the State of Rhode Island includes all funds, departments and other agencies that make up its legal entity. In addition to these primary government activities, this report includes information related to discretely presented component units for which the

primary government is financially accountable. Although such information is provided in this report, the MD&A and basic financial statements focus on the primary government and its activities. Separately issued financial statements are available from the discretely presented component units and should be read to obtain a better understanding of their financial conditions. Additional information on all discretely presented component units can be found in Note 1B to the 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 STATE

*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 health and 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, the 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 respective State agencies.

The State maintains a State Budget Reserve and Cash Stabilization Account (the Reserve) 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 5% 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 general revenue deficit in any given fiscal year caused by a general revenue shortfall, such appropriations to be approved by a majority of each chamber of the General Assembly.

On January 30, 2020 the World Health Organization (WHO) declared a public health emergency of international concern following the outbreak of COVID-19. On March 9, 2020 the Governor of Rhode Island declared a state of emergency due to the dangers to health and life posed by COVID-19. On March 11, 2020 the WHO declared a pandemic. The pandemic required an unprecedented public health response, restrictions in certain segments of the economy to ensure compliance with social distancing mandates, and significant federal funding to provide states and others with the financial support needed



during the public health crisis. Because of the significant adverse impact the pandemic had on the State's economy an appropriation of \$120 million was made by the General Assembly from the State's Budget Reserve and Cash Stabilization Account in fiscal 2020.

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 seasonally adjusted unemployment rate in November 2020 was 7.3%. The rate has increased by 3.8 percentage points over the rate recorded in November 2019 and is 4.0 percentage points less than the 2008 recession era high unemployment rate of 11.3%. The State's unemployment rate was slightly above the U.S. unemployment rate of 6.7% for November 2020. During the period between December 2019 and November 2020, the Rhode Island unemployment rate was the same as or slightly below the national unemployment rate for the months of December through February. Rhode Island's unemployment rate rose above the U.S. unemployment rate in March and has remained above the national unemployment rate since, although the gap between the State and U.S. unemployment rate has narrowed. The Rhode Island seasonally adjusted unemployment rate reached the highest level ever recorded in April 2020, at 18.1%, as the pandemic induced a broad shut down of the state's economy.

In its testimony presented at the November 2020 Revenue Estimating Conference, IHS Markit (IHS) noted that Rhode Island's economy is projected to contract, with Rhode Island non-farm employment growth coming in at (1.9)% for fiscal 2021 before turning positive at 3.5% for fiscal 2022. Non-farm employment growth in fiscal 2023 is projected at 2.2%, falling to 1.2% in fiscal 2024 and 0.7% and 0.3% in fiscal 2025 and 2026, respectively. The initial decline in non-farm employment growth is attributable to the pandemic. With respect to nominal personal income, growth is projected at 2.6% in fiscal 2021 and falls to (0.9)% in fiscal 2022, before picking up to 4.0% in fiscal 2023 and stabilizing in the 3.8% to 4.0% range in fiscal years 2024 and 2025. Wage and salary growth is projected to accelerate to 2.5% in fiscal 2021 over the (0.3)% in fiscal 2020. FY 2022 is expected to experience a further bump rising to 5.4% before stabilizing in the 3.9% to 4.6% range for fiscal years 2023 through 2026. Finally, the unemployment rate is expected to peak at 9.1% for fiscal 2021 before slowly declining from 6.1% in fiscal 2022 to 3.8% in fiscal 2026.

The Rhode Island Department of Labor and Training (DLT) testified at the November 2020 Revenue Estimating Conference that, in March and April 2020, Rhode Island lost 98,100 jobs as a result of the shutdown due to the pandemic, which resulted in a decline of 19.3% from a record high job count in the State during February 2020. After ReopeningRI began in May 2020, the State regained 57,700 jobs through September 2020, or 58.8% of the total jobs lost. The three sectors that experienced the largest job losses, and the largest subsequent recoveries, were accommodation and food services, health care and social assistance, and retail trade. Employment is still down 40,400 jobs, or 7.9%, since February 2020. All private sector industries lost jobs between February and April, with lower wage industries experiencing a higher impact from the pandemic than those with higher average wages. Low wage industries, defined as industries with average annual wages less than \$40,000, accounted for 31.6% of the total jobs in Rhode Island and 63.6% of the jobs lost during the shutdown; mid-wage industries, defined as industries with average annual wages between \$40,000 and \$65,000, accounted for 36.2% of the total jobs in the State and 28.2% of the jobs lost during the shutdown; and high wage industries, those with average annual wages above \$65,000, accounted for 32.2% of the total jobs in the State and 8.2% of the jobs lost during the shutdown.



*Major Initiatives:* This section typically highlights initiatives contained in the enacted budget that may have an impact on revenue and/or expenditure trends in fiscal 2021 and beyond. The final fiscal 2021 Budget was enacted by the General Assembly and signed into law by the Governor on December 21, 2020, almost six months after the start of the fiscal year. This delay was precipitated by several factors, including primary and general elections for legislative members, anticipation of additional federal funding being made available to states, and the inability of the General Assembly to meet in person due to the pandemic.

The final enacted budget removed all major revenue expansion and expenditure reduction proposals as recommended by the Governor in her budget submission from January 2020. The fiscal 2021 general revenue budget totaled \$4,153.3 million, which was \$194.6 million higher than the final fiscal 2020 budget. This budget included \$102.9 million of funding allocated specifically for potential COVID-19 pandemic costs that were not expected to be covered with federal funds. In addition, both the fiscal 2020 and fiscal 2021 budgets included general revenue savings from the allocation of allowable payroll costs for Public Health and Public Safety employees to the federal Coronavirus Relief Fund. These savings are not anticipated to continue into fiscal 2022 and thus will require the restoration of general revenue funding unless additional federal resources are made available.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Rhode Island for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This is the ninth 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 only one year. We believe that our CAFR for the fiscal year ended June 30, 2020 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 from the independent auditors. We are proud of this fact as well as of the GFOA award, as they are not guaranteed from year to year.

In closing I wish to express my great appreciation to the many individuals who, faced with a pandemic, assisted and contributed to the preparation of this report in what was clearly the most difficult year in memory. It all could not have been accomplished without the professionalism, hard work and dedication demonstrated by the entire staff of the Office of Accounts and Control, the Office of the Auditor General, and the staffs of numerous other State agencies. I 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 very responsible and progressive manner.

Respectfully submitted,



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Peter B. Keenan, CPA  
State Controller



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**State of Rhode Island**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

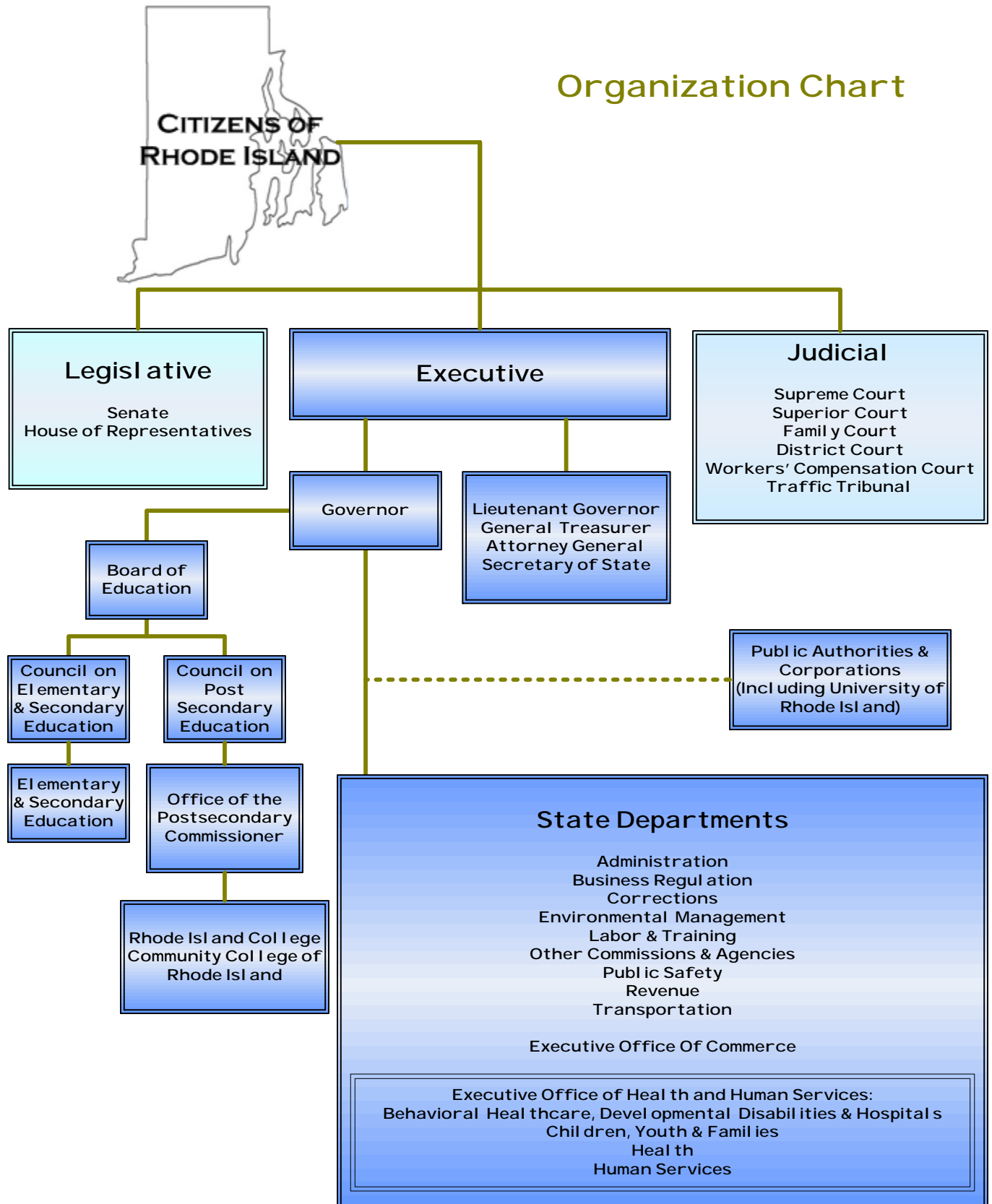
June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

# State of Rhode Island

## Organization Chart



AS OF JUNE 30, 2020



**STATE OF RHODE ISLAND**  
**OFFICIALS OF STATE GOVERNMENT**  
*June 30, 2020*

**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. Neronha

**LEGISLATIVE BRANCH**

**Senate**  
**President of the Senate**  
Dominick J. Ruggiero

**House of Representatives**  
**Speaker of the House**  
Nicholas A. Mattiello

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**  
Paul A. Suttell

# Financial Section



*State of Rhode Island*  
**Comprehensive Annual Financial Report**  
*Fiscal year ended June 30, 2020*

**2020**



# Office of the Auditor General

State of Rhode Island - General Assembly  
Dennis E. Hoyle, CPA - Auditor General

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

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tel: 401.222.2435 • fax: 401.222.2111

## INDEPENDENT AUDITOR'S REPORT

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

### **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 (the State), as of and for the year ended June 30, 2020, 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 2% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 30% of the assets and deferred outflows and 1% of the revenues of the business-type activities;
- the HealthSource RI Trust, an agency fund, the Ocean State Investment Pool, an investment trust fund, and the Rhode Island Higher Education Savings Trust, a private-purpose trust fund, which collectively represent 33% of the assets and 23% of the 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.

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.



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

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, 2020, 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 Note 17 – *Contingencies* - the global pandemic has significantly impacted the State's economy and its operations.

As described in Note 17 – *Contingencies* – fraudulent claims for unemployment benefits increased significantly as overall benefit claims increased due to unemployment resulting from the global pandemic. While known fraudulent benefits have been quantified and accounted for within the financial statements of the Business-type activities – Employment Security Fund, the actual amount of benefits obtained fraudulently during fiscal 2020 may be significantly greater.

As described in Note 2 – *Cash, Cash Equivalents, Investments, and Funds in Trust* – the fair values of certain investments included within the fiduciary funds - pension and other employee benefit trusts, which represent 27% of the assets of the pension and other employee benefit trusts and 17% of the assets of the aggregate remaining fund information, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

Our opinions are not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents 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

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

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*

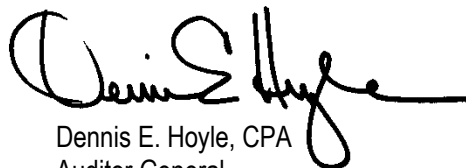
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue our report dated February 19, 2021 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 2020 *Single Audit Report*. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's 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

February 19, 2021

# Management's Discussion and Analysis



**State of Rhode Island**

Fiscal Year Ended

June 30, 2020



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, 2020. 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 financial statements, notes and required supplementary information which follow the MD&A should be reviewed in their entirety.

The COVID-19 pandemic required an unprecedented public health response, restrictions in certain segments of the economy to ensure compliance with social distancing mandates, and significant federal funding to provide States and others with the financial support needed during the public health crisis. This management's discussion and analysis, when applicable, will explain how the pandemic impacted the State's financial operations during fiscal 2020.

## 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 at June 30, 2020 by \$303.6 million. This amount is presented as "net position (deficit)" on the Statement of Net Position for the Total Primary Government. Of this amount \$1.3 billion was reported as restricted net position, \$3.8 billion as net investment in capital assets and \$(5.5) billion was reported as unrestricted net position (deficit).
- **Changes in Net Position:** The net decrease in the primary government's net position in fiscal 2020 of \$(75.5) million, which increased the overall net deficit reported by the State, at June 30, 2020 was attributable to business-type activities which experienced a decrease in net position of \$(185.2) million during the fiscal year. This was primarily due to the Employment Security Fund operating at a \$(193.5) million deficit in fiscal 2020. Offsetting the net position decrease relating to Employment Security were positive operating results of \$109.7 million in governmental activities.

### Fund Financial Statements

#### Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$1,295.6 million, an increase of \$43.9 million in comparison with the restated previous fiscal year. This is primarily a result of the increase in the fund balance of the Intermodal Surface Transportation (IST) Fund of \$46.6 million, The State issued GARVEE bonds in May 2020 for transportation related projects as the pace of bridge and highway improvements being made under the State's RhodeWorks initiative rose significantly this year. This issuance increased the amount of unspent bond proceeds held at June 30, 2020 for expenditure on future transportation projects over the prior year.
- As of June 30, 2020, the State's General Fund reported an ending fund balance of \$401.8 million, an increase of \$30.7 million as compared to the prior year fund balance.
- The most significant source of General Fund revenues, taxes, increased by \$84.8 million as compared to fiscal 2019. Sales and use and general business taxes both reflected increases from the prior fiscal year despite the effects of the pandemic. Transfers to the general fund from the Rhode Island Lottery declined significantly due principally to extended casino closings in the spring of 2020 related to the pandemic.

- On the expenditure side, total General Fund expenditures were \$377.3 million greater than in fiscal 2019 due to greater spending across a number of categories the most significant of which are discussed below.
  - The year-over-year increase of approximately \$37.9 million in the General Government function is attributable to a number of factors including a change in the Motor Vehicle Excise Tax Phase-Out aid to local communities program, which increased by \$34.0 million from fiscal 2019 to fiscal 2020. Other significant changes include an increase of \$13.1 million in expenses by the Office of Energy Resources for the Regional Greenhouse Gas Initiative program and a decrease in spending by the Executive Office of Commerce of \$17.4 million in various economic development programs, including Rebuild RI. The General Assembly lowered appropriations in these programs in the final supplemental budget to address the projected fiscal 2020 deficit and because several of these programs had accumulated resources from prior year appropriations to allow them to continue operating for fiscal 2020.
  - The significant year-over-year increase of \$291.0 million in the Health and Human Services function spending is primarily attributable to the significant inflow of federal money to address the impact of the pandemic. Included in this function are expenses of approximately \$183.0 million expended for supplies to combat the pandemic, payments to assist hospitals, testing site operations, and establishment of two surge hospitals. Increased expenditures in health and human services department included the following:
    - The Department of Human Services saw increased spending of \$38.9 million, primarily due to additional federal funding for the SNAP, preschool and childcare block grant programs.
    - The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had increased spending of \$34.0 million resulting from new opioid response grants, funding for the home and community-based programs for the developmentally disabled and increased spending at Eleanor Slater Hospital.
    - The Department of Health experienced increased expenditures of \$25.8 million primarily relating to the pandemic (e.g., laboratory supplies and equipment, testing and contact tracing activities, etc.) which were largely funded by federal grants.

### **Proprietary Funds**

- The Rhode Island Lottery transferred \$283.9 million to the General Fund in support of general revenue expenditures during the fiscal year, a significant decrease of \$113.5 million in comparison with the previous fiscal year. This decrease was primarily attributable to extended casino closures in the spring of 2020 resulting from the pandemic.
- The Employment Security Fund ended the fiscal year with a net position of \$365.7 million, a decrease of \$193.5 million from the prior fiscal year. This change is principally attributable to the higher level of unemployment in the spring of 2020 as a result of the economic downturn caused by the pandemic.
- The Rhode Island Convention Center Authority ended the fiscal year with a net position deficiency of \$39.1 million. This was an increase of \$8.5 million in the net position deficiency when 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 because the repayment term for the debt is generally longer than the depreciable life of the assets.

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## 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, health and 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.

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## 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 in the government-wide financial statements.

Governmental funds include the general fund, special revenue, capital projects, debt service, and permanent funds. Generally accepted accounting principles (GAAP) designate the general fund as a major fund and 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.

- **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, the Rhode Island Convention Center Authority (RICCA) Fund, 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 postemployment benefits trusts, an external investment trust, private-purpose trusts and custodial funds, are reported



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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 and other postemployment benefit obligations. 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 \$(303.6) million at the end of fiscal 2020, compared to \$(228.1) million at the end of the prior fiscal year, as restated. Governmental activities reported unrestricted net position (deficit) of \$(5,434.8) 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, 2020 and 2019  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019*	2020	2019	2020	2019*
Current and other assets	\$ 3,601,750	\$ 2,412,885	\$ 410,203	\$ 624,805	\$ 4,011,953	\$ 3,037,690
Capital assets	4,788,465	4,505,757	169,746	158,121	4,958,211	4,663,878
Total assets	8,390,215	6,918,642	579,949	782,926	8,970,164	7,701,568
Deferred outflows of resources	722,392	813,673	12,683	10,693	735,075	824,366
Long-term liabilities outstanding	7,065,884	6,969,022	223,803	232,013	7,289,687	7,201,035
Other liabilities	2,479,050	1,319,338	61,675	69,485	2,540,725	1,388,823
Total liabilities	9,544,934	8,288,360	285,478	301,498	9,830,412	8,589,858
Deferred inflows of resources	177,487	163,488	968	726	178,455	164,214
Net position (deficit):						
Net investment in capital assets	3,845,461	3,554,559	(31,295)	(42,225)	3,814,166	3,512,334
Restricted	979,507	850,784	366,561	561,601	1,346,068	1,412,385
Unrestricted	(5,434,782)	(5,124,876)	(29,080)	(27,981)	(5,463,862)	(5,152,857)
Total net position (deficit)	<u>\$ (609,814)</u>	<u>\$ (719,533)</u>	<u>\$ 306,186</u>	<u>\$ 491,395</u>	<u>\$ (303,628)</u>	<u>\$ (228,138)</u>

\*Restated.

As indicated above, the State reported a balance in unrestricted net position (deficit) of \$(5.5) billion as of June 30, 2020. Several factors, which are discussed below, contributed to this deficit.

As required by generally accepted accounting principles (GAAP) the State recognizes the net pension liability for all of the pension plans it has funding responsibility for. In addition, beginning in fiscal 2018 the State has recognized the net other post-employment benefit (OPEB) liability (asset) for the retiree health care plans that it has funding responsibility for. Recognition of these liabilities has had a significant adverse impact on unrestricted net position. At June 30, 2020 the net pension liability related to governmental activities was \$3.7 billion and the net pension liability related to business-type activities was \$20.9 million. In addition, the net OPEB liability related to governmental activities was \$421.8 million and the net OPEB liability related to business-type activities was \$4.0 million.

Another significant contributing factor creating the deficit in unrestricted net position 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.

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 reported as capital assets of those 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;
- Facility projects funded through RIHEBC; and
- Historical preservation initiatives designed to protect and preserve historical buildings as well as to provide funding for cultural facilities.

Lastly, the State also has the following non-capital related debt outstanding :

- 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. As of June 30, 2020 approximately \$604.3 million of principal and \$123.1 million of accreted interest are included in the State's debt.
- Historic Tax Credit Bonds - The R.I. Commerce Corporation (RICC), on behalf of the State, issued 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, 2020, approximately \$104.9 million of such bonds are outstanding.
- The State has entered into certain capital lease agreements, known as Certificates of Participation (COPS), the proceeds of which are sometimes used to benefit certain entities outside of the primary government, for example, by the State's university and colleges for energy conservation projects or by local school districts to improve technology infrastructure 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, 2020, approximately \$170.4 million of obligations (net) are 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.

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## Changes in Net Position

### Governmental Activities

The State's overall net position related to governmental activities increased by almost \$110 million for fiscal 2020.

Total revenues and transfers of \$8.3 billion increased by \$419.2 million compared to fiscal 2019. This increase in revenue primarily resulted from a significant influx of federal assistance (reported under operating grants) received to help the state combat the pandemic. Tax revenues increased by \$83.9 million in fiscal 2020 with sales and use and general business taxes increasing over the prior year.

The State's expenses, which cover a wide range of services, increased by \$314.3 million. The most notable increases were for the health and human services and general government categories primarily as a result of expenses incurred to address the pandemic.

The increase in Health and Human Services expenses is attributable to a number of factors. The Department of Human Services saw increased spending of \$38.9 million, primarily due to additional federal funding for the SNAP, preschool and childcare block grant programs. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had increased spending of \$34.0 million resulting from new opioid response grants, funding for the home and community-based programs for the developmentally disabled and increased spending at Eleanor Slater Hospital. The Department of Health experienced increased spending of \$25.8 million primarily for pandemic related activities such as laboratory testing and contact tracing. Also included in this function are expenses of approximately \$183 million expended for supplies to combat the pandemic, assistance payments to hospitals, costs for testing sites and establishment of two surge hospitals.

General government expenses increased by approximately \$70.5 million in fiscal 2020 over the prior year. Among the most significant contributing factors were an increase in the Motor Vehicle Excise Tax Phase-Out aid to local communities' program, which, pursuant to law, increased by \$34.0 million from fiscal 2019 to fiscal 2020. Other significant changes included an increase of \$13.1 million in expenses by the Office of Energy Resources for the Regional Greenhouse Gas Initiative program and a \$19.7 million increase in expenditures for the State's Temporary Disability Insurance program largely attributable to pandemic related claims.

### Business-Type Activities

- As a result of increased unemployment, the Employment Security Fund net position decreased as a result of benefits paid significantly exceeding premium revenue.
- Lottery revenue and associated expenses fell significantly due to the casino closings in the spring of 2020 that were attributable to the pandemic.



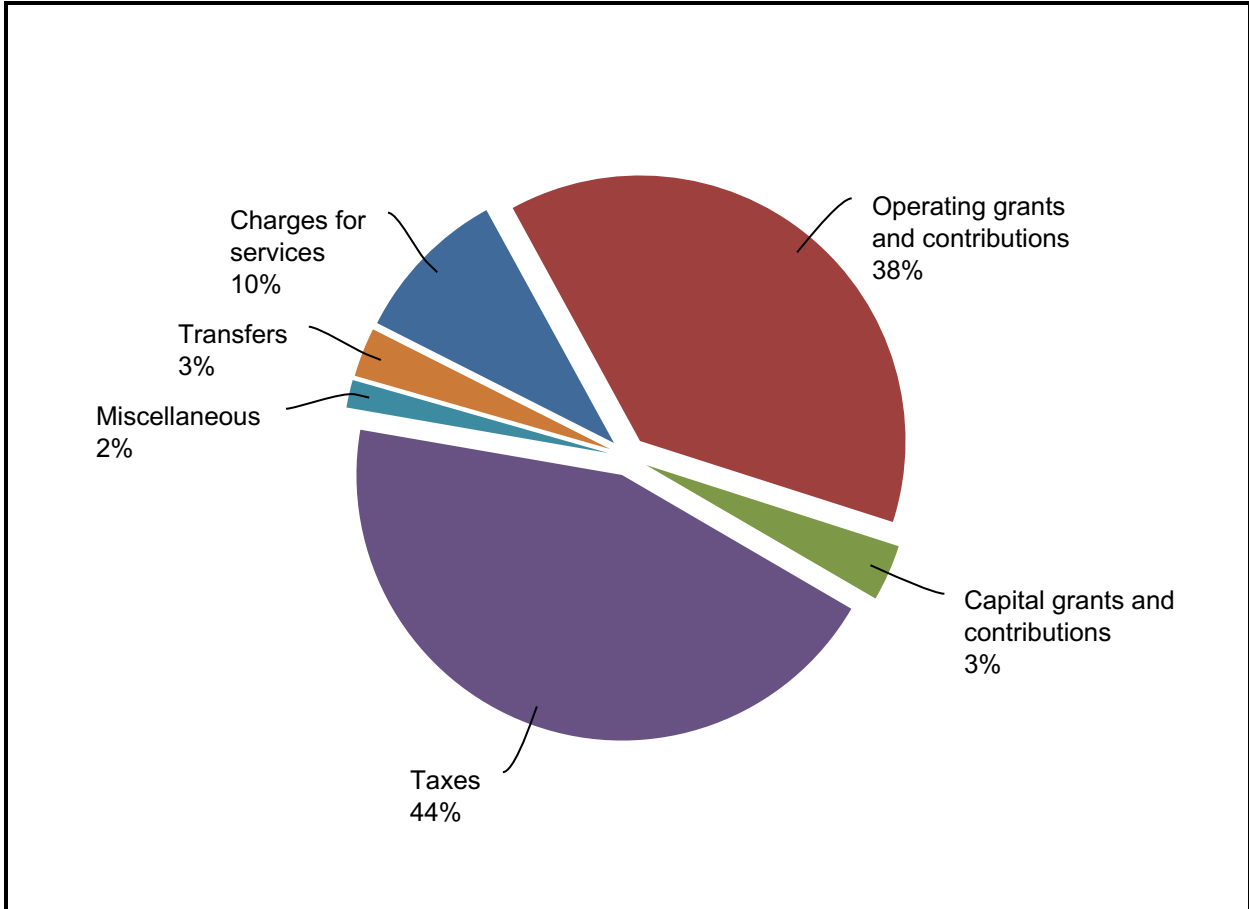
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island's Changes in Net Position  
For the Fiscal Years Ended June 30, 2020 and 2019  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 797,486	\$ 713,955	\$ 1,113,028	\$ 1,332,911	\$ 1,910,514	\$ 2,046,866
Operating grants and contributions	3,159,368	2,817,912	1,010,408	1,278	4,169,776	2,819,190
Capital grants and contributions	288,421	295,979	—	—	288,421	295,979
General revenues:						
Taxes	3,693,329	3,609,427	—	—	3,693,329	3,609,427
Interest and investment earnings	12,884	19,028	764	639	13,648	19,667
Miscellaneous	142,310	101,495	14,148	11,461	156,458	112,956
Total revenues	<u>8,093,798</u>	<u>7,557,796</u>	<u>2,138,348</u>	<u>1,346,289</u>	<u>10,232,146</u>	<u>8,904,085</u>
Program expenses:						
General government	914,244	843,756	—	—	914,244	843,756
Health and human services	4,361,236	4,063,865	—	—	4,361,236	4,063,865
Education	1,802,009	1,803,273	—	—	1,802,009	1,803,273
Public safety	586,841	580,367	—	—	586,841	580,367
Natural resources	103,506	103,477	—	—	103,506	103,477
Transportation	365,022	426,522	—	—	365,022	426,522
Interest and other charges	102,687	99,971	—	—	102,687	99,971
Lottery	—	—	600,854	680,356	600,854	680,356
Convention Center	—	—	46,544	51,698	46,544	51,698
Employment Security	—	—	1,424,693	148,430	1,424,693	148,430
Total expenses	<u>8,235,545</u>	<u>7,921,231</u>	<u>2,072,091</u>	<u>880,484</u>	<u>10,307,636</u>	<u>8,801,715</u>
Excess (deficiency) before transfers	(141,747)	(363,435)	66,257	465,805	(75,490)	102,370
Transfers	251,466	368,236	(251,466)	(368,236)	—	—
Change in net position	109,719	4,801	(185,209)	97,569	(75,490)	102,370
Net position (deficit) - Beginning	(756,850)	(768,024)	491,395	393,826	(265,455)	(374,198)
Cumulative effect of prior period adjustments	37,317	6,373	—	—	37,317	6,373
Net position (deficit) - Beginning, as restated	<u>(719,533)</u>	<u>(761,651)</u>	491,395	393,826	<u>(228,138)</u>	<u>(367,825)</u>
Net position (deficit) - Ending	<u>\$ (609,814)</u>	<u>\$ (756,850)</u>	<u>\$ 306,186</u>	<u>\$ 491,395</u>	<u>\$ (303,628)</u>	<u>\$ (265,455)</u>

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2020.

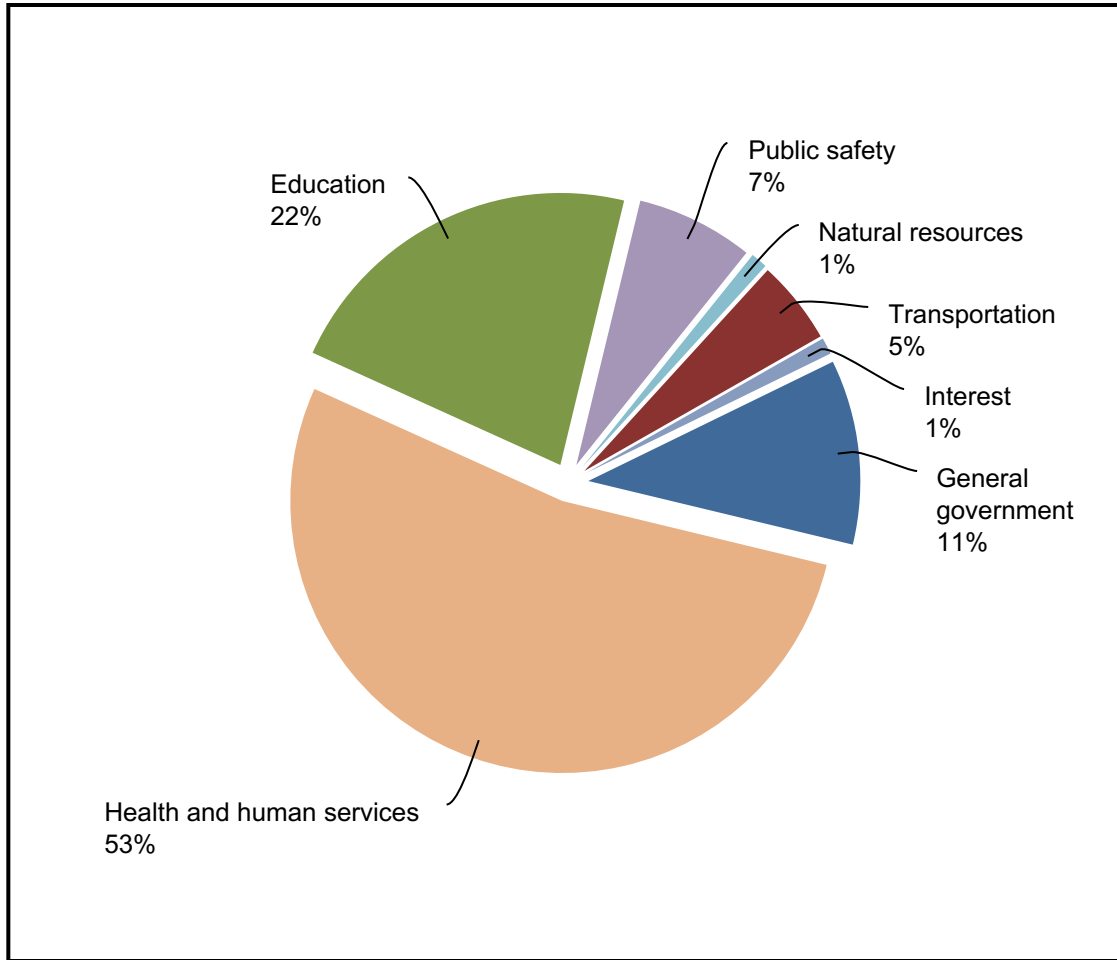
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent in fiscal 2020 versus the prior fiscal year. Taxes continued to represent the largest source of revenue at 44% of the total while operating grants and contributions represented 38% of the total in fiscal 2020. The proportion of total revenue derived from operating grants and contributions increased slightly in fiscal 2020 due to the influx of federal assistance as a result of the pandemic.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2020.

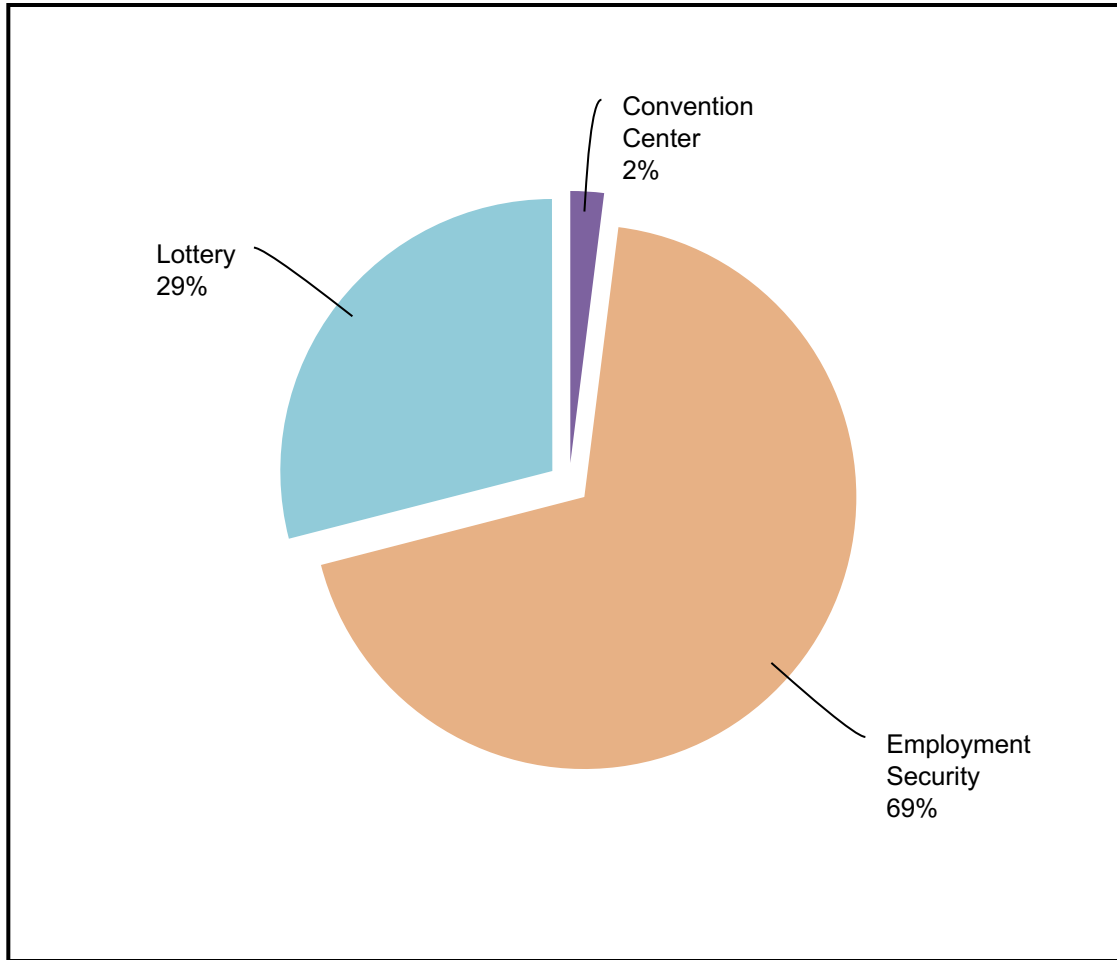
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal 2020 as in the prior fiscal year. There was an increase in health and human services from 51% to 53% in 2020 consistent with increased expenditures incurred in response to the COVID-19 public health emergency.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2020.

Chart 3 - Program Expenses - Business Type Activities



There was a substantial decrease in Lottery expenses due to prize awards and commissions decreasing in proportion to the decline in Lottery revenue caused by gaming facility closures in the fourth quarter of fiscal 2020 as a result of the COVID-19 public health emergency. There was a substantial increase in Employment Security expenses due to the significant increase in unemployment benefits resulting from business closures due to the COVID-19 public health measures employed in the fourth quarter of fiscal 2020.



## 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 approximately \$1.3 billion, an increase of \$43.9 million from June 30, 2019. A breakdown of the components follows (expressed in thousands):

			Increase (decrease) from 2019	
	2020	2019	Change	Percent
Governmental Funds				
Nonspendable	\$ 8,092	\$ 1,732	\$ 6,360	367.2 %
Restricted	984,317	913,729	70,588	7.7 %
Unrestricted				
Committed	57,907	92,317	(34,410)	(37.3)%
Assigned	6,851	37,255	(30,404)	(81.6)%
Unassigned	238,393	206,642	31,751	15.4 %
Total	<u>\$ 1,295,560</u>	<u>\$ 1,251,675</u>	<u>\$ 43,885</u>	3.5 %

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 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 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 fund balance - in the State's General Fund, the residual classification for 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 net increase of \$70.6 million in the restricted portion of the fund balance is primarily related to unspent proceeds relating to new borrowings for highway and bridge improvement projects (using GARVEE Bonds) which were offset to an extent by reductions in prior year bond proceeds and fund balances for several purposes including capital projects.
- The net decrease of \$34.4 million in the committed portion of the unrestricted fund balance is primarily attributable to a decrease in the RI Highway Maintenance Account within the Intermodal Surface Transportation Fund. This account, which is funded by a variety of motor vehicle and license related fees, was created by the General Assembly in the 2014 session to address the State's highway and bridge infrastructure improvement needs.
- The net decrease of \$30.4 million in the assigned portion of the unrestricted fund balance primarily resulted from a reduction in the amount of assigned fund balance allocated to fund the subsequent year's budget.
- The net increase of \$31.8 million in the unassigned portion of fund balance primarily was due to more favorable actual operating results in fiscal 2020 than were expected when the fiscal 2021 budget was enacted.

#### 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):

	2020	2019	Increase (decrease) from 2019	
			Change	Percent
Nonspendable	\$ 7,918	\$ 1,558	\$ 6,360	408.2 %
Restricted	141,229	119,677	21,552	18.0 %
Unrestricted				
Committed	6,791	5,206	1,585	30.4 %
Assigned	6,851	37,255	(30,404)	(81.6)%
Unassigned	238,981	207,337	31,644	15.3 %
Total	<u>\$ 401,770</u>	<u>\$ 371,033</u>	<u>\$ 30,737</u>	8.3 %

Revenues and other sources of the General Fund totaled \$7.6 billion in fiscal 2020, an increase of \$406.1 million or 5.6% from the previous year. The revenues from various sources and the change from the previous year are shown in the following table (expressed in thousands):

	2020	2019	Increase (decrease) from 2019	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,398,121	\$ 1,391,890	\$ 6,231	0.4%
Sales and use	1,326,149	1,286,024	40,125	3.1%
General business	463,786	433,460	30,326	7.0%
Other	70,037	61,917	8,120	13.1 %
Subtotal	<u>3,258,093</u>	<u>3,173,291</u>	<u>84,802</u>	2.7%
Federal grants	3,128,124	2,826,622	301,502	10.7 %
Restricted revenues	349,753	281,236	68,517	24.4 %
Licenses, fines, sales, and services	406,489	398,221	8,268	2.1 %
Other general revenues	105,916	57,226	48,690	85.1 %
Subtotal	<u>3,990,282</u>	<u>3,563,305</u>	<u>426,977</u>	12.0 %
Total revenues	<u>7,248,375</u>	<u>6,736,596</u>	<u>511,779</u>	7.6%
Other sources				
Transfer from Lottery	283,871	397,321	(113,450)	(28.6)%
Other transfers	75,627	67,878	7,749	11.4 %
Total revenues and other sources	<u>\$ 7,607,873</u>	<u>\$ 7,201,795</u>	<u>\$ 406,078</u>	5.6%

Despite the pandemic fiscal 2020 personal income taxes increased slightly from fiscal 2019 levels, rising \$6.2 million or 0.4%. The rate of growth in personal income tax withholding payments rose to 3.5% in fiscal 2020, up from 2.6% in fiscal 2019. The growth in withholding payments in fiscal 2020 was likely enhanced by the Pandemic Unemployment Assistance and the Pandemic Emergency Unemployment Compensation payments that were part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020.

The State's unemployment rate increased to 6.6% in fiscal 2020, according to IHS Markit, up 2.9 percentage points from the 3.7% rate realized in fiscal 2019. The fiscal 2020 unemployment rate is the highest fiscal year unemployment rate since 2015. Nominal personal income growth rose 79.2% in fiscal 2020 to 6.1% from 3.4% growth in fiscal 2019 abetted by growth in transfer payments as a result of not only PUA and PEUC payments but also the \$1,200 per person CARES Act Economic Impact Payments (EIP). General sales and use tax revenues posted an increase of 3.1% in fiscal 2020 over fiscal 2019. Fiscal 2020 use tax payments paid at the time of registration of a new motor vehicle decreased by 5.6%, down from a positive 5.7% rate of growth between fiscal 2018 and fiscal 2019. Due to the effects of the pandemic sales taxes collected from the provision of prepared meals and beverages decreased 5.6% in fiscal 2020 falling to \$188.0 million in tax revenues. The slight increase in fiscal 2020 sales and use tax was likely attributable to a shift in consumption expenditures from in-person taxable sales to remote (on-line) taxable sales and a rise in the purchase of taxable items associated with home improvement projects.

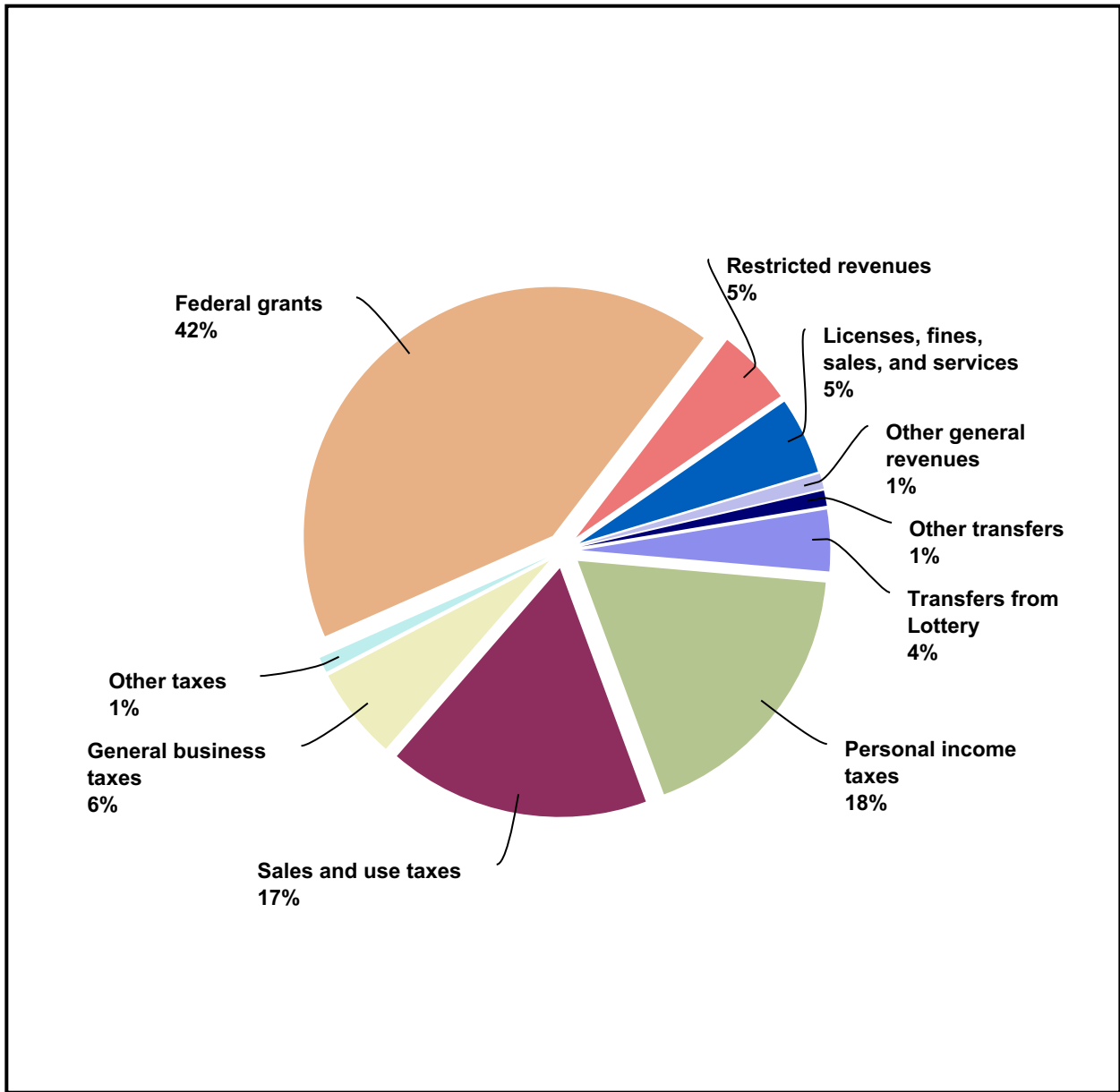
General business tax revenues increased by 7.0% in fiscal 2020, driven by large gains in public utilities gross earnings tax, financial institutions tax, and insurance company gross premiums tax revenues of 6.9%, 63.7%, and 16.0%, respectively. This increase was offset by year-over-year decreases in business corporation taxes of 4.2% and the health care provider assessment of 3.1%.

Other taxes rose by 13.1% over fiscal 2019. The increase is largely attributable to estate and transfer tax revenues, which rose 15.1% over fiscal 2019 levels. Realty transfer taxes also increased substantially gaining 9.2% over fiscal 2019 levels, indicating ongoing strength in the housing market.

Finally, the R.I. Lottery's transfer to the General Fund was down 28.6% in fiscal 2020 vs fiscal 2019. This decline is largely attributable to the shutdown of the State's two casinos for nearly three months in the spring as a result of the pandemic, followed by a limited reopening of the facilities through the end of the fiscal year.

Chart 4 depicts the General Fund's revenues and other sources for fiscal 2020.

Chart 4 - Revenues and Other Sources - General Fund





Expenditures and transfers out totaled \$7,577.1 million in fiscal 2020, an increase of \$383.8 million, or 5.34%, 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):

	2020	2019	Increase (decrease) from 2019	
			Amount	Percent
General government	\$ 577,417	\$ 539,520	\$ 37,897	7.02 %
Health and human services	4,325,361	4,034,359	291,002	7.21 %
Education	1,662,174	1,641,632	20,542	1.25 %
Public safety	578,721	577,168	1,553	0.27 %
Natural resources	83,703	81,986	1,717	2.09 %
Debt Service:				
Principal	143,503	120,488	23,015	19.10 %
Interest	62,348	60,806	1,542	2.54 %
Total expenditures	7,433,227	7,055,959	377,268	5.35 %
Transfers out	143,909	137,346	6,563	4.78 %
Total expenditures and transfers out	<u>\$ 7,577,136</u>	<u>\$ 7,193,305</u>	<u>\$ 383,831</u>	5.34 %

The year-over-year increase of approximately \$37.9 million in the General Government function is primarily attributable to a change in the Motor Vehicle Excise Tax Phase-Out aid to local communities program, which increased by \$34.0 million from fiscal 2019 to fiscal 2020. Other significant changes include an increase of \$13.1 million in expenses by the Office of Energy Resources for the Regional Greenhouse Gas Initiative program; \$2.1 million in the Information Technology Investment Fund; \$2.2 million by the General Assembly and \$2.9 million by the Department of Labor and Training primarily for the Real Jobs RI job training program. This increased spending was offset by a decrease in spending by the Executive Office of Commerce of \$17.4 million in various economic development programs, including Rebuild RI. The General Assembly lowered appropriations in these programs in the final supplemental budget to address the projected fiscal 2020 deficit and because several of these programs had accumulated resources from prior year appropriations to allow them to continue operating for fiscal 2020.

The year-over-year increase of \$291.0 million in the Health and Human Services function is primarily attributable to the significant inflow of federal money to address the impact of the COVID-19 pandemic, as well as increased or new federal resources in various agencies. The Department of Human Services saw increased spending of \$38.9 million, primarily due to additional federal funding for the SNAP, preschool and childcare block grant programs. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had increased spending of \$34.0 million resulting from new opioid response grants, funding for the home and community-based programs for the Developmentally Disabled and increased spending at Eleanor Slater Hospital. The Department of Health experienced increased spending of \$25.8 million primarily for pandemic related activities such as laboratory testing and contact tracing. Also included in this function are expenses of approximately \$183 million expended by the Department of Administration and the Rhode Island Emergency Management Agency for supplies to combat the pandemic, assistance payments to hospitals, costs for testing sites, and establishment of two surge hospitals.

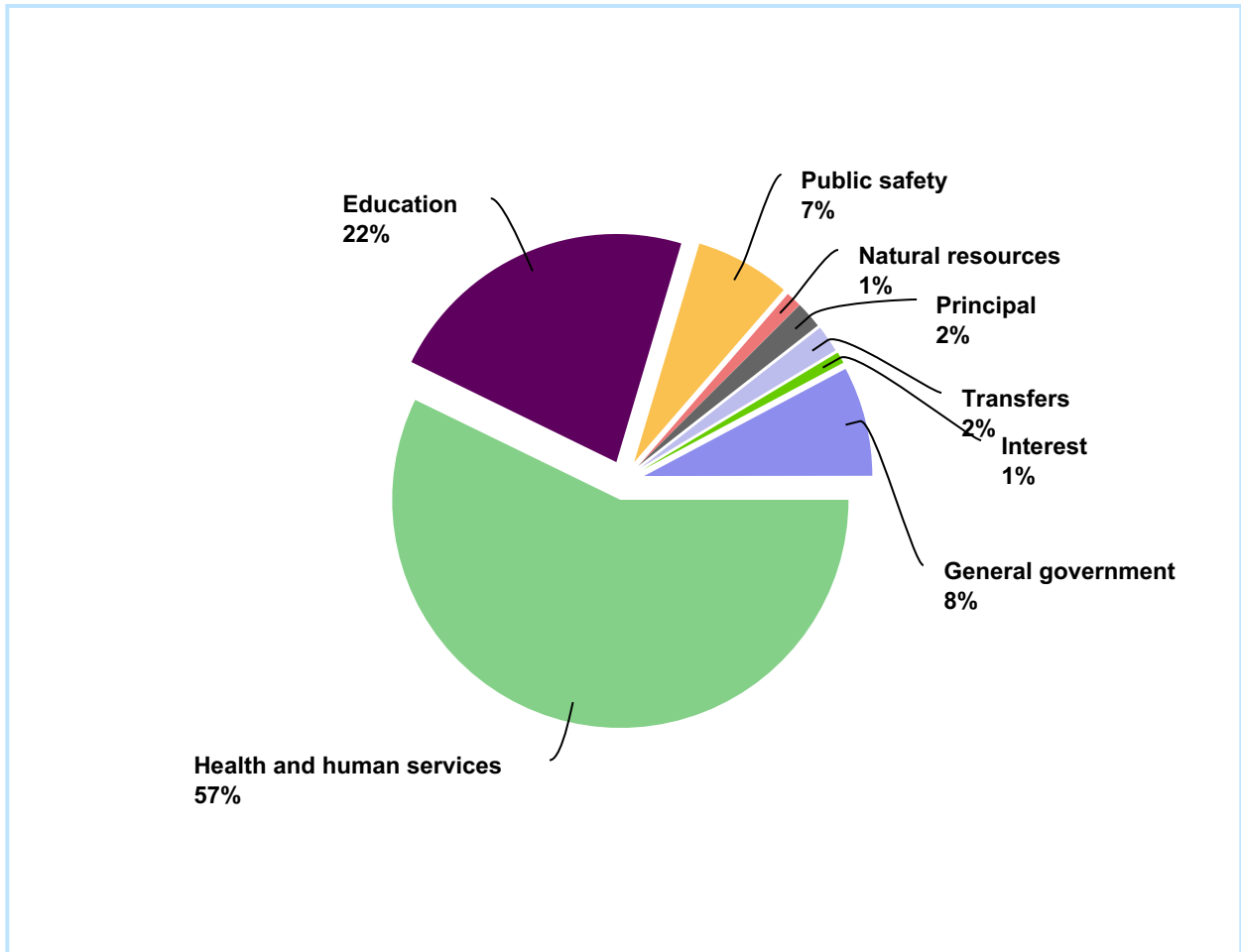
The increase in Education function expenditures of \$20.5 million is the result of additional funding of \$7.6 million for early childhood (pre-K) programs; \$6.7 million more for the State's contribution to Teacher retirement costs; and \$43.7 million in new CARES Act federal funding for distribution to local school districts. This increased spending was offset by a reduction of approximately \$7.0 million in Higher Education expenditures resulting from a reduction in state appropriations due to the direct allocation of CARES Act funds to each institution.

The increase in debt service of approximately \$24.6 million from fiscal 2019 to fiscal 2020 is the result of several offsetting items. First, a new debt issuance for the Historic Structures Tax Credit program resulted in additional debt service costs of \$9.9 million. Second, the debt issuances for the Garrahy Courthouse Garage and the Eleanor Slater Hospital required increased funding of approximately \$1.4 million each in fiscal 2020

compared to fiscal 2019. Third, the issuance of new general obligation bonds added about \$11.3 million to debt service expenditures. These increases were partially offset by savings of \$1.5 million in the Fidelity Job Rent Credit program as a result of available debt service reserve funds.

Chart 5 depicts the General Fund's expenditures and other uses for fiscal 2020.

**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, motor vehicle registration and licensing fees, tolls, federal grants, Rhode Island Capital Plan funds, and bond proceeds that are used for 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, and related expenditures. The components of the fund balance of the IST fund are as follows (expressed in thousands):

	2020	2019	Increase (decrease) from 2019	
			Change	Percent
Restricted	\$ 320,289	\$ 237,741	\$ 82,548	34.72 %
Unrestricted				
Committed	50,717	86,735	(36,018)	(41.53)%
Unassigned (deficit)	(588)	(694)	106	15.27 %
<b>Total</b>	<b>\$ 370,418</b>	<b>\$ 323,782</b>	<b>\$ 46,636</b>	<b>14.40 %</b>

The net increase of \$82.5 million in the restricted portion of the fund balance is primarily related to GARVEE bonds issued by the State in May 2020 for transportation related projects as the pace of bridge and highway improvements being made under the State's RhodeWorks initiative rose significantly this year. This issuance increased the amount of unspent bond proceeds held at June 30, 2020 for expenditure on future transportation projects over the prior year. The net decrease of \$36.0 million in the committed portion of the unrestricted fund balance resulted from multiple factors including a decrease in the RI Highway Maintenance Account.

### **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 which is in the General Fund. If the balance in the Reserve exceeds 5% 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 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 appropriation from the General Assembly, provided a need is established.

Pandemic related adjustments to general revenue receipt estimates resulted in a significant decrease of \$256.6 million between the original budget and the final budget. General revenue appropriations decreased from the original budget by \$118.9 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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,426,800	\$ 1,358,900	\$ 1,405,508	\$ 46,608
General business	459,693	427,000	478,248	51,248
Sales and use	1,339,834	1,288,400	1,326,194	37,794
Other taxes	52,600	73,200	70,037	(3,163)
Departmental revenue	448,452	440,725	434,983	(5,742)
Other sources:				
Lottery transfer	412,800	268,600	283,871	15,271
Unclaimed property	9,900	12,200	12,081	(119)
Miscellaneous	28,650	53,134	52,790	(344)
Total revenues and other sources	<u>4,178,729</u>	<u>3,922,159</u>	<u>4,063,712</u>	<u>141,553</u>
Expenditures and other uses:				
General government	553,215	523,571	543,079	19,508
Health and Human services	1,490,113	1,490,778	1,439,022	(51,756)
Education	1,487,455	1,432,058	1,430,769	(1,289)
Public safety	500,305	466,500	477,998	11,498
Natural resources	46,507	45,806	45,693	(113)
Total expenditures and other uses	<u>4,077,595</u>	<u>3,958,713</u>	<u>3,936,561</u>	<u>(22,152)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 101,134</u>	<u>\$ (36,554)</u>	<u>\$ 127,151</u>	<u>\$ 163,705</u>

\*See Notes on the General Fund Budgetary Comparison Schedule

The favorable variance between the fiscal 2020 actual revenues and the fiscal 2020 final budget for personal income taxes was primarily attributable to the fact that the actual negative impact of the pandemic on personal income tax revenue was not as significant as was assumed at the spring revenue estimating conference which occurred in early May several months before the July 15th extended filing date for calendar year 2019 individual income tax returns and first and second quarter 2020 estimated tax payments.

Actual fiscal 2020 general business taxes came in \$51.2 million above the final enacted budget but just \$18.6 million more than the original budget due to actual business corporation tax and health care provider assessment revenues coming in a combined \$18.2 million lower than the estimated amount included in the original budget. At the time of final enactment in June 2020, the revenue estimates for these items had been reduced such that the difference between actual fiscal 2020 revenues and final enacted fiscal 2020 revenues for these items was a positive \$16.7 million.

Sales and use and excise tax revenues received in fiscal 2020 were \$13.6 million less than estimated sales and use tax revenues included in the fiscal 2020 original budget, led by a deficit in sales and use tax revenues of \$13.0 million. The shortfall in sales and use tax revenues was eliminated when compared to the final enacted fiscal 2020 budget with actual sales and use tax revenues coming in \$37.8 million above the estimate.

The strength in sales and use tax revenues in fiscal 2020 is likely the result of the state's successful efforts in getting remote sellers to collect and remit the sales tax on taxable sales made into the state and stronger than expected retail sales during the COVID-19 pandemic.

Actual fiscal 2020 other tax revenues were substantively higher than in the original budget but below the final budget estimate. In the case of the former, the difference was \$17.4 million while in the case of the latter, the difference was \$(3.2) million. The large positive variance between actual fiscal 2020 and the original budget is due to the receipt of large infrequently occurring estate and transfer tax payment(s) of \$25.8 million over the course of the fiscal year. The receipt of estate and transfer tax payments are difficult to predict in number and amount. By the time the final budget was enacted, all payments such as these had been received and estate and transfer tax payments fell short of expectations by \$2.8 million. In addition, actual realty transfer tax revenues in fiscal 2020 ended up less than expected in the final budget by \$0.3 million but exceeded the amount included in the original budget by \$0.4 million.

Finally, the actual fiscal 2020 Lottery transfer to the General Fund was \$15.3 million above the revenue estimate contained in the final budget but was \$128.9 million below the estimated Lottery transfer to the General Fund contained in the fiscal 2020 original budget. The surplus compared to the final budget was largely driven by higher than expected transfers of net terminal income from video lottery terminals installed at Twin River and Tiverton. The final fiscal 2020 transfer of net terminal income ended up \$12.0 million above the final enacted estimate but was \$96.4 million below the fiscal 2020 original budget. This large swing in the transfer of net terminal income resulted from the closure of the State's two casinos for nearly three months as a result of the COVID-19 pandemic. The transfer revenues generated by traditional lottery products was \$6.5 million less than contained in the fiscal 2020 original budget, but \$3.1 million more than the revenue estimate in the final budget. The shortfalls compared to the original budget estimate were of similar magnitude for table games and sports betting but were in-line with the fiscal 2020 final budget.

The unfavorable variance in the General Government function of \$19.5 million is due to a number of factors. Most significantly, the categorization of certain pandemic-related costs as general revenue expenses in accordance with GASB standards in anticipation of Federal Emergency Management Agency (FEMA) reimbursements in fiscal 2021 contributed \$25.6 million to the variance. Offsetting this were surpluses across several General Government agencies, the largest of which was \$2.3 million in the General Assembly. The General Assembly typically ends the fiscal year with a surplus, which under Rhode Island law is fully reappropriated to fiscal 2021. The next largest surplus was \$1.3 million in the Department of Revenue, split mostly between the Division of Taxation and the Division of Motor Vehicles, which both experienced higher turnover savings from vacant positions than expected. The Department of Business Regulation also ended the fiscal year with a surplus of approximately \$1.3 million, primarily due to the allocation of more personnel and other costs to federal Coronavirus Relief Fund (CRF) resources than was accounted for in the final enacted budget.

The favorable variance in the Health and Human Services function of \$51.8 million was due to positive variances of \$51.2 million in the Office of Health and Human Services (OHHS), \$6.0 million in the Department of Children, Youth and Families, \$5.7 million in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH), \$4.2 million in the Department of Human Services (DHS), offset by a deficit of \$1.1 million in the Department of Health (DOH). The OHHS positive variance was primarily in the various programs under Medical Assistance, which were expected to see a greater increase in caseloads due to the economic impact of the pandemic than materialized in fiscal 2020. The DCYF surplus was primarily in the Child Welfare program and is also due to lower caseloads than assumed in the enacted budget. Finally, the DOH deficit is due to the inability for the department to charge as much payroll costs to the CRF under the eligibility rules as was anticipated in the final budget. Offsetting these agency surpluses was the categorization as general revenue expenditures in fiscal 2020 of \$14.3 million of pandemic related costs that the State expects will be reimbursed by FEMA in fiscal 2021.

The favorable variance in the Education function of approximately \$1.3 million, of which \$0.7 million was in the Department of Elementary and Secondary Education Early Childhood Demonstration program due to lower enrollment because of the closure of schools during the early stages of the pandemic. Approximately \$0.3 million of the surplus in this function was in the Office of the Postsecondary Commissioner primarily due to lower expenses at the Nursing Education Center.

The unfavorable variance in the Public Safety function of \$11.5 million is due to a number of factors. Most significantly, the categorization of certain pandemic-related costs as general revenue expenses in anticipation of FEMA reimbursements in fiscal 2021 contributed \$69.9 million to the variance. In addition, offsetting this were a number of agency surpluses. The Department of Corrections ended the year with a surplus of \$50.4 million due to the allocation of a substantial portion of its personnel costs to the CRF under the presumptive eligibility of public safety employees, which included Correctional Officers. Similarly, the Department of Public Safety ended with a \$4.5 million surplus due to the ability to allocate personnel costs for State Police Troopers, Sheriffs and Capitol Police to the CRF.

## 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, 2020 amounts to \$4,958.2 million, net of accumulated depreciation of \$3,718.6 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, computer systems, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 6.31% of net book value. This increase is primarily related to investments for the construction and rehabilitation of highways and bridges as well as other infrastructure, and new buildings.

Actual expenditures to purchase or construct capital assets were \$530.0 million for the year. Of this amount, \$448.9 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$258.2 million.



## State of Rhode Island's Capital Assets as of June 30, 2020 and 2019

(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019 (Restated)	2020	2019	2020	2019 (Restated)
Capital assets not being depreciated or amortized						
Land	\$ 391,363	\$ 392,804	\$ 46,808	\$ 46,808	\$ 438,171	\$ 439,612
Works of Art	4,385	4,385	—	—	4,385	4,385
Intangibles	182,036	179,816	—	—	182,036	179,816
Construction in progress	660,498	498,484	4,931	31,633	665,429	530,117
Total capital assets not being depreciated or amortized	1,238,282	1,075,489	51,739	78,441	1,290,021	1,153,930
Capital assets being depreciated or amortized						
Land improvements	8,331	8,381	—	—	8,331	8,381
Buildings	891,078	865,400	276,453	234,377	1,167,531	1,099,777
Building improvements	510,132	458,383	—	—	510,132	458,383
Equipment	361,788	353,106	48,608	41,382	410,396	394,488
Intangibles	341,738	341,951	175	175	341,913	342,126
Infrastructure	4,948,464	4,693,179	—	—	4,948,464	4,693,179
	7,061,531	6,720,400	325,236	275,934	7,386,767	6,996,334
Less: Accumulated depreciation or amortization	3,511,348	3,290,134	207,229	196,254	3,718,577	3,486,388
Total capital assets being depreciated or amortized	3,550,183	3,430,266	118,007	79,680	3,668,190	3,509,946
Total capital assets (net)	<u>\$ 4,788,465</u>	<u>\$ 4,505,755</u>	<u>\$ 169,746</u>	<u>\$ 158,121</u>	<u>\$ 4,958,211</u>	<u>\$ 4,663,876</u>

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 thousand 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 \$2.7 billion, of which \$1,263.3 million is general obligation debt, \$704.8 million is special obligation debt and \$604.3 million is debt of the blended component units. Additionally, accreted interest of \$123.1 million has been recognized for debt of one blended component unit, which is not scheduled to be paid until 2052. On an overall basis the State's total bonded debt increased by \$134.4 million during fiscal 2020. This increase consists of a \$42.1 million increase in general obligation debt, an increase of \$110.3 million in special obligation debt, and a decrease of \$18.0 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 totaling \$257.8 million and \$1.3 billion are supported by pledged revenue. These obligations are discussed in Notes 7 and 13.

In December 2019 the State issued \$153 million of general obligation bonds with interest rates of 2.00% - 5.00%, maturing from 2021 through 2040. The aggregate premium paid on these bonds was \$18.4 million. Pursuant to law this premium was transferred to the Rhode Island Infrastructure Bank.

The State also issued \$68.2 million of general obligation refunding bonds with interest rates of 3.00% - 5.00%, maturing from 2021 through 2030. The premium paid on these bonds was \$14.1 million. These bonds, combined with the premium, were deposited in an irrevocable trust to advance refund \$80 million of series 2010C bonds with interest rates from 4.663% to 6.098%. The refunding resulted in a reduction of debt service of \$7.2 million and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$6.8 million. The advanced refunding resulted in a deferred loss (difference between the reacquisition price and the net carry amount of the old debt) of approximately \$1.6 million that was recorded as a deferred outflow of resources.

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, 2020 amounted to \$311.9 million; other obligations that are authorized but unissued totaled \$64.8 million and are described in Note 7. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

During fiscal 2020, the State entered into two \$150 million line of credit agreements with financial institutions for a total \$300 million. Draws on the lines of credit to facilitate liquidity during fiscal 2020 totaled \$35 million. At June 30, 2020, a total of \$10 million remained outstanding while a total of \$290 million remained available under the line of credit agreements.

## Conditions Expected to Affect Future Operations

### Fiscal Year 2021 Budget Challenges

The fiscal 2021 budget was enacted almost 6 months into the fiscal year on December 21, 2020. The delay in enacting a budget for fiscal 2021 resulted from a number of factors including uncertainty during the spring and summer of 2020 about how federal CARES Act funds appropriated to assist states in managing the effects of the global pandemic could be utilized. Also, there were unfulfilled expectations that additional federal assistance to combat the costs of the pandemic and ameliorate any revenue losses that resulted from it would be forthcoming.

The enacted budget for fiscal 2021 which totals \$12.7 billion and includes a full year of costs associated with the pandemic includes \$4.2 billion of general revenue and \$5.8 billion of federal funds. For fiscal 2020, which included pandemic related costs for about 4 months, the total revised budget was \$11.8 billion, including \$4.0 billion of general revenue and \$4.0 billion of federal funds. The significant increase in the total budget from fiscal 2020 to fiscal 2021 is attributable to greater expected spending for a full year on pandemic related costs including costs for personal protective equipment, testing, contact tracing, vaccination initiatives, assistance to the unemployed and assistance to businesses, local governments and other organizations affected by the pandemic.

The state continues to carefully monitor revenues in fiscal 2021 and beyond for the impact of the pandemic especially on revenues derived from the Rhode Island Lottery including its casino associated revenues which have experienced decline due to a curtailment in hours and several closings since the pandemic began.

Spending on pandemic related costs and economic assistance to individuals and businesses affected by the pandemic could significantly affect the State's financial results for fiscal 2021 and 2022. In addition, the amount and nature of federal assistance received could also have a major impact on the State's financial results for fiscal 2021 along with future fiscal years.

### Lottery Revenue

Net operations of the Rhode Island Lottery represent the State's third-largest revenue source. The following factors currently exist that will impact the Lottery's future operations:

- *Continuing impacts on revenue caused by the COVID-19 pandemic* – Capacity and operating restrictions on the State's two licensed casinos and restaurants and bars implemented as public health

measures by the State will continue to impact Lottery revenue as the State manages the public health emergency.

- *Changes in gaming technology* – The Lottery continues to utilize new gaming technology to expand product offerings. Planned expansions of newly implemented mobile sports betting and iLottery gaming products allow patrons to play Lottery games utilizing mobile applications and the internet. Facilitating access to Lottery games, especially during the public health emergency, may offset some of the negative impacts that have resulted from the pandemic.
- *Competition from casinos in nearby states* – Prior to the pandemic, the Lottery was experiencing competition from increased growth in casino offerings in nearby Massachusetts. Efforts to compete effectively will undoubtedly persist and continue to involve enhanced player incentives and ensuring new games and gambling options are offered to patrons.

### **Pension Benefits**

The State's financial statements include the net pension liability for the various defined benefit pension plans covering state employees and teachers. Please see Note 18 for information about each of the State's pension plans.

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 from year to year.

In addition to the comprehensive pension reform measures adopted in prior years, the State continues to responsibly manage its pension liabilities through investment management and adoption of appropriate actuarial assumptions.

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7% which has been reflected in the determination of the net pension liability for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations. Funding valuations performed as of June 30, 2017 reflected the lower investment return assumption and impacted required employer contributions beginning in fiscal 2020.

### **Transportation Funding Initiative**

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, a new initiative proposed by the Governor, called RhodeWorks, was enacted by the General Assembly in 2016. RhodeWorks 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 is financed by 1) user fees on large commercial trucks, 2) \$300 million of new GARVEE debt that will be repaid with federal funds, and 3) \$129 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.

Since RhodeWorks was enacted in 2016, DOT has completed 119 projects including 69 bridges. Additionally, in FY 2020, DOT issued \$200 million of new GARVEE debt that will be repaid with federal funds in order to rebuild the Providence Viaduct Northbound.

### **Information Technology Security and Cybersecurity**

The State relies upon a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats and potential attacks on its computing and other digital networks and systems. To mitigate the risk of impact to State operations and damage from cybersecurity incidents or cyber-attacks, the State has prioritized and increased investments in multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer.

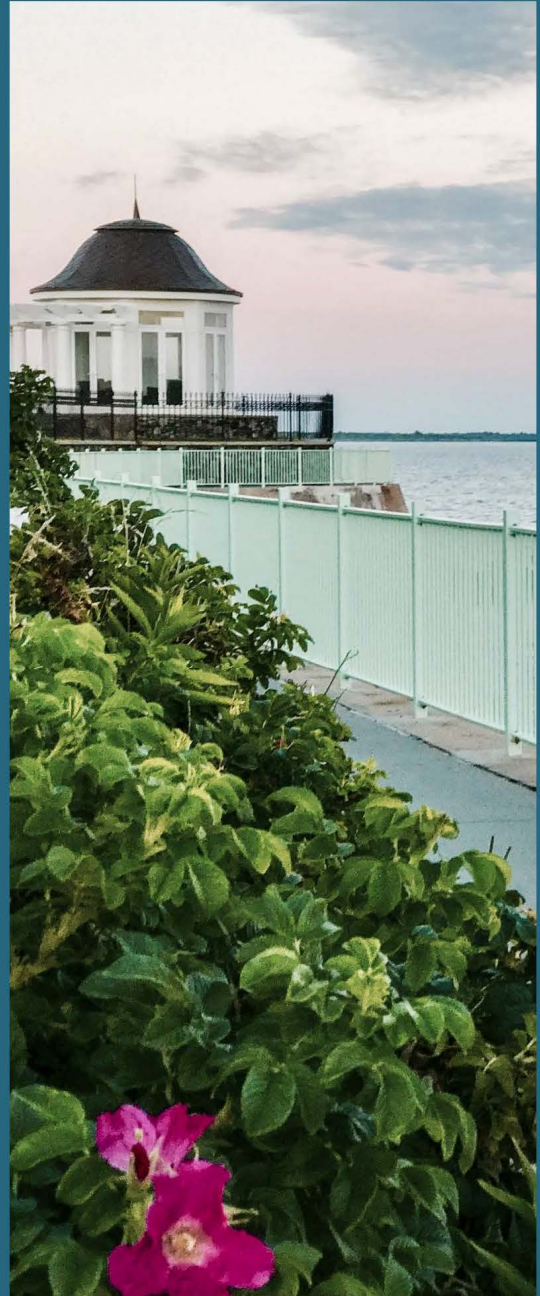
## **Statewide School Construction Funding**

Voters approved a \$250 million Statewide School Construction Bond, a new funding mechanism designed to provide upfront funding for local school construction projects. Pursuant to RIGL 45-38.2-4(e)(2), funding is based on a set percentage of foundational housing aid awarded. Local education agencies with Necessity of School Construction approvals will be offered 15% of the state share of their approval on a pay-as-you-go basis for projects that have not completed and for projects that have not issued permanent financing (bonds) through RIHEBC. The State has authorized school project awards approximating \$177 million of the \$250 million to date in conjunction with this program. This commitment will help our state to create learning environments that support the attainment of the academic, social, emotional, career readiness, and citizenship knowledge, skills, and competencies necessary to be successful in the 21st century.

## **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 [Margaret.Carlson@doa.ri.gov](mailto:Margaret.Carlson@doa.ri.gov). The State's Comprehensive Annual Financial Report may be found on the State Controller's home page, <http://controller.admin.ri.gov/index.php>. Requests for additional information related to component units should be addressed to the entities as listed in Note 1 of the financial statements.

# Basic Financial Statements



**State of Rhode Island**

Fiscal Year Ended  
June 30, 2020

**State of Rhode Island**  
**Statement of Net Position**  
**June 30, 2020**  
**(Expressed in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
<b>Assets and deferred outflows of resources</b>				
Current assets:				
Cash and cash equivalents	\$ 1,568,194	\$ 26,343	\$ 1,594,537	\$ 392,536
Funds on deposit with fiscal agent	375,375	298,712	674,087	—
Investments	—	—	—	1,442
Receivables (net)	1,149,294	63,130	1,212,424	105,430
Restricted assets:				
Cash and cash equivalents	50,890	1,840	52,730	775,707
Investments	—	—	—	274,516
Receivables (net)	—	—	—	92,166
Other assets	—	—	—	39,293
Due from primary government	—	—	—	29,143
Due from component units	21,632	—	21,632	1,977
Internal balances	(254)	254	—	—
Due from other governments and agencies	322,989	17,855	340,844	3,883
Inventories	2,217	952	3,169	8,896
Other assets	16,564	907	17,471	13,182
Total current assets	3,506,901	409,993	3,916,894	1,738,171
Noncurrent assets:				
Investments	—	—	—	274,494
Receivables (net)	29,155	—	29,155	127,438
Due from other governments and agencies	17,181	—	17,181	—
Restricted assets:				
Cash and cash equivalents	—	—	—	80,692
Investments	—	—	—	510,373
Receivables (net)	—	—	—	1,128,043
Other assets	—	—	—	1,424,870
Due from component units	41,275	—	41,275	1,237
Net OPEB Asset	7,238	—	7,238	—
Capital assets - nondepreciable	1,238,282	51,739	1,290,021	285,554
Capital assets - depreciable (net)	3,550,183	118,007	3,668,190	2,104,134
Other assets	—	210	210	196,512
Total noncurrent assets	4,883,314	169,956	5,053,270	6,133,347
Total assets	8,390,215	579,949	8,970,164	7,871,518
<b>Deferred outflows of resources</b>	722,392	12,683	735,075	94,285

(Continued)



**State of Rhode Island**  
**Statement of Net Position**  
**June 30, 2020**  
**(Expressed in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
<b>Liabilities and deferred inflows of resources</b>				
Current Liabilities:				
Accounts payable	\$ 981,702	\$ 14,893	\$ 996,595	\$ 85,593
Notes payable	10,000	—	10,000	80,834
Due to primary government	—	—	—	21,632
Due to component units	29,143	—	29,143	1,977
Due to other governments and agencies	—	6,933	6,933	—
Accrued expenses	—	5,011	5,011	—
Unearned revenue	1,033,802	—	1,033,802	37,764
Other current liabilities	133,461	1,238	134,699	460,691
Current portion of long-term debt	290,942	20,967	311,909	164,967
Obligation for unpaid prize awards	—	12,633	12,633	—
Total current liabilities	2,479,050	61,675	2,540,725	853,458
Noncurrent Liabilities:				
Due to primary government	—	—	—	41,275
Net pension liability	2,286,088	20,850	2,306,938	302,394
Net pension liability-special funding situation	1,366,538	—	1,366,538	—
Net OPEB liability	421,757	3,990	425,747	165,265
Unearned revenue	—	7,853	7,853	3,448
Due to component units	—	—	—	1,237
Notes payable	—	—	—	184,861
Loans payable	—	—	—	11,829
Obligations under capital leases	140,538	—	140,538	1,478
Compensated absences	15,615	431	16,046	23,463
Bonds payable	2,767,751	190,679	2,958,430	2,823,663
Other liabilities	67,597	—	67,597	402,736
Total noncurrent liabilities	7,065,884	223,803	7,289,687	3,961,649
Total liabilities	9,544,934	285,478	9,830,412	4,815,107
<b>Deferred inflows of resources</b>	177,487	968	178,455	55,729
<b>Net position (deficit)</b>				
Net investment in capital assets	3,845,461	(31,295)	3,814,166	1,613,485
Restricted for:				
Capital Projects	346,238	—	346,238	—
Debt	94,251	872	95,123	386,552
Assistance to other entities	149,897	—	149,897	—
Employment security programs	135,972	365,689	501,661	—
Other	252,975	—	252,975	942,791
Nonexpendable	174	—	174	219,988
Unrestricted	(5,434,782)	(29,080)	(5,463,862)	(67,849)
Total net position (deficit)	\$ (609,814)	\$ 306,186	\$ (303,628)	\$ 3,094,967

(Concluded)

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

State of Rhode Island  
Statement of Activities  
For the Fiscal Year Ended June 30, 2020  
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 914,244	\$ 261,568	\$ 163,354	\$ 3,257	\$ (486,065)	\$ —	\$ (486,065)	\$ —
Health and human services	4,361,236	394,744	2,560,736	1,519	(1,404,237)	—	(1,404,237)	—
Education	1,802,009	34,724	237,927	99	(1,529,259)	—	(1,529,259)	—
Public safety	586,841	33,909	123,321	12,896	(416,715)	—	(416,715)	—
Natural resources	103,506	30,840	23,709	837	(48,120)	—	(48,120)	—
Transportation	365,022	41,701	50,321	269,813	(3,187)	—	(3,187)	—
Interest and other charges	102,687	—	—	—	(102,687)	—	(102,687)	—
Total governmental activities	8,235,545	797,486	3,159,368	288,421	(3,990,270)	—	(3,990,270)	—
Business-type activities:								
State Lottery	600,854	882,672	—	—	—	281,818	281,818	—
Convention Center	46,544	21,317	—	—	—	(25,227)	(25,227)	—
Employment Security	1,424,693	209,039	1,010,408	—	—	(205,246)	(205,246)	—
Total business-type activities	2,072,091	1,113,028	1,010,408	—	—	51,345	51,345	—
Total primary government	\$ 10,307,636	\$ 1,910,514	\$ 4,169,776	\$ 288,421	(3,990,270)	51,345	(3,938,925)	—
<b>Component units:</b>	\$ 1,529,803	\$ 760,026	\$ 645,932	\$ 204,045				80,200
<b>General Revenues:</b>								
Taxes:								
Personal income					1,400,322	—	1,400,322	—
General business					465,737	—	465,737	—
Sales and use					1,328,879	—	1,328,879	—
Gasoline					146,735	—	146,735	—
Other					351,656	—	351,656	—
Interest and investment earnings					12,884	764	13,648	90,370
Miscellaneous revenue					142,310	14,148	156,458	10,755
<b>Transfers (net)</b>					251,466	(251,466)	—	—
Total general revenues and transfers					4,099,989	(236,554)	3,863,435	101,125
Change in net position					109,719	(185,209)	(75,490)	181,325
<b>Net position (deficit) - beginning as restated</b>					(719,533)	491,395	(228,138)	2,913,642
<b>Net position (deficit) - ending</b>					\$ (609,814)	\$ 306,186	\$ (303,628)	\$ 3,094,967

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

**State of Rhode Island**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>General</u>	<u>Intermodal Surface Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,139,617	\$ 99,394	\$ 294,698	\$ 1,533,709
Funds on deposit with fiscal agent	—	303,663	71,712	375,375
Restricted cash equivalents	—	—	50,890	50,890
Receivables (net)	1,075,755	17,785	74,459	1,167,999
Due from other funds	—	—	60	60
Due from component units	785	2,581	—	3,366
Due from other governments and agencies	269,826	60,947	—	330,773
Loans to other funds	21,908	—	75,030	96,938
Other assets	8,756	—	—	8,756
Total assets	<u>\$ 2,516,647</u>	<u>\$ 484,370</u>	<u>\$ 566,849</u>	<u>\$ 3,567,866</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	854,486	90,192	13,462	958,140
Notes payable	10,000	—	—	10,000
Due to other funds	12,763	1,043	1,261	15,067
Due to component units	—	—	17,486	17,486
Loans from other funds	75,031	—	11,008	86,039
Unearned revenue	1,033,532	—	—	1,033,532
Other liabilities	101,367	14,933	260	116,560
Total liabilities	<u>2,087,179</u>	<u>106,168</u>	<u>43,477</u>	<u>2,236,824</u>
Deferred inflows of resources	<u>27,698</u>	<u>7,784</u>	<u>—</u>	<u>35,482</u>
<b>Fund Balances</b>				
Nonspendable	7,918	—	174	8,092
Restricted	141,229	320,289	522,799	984,317
Unrestricted				
Committed	6,791	50,717	399	57,907
Assigned	6,851	—	—	6,851
Unassigned	238,981	(588)	—	238,393
Total fund balances	<u>401,770</u>	<u>370,418</u>	<u>523,372</u>	<u>1,295,560</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,516,647</u>	<u>\$ 484,370</u>	<u>\$ 566,849</u>	<u>\$ 3,567,866</u>

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

**State of Rhode Island**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2020**  
**(Expressed in Thousands)**

Fund balance - total governmental funds \$ 1,295,560

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

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

Capital assets	8,292,010	
Accumulated depreciation	<u>(3,506,593)</u>	
		4,785,417

Deferred outflows of resources 722,392

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.

Compensated absences	(84,240)	
Bonds payable	(2,695,388)	
Net premium/discount on Bonds	(236,013)	
Obligations under capital leases	(157,870)	
Premium on Certificates of Participation	(12,492)	
Interest payable	(24,186)	
Net pension liabilities	(3,652,626)	
Net OPEB liabilities	(421,757)	
Other liabilities	<u>(80,347)</u>	
		(7,364,919)

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

Receivables	9,821	
Due from component units	47,881	
Net OPEB asset	7,238	
Unavailable revenue	<u>35,482</u>	
		100,422

Deferred inflows of resources (177,487)

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. 28,801

Net position - total governmental activities \$ (609,814)

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

**State of Rhode Island**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 3,258,093	\$ 217,933	\$ 210,423	\$ 3,686,449
Licenses, fines, tolls, sales, and services	406,489	37,303	677	444,469
Departmental restricted revenue	349,753	4,370	—	354,123
Federal grants	3,128,124	321,416	—	3,449,540
Income from investments	2,360	4,491	5,782	12,633
Other revenues	103,556	3,102	42,216	148,874
Total revenues	7,248,375	588,615	259,098	8,096,088
<b>Expenditures:</b>				
Current:				
General government	577,417	—	222,804	800,221
Health and human services	4,325,361	—	—	4,325,361
Education	1,662,174	—	162	1,662,336
Public safety	578,721	—	—	578,721
Natural resources	83,703	—	—	83,703
Transportation	—	659,789	1,840	661,629
Capital outlays	—	—	248,444	248,444
Debt service:				
Principal	143,503	39,609	19,459	202,571
Interest and other charges	62,348	26,219	26,207	114,774
Total expenditures	7,433,227	725,617	518,916	8,677,760
Excess (deficiency) of revenues over (under) expenditures	(184,852)	(137,002)	(259,818)	(581,672)
<b>Other financing sources (uses):</b>				
Issuance of bonds and notes	—	165,555	221,150	386,705
Debt issuance premiums	—	36,955	32,458	69,413
Transfers in	359,498	32,462	121,399	513,359
Payment to advance refunded bonds escrow agent	—	—	(82,028)	(82,028)
Transfers out	(143,909)	(51,334)	(66,650)	(261,893)
Total other financing sources (uses)	215,589	183,638	226,329	625,556
Net change in fund balances	30,737	46,636	(33,489)	43,884
Fund balances - beginning	371,033	323,782	556,861	1,251,676
Fund balances - ending	\$ 401,770	\$ 370,418	\$ 523,372	\$ 1,295,560

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

**State of Rhode Island**  
**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, 2020**  
**(Expressed in Thousands)**

Net change in fund balances - total governmental funds \$ 43,884

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	531,688	
Depreciation expense	<u>(244,730)</u>	
		286,958

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	282,550	
Accrued interest and other charges	(2,816)	
Proceeds from sale of debt	(386,705)	
Refunding loss deferral	1,616	
Deferral of premium/discount	(69,413)	
Amortization of premium/discount	36,024	
Accreted interest	(13,128)	
Amortization of refunding gains/losses	<u>(7,560)</u>	
		(159,432)

Revenues, expense reductions, and (expenses) in the Statement of Activities that do not provide (use) current financial resources are not reported as revenues (expenditures) in the governmental funds. In the current period, the net adjustments consist of:

Compensated absences	(12,250)	
Pension expenses, net of related deferred outflows	(88,500)	
OPEB expenses, net of related deferred outflows	42,857	
Program expenses	(2,822)	
Program and miscellaneous revenue	(6,043)	
Operating and capital grant revenue	(1,749)	
General revenue - taxes	<u>6,881</u>	
		(61,626)

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.

Change in net position - total governmental activities	<u>\$ 109,719</u>
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The notes to the financial statements are an integral part of this statement.



**State of Rhode Island**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities	
	R.I.			Totals	Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security		
<b>Assets and deferred outflows of resources</b>					
Current assets:					
Cash and cash equivalents	\$ 21,693	\$ 2,292	\$ 2,358	\$ 26,343	\$ 34,485
Restricted cash and cash equivalents	—	1,840	—	1,840	—
Funds on deposit with fiscal agent	—	—	298,712	298,712	—
Receivables (net)	5,003	520	57,607	63,130	10,079
Due from other funds	66	713	2,338	3,117	15,309
Due from other governments and agencies	—	—	17,855	17,855	—
Loans to other funds	—	—	—	—	2,236
Inventories	952	—	—	952	2,217
Other assets	484	423	—	907	7,812
Total current assets	<u>28,198</u>	<u>5,788</u>	<u>378,870</u>	<u>412,856</u>	<u>72,138</u>
Noncurrent assets:					
Capital assets - nondepreciable	—	51,739	—	51,739	—
Capital assets - depreciable (net)	472	117,535	—	118,007	3,048
Other assets	—	210	—	210	—
Total noncurrent assets	<u>472</u>	<u>169,484</u>	<u>—</u>	<u>169,956</u>	<u>3,048</u>
Total assets	<u>28,670</u>	<u>175,272</u>	<u>378,870</u>	<u>582,812</u>	<u>75,186</u>
<b>Deferred outflows of resources</b>	<u>7,318</u>	<u>5,365</u>	<u>—</u>	<u>12,683</u>	<u>—</u>
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	6,725	8,168	—	14,893	23,615
Due to other funds	2,863	—	—	2,863	556
Due to other governments and agencies	—	—	6,933	6,933	—
Loans from other funds	—	—	—	—	13,135
Accrued expenses	5,011	—	—	5,011	—
Unearned revenue	625	3,309	—	3,934	—
Other current liabilities	670	536	32	1,238	9,079
Bonds payable	—	16,695	—	16,695	—
Compensated absences	338	—	—	338	—
Obligation for unpaid prize awards	12,633	—	—	12,633	—
Total current liabilities	<u>28,865</u>	<u>28,708</u>	<u>6,965</u>	<u>64,538</u>	<u>46,385</u>
Noncurrent liabilities:					
Net pension liability	20,850	—	—	20,850	—
Net OPEB liability	3,990	—	—	3,990	—
Unearned revenue	1,250	387	6,216	7,853	—
Bonds payable	—	190,679	—	190,679	—
Compensated absences	431	—	—	431	—
Total noncurrent liabilities	<u>26,521</u>	<u>191,066</u>	<u>6,216</u>	<u>223,803</u>	<u>—</u>
Total liabilities	<u>55,386</u>	<u>219,774</u>	<u>13,181</u>	<u>288,341</u>	<u>46,385</u>
<b>Deferred inflows of resources</b>	<u>968</u>	<u>—</u>	<u>—</u>	<u>968</u>	<u>—</u>
<b>Net Position (Deficit)</b>					
Net investment in capital assets	472	(31,767)	—	(31,295)	3,048
Restricted for:					
Debt	—	872	—	872	—
Employment insurance programs	—	—	365,689	365,689	—
Unrestricted	(20,838)	(8,242)	—	(29,080)	25,753
Total net position (deficit)	<u>\$ (20,366)</u>	<u>\$ (39,137)</u>	<u>\$ 365,689</u>	<u>\$ 306,186</u>	<u>\$ 28,801</u>

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

**State of Rhode Island**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I.			Internal	
	R.I. Lottery	Convention Center	Employment Security	Totals	Service Funds
<b>Operating revenues:</b>					
Charges for services	\$ —	\$ 21,158	\$ —	\$ 21,158	\$ 428,951
Employer premiums	—	—	197,380	197,380	—
Lottery sales	246,393	—	—	246,393	—
Video lottery, net	352,834	—	—	352,834	—
Table games	83,257	—	—	83,257	—
Sports book	200,188	—	—	200,188	—
Federal grants	—	—	1,010,408	1,010,408	—
Miscellaneous	—	159	11,659	11,818	—
Total operating revenues	882,672	21,317	1,219,447	2,123,436	428,951
<b>Operating expenses:</b>					
Personal services	12,550	13,569	—	26,119	57,006
Supplies, materials, and services	253,741	11,353	—	265,094	371,914
Prize awards, net of prize recoveries	334,429	—	—	334,429	—
Depreciation and amortization	134	12,855	—	12,989	367
Benefits paid	—	—	1,424,693	1,424,693	—
Total operating expenses	600,854	37,777	1,424,693	2,063,324	429,287
<b>Operating income (loss)</b>	281,818	(16,460)	(205,246)	60,112	(336)
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	702	62	—	764	249
Other nonoperating revenues (expenses)	1,098	1,024	12,026	14,148	22
Interest expense	—	(8,767)	—	(8,767)	—
Total nonoperating revenue (expenses)	1,800	(7,681)	12,026	6,145	271
Income (loss) before transfers	283,618	(24,141)	(193,220)	66,257	(65)
<b>Transfers in</b>	—	32,667	—	32,667	—
<b>Transfers out</b>	(283,871)	—	(262)	(284,133)	—
Change in net position	(253)	8,526	(193,482)	(185,209)	(65)
<b>Net position (deficit) - beginning</b>	(20,113)	(47,663)	559,171	491,395	28,866
<b>Net position (deficit) - ending</b>	\$ (20,366)	\$ (39,137)	\$ 365,689	\$ 306,186	\$ 28,801

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

**State of Rhode Island  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2020**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from gaming activities	\$ 890,016	\$ —	\$ —	\$ 890,016	\$ —
Cash received from customers	—	19,099	—	19,099	419,179
Cash received from employer premiums	—	—	204,854	204,854	—
Cash received from grants	—	—	1,006,903	1,006,903	—
Cash payments for gaming activities	(596,604)	—	—	(596,604)	—
Cash payments to suppliers	(5,134)	(10,731)	—	(15,865)	(377,147)
Cash payments to employees	(11,643)	(14,334)	—	(25,977)	(56,535)
Cash payments for benefits	—	—	(1,418,828)	(1,418,828)	—
Other operating revenue (expense)	—	2,027	10,101	12,128	21
Net cash provided by operating activities	276,635	(3,939)	(196,970)	75,726	(14,482)
<b>Cash flows from noncapital financing activities:</b>					
Loans from other funds	—	—	—	—	8,269
Loans to other funds	—	—	—	—	(2,236)
Repayment of loans to other funds	—	—	—	—	1,089
Repayment of loans from other funds	—	—	—	—	(6,482)
Transfers in	—	32,382	1,428	33,810	—
Transfers out	(283,056)	—	(142)	(283,198)	—
Net transfers from (to) fiscal agent	—	—	196,132	196,132	—
Other cash flows from noncapital financing activities	—	(57)	—	(57)	—
Net cash provided by (used for) noncapital financing activities	(283,056)	32,325	197,418	(53,313)	640
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital obligations	—	(14,570)	—	(14,570)	—
Interest paid on capital obligations	—	(8,458)	—	(8,458)	—
Acquisition of capital assets	(253)	(25,706)	—	(25,959)	(142)
Net cash provided by (used for) capital and related financing activities	(253)	(48,734)	—	(48,987)	(142)
<b>Cash flows from investing activities:</b>					
Interest on investments	702	62	—	764	250
Net cash provided by investing activities	702	62	—	764	250
Net increase (decrease) in cash and cash equivalents	(5,972)	(20,286)	448	(25,810)	(13,734)
Cash and cash equivalents, July 1	27,665	24,418	1,910	53,993	48,219
Cash and cash equivalents, June 30	\$ 21,693	\$ 4,132	\$ 2,358	\$ 28,183	\$ 34,485
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	281,818	(16,460)	(205,246)	60,112	(336)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	134	12,854	—	12,988	365
Other revenue (expense) and transfers in (out)	473	2,429	10,042	12,944	20
Net changes in assets and liabilities:					
Receivables, net	5,647	385	7,475	13,507	(10,518)
Inventory	176	—	—	176	(119)
Deferred outflows of resources	(3,186)	—	—	(3,186)	—
Prepaid items	(43)	145	—	102	—
Due to / due from transactions	(106)	—	(15,487)	(15,593)	—
Accounts and other payables	(11,674)	(288)	(3)	(11,965)	(4,347)
Accrued expenses	(1,736)	—	32	(1,704)	453
Net pension liability	3,708	—	—	3,708	—
Net OPEB liability	114	—	—	114	—
Deferred inflows of resources	242	—	—	242	—
Unearned revenue	75	(3,004)	6,217	3,288	—
Prize awards payable	993	—	—	993	—
Total adjustments	(5,183)	12,521	8,276	15,614	(14,146)
Net cash provided by (used for) operating activities	\$ 276,635	\$ (3,939)	\$ (196,970)	\$ 75,726	\$ (14,482)

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

**State of Rhode Island**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust Ocean State Investment Pool</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 13,323	\$ —	\$ 6,609	\$ 19,102
Deposits held as security for entities doing business in the State	—	—	—	59,828
Advance held by claims processing agent	200	—	—	—
Receivables				
Contributions	25,131	—	—	—
Due from State for teachers	32,239	—	—	—
Other	1,048	—	—	—
Miscellaneous	—	18	73,161	345
Total receivables	58,418	18	73,161	345
Prepaid expenses	3,365	—	—	—
Due from other plans	1,354	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	80,021	—	—
Equity in pooled trusts	8,921,563	—	—	—
Other investments	1,176,735	—	5,182,442	—
Total investments	10,098,298	80,021	5,182,442	—
Total assets	10,174,958	80,039	5,262,212	\$ 79,275
<b>Liabilities</b>				
Accounts payable	7,229	742	94,160	6,174
Due to other plans	1,354	—	—	—
Incurred but not reported claims	1,032	—	—	—
Other	6,316	—	—	—
Deposits held for others	—	—	—	73,101
Total Liabilities	15,931	742	94,160	\$ 79,275
<b>Net position</b>				
Restricted for:				
Pension benefits	9,754,944	—	—	
Other postemployment benefits	404,083	—	—	
External investment pool participants	—	79,297	—	
Tuition savings program	—	—	5,164,860	
Other	—	—	3,192	
Total net position	\$ 10,159,027	\$ 79,297	\$ 5,168,052	

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

**State of Rhode Island**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust Ocean State Investment Pool</b>	<b>Private Purpose Trusts</b>
<b>Additions</b>			
Contributions			
Member contributions	\$ 217,592	\$ —	\$ —
Employer contributions	532,559	—	—
New employer contributions	12,757	—	—
Supplemental employer contributions	360	—	—
State contributions for teachers	108,636	—	—
Interest on service credits purchased	192	—	—
Service credit transfers	874	—	—
From program participants	—	253,054	260,353
Total contributions	<u>872,970</u>	<u>253,054</u>	<u>260,353</u>
Other income	<u>2,209</u>	<u>—</u>	<u>—</u>
Investment income			
Increase (Decrease) in fair value of investments	352,829	—	(95,398)
Interest	62,675	948	—
Dividends	66,376	—	171,157
Other investment income	142	—	—
	<u>482,022</u>	<u>948</u>	<u>75,759</u>
Less: investment expense	<u>88,260</u>	<u>78</u>	<u>—</u>
Net investment income	<u>393,762</u>	<u>870</u>	<u>75,759</u>
Total additions	<u>1,268,941</u>	<u>253,924</u>	<u>336,112</u>
<b>Deductions</b>			
Retirement benefits	965,420	—	—
Death benefits	3,514	—	—
Distributions	23,897	208,372	—
Program participant redemptions	—	—	829,622
Refund of contributions	6,711	—	—
Administrative expense	10,168	—	21,901
Service credit transfers	874	—	—
OPEB benefits	30,679	—	—
Total deductions	<u>1,041,263</u>	<u>208,372</u>	<u>851,523</u>
Change in net position restricted for:			
Pension benefits	161,839	—	—
Other postemployment benefits	65,839	—	—
External investment pool participants	—	45,552	—
Tuition Savings Program	—	—	(515,597)
Other	—	—	186
<b>Fiduciary net position - beginning</b>	<u>9,931,349</u>	<u>33,745</u>	<u>5,683,463</u>
<b>Fiduciary net position - ending</b>	<u>\$ 10,159,027</u>	<u>\$ 79,297</u>	<u>\$ 5,168,052</u>

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

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 77,479	\$ 9,655	\$ 98	\$ 12,796	\$ 622
Investments	—	—	—	1,035	—
Receivables (net)	3,288	2,947	—	5,232	96
Restricted assets:					
Cash and cash equivalents	21,934	82,727	10,638	—	24,233
Due from primary government	—	—	—	—	—
Investments	—	4,479	—	—	87,922
Receivables (net)	—	50	—	—	—
Other assets	—	—	—	—	2,525
Due from primary government	52	1,398	132	5,108	1,394
Due from other governments	—	—	120	—	—
Due from other component units	—	103	—	—	—
Inventories	—	—	—	2,004	40
Other assets	412	147	61	919	176
Total current assets	<u>103,165</u>	<u>101,506</u>	<u>11,049</u>	<u>27,094</u>	<u>117,008</u>
Noncurrent Assets:					
Investments	—	516	—	4,978	31,833
Receivables (net)	—	4,257	—	—	—
Restricted assets:					
Cash and cash equivalents	51,075	9,207	—	—	—
Investments	9,462	6,472	—	—	—
Receivables (net)	6,042	186	—	—	—
Other assets	—	885	—	—	—
Capital assets - nondepreciable	56,026	527	—	22,076	6,658
Capital assets - depreciable (net)	460,464	485	—	109,384	222,061
Due from other component units	—	—	—	—	—
Other assets, net of amortization	401	—	277	988	—
Total noncurrent assets	<u>583,470</u>	<u>22,535</u>	<u>277</u>	<u>137,426</u>	<u>260,552</u>
Total assets	<u>686,635</u>	<u>124,041</u>	<u>11,326</u>	<u>164,520</u>	<u>377,560</u>
<b>Deferred outflows of resources</b>	<u>1,140</u>	<u>464</u>	<u>—</u>	<u>22,734</u>	<u>902</u>

(Continued)



**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	2,788	954	166	5,433	1,053
Notes payable	—	—	—	—	—
Due to primary government	—	—	—	2,890	6,384
Due to other component units	235	—	—	—	—
Unearned revenue	1,613	1,642	—	298	5,621
Other liabilities	7,829	5,971	825	20,532	8,681
Current portion of compensated absences	—	—	—	64	—
Current portion of long-term debt	18,044	3,535	1,660	—	5,970
Total current liabilities	<u>30,509</u>	<u>12,102</u>	<u>2,651</u>	<u>29,217</u>	<u>27,709</u>
Noncurrent liabilities:					
Due to primary government	65	—	—	9,012	—
Due to other component units	1,237	—	—	—	—
Unearned revenue	—	3,261	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Obligations under capital leases	1,283	—	—	—	—
Net pension liability	1,799	302	—	71,715	—
Net OPEB liability	348	58	—	71,285	—
Other liabilities	—	26,320	—	14,131	—
Compensated absences	—	—	—	172	—
Bonds payable	271,990	9,057	33,780	—	213,707
Total noncurrent liabilities	<u>276,722</u>	<u>38,998</u>	<u>33,780</u>	<u>166,315</u>	<u>213,707</u>
Total liabilities	<u>307,231</u>	<u>51,100</u>	<u>36,431</u>	<u>195,532</u>	<u>241,416</u>
<b>Deferred inflows of resources</b>	<u>337</u>	<u>600</u>	<u>—</u>	<u>8,334</u>	<u>—</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	249,178	1,012	277	121,365	56,363
Restricted for:					
Debt	21,644	—	9,879	—	81,435
Other	39,502	—	678	4,880	—
Other nonexpendable	—	85,557	—	—	—
Unrestricted	69,883	(13,764)	(35,939)	(142,857)	(752)
Total net position (deficit)	<u>\$ 380,207</u>	<u>\$ 72,805</u>	<u>\$ (25,105)</u>	<u>\$ (16,612)</u>	<u>\$ 137,046</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>Other Component Units</u>	<u>Totals</u>
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 151,716	\$ 27,775	\$ 14,169	\$ 98,226	\$ 392,536
Investments	—	—	—	407	1,442
Receivables (net)	59,295	4,469	4,304	25,799	105,430
Restricted assets:					
Cash and cash equivalents	—	—	181	635,994	775,707
Due from primary government	—	—	—	—	—
Investments	—	—	—	182,115	274,516
Receivables (net)	—	—	—	92,116	92,166
Other assets	—	—	—	36,768	39,293
Due from primary government	2,605	1,717	2,169	14,568	29,143
Due from other governments	—	—	—	3,763	3,883
Due from other component units	1,516	—	—	358	1,977
Inventories	3,820	—	734	2,298	8,896
Other assets	3,670	103	1,881	5,813	13,182
Total current assets	<u>222,622</u>	<u>34,064</u>	<u>23,438</u>	<u>1,098,225</u>	<u>1,738,171</u>
Noncurrent Assets:					
Investments	203,250	29,211	4,706	—	274,494
Receivables (net)	27,672	1,264	—	94,245	127,438
Restricted assets:					
Cash and cash equivalents	4,333	670	—	15,407	80,692
Investments	—	—	—	494,439	510,373
Receivables (net)	—	—	—	1,121,815	1,128,043
Other assets	34,322	1,136	—	1,388,527	1,424,870
Capital assets - nondepreciable	29,019	14,729	6,785	149,734	285,554
Capital assets - depreciable (net)	857,502	175,115	77,682	201,441	2,104,134
Due from other component units	—	—	—	1,237	1,237
Other assets, net of amortization	1,837	—	—	193,009	196,512
Total noncurrent assets	<u>1,157,935</u>	<u>222,125</u>	<u>89,173</u>	<u>3,659,854</u>	<u>6,133,347</u>
Total assets	<u>1,380,557</u>	<u>256,189</u>	<u>112,611</u>	<u>4,758,079</u>	<u>7,871,518</u>
<b>Deferred outflows of resources</b>	<u>31,881</u>	<u>9,920</u>	<u>8,009</u>	<u>19,235</u>	<u>94,285</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>Other Component Units</u>	<u>Totals</u>
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	26,974	4,779	7,008	36,438	85,593
Notes payable	—	143	—	80,691	80,834
Due to primary government	3,065	4,143	4,927	223	21,632
Due to other component units	1,516	—	—	226	1,977
Unearned revenue	16,425	3,435	2,868	5,862	37,764
Other liabilities	18,957	3,220	1,068	383,016	450,099
Current portion of compensated absences	1,590	4,468	3,882	588	10,592
Current portion of long-term debt	12,846	971	295	121,646	164,967
Total current liabilities	<u>81,373</u>	<u>21,159</u>	<u>20,048</u>	<u>628,690</u>	<u>853,458</u>
Noncurrent liabilities:					
Due to primary government	19,266	12,932	—	—	41,275
Due to other component units	—	—	—	—	1,237
Unearned revenue	—	—	—	187	3,448
Notes payable	—	479	—	184,382	184,861
Loans payable	368	146	—	11,315	11,829
Obligations under capital leases	19	—	—	176	1,478
Net pension liability	118,982	41,591	31,791	36,214	302,394
Net OPEB liability	39,336	19,598	15,395	19,245	165,265
Other liabilities	9,641	2,058	—	350,586	402,736
Compensated absences	19,257	1,094	260	2,680	23,463
Bonds payable	278,874	12,914	941	2,002,400	2,823,663
Total noncurrent liabilities	<u>485,743</u>	<u>90,812</u>	<u>48,387</u>	<u>2,607,185</u>	<u>3,961,649</u>
Total liabilities	<u>567,116</u>	<u>111,971</u>	<u>68,435</u>	<u>3,235,875</u>	<u>4,815,107</u>
<b>Deferred inflows of resources</b>	<u>19,437</u>	<u>8,667</u>	<u>5,999</u>	<u>12,355</u>	<u>55,729</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	606,026	160,720	82,456	336,088	1,613,485
Restricted for:					
Debt	—	—	—	273,594	386,552
Other	118,624	14,205	2,690	762,212	942,791
Other nonexpendable	112,799	18,819	2,813	—	219,988
Unrestricted	(11,564)	(48,273)	(41,773)	157,190	(67,849)
Total net position (deficit)	<u>\$ 825,885</u>	<u>\$ 145,471</u>	<u>\$ 46,186</u>	<u>\$ 1,529,084</u>	<u>\$ 3,094,967</u>

(Concluded)

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

**State of Rhode Island**  
**Combining Statement of Activities**  
**Component Units**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>RIAC</b>	<b>RICC</b>	<b>I-195 RDC</b>	<b>RIPTA</b>	<b>RITBA</b>	<b>URI</b>	<b>RIC</b>	<b>CCRI</b>	<b>Other Component Units</b>	<b>Totals</b>
<b>Expenses</b>	\$ 79,308	\$ 38,143	\$ 8,819	\$ 139,241	\$ 34,302	\$ 572,449	\$ 157,982	\$ 137,618	\$ 361,941	\$ 1,529,803
<b>Program revenues:</b>										
Charges for services	64,475	5,254	676	22,396	19,625	351,286	66,746	31,979	197,589	760,026
Operating grants and contributions	—	16,719	3,516	95,193	—	237,004	82,962	96,477	114,061	645,932
Capital grants and contributions	14,032	—	—	28,172	14,468	45,386	8,864	6,443	86,680	204,045
Total program revenues	<u>78,507</u>	<u>21,973</u>	<u>4,192</u>	<u>145,761</u>	<u>34,093</u>	<u>633,676</u>	<u>158,572</u>	<u>134,899</u>	<u>398,330</u>	<u>1,610,003</u>
Net (expenses) revenues	(801)	(16,170)	(4,627)	6,520	(209)	61,227	590	(2,719)	36,389	80,200
<b>General revenues:</b>										
Interest and investment earnings	2,074	4,019	154	188	2,227	7,690	51	434	73,533	90,370
Miscellaneous revenue	81	6,353	—	—	270	—	2,019	—	2,032	10,755
Total general revenue	<u>2,155</u>	<u>10,372</u>	<u>154</u>	<u>188</u>	<u>2,497</u>	<u>7,690</u>	<u>2,070</u>	<u>434</u>	<u>75,565</u>	<u>101,125</u>
Change in net position	1,354	(5,798)	(4,473)	6,708	2,288	68,917	2,660	(2,285)	111,954	181,325
<b>Net position (deficit) - beginning as restated</b>	<u>378,853</u>	<u>78,603</u>	<u>(20,632)</u>	<u>(23,320)</u>	<u>134,758</u>	<u>756,968</u>	<u>142,811</u>	<u>48,471</u>	<u>1,417,130</u>	<u>2,913,642</u>
<b>Net position (deficit) - ending</b>	<u>\$ 380,207</u>	<u>\$ 72,805</u>	<u>\$ (25,105)</u>	<u>\$ (16,612)</u>	<u>\$ 137,046</u>	<u>\$ 825,885</u>	<u>\$ 145,471</u>	<u>\$ 46,186</u>	<u>\$ 1,529,084</u>	<u>\$ 3,094,967</u>

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

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## Note 1. Summary of Significant Accounting Policies

### A. Basis of Presentation

The accompanying basic financial statements of the State of Rhode Island (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 defines component units as legally separate organizations for which the elected officials of the primary government (such as the State) are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the State are such that exclusion from the State's financial statements would cause the 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.

In accordance with GAAP, entities such as local school districts, charter schools, and other local authorities that may only partially meet the criteria for inclusion in this report have not been included. The State's financial support for the public education system is reported in the General Fund.

### Blended Component Units

A component unit is 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.

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*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 or at [www.riconvention.com](http://www.riconvention.com).

*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 Tobacco Settlement Revenues (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 the 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 TSFC 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 insurance coverage. RIPRC provides services exclusively to the State. Separately issued financial statements are not available for RIPRC.

**Discretely Presented Component Units**

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading.

For each discretely presented component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. For the discretely presented component units 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 from the State and reimburses the State annually for general obligation proceeds utilized for certain 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. 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. The I-195 RDC issued debt and utilized the proceeds to reimburse the State for the fair value of the land acquired. The State appropriates amounts to the I-195 RDC for debt service and operating assistance until sufficient land sale proceeds are available to fund these expenses. 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.195district.com](http://www.195district.com).

#### *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, a portion of the tax on gasoline 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, 705 Elmwood Avenue, Providence, RI 02907, or at [www.ripta.com](http://www.ripta.com).

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### *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. In addition, the Authority is responsible for the collection of toll revenue from the users of the Claiborne Pell Bridge and provides back office functions for the State's truck tolling initiative that began on June 11, 2018. 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 State's University and Colleges include the University of Rhode Island (URI), Rhode Island College (RIC) and the Community College of Rhode Island (CCRI). The Council on Postsecondary Education is vested with the responsibility of providing oversight for Rhode Island College (RIC) and the Community College of Rhode Island (CCRI), along with the Office of the Postsecondary Commissioner. URI is governed by the URI Board of Trustees. 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.riopc.edu](http://www.riopc.edu).

### **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 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 Elementary and Secondary 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.

#### *Division of Higher Education Assistance (DHEA)*

DHEA was established on July 1, 2015 by an Act of the Rhode Island General Assembly for purpose of administering programs of post-secondary student financial assistance assigned by law to the Division. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Office of Postsecondary Commissioner, Division of Higher Education Assistance, 560 Jefferson Boulevard, Warwick, RI 02886, or at [www.riopc.edu](http://www.riopc.edu).

#### *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

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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.rihousing.com](http://www.rihousing.com).

*Rhode Island Industrial Facilities Corporation (RIIFC)*

The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale by RIIFC of its projects. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and, accordingly, have not been reported in the accompanying financial statements. 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).

*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 800 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



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Financial Officer, The Metropolitan Regional Career and Technical Center, 325 Public Street, Providence, RI 02905.

#### *Rhode Island Infrastructure Bank (RIIB)*

This agency was established in 1989 as the R.I. Clean Water Finance Agency for the purpose of providing financial assistance in the form of loans to municipalities, businesses and homeowners in the State for the construction or upgrading of water pollution abatement, energy efficiency, brownfield remediation and climate resiliency projects. RIIB receives capital grants from the State and federal governments and is authorized to issue revenue bonds and notes. In conjunction with the creation of the Municipal Road and Bridge Revolving Fund (MRBRF) which was established to provide municipalities with low-cost financial assistance for road and bridge projects, the agency name was changed to the Rhode Island Infrastructure Bank. RIIB is considered to be a discretely presented component unit due in large part to its management of the MRBRF on behalf of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Infrastructure Bank, 235 Promenade Street, Suite 119, Providence, RI 02908 or at [www.riib.org](http://www.riib.org).

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

RIHEBC was established to assist eligible institutions in the educational and healthcare fields in Rhode Island in gaining access to capital. RIHEBC also remains proactive in developing cost-effective programs, offering staff assistance, and providing technical resources that benefit these institutions.

RIHEBC assists the State with the administration of two funding programs to assist school districts with capital project funding. Funding from the School Building Authority Capital Fund (SBACF) provides grants and loans for high priority local school capital projects in communities with limited financial resources. The State fiscal year 2019 budget legislation authorized a \$250M Statewide School Construction Bond which was approved by voters in the November 2018 election. The bond proceeds allow RIDE/SBA to provide LEAs who have been approved for Necessity of School Construction, with upfront funding as opposed to waiting until their project is completed to receive state aid. RIHEBC has administrative duties related to the management and custody of monetary assets of the SBACF and School Construction Bond Proceeds (once drawn from the State's Trustee), including establishing a trust to hold related funds, creating and maintaining accounting records and the distribution and management of award and loan programs. RIHEBC was determined to be a discretely presented component unit largely due to its support in administering these school construction funding programs.

For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Health and Educational Building Corporation, 50 Dorrance Street, Suite 300, Providence, RI 02903 or at [www.rihebc.com](http://www.rihebc.com).

#### ***Related Organizations***

The Rhode Island Student Loan Authority and Narragansett Bay Commission are "related organizations" of the State under GAAP as defined by GASB. 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 included in 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, human resources administration, facilities maintenance, information technology, 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, State Police 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 postemployment 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 Funds*

The Rhode Island Higher Education Savings Trust (RIHEST) administers the CollegeBound Saver fund which was established as part of the Rhode Island Tuition Savings Program (Program) to enable residents of any state to save money on a tax-advantaged basis, to pay qualified higher education expenses of their designated beneficiaries. All assets of the Program are held for the benefit of Program participants.

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

*Agency Funds* - These funds account for assets held by the State pending distribution to others, assets pledged to the State as required by statute, and health insurance for certain employees and retirees of a component unit.

In accordance with GAAP for government as prescribed by the GASB, the focus in the fund financial statements is on major and nonmajor funds rather than on fund type. The general fund is 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, tolls 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, RI Bridge Maintenance Fund tolls, 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 and interest income. 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. Taxes, grants and donations are nonexchange transactions, in which the State receives value without directly giving equal value in exchange. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred.

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.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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.

Agency funds are a type of fiduciary fund used to account for the assets held for distribution by the State as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets. Agency funds have no measurement focus. In an agency fund financial statement, assets equal liabilities and there is no net position.

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 and other money market mutual funds 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.

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## G. Investments

Investments have a maturity of more than three months and are generally stated at fair value. 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.

## 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). Certain inventories of the University and Colleges are held for resale, and are stated at the lower of cost or market (retail inventory method). Other University and Colleges' inventory consists of supplies and are stated at cost (first in, first out). All inventories of the University and Colleges 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, donated works of art and similar items are reported at acquisition value. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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	No minimum	20 - 50 years
Building Improvements	\$1 million	10 - 20 years
Furniture and equipment	\$5 thousand	3 - 10 years
Intangibles (including computer software)	\$2 million	5 - 10 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, with the exception of the Convention Center Authority, an enterprise fund.

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 lives.

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 computer software, which is amortized over a 5-10 year period. The State has included its investment in intangible assets within Note 5, Capital Assets.

The State recognizes and records liabilities and deferred outflows of resources related to legal obligations to perform future asset retirement activities in accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations*. The related deferred outflows of resources are amortized over the estimated useful remaining life of the underlying 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 gains and losses 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 or similar financing arrangements (See Note 7D).

#### **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' fiduciary net position have been determined on the same basis as they are reported by the System. The primary government's proportionate share of pension amounts were further allocated to proprietary funds (the Lottery) based on the amount of employer contributions paid by each proprietary fund. 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 18, 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.

As of the June 30, 2019 measurement date, the State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, the provisions of GASB Statement No. 73 have been implemented which are 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. See Note 18 for complete details of the State's reporting of this plan.

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. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' and Electing Teachers OPEB System of the State of Rhode Island (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost which approximates fair value.



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## Q. 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.

## R. 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.

## 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, 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, 2020, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, addresses the temporary relief to governments and other stakeholders in the light of the COVID-19 pandemic by postponing the effective dates of certain GASB pronouncements that first became effective or are scheduled to become effective for periods beginning after June 25, 2018 and later. The effective dates for certain pronouncements are postponed by one year and GASB Statement 87 *Leases* is postponed by eighteen months. The primary government and component units have implemented GASB Statement No. 95.

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

GASB Statement No. 84, *Fiduciary Activities*, will be effective for reporting periods beginning after December 15, 2019. The objective of this statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 87, *Leases*, will be effective for reporting periods beginning after June 15, 2021. This Statement requires a lessee to recognize a lease liability and an intangible right to use leased assets. The lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Additionally, the standard simplifies accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. Additionally, this Statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

GASB Statement No. 92, *Omnibus*, will be effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, the removal of LIBOR as an appropriate benchmark interest rate will be effective for reporting periods ending after December 31, 2021. All other requirements of this Statement will be effective for reporting periods beginning after June 15, 2020. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, will be effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, will be effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide

accounting and financial reporting guidance for transactions in which a government entry contracts with another party for the right to use their software. A right-of-use and a corresponding liability would be recognized for SBITA's.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that the governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated the same as the primary government appointing a majority of the potential component unit's governing board.

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 100% 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 100% of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2020 pursuant to this statutory provision. However, the State Investment Commission has instituted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100%-102% of the balance of uninsured deposits. The percentage of collateral required is determined by the underlying classification of the collateral. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments require collateral ranging from 100%-102% of the outstanding balance. The percentage of collateral required is determined by the underlying classification of the collateral. 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 GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. While investment in the pool is not guaranteed or fully collateralized, certain investments within the pool are collateralized. At June 30, 2020, of the \$543.2 million invested, \$14.5 million were Collateralized Repurchase Agreements.

All of the bank balances of the primary government and its blended component units were either covered by federal depository insurance, collateralized by securities held by an independent third party in the State's or the blended component unit's name, or collateralized by a Federal Home Loan Bank Letter of Credit in the State's or the blended component unit's name.

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## Cash Equivalents 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 GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*.

OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at NAV are not subject to the fair value hierarchy. There are no participant withdrawal limitations.

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.

## Fair Value of Financial Instruments

GASB Statement No. 72—*Fair Value Measurement and Application*—establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 - Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the State's cash equivalents and investments (expressed in thousands) at June 30, 2020:

**Pooled cash equivalents (at amortized cost)**

Financial Company Commercial Paper	\$ 168,117
Asset Backed Commercial Paper	33,971
U.S. Government Agency Repurchase Agreement	14,495
U.S. Government Agency Debt	2,000
U.S. Treasury Debt	280,530
Certificates of Deposit	20,014
Non-Negotiable Time Deposit	27,000
Other Instruments	2,000
Total Investments	<u>548,127</u>
Less: payable for investments purchased	(4,998)
Add: assets in excess of other liabilities	38
Total investment pool	<u>543,167</u>

**Less: funds held by fiduciary funds and discretely presented component units**

Amounts held by fiduciary trust funds:

Pension trust	3,227
OPEB trust	1,970

Amounts held by discretely presented component units:

URI	39,303
RIC	11,245
RIIRBA	769
RIHEBC	7,630
RIPTA	4,706

Amounts held for external parties 79,297

**Primary government pooled cash equivalents** \$ 395,020

**Add: other primary government cash equivalents and investments**

Money Market Mutual Funds 508,717

**Total primary government cash equivalents and investments** \$ 903,737

Cash equivalents and investments	\$ 903,737
Cash deposits and interest bearing deposits	743,530
Total cash, cash equivalents and investments	<u><u>\$ 1,647,267</u></u>

Statement of Net Position

Cash and cash equivalents	\$ 1,594,537
Restricted cash and cash equivalents	52,730
Total cash, cash equivalents and investments	<u><u>\$ 1,647,267</u></u>

Of the State's restricted cash and cash equivalents totaling \$52.7 million, \$50.9 million is held by the Tobacco Settlement Financing Corporation and \$1.8 million is held by the R.I. Convention Center Authority. Both entities are blended component units.

Investments held within the OSIP pooled trust are valued and net asset value per unit (NAV) is calculated daily. The OSIP pooled trust categorizes the inputs to valuation techniques used to value its investments into a disclosure hierarchy consisting of three levels as described previously. The securities held within the OSIP pooled trust are valued at amortized cost, which approximates fair value. Securities held within the OSIP pooled trust are generally high quality and liquid; however, they are reflected as Level 2 in the hierarchy because the inputs used to determine fair value are not quoted prices in an active market.

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.

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, 2020, information about the State's exposure to interest rate risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	Investment Maturities (in days)						
	Fair Value	Amortized Cost	0-30	31-90	91-180	181-397	>397
Financial Company Commercial Paper	\$168,161	\$ 168,117	\$ 58,276	\$ 96,847	\$ 8,994	\$ 4,000	\$ —
Asset Backed Commercial Paper	33,975	33,971	14,999	18,972	—	—	—
U.S. Government Agency Repurchase Agreements	14,495	14,495	14,495	—	—	—	—
U.S. Government Agency Debt	2,000	2,000	2,000	—	—	—	—
U.S. Treasury Debt	280,548	280,530	64,692	138,267	76,571	—	1,000
Certificates of Deposit	20,016	20,014	12,003	8,011	—	—	—
Non-Negotiable Time Deposit	27,000	27,000	27,000	—	—	—	—
Other Instruments	2,000	2,000	2,000	—	—	—	—
	<u>\$548,195</u>	<u>\$ 548,127</u>	<u>\$195,465</u>	<u>\$262,097</u>	<u>\$ 85,565</u>	<u>\$ 4,000</u>	<u>\$ 1,000</u>

At June 30, 2020 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	At Fair Value	Total Amortized Cost	Quality Ratings (1)	
			A-1+	A-1
Financial Company Commercial Paper	\$ 168,161	\$ 168,117	\$ 33,490	\$ 134,627
Asset Backed Commercial Paper	33,975	33,971	—	33,971
U.S. Government Agency Repurchase Agreements	14,495	14,495	14,495	—
U.S. Government Agency Debt	2,000	2,000	2,000	—
U.S. Treasury Debt	280,548	280,530	280,530	—
Certificates of Deposit	20,016	20,014	3,000	17,014
Non-Negotiable Time Deposit	27,000	27,000	20,000	7,000
Other Instruments	2,000	2,000	2,000	—
	<u>\$ 548,195</u>	<u>\$ 548,127</u>	<u>\$ 355,515</u>	<u>\$ 192,612</u>

(1) Moody'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.

As of June 30, 2020, information about the State's exposure to interest rate risk and credit risk for non-pooled cash equivalents and investments (expressed in thousands) is as follows:

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

Issuer	Fair Value (in thousands)	Type of Investment	Moody's Rating	Average Maturities in Days
Money Market Mutual Funds				
Fidelity Investments Money Market Government Portfolio Institutional Class	\$ 456,435	Money Market	Aaa-mf	45
Fidelity Institutional Money Market Government Portfolio Class I and III	871	Money Market	AAA-mf	43
BlackRock Federal Fund Institutional Shares	288	Money Market	Aaa-mf	40
GS Financial Square Treasury Instruments Fund	51,123	Money Market	Aaa-mf	43
	<u>\$ 508,717</u>			

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

### Funds on Deposit with Fiscal Agent

Investments within the category – Funds on deposit with fiscal agent – are governed by specific trust agreements entered into at the time of the issuance of the related debt. The trust agreements outline the specifically 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, 2020 and the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	\$ 12,196	\$ 12,196	\$ —	—
U.S. Government Agencies	14,656	4,999	9,657	Aaa
Money Market Funds	102,552	102,552	—	Aaa-mf
Commercial Paper	26,231	26,231	—	P-1
Negotiable Certificates of Deposit	2,246	2,246	—	P-1
Fixed Income	14,733	1,521	13,212	See Table
Investment Contracts	2,682	—	2,682	N/A
	175,296	\$ 149,745	\$ 25,551	
Cash/Cash Reserve	200,079			
Funds on Deposit with fiscal agent	\$ 375,375			

Cash includes \$200.1 million in uninsured and uncollateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	Aaa	Aa1	Aa3	A1	A2	A3	Total
<b>Fixed Income</b>	\$ 5,311	\$ 721	\$ 359	\$ 2,541	\$ 3,981	\$ 1,820	\$ 14,733

The following (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2020:

	Fair Value June 30, 2020	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs
		(Level 1)	(Level 2)	
Investments at Fair Value				
Debt Securities				
U.S. Treasuries	\$ 12,196	\$ 12,196		\$ —
U.S. Government Agencies	14,656	—		14,656
Commercial Paper	26,231	—		26,231
Negotiable Certificates of Deposit	2,246	—		2,246
Fixed Income	14,733	—		14,733
Total investments by fair value level	\$ 70,062	\$ 12,196		\$ 57,866
Investments Measured at Net Asset Value (NAV)				
Money Market Mutual Funds	102,552			
Investments not Subject to Leveling Requirements				
Guaranteed Investment Contracts	2,682			
Total Funds on Deposit with Fiscal Agent	\$ 175,296			

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Funds on deposit with fiscal agent also include approximately \$299 million held by the Federal Unemployment Insurance Trust Fund within the Business-Type Activities-Employment Security Fund.

## B. Concentration of Credit Risk

The State Investment Commission 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	Dreyfus Government Cash Management Fund	\$ 65,473	10.52 %
Money Market Funds	GS Financial Square Treasury Instruments Fund	\$ 51,123	8.21 %



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## C. Pension Trusts

### Summary of Significant Accounting Policies

**Investments** - Investment transactions are recorded on a trade date basis. Gains or losses on foreign currency exchange Contracts are included in income consistent with changes in the underlying exchange rates. Dividend income is recorded on the ex-dividend date.

**Method Used to Value Investments** - Investments are recorded in the financial statements at fair value. 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.

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.

Commingled funds and collective unit trusts include international equity index funds and an emerging markets debt fund. The fair value of these commingled funds is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

Derivative investments (e.g., futures contracts and credit default swaps) are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

The System 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 System's investments.

Other investments that are not traded on a national security exchange (primarily private equity, real estate, hedge funds, infrastructure investments, Crisis Protection Class - Trend Following, and emerging markets debt) are valued based on the reported Net Asset Value (NAV) by the fund manager or general partner. 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 following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value nonpublicly 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.

Hedge funds, private equity, real estate, infrastructure, crisis protection class - trend following investments, and emerging markets debt represented 6.8%, 10.8%, 5.7%, 2.5%, and 1.9% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2020.

**Investment Expenses** - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. Certain Office of the General Treasurer expenses associated with oversight of the pooled investment trust are also allocated and included as investment expenses. When indirect investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, infrastructure, and crisis protection class), are not reported separately to System management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

Net investment income within the defined contribution plan is reported on a net-of-fees basis.

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## Cash and cash equivalents

At June 30, 2020, the carrying amount of pension trust cash deposits was approximately \$7.6 million and the bank balance was approximately \$7.8 million. 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 balances, include interest-bearing collateralized bank deposits and 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 100% 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 100% of deposits, regardless of maturity. None of the System's deposits were required to be collateralized at June 30, 2020 (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 unless FHLB letters of credit are used as collateral, in which case those are required at 100%.

## Investments

### (a). General

The custodian bank holds assets of the System in a Pooled Investment Trust and each plan holds units in the trust. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust.

**Investment Policy** - The State Investment Commission (SIC) oversees all investments made by the State of Rhode Island, including those made for the System's Pooled Investment Trust. The establishment of the SIC, its legal authority and investment powers are outlined in Chapter 35-10 of the Rhode Island General Laws.

The SIC has adopted a Defined Benefit Investment Policy Statement which includes specific asset allocation targets and asset class policies. The most recent policy statement was adopted by the SIC on June 27, 2018 and updated on January 22, 2020 and may be amended by a majority vote of SIC members. The SIC's asset allocation policy seeks to achieve the assumed rate of return adopted by the System over the long-term while reducing risk through the prudent diversification of the portfolio across various asset classes.

The System leverages the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and invest policy development. The SIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the SIC to manage portfolios in accordance with investment management agreements.

The following was the SIC's adopted asset allocation policy targets as of June 30, 2020:

Asset Class	Long-Term Target Asset Allocation
<b>GROWTH</b>	
Global Equity	40.0%
Private Growth	15.0%
<i>subtotal</i>	55.0%
<b>INCOME</b>	
	12.0%
<b>STABILITY</b>	
Crisis Protection Class	10.0%
Inflation Protection	8.0%
Volatility Protection	15.0%
<i>subtotal</i>	33.0%
Total	100.0%

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

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

Investment expense is allocated to each plan based on the plan's units in the Pooled Investment Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Investment Trust for the defined benefit plans at June 30, 2020:

<b>Investment Type</b>	<b>Fair Value (in thousands)</b>
Cash and Cash Equivalents:	
US Cash	\$ 15,130
Commercial Paper	6,236
Non-US Cash	2,997
Repurchase Agreements	18,200
Money Market Mutual Funds	87,118
US Government Securities	658,467
US Government Agency Securities	198,517
Collateralized Mortgage Obligations	25,376
Corporate Bonds	508,295
Term Loans	137,075
Emerging Markets Debt - Collective Unit Trust	171,894
Commingled Funds - International Equity	1,125,753
Domestic Equity Securities	2,274,278
International Equity Securities	423,598
Equity Options - Private LLC Investment	165,228
Private Equity	919,052
Real Estate	488,461
Hedge Funds	578,826
Crisis Protection Class - Trend Following - Limited partnerships	423,297
Infrastructure	287,938
Derivatives:	
Futures	230
Credit Default Swaps	1
<b>Investments at Fair Value</b>	<b>\$ 8,515,967</b>
Investment receivable	420,078
Investment payable	(418,332)
<b>Total Pooled Investment Trust</b>	<b>\$ 8,517,713</b>

### (b). Fair Value Hierarchy

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

Level 3 includes unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the

fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

### Investments and Derivative Instruments Measured at Fair Value (in thousands)

Investments at Fair Value	Fair Value June 30, 2020	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<b>Equity Investments</b>				
Global Equity	\$ 2,697,876	\$ 2,697,876	\$ —	\$ —
Infrastructure-publicly traded	76,365	76,365	—	—
	<u>\$ 2,774,241</u>	<u>\$ 2,774,241</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Fixed Income</b>				
US Government Securities	\$ 658,467	\$ 658,467	\$ —	\$ —
US Government Agency Securities	198,517	—	198,517	—
Corporate Bonds	508,295	—	508,295	—
Collateralized Mortgage Obligations	25,376	—	25,376	—
Term loans	137,075	—	—	137,075
	<u>\$ 1,527,730</u>	<u>\$ 658,467</u>	<u>\$ 732,188</u>	<u>\$ 137,075</u>
<b>Derivative Investments</b>				
Equity and Fixed Income Index Futures	\$ 230	\$ 230	\$ —	\$ —
Other Derivatives	1	—	1	—
	<u>\$ 231</u>	<u>\$ 230</u>	<u>\$ 1</u>	<u>\$ —</u>
<b>Commercial Paper</b>	<u>\$ 6,236</u>	<u>\$ —</u>	<u>\$ 6,236</u>	<u>\$ —</u>
<b>Total Investment at Fair Value Level</b>	<u>\$ 4,308,438</u>	<u>\$ 3,432,938</u>	<u>\$ 738,425</u>	<u>\$ 137,075</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Money Market Mutual Funds	\$ 87,118			
Commingled Funds - International Equity	1,125,753			
Hedge Funds	578,826			
Private Equity	919,052			
Real Estate	488,461			
Private Infrastructure	211,573			
Emerging Markets Debt Collective Unit Trust	171,894			
Equity Options - Private LLC Investment'	165,228			
Crisis Protection Class - Trend Following	423,297			
	<u>\$ 4,171,202</u>			
<b>Cash and Cash Equivalents</b>				
US Cash	\$ 15,130			
Non US Cash	2,997			
Repurchase Agreements	18,200			
	<u>\$ 36,327</u>			
<b>Net Investment Receivable</b>	<u>1,746</u>			
<b>Total Pooled Investment Trust</b>	<u>\$ 8,517,713</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are

valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Term loans classified in Level 3 are valued using consensus pricing.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands).

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Money Market Mutual Funds (1)	\$ 87,118	\$ —	daily	none
Commingled Funds - International Equity (2)	1,125,753	—	daily	see note below
Hedge Funds (3)	578,826	—	see note below	see note below
Private Equity (4)	919,052	1,116,648	see note below	see note below
Real Estate (5)	488,461	153,070	see note below	see note below
Private Infrastructure Investments (6)	211,573	99,590	see note below	see note below
Crisis Protection Class - Trend Following (7)	423,297	—	see note below	see note below
Emerging Markets Debt - Collective Unit Trust (8)	171,894	—	see note below	see note below
Equity Options - Private LLC investment (9)	165,228	—	see note below	see note below
	<u>\$ 4,171,202</u>	<u>\$ 1,369,308</u>		

**Money market mutual funds** - these investments are used as temporary cash management investments for amounts pending investment or for amounts liquidated from investments pending distribution for pension benefits. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

**(1) Commingled funds** – consist of three international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI EAFE. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund manager which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may be redeemed daily.

**(2) Hedge funds** – this portfolio is comprised of 7 limited partnerships divided into two sub-categories: global equity and absolute return. Global equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2020. Of the underlying holdings within the hedge funds approximately 68% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

The system's investments in hedge fund assets are available for redemption on a monthly, quarterly, semi-annual or annual basis, and are subject to notice periods which vary by fund and range from 30 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

**(3) Private equity** – these 104 limited partnership funds provide the portfolio exposure to private companies through equity and/or debt investments. Private equity fund managers invest in private companies with the goal of enhancing their value over the long-term.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2020.

Private equity – the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

During fiscal 2020, the System, through its investment in a limited partnership, received a distribution of common stock as part of an initial public offering (IPO). The shares were subject to a shareholder lock-up provision allowing one-third of the shares to be sold 181, 271 and 366 days after the IPO. At June 30, 2020, one-third of the total shares received remained subject to the lock-up provision. All shares held at June 30, 2020 are included within the domestic equity securities classification.

**(4) Real Estate** – these 18 limited partnership investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments.

These funds acquire, manage and sell physical properties, including office, retail, apartment, and industrial buildings as well as more niche property types, such as student housing, self-storage and hotels. The primary goals of this asset class are to provide current income, risk-adjusted total returns, and diversification.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2020.

With the exception of four core open-end funds which allow for quarterly redemptions, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

**(5) Infrastructure** – These nine funds provide inflation-protection and current income to the portfolio through investments in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, and hospitals. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2020.

*With the exception of one open-end core fund which allows for quarterly liquidity, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.*

**(6) Crisis Protection Class – Trend Following** – These three funds were created as limited liability companies with the Employees' Retirement System of the State of Rhode Island as the sole member. The investment managers' principal investment objectives for the companies include:

- providing diversified exposure to market trends across asset classes, geographies and time horizons to generate sizable profits during the periods when growth-risk exposed assets decline significantly;



- generating significant medium-term capital growth independent of overall movements in traditional stock and bond markets within a rigorous risk management framework; and
- outperforming the Credit Suisse Liquid Alternative Beta Managed Futures Index (CLABT18 Index) over a 5-year period.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2020. As the Employees' Retirement System of the State of Rhode Island is the sole member, the limited liability company could be liquidated at its option. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

**(7) Emerging Markets Debt – Collective Unit Trust** – This collective unit trust seeks to generate attractive returns relative to an emerging markets debt blended benchmark. The strategy seeks to take advantage of investment opportunities across emerging markets fixed income spectrum, including hard and local currency denominated sovereign, quasi sovereign and corporate debt, and their derivatives. Currencies are used both to manage risk and enhance return.

The fair value of the collective unit trust has been determined using the NAV per share of the investments as reported by the manager of the collective trust at June 30, 2020.

This investment includes monthly liquidity provisions (first business day of the month) with notice required by the 22nd of the prior month.

**(8) Equity Options – Private LLC Investment** – The fund seeks to achieve its goal primarily through a strategy of writing exchange-traded put options on the S&P 500® Index. These options are fully collateralized by short duration U.S. Treasury securities. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in short duration fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The fair value of the equity options – private LLC investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2020. The underlying investments at June 30, 2020, which consist of equity options and fixed income investments were publicly traded.

This investment includes monthly liquidity provisions with 7 business days' notice.

### (c). Rate of Return

For the year ended June 30, 2020, the annual money-weighted returns on investments within each of the plans, net of investment expense, are shown in the following table. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	ERS	TSB	MERS	SPRBT	JRBT	RIJRFT	SPRFT
Money-weighted rate of return - year ended June 30, 2020	3.82%	3.64%	4.67%	3.85%	3.84%	2.29%	3.89%

### (d). Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its



investment exposure to interest rate risk by comparing its fixed income and cash managers' portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager's mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its Liquid Credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by the System vary by asset class which include Investment Grade Fixed Income, Liquid Credit, Long Duration Treasuries, Inflation-Linked Bonds, CPC Enhanced Cash Portfolio, and Strategic Cash.

The fixed income indices currently used by the System are:

- Barclays US Treasury Inflation Notes - 1-10 Year Index
- Liquid Credit Custom BM: 50% BofA US High Yield Index + 50% Credit Suisse Leveraged Loan Index
- Long Duration BM: Barclays Long Duration US Treasury Index
- ICE BofA ML US Treasury Notes 0-1 Year
- Emerging Market Debt Custom BM: 50% JPM EMBI Global Diversified Index + 50% JPM GBI-EM Global Diversified Index
- Bloomberg Barclays US Corporate Bond Index
- Bloomberg Barclays Securitized MBS/ABS/CMBS Index

At June 30, 2020, no fixed income manager was outside of their policy guidelines.

The following table shows the System's fixed income investments by type, fair value and the effective duration at June 30, 2020:

<b>Investment Type</b>	<b>Fair Value (in thousands)</b>	<b>Effective Duration</b>
US Government Agency Securities	\$ 198,517	2.59
US Government Securities	658,467	12.89
Collateralized Mortgage Obligations	25,376	5.12
Corporate Bonds	508,295	5.48
Term Loans	137,075	0.97
Emerging Market Debt	171,894	6.67
Total Fixed Income	<u>\$ 1,699,624</u>	7.76

The System had investments at June 30, 2020 totaling \$87 million in money market mutual funds including \$102 thousand in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer.

OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. OSIP transacts with its participants at a stable net asset value (NAV) per share. Investments reported at the NAV are not subject to the leveling categorization as described above. There are no participant withdrawal limitations. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

The System's remaining money market mutual fund investments consisted of a short-term money market mutual fund that is not rated and held investments with a weighted average maturity of 47 days at June 30, 2020. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

The System's investment in commercial paper totaling \$6,235,868 at June 30, 2020 had maturities ranging from 8 to 65 days.

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

#### (e). Credit Risk

Credit risk is the possibility of a loss due to the failure of a counterparty to repay a loan or meet another contractual obligation. The System may be exposed to credit risk with respect to its fixed income investments. The System manages its credit risk by setting credit rating criteria to govern the investment activities of its fixed income managers at the portfolio and security level. Ratings criteria may be expressed on a relative basis against predetermined benchmark index or on an absolute basis based on that manager's mandate. If a security is not rated by any Rating Agency, the internal rating assigned by the investment manager or an affiliate (Internal Rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System's overall asset allocation targets and related objectives.

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, 2020 is as follows (in thousands):

Rating	Collateralized		US Government	
	Mortgage Obligations	Agency Obligations	Corporate Bonds	Term Loans
<b>Aaa</b>	\$ 17,678	\$ 194,982	\$ 21,524	\$ —
<b>Aa</b>	5,652	—	29,646	—
<b>A</b>	505	179	106,459	—
<b>Baa</b>	—	—	178,323	5,673
<b>Ba</b>	—	—	76,064	31,720
<b>B</b>	—	—	49,699	55,640
<b>Caa</b>	—	—	8,692	695
<b>C</b>	—	—	12	—
<b>Not Rated</b>	1,541	3,356	37,876	43,347
<b>Fair Value</b>	<u>\$ 25,376</u>	<u>\$ 198,517</u>	<u>\$ 508,295</u>	<u>\$ 137,075</u>

*Ratings provided by Moody's Investors Service*

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An emerging market debt portfolio totaling \$171,893,551 at June 30, 2020 and held within a collective unit trust had an overall average credit quality rating of Baa (Moody's).

Investments in commercial paper totaling \$6,235,868 at June 30, 2020 were rated P1 (Moody's).

**(f). 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.

**(g). 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, 2020, 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.

**(h). 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.

The System's exposure to foreign currency risk at June 30, 2020, is detailed in the following table. In addition to the foreign currency exposure highlighted in the following table, certain hedge fund investments may have foreign currency exposure.

**Foreign Currency Risk (in thousands)**

Currency	Commingled Funds	Equities	Emerging Market Debt	Private Equity	Cash, Cash Equivalents and Derivatives	Futures	Term Loans	Corporate Bonds	Total
Australian Dollar	\$ 41,960	\$ 23,533	\$ (432)	\$ —	\$ 196	\$ (4)	\$ —	\$ —	\$ 65,253
Brazilian Real	21,285	—	8,189	—	—	—	—	—	29,474
Canadian Dollar	51,413	60,302	(431)	1,181	633	(19)	—	—	113,079
Chilean Peso	2,434	—	2,064	—	—	—	—	—	4,498
Chinese Yuan	13,274	—	3,724	—	—	—	—	—	16,998
Colombian Peso	776	—	5,603	—	—	—	—	—	6,379
Czech Republic Koruna	513	—	4,763	—	—	—	—	—	5,276
Danish Krone	14,491	13,940	—	—	22	—	—	—	28,453
Egyptian Pound	517	—	—	—	—	—	—	—	517
Euro Currency	195,318	102,836	(878)	58,928	(53)	(8)	1,071	1,157	358,371
Great Britain Pound	86,609	41,962	—	—	616	12	—	—	129,199
Hong Kong Dollar	116,284	3,082	—	—	(3)	7	—	—	119,370
Hungarian Forint	1,012	—	3,284	—	—	—	—	—	4,296
Indian Rupee	33,268	—	1,687	—	—	—	—	—	34,955
Indonesia Rupiah	6,186	—	9,004	—	—	—	—	—	15,190
Israeli Shekel	1,894	—	—	—	—	—	—	—	1,894
Japanese Yen	157,717	82,794	—	—	1,027	159	—	—	241,697
Kazakhstani Tenge	—	—	1	—	—	—	—	—	1
Malaysian Ringgit	7,248	—	—	—	—	—	—	—	7,248
Mexican Peso	7,003	—	9,847	—	—	—	—	—	16,850
New Taiwan Dollar	50,667	—	—	—	—	—	—	—	50,667
New Zealand Dollar	2,078	3,323	(433)	—	—	—	—	—	4,968
Norwegian Krone	3,281	1,136	—	—	—	—	—	—	4,417
Pakistani Rupee	84	—	—	—	—	—	—	—	84
Peruvian Nouveau Sol	—	—	2,578	—	—	—	—	—	2,578
Philippine Peso	3,496	—	—	—	—	—	—	—	3,496
Polish Zloty	2,992	—	8,631	—	—	—	—	—	11,623
Qatari Real	3,444	—	—	—	—	—	—	—	3,444
Romanian leu	—	—	1,292	—	—	—	—	—	1,292
Russian Ruble	10,137	—	8,240	—	—	—	—	—	18,377
Saudi Riyal	11,046	—	—	—	—	—	—	—	11,046
Singapore Dollar	7,020	14,615	1,280	—	339	—	—	—	23,254
Swedish Krona	18,949	24,304	—	—	165	(17)	—	—	43,401
Swiss Franc	62,483	51,771	—	—	56	—	—	—	114,310
South African Rand	15,139	—	6,057	—	—	—	—	—	21,196
South Korean Won	48,402	—	—	—	—	—	—	—	48,402
Thailand Baht	9,265	—	9,475	—	—	—	—	—	18,740
Turkish Lira	1,891	—	838	—	—	—	—	—	2,729
Ukrainian Hryvnia	—	—	361	—	—	—	—	—	361
United Arab Emirates Dirham	2,187	—	—	—	—	—	—	—	2,187
Uruguayan Peso	—	—	906	—	—	—	—	—	906
<b>Total</b>	<b>\$ 1,011,763</b>	<b>\$ 423,598</b>	<b>\$ 85,650</b>	<b>\$ 60,109</b>	<b>\$ 2,998</b>	<b>\$ 130</b>	<b>\$ 1,071</b>	<b>\$ 1,157</b>	<b>\$ 1,586,476</b>
United States Dollar	113,989		86,246						
<b>Grand Total</b>	<b>\$ 1,125,752</b>		<b>\$ 171,896</b>						

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**(i). 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.

**Credit Default Swaps** – A credit manager may use credit default swaps in the portfolio 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. buying protection).

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

Additionally, the System is an investor in a private investment fund that writes collateralized put options on both U.S. indices, including the S&P 500® Index and the Russell 2000® Index, and exchange traded funds. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The System invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities. These securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities.

Additional information regarding interest rate risks for these investments is included in the *Interest Rate Risk* table.

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, 2020 (in thousands).

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2020	Notional Amount
Fixed income futures - long	\$ (646)	\$ 215	\$ 135,377
Fixed income futures -short	(160)	(160)	(26,772)
Equity index futures - long	101	628	36,397
Equity index futures - short	(456)	(454)	(71,742)
Credit default swaps	(189)	1	
Total return swaps	(56)		
<b>Total</b>	<b>\$ (1,406)</b>	<b>\$ 230</b>	
Foreign currency forward contracts:			
Pending payable (liability)		\$ 189	
Pending receivable (asset)		(7)	
<b>Total</b>		<b>\$ 182</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, 2020 was \$182,526. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

The System executes (through its investment managers) derivative instruments with various counterparties. The credit ratings of these counterparties were Aa3 (Moody's) or better, two counterparties were not rated by Moody's but were rated A+ or better by Fitch.

#### **Other Investments - Defined Contribution Plan**

The State Investment Commission selected various investment options for defined contribution plan participants with the overall objective of offering low-cost, strategic, and long-term oriented investment products. Plan participants can choose one or more of the various options and can change options at any time. Plan participants who do not elect a specific option default to a target date retirement fund consistent with their anticipated Social Security retirement eligibility date.

The majority (98%) of investments held by participants in the defined contribution plan are target date retirement funds, equity or fixed income funds. The target retirement date funds provide for diversified portfolios of equities and bonds that become progressively more conservative as the fund's associated target retirement date approaches. Equity index funds seek to replicate the price and yield performance of a particular index.

The target retirement date and equity and fixed income funds are priced daily based on the traded prices of the underlying securities held within the funds. There are no withdrawal limitations for these funds. These funds are classified as Level 1 investments (quoted prices in active markets for identical assets) within the fair value hierarchy. Annuities are reported at contract value, which approximates fair value. Annuities held by participants within the defined contribution plan (approximately 2% of total defined contribution plan investments) are classified as Level 3 investments (significant unobservable inputs) within the fair value hierarchy.

For an investment, custodial credit risk is the risk that, in the event of the failure of the 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, 2020, all non-annuity assets, including mutual funds, that are traded and held in retirement plans by TIAA were held at TIAA, FSB (formerly TIAA-CREF Trust Company, FSB) as custodian/trustee.

The majority of the defined contribution plan investment options are funds that invest in diversified portfolios of securities including equity and fixed-income investments.

Fixed income funds (approximately 2% of total defined contribution plan investments) are subject to interest rate, inflation and credit risks. Target-date retirement 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. Funds may have exposure to foreign currency risk through investment in non-US denominated securities.

#### **D. OPEB Trusts**

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

#### **Summary of Significant Accounting Policies**

**Investments** - Investment transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date.

**Method Used to Value Investments** - Investments are recorded in the financial statements at fair value. 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.

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

Commingled funds consist of an institutional domestic equity index fund. The fair value of the commingled fund is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

**Investment Expenses** - Investment management expenses are presented separately as a component of net investment income and include investment consultants, custodial fees and direct investment



expenses allocated by managers. In some instances, investment related costs are not readily separable from investment income and consequently investment income is recorded net of related expenses.

### **Cash Deposits and Cash Equivalents**

At June 30, 2020, the carrying amount of the OPEB System's cash deposits was approximately \$3.8 million and the bank balance was \$3.4 million. 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 100% 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 100% 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 amounts ranging from 100% - 102% of the uninsured deposit amounts. The percentage of collateral required is determined by the underlying classification of the collateral. At June 30, 2020, the OPEB System's cash deposits were either federally insured or collateralized.

The System also had cash equivalents totaling \$2.0 million invested in the Ocean State Investment Pool at June 30, 2020. See Note 2A for details.

### **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.

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. The SIC's adopted asset allocation policy targets of Domestic Equity and Fixed Income of 65% and 35%, respectively, for fiscal 2020.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2020 (expressed in thousands):

<b>Investments at Fair Value</b>	<b>June 30, 2020</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Debt Securities</b>				
US Government Securities	\$ 52,448	\$ 52,448	\$ —	\$ —
US Government Agency Securities	29,700	—	29,700	—
Non-US Government Securities	482	—	482	—
Corporate Bonds	56,004	—	56,004	—
Collateralized Mortgage Obligations	3,129	—	3,129	—
Total investments by fair value level	<u>\$ 141,763</u>	<u>\$ 52,448</u>	<u>\$ 89,315</u>	<u>\$ —</u>
<b>Investments measured at the net asset value (NAV)</b>				
Commingled Funds	\$ 259,083			
Money Market Mutual Funds	8,307			
	<u>\$ 267,390</u>			
<b>Net investment payable</b>	<u>(5,303)</u>			
<b>Total Pooled Investment Trust</b>	<u><u>\$ 403,850</u></u>			

**Commingled funds** – consist of one domestic equity index fund which is intended to replicate the performance of a specific index; e.g., S&P 500. The fair values of the investments have been determined using the NAV per share of the investments as reported by the commingled fund manager which reflects the exchange pricing of the equity holdings. There are no withdrawal limitations for the domestic equity index fund.

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

### 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, 2020 (expressed in thousands):

<b>Investment Type:</b>	<b>Fair Value</b>	<b>Effective Duration</b>
US Government Securities	\$ 52,448	6.38
US Government Agency Securities	29,700	2.17
Non-US Government Securities	482	8.31
Corporate Bonds	56,004	7.86
Collateralized Mortgage Obligations	<u>3,129</u>	5.24
Total Fixed Income	<u><u>\$ 141,763</u></u>	5.73

The OPEB System's investment in the Fidelity Investments Money Market Government Portfolio, a money market mutual fund, had an average maturity of 45 days at June 30, 2020 and was rated AAAMf by Moody's Investors Service.

### 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, 2020 is as follows (expressed in thousands):

Quality Rating (1)	US Government Agency Securities	Non-US Government Securities	Corporate Bonds	Collateralized Mortgage Obligations
Aaa	\$ 29,700	\$ —	\$ 3,584	\$ 3,129
Aa	—	—	2,585	—
A	—	—	21,390	—
Baa	—	482	24,530	—
Ba	—	—	1,828	—
Not rated	—	—	2,087	—
<b>Fair Value</b>	<b>\$ 29,700</b>	<b>\$ 482</b>	<b>\$ 56,004</b>	<b>\$ 3,129</b>

#### (1) Moody's Investors Service Ratings

### 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, 2020, 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 Trusts

The Tuition Savings Program had investments of approximately \$5.2 billion in a number of mutual funds and other investment vehicles as of June 30, 2020. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$1.1 billion which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately \$3.2 million in the Fidelity Balanced Fund as of June 30, 2020. These investments are categorized in Level 1 of the fair value hierarchy.

## F. Agency Funds

As of June 30, 2020, 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, 2020 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Gross Receivables	Less: Allowance for Uncollectibles	Total Receivable, Net	Due from Other Governments and Agencies
Governmental activities receivables	\$ 879,783	\$ 520,725	\$ 2,481	\$ 1,402,989	\$ (224,540)	\$ 1,178,449	\$ 340,170
Less current portion	860,408	511,913	1,148	1,373,469	(224,175)	1,149,294	322,989
Noncurrent portion	\$ 19,375	\$ 8,812	\$ 1,333	\$ 29,520	\$ (365)	\$ 29,155	\$ 17,181
Business-type activities	\$ 57,706	\$ 31,607	\$ —	\$ 89,313	\$ (26,183)	\$ 63,130	\$ 17,855
Less current portion	57,706	31,607	—	89,313	(26,183)	63,130	17,855
Noncurrent portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

Intra-entity receivables and payables as of June 30, 2020 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	\$ —	\$ 12,763	Operating expenses
Intermodal Surface Transportation	—	1,043	Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance	—	943	Operating expenses
Permanent School	60	—	Operating expenses
Bond Capital	—	190	Project funding
RI Capital Plan	—	128	Project funding
Total Non-Major Funds	60	1,261	
Total Governmental Funds	60	15,067	
Proprietary Funds			
Enterprise Funds			
RI Lottery	66	2,863	Net income owed to General Fund
RI Convention Center	713	—	Project funding
Employment Security Trust	2,338	—	Benefit payments
Total Enterprise Funds	3,117	2,863	
Internal Service Funds	15,309	556	Settlement of services rendered
Total Primary Government	<u>\$ 18,486</u>	<u>\$ 18,486</u>	

## Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2020 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	\$ 392,804	\$ 2,187	\$ (3,628)	\$ 391,363
Works of Art	4,385	—	—	4,385
Intangibles	179,816	2,220	—	182,036
Construction in progress*	498,484	496,411	(334,397)	660,498
Total capital assets not being depreciated or amortized	<u>1,075,489</u>	<u>500,818</u>	<u>(338,025)</u>	<u>1,238,282</u>
Capital assets being depreciated or amortized:				
Land improvements	8,381	(50)	—	8,331
Buildings	865,400	32,335	(6,657)	891,078
Building Improvements	458,383	51,749	—	510,132
Furniture and equipment	353,106	26,875	(18,193)	361,788
Intangibles**	341,951	—	(213)	341,738
Infrastructure*	4,693,179	255,285	—	4,948,464
Total capital assets being depreciated or amortized	<u>6,720,400</u>	<u>366,194</u>	<u>(25,063)</u>	<u>7,061,531</u>
Less accumulated depreciation or amortization for:				
Land improvements	4,048	252	—	4,300
Buildings	344,447	17,161	(5,637)	355,971
Building Improvements	220,994	17,012	—	238,006
Furniture and equipment	275,870	24,863	(18,117)	282,616
Intangibles**	87,463	32,791	(213)	120,041
Infrastructure*	2,357,312	153,102	—	2,510,414
Total accumulated depreciation or amortization	<u>3,290,134</u>	<u>245,181</u>	<u>(23,967)</u>	<u>3,511,348</u>
Total capital assets being depreciated or amortized, net	<u>3,430,266</u>	<u>121,013</u>	<u>(1,096)</u>	<u>3,550,183</u>
Governmental activities capital assets, net ***	<u>\$ 4,505,755</u>	<u>\$ 621,831</u>	<u>\$ (339,121)</u>	<u>\$ 4,788,465</u>

\*Beginning balances have been restated, see Note 10 for additional details.

\*\*Including information system development costs.

\*\*\*Net governmental activities capital assets includes Internal Service Fund net capital assets totaling \$3.0 million at June 30, 2020.

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

General government	\$ 20,507
Health and human services	32,018
Education	6,172
Public safety	22,588
Natural resources	6,050
Transportation	157,846
Total depreciation or amortization expense - governmental activities	<u>\$ 245,181</u>

<b>Business-type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	31,633	24,915	(51,617)	4,931
Total capital assets not being depreciated	<u>78,441</u>	<u>24,915</u>	<u>(51,617)</u>	<u>51,739</u>
Capital assets being depreciated:				
Buildings	234,377	43,143	(1,067)	276,453
Machinery and equipment	41,382	8,726	(1,500)	48,608
Intangibles	175	—	—	175
Total capital assets being depreciated	<u>275,934</u>	<u>51,869</u>	<u>(2,567)</u>	<u>325,236</u>
Less accumulated depreciation for:				
Buildings	166,555	8,878	(512)	174,921
Machinery and equipment	29,534	4,099	(1,500)	32,133
Intangibles	165	10	—	175
Total accumulated depreciation	<u>196,254</u>	<u>12,987</u>	<u>(2,012)</u>	<u>207,229</u>
Total capital assets being depreciated, net	<u>79,680</u>	<u>38,882</u>	<u>(555)</u>	<u>118,007</u>
Business-type activities capital assets, net	<u>\$ 158,121</u>	<u>\$ 63,797</u>	<u>\$ (52,172)</u>	<u>\$ 169,746</u>
<b>Discretely Presented Component Units</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 126,241	\$ 293	\$ —	\$ 126,534
Construction in progress	342,369	156,851	(340,450)	158,770
Other	250	—	—	250
Total capital assets not being depreciated or amortized	<u>468,860</u>	<u>157,144</u>	<u>(340,450)</u>	<u>285,554</u>
Capital assets being depreciated or amortized:				
Buildings	2,473,557	327,588	(6)	2,801,139
Land Improvements	299,713	13,308	—	313,021
Leasehold Improvements	408	2	—	410
Machinery and equipment	499,449	37,810	(8,310)	528,949
Infrastructure	310,402	22,511	—	332,913
Total capital assets being depreciated or amortized	<u>3,583,529</u>	<u>401,219</u>	<u>(8,316)</u>	<u>3,976,432</u>
Less accumulated depreciation or amortization for:				
Buildings	1,092,106	80,073	(4)	1,172,175
Land Improvements	175,553	14,569	—	190,122
Leasehold Improvements	39	5	—	44
Machinery and equipment	359,615	32,717	(8,154)	384,178
Infrastructure	114,854	10,925	—	125,779
Total accumulated depreciation or amortization	<u>1,742,167</u>	<u>138,289</u>	<u>(8,158)</u>	<u>1,872,298</u>
Total capital assets being depreciated or amortized, net	<u>1,841,362</u>	<u>262,930</u>	<u>(158)</u>	<u>2,104,134</u>
Total capital assets, net	<u>\$ 2,310,222</u>	<u>\$ 420,074</u>	<u>\$ (340,608)</u>	<u>\$ 2,389,688</u>



## Note 6. Notes Payable and Line of Credit Arrangements

### Primary Government

**Notes Payable – Direct Borrowings – Line of Credit Agreements:** During fiscal 2020, the State entered into two \$150 million line of credit agreements with financial institutions for a total \$300 million. Draws on the lines of credit to facilitate liquidity during fiscal 2020 totaled \$35 million. At June 30, 2020, a total of \$10 million remained outstanding while a total of \$290 million remained available under the line of credit agreements. The interest rate at June 30, 2020 was 0.64% and 1.18% respectively. The initial commitment period under one line of credit agreement was through July 30, 2020 (subsequently extended to June 30, 2021). The commitment period for the remaining agreement is through April 2021. The agreements provide for a monthly commitment fee payable by the State equal to 0.25% of the available credit authority.

Drawings on the line of credit agreements constitute direct borrowing notes payable to the financial institutions and are unsecured. Repayment of the tax-exempt notes is subject to appropriation by the General Assembly and neither the faith or credit nor the taxing power of the State is pledged to making such payments.

Interest on the notes is payable monthly. The rate is adjusted daily based upon a percentage of the London Interbank Offered Rate and additional margin based on the lowest debt rating assigned to other appropriation debt of the State. Default provisions trigger an increase in the interest rate payable on the notes and the notes become payable on the commitment end date provided in the agreements.

### Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2020 are as follows:

Component Units:

#### *Direct Borrowings*

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	\$ 621
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 10 years	2,143
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0.00% to 6.25% interest, payable through 2048	114,899
	<u>117,663</u>
Less: current portion	80,834
Non-current portion	<u>\$ 36,829</u>

#### *Other*

R.I. Housing and Mortgage Finance Corporation federal bank note, 2.239% to 4.640% interest, payable from 2056 through 2059.	<u>\$ 148,032</u>
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### **Direct borrowing – Line of credit arrangements**

*R.I. Housing and Mortgage Finance Corporation (RIHMFC)* - As of June 30, 2020, RIHMFC may borrow up to a maximum of \$135 million under various revolving loan agreements expiring between August 2020 and January 2021. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount \$8,000,000, has a variable interest rate, which was 1.062% at June 30, 2020. The outstanding remaining lines of credit of \$80,009,000 have fixed rates which range from 1.664% - 3.489% at June 30, 2020.

## Note 7. Long-Term Liabilities

### A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are presented in the following table (expressed in thousand):

	Beginning Balance*	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Governmental Activities</b>						
<i>Bonds Payable</i>						
General Obligation bonds (see section B)	\$ 1,221,175	\$ 221,150	\$ (179,045)	\$ 1,263,280	\$ 94,475	\$ 1,168,805
RICC Grant Anticipation Revenue bonds	442,230	165,555	(35,525)	572,260	37,305	534,955
RICC Rhode Island Motor Fuel Tax Revenue bonds	31,415	—	(3,790)	27,625	3,980	23,645
Tobacco Settlement asset-backed bonds	622,263	—	(17,965)	604,298	11,505	592,793
Accreted interest on TSFC bonds	109,881	13,174	—	123,055	—	123,055
RICC Historic Tax Credit bonds	120,830	—	(15,960)	104,870	16,385	88,485
Net unamortized premium/discount	198,941	69,413	(32,341)	236,013	—	236,013
Bonds payable, net	<u>2,746,735</u>	<u>469,292</u>	<u>(284,626)</u>	<u>2,931,401</u>	<u>163,650</u>	<u>2,767,751</u>
Obligation under capital leases (see section D)	187,931	—	(30,061)	157,870	29,824	128,046
Net unamortized premium/discount	16,175	—	(3,683)	12,492	—	12,492
Obligation under capital leases, net	<u>204,106</u>	<u>—</u>	<u>(33,744)</u>	<u>170,362</u>	<u>29,824</u>	<u>140,538</u>
Net pension liability (see note 18) **	2,272,383	13,705	—	2,286,088	—	2,286,088
Net pension liability-special funding (see note 18)**	1,357,444	9,094	—	1,366,538	—	1,366,538
Net OPEB liability (see note 19 C) **	496,691	—	(74,934)	421,757	—	421,757
Job Creation Guaranty Program obligation (see sec. G)	12,747	—	—	12,747	12,747	—
Compensated absences (see section I)**	78,594	85,671	(73,074)	91,191	75,576	15,615
Pollution remediation (see section H)	5,872	8,888	(2,240)	12,520	1,052	11,468
Other (see section L) *	61,770	22,078	(19,626)	64,222	8,093	56,129
Total Governmental Long-term Liabilities	<u>\$ 7,236,342</u>	<u>\$ 608,728</u>	<u>\$ (488,244)</u>	<u>\$ 7,356,826</u>	<u>\$ 290,942</u>	<u>\$ 7,065,884</u>
<b>Business-type Activities</b>						
Revenue bonds (see section B)	\$ 220,810	\$ —	\$ (14,570)	\$ 206,240	\$ 16,695	\$ 189,545
Net unamortized premium/discount	1,942	—	(808)	1,134	—	1,134
Revenue bonds, net	<u>222,752</u>	<u>—</u>	<u>(15,378)</u>	<u>207,374</u>	<u>16,695</u>	<u>190,679</u>
Net pension liability **	17,142	3,708	—	20,850	—	20,850
Net OPEB liability **	3,876	114	—	3,990	—	3,990
Unearned revenue	8,542	6,875	(3,630)	11,787	3,934	7,853
Compensated absences (see section I)**	771	495	(497)	769	338	431
Total Business-type Long-term Liabilities	<u>\$ 253,083</u>	<u>\$ 11,192</u>	<u>\$ (19,505)</u>	<u>\$ 244,770</u>	<u>\$ 20,967</u>	<u>\$ 223,803</u>
<b>Component Units</b>						
Bonds payable (see section B)	\$ 2,624,436	\$ 547,042	\$ (432,570)	\$ 2,738,908	\$ 139,441	\$ 2,599,467
Bonds payable - direct placements	130,691	24,164	(19,974)	134,881	12,649	122,232
Net unamortized premium/discount	128,986	14,734	(23,422)	120,298	11,209	109,089
Refunding credits	—	(8,409)	437	(7,972)	(847)	(7,125)
Bonds payable, net	<u>2,884,113</u>	<u>577,531</u>	<u>(475,529)</u>	<u>2,986,115</u>	<u>162,452</u>	<u>2,823,663</u>
Loans payable (see section C)	15,421	584	(2,117)	13,888	2,059	11,829
Obligations under capital leases	2,660	—	(726)	1,934	456	1,478
Net pension liability**	300,637	8,786	(7,029)	302,394	—	302,394
Net OPEB liability**	189,661	1,388	(25,784)	165,265	—	165,265
Compensated absences (see section I)**	32,932	3,047	(1,924)	34,055	10,592	23,463
Due to primary government (see section K)	57,077	223	(9,192)	48,108	6,833	41,275
Unearned revenue	38,016	2,468	(28,042)	12,442	8,994	3,448
Due to component units	4,907	385	(3,594)	1,698	461	1,237
Other Long-term liabilities						
Arbitrage rebate (see section J)	1,724	9	(142)	1,591	433	1,158
Pollution remediation (see section H)	16,016	—	(2,823)	13,193	815	12,378
Other liabilities (see section L)	376,569	21,143	(5,721)	391,991	2,791	389,200
Total Component Units Long-term Liabilities	<u>\$ 3,919,733</u>	<u>\$ 615,564</u>	<u>\$ (562,623)</u>	<u>\$ 3,972,674</u>	<u>\$ 195,886</u>	<u>\$ 3,776,788</u>

\*\*The net pension, net OPEB, and compensated absences liabilities of the governmental activities are liquidated principally in the General Fund, the Intermodal Surface Transportation Fund and individual institutions of higher education according to the applicable employing state agency.

## B. Bonds Payable

At June 30, 2020, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units			
	Governmental Activities		Business Type Activities		Other		Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 163,650	\$ 110,808	\$ 16,695	\$ 9,229	\$ 139,441	\$ 95,691	\$ 12,649	\$ 3,655
2022	172,350	103,088	17,465	8,453	145,325	91,095	12,926	3,375
2023	172,865	95,196	16,160	7,627	144,449	86,513	13,228	3,085
2024	177,550	87,286	18,950	6,954	128,061	81,497	16,599	2,750
2025	164,005	79,270	19,625	6,270	122,258	76,600	12,874	2,377
2026 - 2030	742,715	285,390	60,310	21,241	596,926	306,931	38,193	7,902
2031- 2035	442,805	142,900	39,060	10,600	511,484	207,142	19,964	2,727
2036 - 2040	205,090	73,109	12,295	2,837	452,014	134,199	8,448	414
2041 - 2045	104,285	50,007	5,680	368	250,835	72,447	—	—
2046 - 2050	121,130	30,283	—	—	195,636	35,360	—	—
2051 - 2055	105,888	1,411,722 *	—	—	38,835	7,252	—	—
2056 - 2060	—	—	—	—	13,644	2,388	—	—
	<u>\$2,572,333</u>	<u>\$2,469,059</u>	<u>\$206,240</u>	<u>\$ 73,579</u>	<u>\$2,738,908</u>	<u>\$1,197,115</u>	<u>\$ 134,881</u>	<u>\$ 26,285</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.

In December 2019 the State issued \$153 million of general obligation bonds with interest rates of 2.00% - 5.00%, maturing from 2021 through 2040. The premium paid on these bonds was \$18.4 million. In accordance with certain bond statutes, net premiums of \$17.8 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects.

The State also issued \$68.2 million of general obligation refunding bonds with interest rates of 3.00% - 5.00%, maturing from 2021 through 2030. The premium paid on these bonds was \$14.1 million. These bonds, combined with the premium, were deposited in an irrevocable trust to advance refund \$80 million of series 2010C bonds with interest rates from 4.663% to 6.098%. The refunding resulted in a reduction of debt service of \$7.2 million and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$6.8 million. The advanced refunding resulted in a deferred loss (difference between the reacquisition price and the net carry amount of the old debt) of approximately \$1.6 million that was recorded as a deferred outflow of resources.

At June 30, 2020, general obligation bonds authorized by the voters and unissued amounted to approximately \$311.9 million. 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.

*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-four cents (\$.34) 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.

In May 2020, the Rhode Island Commerce Corporation, on behalf of the RI Department of Transportation, issued \$165.6 million of Grant Anticipation Bonds. The premium paid on these bonds was \$37.0 million. The bonds mature in 2025 to 2035 and have yields ranging from 1.56% to 2.52%. The bonds were issued to provide funding for reconstruction and/or replace certain State's bridges, highways and roads, and will be repaid with federal funds. The obligation of the State to make payments to the trustee of federal aid revenues with future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

Pledged revenues were sufficient to fund fiscal 2020 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 2031 and 2035, respectively.

*Historic Tax Credit Bonds* - In fiscal years 2009, 2015 and 2019 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$150 million, \$75 million and \$76.9 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, 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 \$54.3 million of Historic Tax Credit Bonds.

*Tobacco Settlement Asset-Back Bonds and Accreted Interest* - the Tobacco Settlement Finance Corporation (Corporation) has issued various series of Tobacco Settlement Asset-Backed Bonds, the proceeds of which 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 Corporation issued \$197,005,742 of Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual Tobacco Settlement Revenues which were not previously purchased under a 2002 purchase agreement. The 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. At maturity, the bond redemption values represent accreted yields ranging from 6.000% to 6.750%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. A portion of the 2007 Series Bonds were redeemed in March 2015 and June 2017.

The Corporation issued \$620,935,000 of Tobacco Settlement Asset-Backed Bonds (Series 2015 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 proceeds of the issuance of the Series 2015 bonds (along with the release of debt service funds related to the bonds retired, and the proceeds from the early termination of investment contracts) were used to fully redeem the outstanding balance of the Corporation's 2002 Series bonds, and to repurchase and retire certain principal and accreted interest on the Corporation's 2007 Series bonds.

The Series 2015 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). 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.

Reserve accounts in the amount of \$26,700,250 and \$12,175,975 were established for the Series 2015 A and Series 2015 B bonds, respectively. The Corporation is required to maintain these reserve accounts to the extent of available funds. Amounts on deposit with the trustee in the respective reserve account are available to pay (i) the principal of sinking fund installments of, and interest on, the Series 2015A and 2015 B 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 account 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.

The Corporation has debt service requirements totaling \$2.5 billion at June 30, 2020. The related bonds were structured based upon assumptions in tobacco settlement revenue (TSR) collections prepared by an independent consultant at the time the bonds were issued. The repayment of the bonds is dependent upon the receipt of TSRs from the Master Settlement Agreement, which are based on domestic cigarette sales. Any amounts received in excess of the scheduled principal and interest are applied to turbo maturities (principal and interest paid on the bonds in excess of scheduled principal and interest requirements). Any payment of turbo maturities in future years impacts, potentially significantly, the overall debt service requirements to maturity schedule. The domestic cigarette consumption estimates, and projections are highly sensitive to a variety of assumptions. Since the Corporation's last sale of bonds in fiscal 2015, amounts received by the Corporation pursuant to the Master Settlement Agreement have been less than the amounts projected in the consumption estimates used to structure the debt service requirements. TSRs received by the Corporation in future years that are less than the amounts projected to be received at the time of the sale of bonds could delay the payment of scheduled debt service on the bonds until sufficient TSRs are available to the Corporation.

### **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 million. At June 30, 2020, outstanding bond indebtedness totaled \$206.2 million.

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.

Outstanding indebtedness is collateralized by all rents receivable (if any) under a lease and agreement between RICCA and the State covering all property purchased by RICCA for the site, all other revenues and receipts from the project, a mortgage on constructed facilities, land financed by proceeds of the bonds, and amounts held in various accounts into which bond proceeds were deposited. In addition, outstanding indebtedness is insured under certain financial guaranty insurance policies.

Each of the bond resolutions contains certain restrictive covenants. During the year ended June 30, 2020, RICCA was unable to fund the Operating Reserve requirement of the restrictive covenants for the R.I. Convention Center and the DDC pursuant to the indentures.

RICCA and the R.I. Department of Administration have entered into agreements that provide for total appropriations from the RI Capital Plan (RICAP) for various purposes, including funding the Renewal and

Replacement requirement of the restrictive covenant for the DDC. Detailed information regarding these agreements is in RICCA's financial statements for the fiscal year ended June 30, 2020.

Concurrent with the issuance of the RICCA's 2009 Series A Bonds, a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp., formerly Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of approximately \$16.2 million. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the 2013 Series A, 2015 Series A and 2017 Series A are no longer outstanding. In June 2020, AGM was rated by Moody's as A2. In June 2020, AGM was rated by S&P as AA.

RICCA maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides RICCA with surety bond coverage to meet Debt Service Reserve Fund requirements for the R.I. Convention Center. The surety bond provides a maximum coverage of \$15.2 million. Coverage under the surety bond expires on May 15, 2023. RICCA maintains additional agreements with AMBAC for the R.I. Convention Center under which AMBAC provides RICCA with separate surety bond coverages to meet Debt Service Reserve Fund and Operating Reserve Fund requirements, respectively. The surety bond relating to the Debt Service Reserve Fund requirements replaced mandated investments and provides a maximum coverage of approximately \$8.8 million. The surety bond relating to the Operating Reserve Fund requirements also replaced mandated investments and provides a maximum coverage of approximately \$3.9 million. Coverage under both surety bonds expires on May 15, 2027. The Debt Service and Operating Reserve Fund Facilities are required to have a credit rating in one of the three highest categories by Moody's and S&P. As of June 30, 2020, AMBAC's credit rating did not meet the aforementioned requirement, however, RICCA acquired from Assured Guaranty Corporation a surety bond that meets the Debt Service Reserve Fund requirement for the R.I. Convention Center.

### **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, 2020 revenue bonds outstanding were approximately as follows: URI - \$268.5 million, RIC - \$13.1 million, and CCRI - \$1.2 million.

#### *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 \$201.4 million 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 \$41.2 million for the year ended June 30, 2020. Principal and interest payments for the year ended June 30, 2020 were approximately \$23.1 million.

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 million 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 2013. RIAC began making monthly payments of interest in fiscal 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 2012 with a final maturity in fiscal 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2020, RIAC had approximately \$40.2 million in borrowings under this agreement.

#### *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 \$37.4 million, 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) (0.16625% at June 30, 2020) 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, 2020, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2020, the 2013 Series A Bonds bore interest at 3.38775%.

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.

Concurrent with the issuance of the 2013 Series A and B Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the 2013 Series A and B Rate Cap Agreements). Under the terms of the 2013 Series A Rate Cap Agreement, the State paid the Bank \$658,500. In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR, to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series A Bonds, through April 1, 2023. The interest rate under the 2013 Series A Rate Cap Agreement is capped at 6.75%. Under the terms of the 2013 Series B Rate Cap Agreement, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (2.38775% at June 30, 2020), to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series B Bonds, through April 1, 2019. The State made no payment to the Bank under the terms of that agreement. The interest rate under the 2013 Series B Rate Cap Agreement is capped at 6.85%. At June 30, 2020, the fair value of the 2013 Series A and B Rate Cap Agreements was \$8,676 and 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 counterparties.

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

#### *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. Loans Payable**

#### **Discretely Presented Component Units**

This balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately \$493,000 and \$13.2 million, respectively.

### **D. Obligations Under Capital Leases**

#### **Primary Government**

The State has entered into capital lease agreements, primarily 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, 2020, consists of the present value of future minimum lease payments less any funds available in debt service reserve funds. Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2021	\$ 33,843	\$ 2,937	\$ 36,780
2022	28,366	943	29,309
2023	28,453	812	29,265
2024	24,431	315	24,746
2025	19,889	—	19,889
2026 - 2030	35,038	—	35,038
2031 - 2035	12,893	—	12,893
Total future minimum lease payments	182,913	5,007	187,920
Amount representing interest	(30,003)	(47)	(30,050)
Present value of future minimum lease payments	<u>\$ 152,910</u>	<u>\$ 4,960</u>	<u>\$ 157,870</u>



Each COPS transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPS is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPS with depreciation expense on the government-wide financial statements and discloses the amounts in Note 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.

Assets purchased with capital leases as of June 30, 2020 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583	\$ 66,488	\$ 149,095
Building Improvement	86,737	36,313	50,424
Computer Systems	70,186	26,713	43,473
Infrastructure	26,754	8,829	17,925
Equipment	1,327	332	995
	<u>\$ 400,587</u>	<u>\$ 138,675</u>	<u>\$ 261,912</u>

#### E. 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.

At June 30, 2020, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 79,475
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	45,450
R.I. Infrastructure Bank	161,785
R.I. Airport Corporation	14,090
R.I. Turnpike and Bridge Authority	48,805

#### F. Conduit Debt

The R.I. Health and Educational Building Corporation has issued various series of revenue bonds, notes, and leases to finance capital expenditures for Rhode Island educational institutions, hospitals, and healthcare providers. The bonds, notes and leases are special obligations of the Corporation, payable from revenues derived solely from the institution for which the project was financed. The bonds, notes, and leases do not constitute a debt or pledge of the faith and credit of the corporation or the State, and accordingly are not reflected in the financial statements. The amount of conduit debt outstanding on June 30, 2020 was \$3.1 billion.

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, 2020 was \$34.0 million and \$1.0 billion for these component units. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 17.

The Rhode Island Infrastructure Bank (RIIB) has issued conduit bonds for the express purpose of providing capital financing for a specific third party. RIIB has no obligation for the conduit debt beyond resources provided by a loan with the third party on whose behalf the conduit bonds were issued. As of June 30, 2020, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of approximately \$62.9 million.

#### **G. 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), formerly known as the RI Economic Development Corporation.

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 software development studio in 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 assets to be liquidated through the state court in Rhode Island. 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. Various settlements were reached with the defendants resulting in net recoveries after payments of fees, costs and expenses totaling \$36.6 million were paid to the trustee for the benefit of the bondholders.

The General Assembly has appropriated deficiencies in the Capital Reserve Fund in prior fiscal years. Due to amounts received from the settlements described above, amounts available in the Capital Reserve Fund were sufficient to fund required debt service in fiscal 2020.

The State has recorded a liability of \$12.7 million relating to its moral obligation to the 38 Studios bondholders under the JCGP at June 30, 2020. This amount represents that final debt service payment which has been appropriated and paid subsequent to June 30, 2020. The General Assembly repealed the authority for RICC to guarantee further loans under the JCGP during the 2013 legislative session.

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## H. Pollution Remediation Liabilities

GASB Statement No. 49 establishes guidance to estimate and report potential costs which may be incurred for pollution remediation liabilities. GASB Statement No. 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.

Additionally, the State may have a pollution remediation obligation for certain sites for which investigations and studies, or related litigation, are still in progress and consequently, associated future costs cannot be estimated.

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, 2020, no reasonable estimates of those recoveries can be made. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

## I. 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.

## J. 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.

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## K. 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.

## L. 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.
- Asset Retirement Obligations – these amounts are considered long-term liabilities since the nuclear reactor that the liability relates to has an estimated useful life in excess of one year.

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.
- Asset Retirement Obligations – General and RI Capital Plan.
- Pollution remediation – General, RI Capital Plan, and Intermodal Surface Transportation Funds.
- Other long-term liabilities – General and Intermodal Surface Transportation Funds.

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

**Note 8. Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position by the State that is applicable to a future reporting period. Deferred inflows of resources represent 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, 2020 are as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units
Deferred outflows of resources:				
Deferred loss on refunding of debt	\$ 23,776	\$ 5,365	\$ 29,141	\$ 14,079
Deferred pension costs - ERS	543,893	5,893	549,786	36,929
Deferred pension costs - single employer plans and other	46,726	—	46,726	21,499
Deferred OPEB costs - multiple employer plans	66,027	1,425	67,452	20,567
Deferred OPEB costs - single employer plans	8,860	—	8,860	—
Asset Retirement Obligations	33,110	—	33,110	—
Derivatives	—	—	—	1,211
Total deferred outflows of resources	<u>\$ 722,392</u>	<u>\$ 12,683</u>	<u>\$ 735,075</u>	<u>\$ 94,285</u>
Deferred inflows of resources:				
Deferred gain on refunding of debt	\$ 27,276	\$ —	\$ 27,276	\$ 2,342
Deferred pension credit - ERS	63,829	302	64,131	17,912
Deferred pension credit - single employer plans and other	10,988	—	10,988	2,376
Deferred OPEB credit - multiple employer plans	65,340	666	66,006	33,099
Deferred OPEB credit - single employer plans	10,054	—	10,054	—
Total deferred inflows of resources	<u>\$ 177,487</u>	<u>\$ 968</u>	<u>\$ 178,455</u>	<u>\$ 55,729</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2020 are as follows (expressed in thousands):

	General Fund	IST Fund	Total Governmental Funds
Deferred inflows of resources:			
Taxes	\$ 19,375	\$ —	\$ 19,375
Other General Revenue	7,990	—	7,990
Federal Revenue	333	7,784	8,117
Total deferred inflows of resources	<u>\$ 27,698</u>	<u>\$ 7,784</u>	<u>\$ 35,482</u>

## Note 9. Governmental Fund Balance, Budget Reserve and Cash Stabilization Account, and Net Position Restricted for Enabling Legislation

### A. Governmental Funds 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:				
General Fund	\$ 7,918	\$ —	\$ —	\$ 7,918
Permanent Fund Principal	—	—	174	174
Restricted for:				
Purposes specified by enabling legislation	141,229	—	—	141,229
RI Capital Plan	—	—	62,168	62,168
Debt Service	—	23,587	70,664	94,251
Capital Projects	—	—	193,188	193,188
Temporary Disability Insurance	—	—	135,973	135,973
Historic Tax Credit Redemption	—	—	59,630	59,630
Transportation-Infrastructure	—	294,832	—	294,832
Mission 360 Loan Program	—	1,870	—	1,870
Education	—	—	592	592
Other	—	—	584	584
Committed to:				
Transportation-Maintenance	—	50,717	—	50,717
Other	6,791	—	399	7,190
Assigned to:				
Subsequent Years Expenditures	1,514	—	—	1,514
Statutory Reappropriations	5,337	—	—	5,337
Unassigned:				
Budget Reserve and Cash Stabilization	90,711	—	—	90,711
Other	148,270	(588)	—	147,682
Totals	<u>\$ 401,770</u>	<u>\$ 370,418</u>	<u>\$ 523,372</u>	<u>\$ 1,295,560</u>

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## **B. Budget Reserve and Cash Stabilization Account**

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 2020, 3.0% of total general revenues and opening surplus are transferred to the Reserve. Amounts in the Reserve 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 each chamber of the General Assembly, in the event of an emergency involving the health, safety or welfare of the citizens or to fund any unanticipated general revenue deficit caused by a general revenue shortfall in any given year.

The General Assembly appropriated the transfer of \$120 million from the Budget Reserve and Cash Stabilization Account as part of the fiscal 2020 supplemental appropriations act to provide resources in anticipation of revenue reductions and additional expenditures in response to the COVID-19 pandemic. The Budget Reserve and Cash Stabilization Account is included within Unassigned Fund Balance within the General Fund but is not considered available for appropriation until specifically made available by the General Assembly. Amounts appropriated from the Budget Reserve and Cash Stabilization Account are available to support general revenue expenditure appropriations. The fiscal 2021 Appropriations Act mandates the repayment of \$90 million to the Budget Reserve and Cash Stabilization Account in fiscal 2021 with full restoration of the balance expected by the end of fiscal 2022.

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.

## **C. Net Position Restricted for Enabling Legislation**

The State's net position restricted by enabling legislation represents resources which a party external to a government such as citizens, public interest groups, or the judiciary can compel the government to use only for the purpose specified by the legislation. The government-wide Statement of Net Position reports \$979.5 billion of restricted net position, of which \$339.4 million is restricted by enabling legislation. Net position restricted by enabling legislation primarily constitutes unexpended bond proceeds for future capital projects and assistance to others, debt service reserve proceeds, and employment security program funding.

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



**Note 10. Restatements – Net Position**

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

	Governmental Activities	Discretely Presented Component Units
Net Position previously reported at June 30, 2019	\$ (756,850)	\$ 2,913,708
<b><i>Restatement due to:</i></b>		
1) Correction for capital expenditures which were expensed in previous years	37,317	—
2) Correction of payroll expenses recorded in prior years	—	(66)
Net Position at June 30, 2019 as restated	<u>\$ (719,533)</u>	<u>\$ 2,913,642</u>

**Note 11. 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
General Fund		
Personal Income	\$ 1,398,121	\$ 1,400,322
General Business Taxes:		
Business Corporations	148,450	150,401
Public Utilities Gross Earnings	108,635	108,635
Financial Institutions	34,612	34,612
Insurance Companies	126,164	126,164
Bank Deposits	3,325	3,325
Health Care Provider Assessment	42,600	42,600
Sub-total - General Business Taxes	<u>463,786</u>	<u>465,737</u>
Sales and Use Taxes:		
Sales and Use	1,167,373	1,170,102
Motor Vehicle	937	937
Cigarettes	137,604	137,604
Alcoholic Beverages	20,235	20,236
Sub-total - Sales and Use Taxes	<u>1,326,149</u>	<u>1,328,879</u>
Other Taxes:		
Inheritance and Gift	55,291	55,291
Racing and Athletics	821	821
Realty Transfer	13,925	13,925
Sub-total - Other Taxes	<u>70,037</u>	<u>70,037</u>
Total - General Fund	<u>3,258,093</u>	<u>3,264,975</u>
Intermodal Surface Transportation Fund		
Gasoline	146,736	146,735
RI Highway Maintenance	71,197	71,197
Other Governmental Funds	210,423	210,422
Total Taxes	<u>\$ 3,686,449</u>	<u>\$ 3,693,329</u>

**Note 12. Tax Abatements**

For financial reporting purposes (GASB Statement No. 77 - *Tax Abatements*), a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The State of Rhode Island has eleven programs in place to abate taxes. Some of those are new, and as of June 30, 2020, have no related foregone tax revenue. Of the eleven programs, seven are managed by the State and four are managed by the Rhode Island Commerce Corporation.

For certain newly created economic development programs with tax abatement provisions, the General Assembly appropriated funds which were paid to the Rhode Island Commerce Corporation (RICC) to fund these programs. Upon notification by the Division of Taxation, the RICC transfers funds to reimburse the State for the amount of foregone tax revenue.

The State has issued Historic Tax Credit Preservation Bonds to fund historic tax preservation credits presented for redemption or as credits to taxes owed to the State. Approximately \$59.6 million is available in the Historic Tax Credit Fund at June 30, 2020.

The following is a summary of taxes abated during fiscal 2020 by tax type (expressed in thousands):

<b>Tax Abatement Program</b>	<b>Personal Income</b>	<b>Business Corporation</b>	<b>Insurance Companies</b>	<b>Financial Institutions</b>	<b>Hotel Tax</b>	<b>Sales Tax</b>	<b>Non-Profit Redemption*</b>	<b>Total</b>
Job Development Act	\$ —	\$ 1,548	\$ —	\$ 17,956	\$ —	\$ —	\$ —	\$ 19,504
Motion Picture Production Tax Credits	474	1,322	—	—	—	—	—	1,796
Historic Preservation Tax Credits	7,388	156	4,306	10,000	—	—	3,258	25,108
Job Training Tax Credits	—	229	24	—	—	—	—	253
Tax Credit for Contributions to Qualified Scholarship Organizations	1,257	—	—	—	—	—	—	1,257
Qualified Jobs Incentive Tax Credit	96	—	—	—	—	—	—	96
Tax Increment Financing	—	—	—	—	88	536	—	624
Wavemaker Fellowship**	61	—	—	—	—	—	—	61
Apprenticeship Program	—	5	—	—	—	—	—	5
Rebuild Rhode Island	458	—	3,136	—	—	—	—	3,594
<b>Total</b>	<b>\$ 9,734</b>	<b>\$ 3,260</b>	<b>\$ 7,466</b>	<b>\$ 27,956</b>	<b>\$ 88</b>	<b>\$ 536</b>	<b>\$ 3,258</b>	<b>\$ 52,298</b>

\* Non-profit entities may request payment for the value of historic preservation tax credits awarded in lieu of a credit to tax liabilities.

\*\* Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2020 direct payments made to fellows totaled approximately \$1.3 million.

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*Other Commitments under Tax Abatement Agreements* - Certain tax abatement programs include commitments by the State other than the reduction of taxes.

- The Wavemaker Fellowship programs include a provision that the entity or individual, as applicable, may redeem the tax credit for 100% of its value upon fulfilling its responsibilities under the agreement. During the fiscal year ended June 30, 2020, direct payments made to Wavemaker fellows totaled approximately \$1.3 million.
- Individual taxpayer information is protected by state and federal laws mandating its confidentiality and cannot be disclosed without specific statutory authority. To the extent GASB Statement No. 77 – *Tax Abatements* requires disclosure of such information, the State is legally prohibited from providing disclosures of individual taxpayer information.
- Non-profit entities may redeem historic tax credits awarded by payment for the value of the credit in lieu of a credit to tax liabilities.

The following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2020.

<b><u>Program Name:</u></b>	<b><u>Job Development Act</u></b>	<b><u>Enterprise Zone</u></b>
Program purpose:	To foster job creation for companies that create new employment in RI over a three-year period.	To stimulate jobs growth and encourage business development in targeted distressed areas of the State.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income
Authority under which abatements are entered into:	Jobs Development Act (RI Gen. Laws 42-64.5-1) and as amended by Rhode Island New Qualified Jobs Incentive Act 2015 (RIGL 44-48.3-12)	Distressed Areas Economic Revitalization Act - Enterprise Zones (RIGL 42-64.3)
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Subject to a finding of revenue neutrality based on an economic impact analysis conducted by RI Commerce Corporation (RICC); (2) must be approved by the RICC Board of Directors; (3) company must show that "but for" the incentives, the company is not likely to retain, expand or add employment in the State, and that the company has generated new tax revenue for the State that is at least equivalent to the value of this incentive; (4) the company must maintain a certain level of employment as stated in the agreement; (5) new employees must be paid at least 250% of the State minimum wage.	A business has to: (1) be physically located within a State-approved Enterprise Zone (EZ), (2) be registered with the State as an EZ member business, (3) grow its existing workforce by at least 5%, consisting of only RI residents, (4) grow total corporation wages paid over that of the prior year, (5) obtain specific letters of good standing from the State, and (6) receive certification prior to July 1, 2015.
How taxes are reduced:	Reduction of tax rate.	As a credit to the amount of taxes owed.
How abatement is determined:	For example, corporate income tax may be reduced to as low as 3%. The reduction equals: 0.20% for every 10 new jobs created for companies having a baseline employment below 100; or .20% for every 50 new jobs created, for those companies having a baseline employment above 100. Rate reduction(s) discontinued effective July 1, 2015 except for any company that qualified prior to July 1, 2015 which may maintain its reduction so long as it carries out its obligations.	Not more than one type of tax liability can be used to claim the credit. 50% of the wages paid a new hire up to a maximum of \$2,500 per new employee; 75% of the wages paid a new hire up to a maximum of \$5,000 per new employee if that employee lived within a State-designated EZ. Unused EZ Tax credits can be carried forward for up to 3 years.
Recapture provisions:	N/A	N/A

<b><u>Program Name:</u></b>	<b><u>Qualified Jobs Incentive Tax Credit</u></b>	<b><u>Rebuild Rhode Island Tax Credit</u></b>
Program purpose:	Stimulate business expansion and attraction, create well-paying jobs for State residents, and generate revenues for necessary State and local governmental services.	Stimulate business development; retain and attract new business and industry to the State; create good-paying jobs for State residents; assist with commercial and industrial real estate development; and generate revenues for necessary State and local governmental services.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, or Sales and Use.
Authority under which abatements are entered into:	Rhode Island Qualified Jobs Incentive Act of 2015 (RIGL Title 44-48.3)	Rebuild Rhode Island Tax Credit Act (RIGL 42-64.20)
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Must create minimum number of new full-time jobs defined in the statute; (2) new full-time jobs must earn at least Rhode Island's median wage; (3) must certify and provide evidence that without the Tax Credit the new full time jobs would not occur within the State; (4) must be approved by the RICC Board of Directors; (5) must perform in accordance with an executed incentive agreement. Applicants may be eligible for Tax Credits for up to 10 years and must commit to remain in the State for 20% longer than the total time tax credit is received.	(1) Applicant must provide equity of at least 20% of project costs; (2) must certify and provide evidence that the project has a financing gap and that the project is not likely to be accomplished by private enterprise without the tax credits; (3) project fulfills the State's policy and planning objectives and priorities including minimum project size, cost, and/or job creation thresholds; (4) must be approved by the RICC Board of Directors; (5) entity must perform in accordance with an executed incentive agreement.
How taxes are reduced:	As a credit to the amount of taxes owed.	As a credit to the amount of taxes owed.
How abatement is determined:	The annual benefit for each new full-time job created is the lesser of (1) 75% of the reasonable State income tax withholding generated; or (2) a cap of \$2,500 to \$7,500 defined in the incentive agreement and depending on median salary level, location, industry, whether the job is being relocated from out-of-state, number of new full-time jobs, and capital investment being made.	Total tax credit calculated as the lesser of the Project Financing Gap or 30% of Project Costs* up to a maximum of \$15 million. Tax Credits are available for up to 5 years in increments ranging from 15% to 30% of total tax credit beginning in the year the project is placed in service. *Tax credits shall not exceed 20% provided, however, that the applicant shall be eligible for additional tax credits of not more than 10% of the project cost, if the project meets other specific, additional criteria as defined in the agreement.
Recapture provisions:	If the Applicant ceases operations in the State or transfers more than 50% of the jobs for which a Tax Credit was granted under the Act to another state, the Tax Credit shall cease, and the Applicant shall be liable to the State for, at a minimum, 20% of all tax benefits granted to the Applicant.	Projects may be required to repay tax credits in the event the project achieves outside financial returns.

<b><u>Program Name:</u></b>	<b><u>Tax Increment Financing</u></b>	<b><u>Wavemaker Fellowship</u></b>
Program purpose:	Stimulate business development; retain and attract new business and industry to RI; create good-paying jobs for RI residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	Promote economic opportunity and bring more and higher-paying jobs to the State; offer educational opportunity and retraining to individuals impacted by job loss, workplace injury, disability or other hardship; keep young people in the State; encourage an entrepreneurial economy in the State.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, Hotel, or Sales and Use.	Personal Income
Authority under which abatements are entered into:	Rhode Island Tax Increment Financing Act of 2015 (RIGL 42-64.21)	Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26)
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Project must be located in a qualifying TIF Area; (2) project must have a financing gap; (3) project must be either a new facility and not a replacement or relocation of an existing facility already located in the State, an expansion of an existing facility that will increase the number of full-time employees in the State, or necessary to retain one or more At Risk Businesses; (4) must be approved by the RICC Board of Directors; (5) must perform in accordance with an executed incentive agreement.	Applicants selected on a competitive basis by a fellowship committee on a name-blind and employer-blind basis. Selected applicants shall meet specific criteria for education, student loan debt, and full-time employment with a Rhode Island-based employer located in this State throughout the eligibility period, and employment in a field specified in the agreement.
How taxes are reduced:	Eligible taxes are reimbursed to the developer.	As a credit to the amount of taxes owed. Wavemaker fellows may also request payment for the value of the credit awarded.
How abatement is determined:	Up to 75% of the projected annual incremental revenues may be allocated under a TIF agreement. Total incentive may not exceed 30% of project costs or the amount needed to close the financing gap. RICC may exempt public infrastructure, a preexisting municipally-owned stadium of 10,000 seats or greater, or utilities from the 30% cap.	Awards are limited to \$1,000 for an associate's degree holder, \$4,000 for a bachelor's degree holder, and \$6,000 for a graduate or post-graduate degree holder, and may not exceed the education loan repayment expenses incurred by the selected taxpayer during each service period completed, for up to four (4) consecutive service periods provided that the taxpayer continues to meet the eligibility requirements throughout the eligibility period.
Recapture provisions:	Tax Credits may be denied or revoked if Applicant's certification or information is found to be willfully false; if the Applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.	Tax Credits may be denied or revoked if Applicant's certification or information is found to be willfully false; if the Applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.



<b><u>Program Name:</u></b>	<b><u>Motion Picture Production Tax Credits</u></b>	<b><u>Historic Preservation Tax Credits</u></b>
Program purpose:	To encourage development in Rhode Island of a strong capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry.	To create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures, as well as to generate the positive economic and employment activities that will result from such redevelopment and reuse.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO.
Authority under which abatements are entered into:	RIGL 44-31.2	RIGL 44-33.6
Criteria to be eligible to receive abatements and commitment of the taxpayer:	Primary production locations are to be within the State of Rhode Island, and the total production budget must be at least \$100,000. 30% of State certified production costs incurred that are directly attributable to activity within the State.	A certified historic structure is to be substantially rehabilitated.
How taxes are reduced:	As a credit to the amount of taxes owed.	As a credit to the amount of taxes owed. Non-profit entities without tax liabilities may request payment for the value of the credit awarded.
How abatement is determined:	The amount of the credit shall be 30% of State certified production costs incurred that are directly attributable to activity within the State. Motion picture production tax credit certificates are issued to the motion picture production company, or to one or more transferees to be applied as a credit to taxes owed.	The Division of Taxation issues a certificate in the amount of the qualifying credit for which the rehabilitation qualifies, up to 20% of qualified rehabilitation expenditures, or 25% if a specified portion of the structure will be made available for a trade or business. The maximum credit allowed for any one project is \$5,000,000.
Recapture provisions:	N/A	N/A

<b><u>Program Name:</u></b>	<b><u>Job Training Tax Credits</u></b>	<b><u>Employer's Apprenticeship Tax Credits</u></b>
Program purpose:	To encourage employers to invest in retraining or upgrading the skills of their employees.	To encourage the creation of machine tool, metal trade, and plastic process technician apprenticeships.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Insurance Company	Business Corporation
Authority under which abatements are entered into:	RIGL 42-64.6	RIGL 44-11-41
Criteria to be eligible to receive abatements and commitment of the taxpayer:	An employer must meet criteria provided by the Human Resources Investment Council (HRIC). Said employer cannot be a physician or anyone whose principal business is providing legal, accounting, engineering, architectural, or other similar professional services.	The apprentice must be enrolled in a registered qualified program through the RI Department of Labor and Training's State Apprenticeship Council. The number of apprenticeships for which credit is calculated must exceed the average number of qualifying apprenticeships begun in the preceding five years.
How taxes are reduced:	As a credit to the amount of taxes owed.	As a credit to the amount of taxes owed.
How abatement is determined:	The HRIC notifies the applicant whether or not the application is approved. The tax credit is calculated by the employer and claimed on the appropriate tax return, up to 50% of actual training expenses for new and current employees. Tax credit is for up to \$5,000 per employee over a three-year period.	Based on 50% of actual wages paid to a qualifying apprentice or \$4,800, whichever is less.
Recapture provisions:	Credit claimed for an employee is recaptured if the employee involuntarily, other than as a result of death or disability, no longer qualifies as a qualifying employee of the employer at any time during the 18-month period following the employee's completion of the program.	N/A

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<b><u>Program Name:</u></b>	<b><u>Tax Credit for Contributions to Qualified Scholarship Organizations</u></b>
Program purpose:	To enhance the educational opportunities available to all students in Rhode Island.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits, Insurance Company, Personal Income Tax.
Authority under which abatements are entered into:	RIGL 44-62
Criteria to be eligible to receive abatements and commitment of the taxpayer:	A business entity is approved by the Division of Taxation if the dollar amount of the tax credit is no greater than \$100,000 in any tax year and if the scholarship organization qualified under RIGL 44-62-2. Approvals are available on a first-come-first-served basis, with the total aggregate amount of all tax credits approved not to exceed \$1,500,000 in a fiscal year.
How taxes are reduced:	The Division of Taxation issues a certificate for the amount of credit to be granted.
How abatement is determined:	Unless a two-year contribution plan is in place, the credit is computed at 75% of the total voluntary contribution made. In general, if a two-year contribution plan is in place, the credit for each year shall be 90% of the total voluntary contribution made.
Recapture provisions:	If the amount of the second-year contribution is less than 80% of the first-year contribution, then the credit for both the first- and second-year contributions shall equal 75% of each year's contribution. In such case, the tax administrator shall prepare the tax credit certificate for the second year at 75%. The difference in credit allowable for the first year (15% of the first-year contribution) shall be recaptured by adding it to the taxpayer's tax in that year.

### Note 13. Pledged Revenue

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

<b>Revenue Bonds-Tobacco Settlement Financing Corporation</b>		
Revenue:		
Tobacco settlement revenue-cash basis (a)	\$ 41,489	
Investment income	714	
Total revenue	<u>42,203</u>	
General and administrative expenses	87	
Net revenue available for debt service	<u>\$ 42,116</u>	
Required debt service payments	\$ 35,701	
Covered ratio before turbo principal payments (b)		117.97 %
Turbo redemptions - principal (c)	6,945	
Total annual debt service	<u>\$ 42,646</u>	
Covered ratio after turbo principal payments (d)		98.76 %
Term of commitment - through June 2052		
<b>Revenue Bonds-GARVEE (Federal Highway)</b>		
Revenue - FHWA participation	\$ 57,493	
Less: operating expenses	—	
Net available revenue	<u>\$ 57,493</u>	
Debt service		
Principal	\$ 35,525	
Interest	22,012	
Total debt service	<u>\$ 57,537</u>	
Coverage (b)		99.92 %
Term of commitment - through June 2035		
<b>Revenue Bonds-Motor Fuel (Gas Tax)</b>		
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,270	
Less: operating expenses	—	
Net available revenue	<u>\$ 8,270</u>	
Debt service		
Principal	\$ 3,790	
Interest	1,571	
Total debt service	<u>\$ 5,361</u>	
Coverage (b)		154.26 %
Term of commitment - through June 2027		

- (a) Included for fiscal 2020 are certain one-time revenue items totaling \$8.3 million. A total of \$1.8 million related to disputed payment amount for 2017 which settled at 75%, \$77 thousand as a true-up payment for 2018 and \$6.4 million related to the disputed payment amount for 2019 which settled at 73%.
- (b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.
- (c) "Turbo" redemption provisions require the Corporation to apply collections that are in excess of current funding requirements to the early redemption of the bonds.
- (d) Coverage ratio equals net revenue available for debt service divided by total annual debt service.

**Note 14. Transfers**

Transfers for the fiscal year ended June 30, 2020 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 49,495	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,060	Administrative cost
Historic Tax Credit	21,851	Tax credits claimed
Bond Capital	2,871	Interest earnings transfer
Clean Water	68	Transfer
RI Capital Plan	20	Capital expenditures
Proprietary Funds		
Lottery	283,871	Net income transfer
Employment Security	262	Administrative cost
Total General	<u>359,498</u>	
Intermodal Surface Transportation		
RI Capital Plan	<u>32,462</u>	Infrastructure funding
Nonmajor Funds		
RI Capital Plan		
General	119,570	Transfer statutory excess in budget reserve
RI Public Rail Corporation		
Intermodal Surface Transportation	<u>1,829</u>	Operating assistance
Total Nonmajor Funds	<u>121,399</u>	
Total Governmental Funds	<u>513,359</u>	
Proprietary Funds		
Convention Center		
General	24,338	Debt service
RI Capital Plan	<u>8,329</u>	Capital improvement
Total Proprietary Funds	<u>32,667</u>	
Total Transfers Primary Government	<u>\$ 546,026</u>	

**Note 15. Operating Lease Commitments**

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$14.8 million for the fiscal year ended June 30, 2020. 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, 2020:

Fiscal Year Ending June 30	
2021	\$ 16,518
2022	10,944
2023	10,235
2024	9,245
2025	8,800
2026 - 2030	18,981
2031- 2035	4,959
Total	<u>\$ 79,682</u>

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

## Note 16. Commitments

### Primary Government

The primary government is committed at June 30, 2020 under various contractual obligations for transportation infrastructure improvements, construction and renovation of buildings, software development and implementation, and other capital projects. A substantial portion of the cost of these projects will be reimbursed by federal grants, with the remainder principally financed with debt proceeds and Rhode Island Capital Plan Funds.

At June 30, 2020, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$701 million, and contract commitments for the design, construction and renovation of buildings of approximately \$23 million. At June 30, 2020 the primary government had software development and implementation contract commitments of approximately \$19 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2020. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

#### *RI Public Rail Corporation Letter of Credit*

The RI 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 and bridges over AMTRAK's Northeast Corridor. RIPRC has been designated as the entity responsible for indemnifying AMTRAK and MBTA, and 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 and Pawtucket/Central Falls Commuter rail station with policy limits of \$295 million, per federal law, subject to a self-insured retention of \$7.5 million.

#### *United States Department of Justice Consent Decree*

The State of Rhode Island entered in consent decree in April 2014 with the United States Department of Justice relating to the statewide day activity service system for individuals with intellectual and developmental disabilities to remedy any and all violations of the integration mandate of Title II of the Americans with Disabilities Act (ADA) and Olmstead Decision (Olmstead v. L.C.), that were identified as a result of the United States' calendar year 2013 investigation of the State's day activity service system.

The consent decree is intended to ensure that the State will timely meet the requirements of the integration mandate of the ADA and the Olmstead decision as it pertains to the statewide day activity service system, which require that the State's day activity services, including employment and day services, for individuals with intellectual and developmental disabilities be provided in the most integrated setting appropriate to meet their needs. The consent decree anticipated that Rhode Island will have complied with all provisions of the consent decree by the end of State Fiscal Year 2024, unless terminated, cancelled, or extended.

As the State continues to comply with the terms of the consent decree, recent court orders by the judge overseeing the consent decree will require a significant investment in upcoming years in the operations and underlying infrastructure that support the service system for individuals with intellectual and developmental disabilities. Specifically, the court order requires the State develop and adopt a three-year budget strategy to, among other things, fund increases in wages to direct support professionals, increase funding for transportation and technology, and address the costs of transitioning the supports to an individualized community-based model. These supports are largely met through service providers contracted by the State. The amount of additional investment, while not currently determined, is expected to be significant and expended over fiscal years 2021 through 2024, subject to budgetary appropriations.

#### *United States Environmental Protection Agency Consent Decree*

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 it was finalized on December 22, 2015. 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, RIDOT has paid a civil penalty in the amount of \$315 thousand and completed two supplemental environmental projects that require the transfer of certain parcels of land for conservation purposes which have a value of \$77 thousand and \$158 thousand respectively. The Consent Decree also incorporates stipulated penalties for RIDOT's failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree.

#### *Department of Children, Youth and Families Foster Care Program Settlement Agreement*

Children's Rights of New York (Children's Rights) brought suit against the State in 2007 alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. A judgment was entered in favor of the State in United States District Court for the District of Rhode Island on April 30, 2014. Children's Rights appealed to the United States Court of Appeals for the First Circuit, which reversed the judgment and remanded the case to the District Court for additional discovery and further litigation.

A settlement agreement was approved by the District Court after a fairness hearing in May 2018. The State will need to provide resources to DCYF to carry out the terms of the settlement agreement and meet its benchmarks. DCYF management believes they can comply with the requirements of the settlement with current staffing levels, but if it is determined that requirements of the settlement are not being met, DCYF will seek additional positions and associated funding.

While the parties have entered into the settlement agreement, pursuant to which the state has paid \$3.4 million in attorney's fees to plaintiffs' counsel and is providing services, the state may face continuing exposure for damages and additional attorney's fees arising out of a challenge to the State's completion of agreed benchmarks and entitlement to exit the agreement on several parameters.



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### ***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 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, 2020, reserves were used to fund the required amounts, thus no payments were made 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 \$1.4 million of the debt on the related economic development revenue bonds in fiscal 2020. The State has commitments relating to this debt through fiscal 2027. In addition, RICC has committed to funding various economic development initiatives that are further described in Note 12, Tax Abatements.

### ***Asset Retirement Obligations***

The Rhode Island Nuclear Science Center (RINSC) located on the University of Rhode Island's Bay Campus houses a nuclear reactor. The process by which nuclear reactors are retired from service and terminate their operating licenses granted by the U.S. Nuclear Regulatory Commission (USNRC) is referred to as decommissioning. The USNRC regulates the decommissioning of nuclear power plants and has established requirements that must be adhered to in the process.

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* a liability for the estimated cost of decommissioning the nuclear reactor and an offsetting deferred outflow of resources, each totaling \$32.6 million was recorded as of July 1, 2018. In fiscal 2020 an additional \$2.2 was recorded. The liability was measured using the estimated current value of outlays expected to be incurred for required decommissioning and post-decommissioning costs. The liability estimate calculation assumed a post-decommissioning monitoring period of 20 years and a contingency factor calculated using weighted average probability factors of 25%, 32% and 60%.

The estimated remaining useful life of the nuclear reactor is 38 years as of June 30, 2020. During fiscal 2020 amortization expense of \$871 thousand related to the deferred outflow of assets was charged to general government functions on the Statement of Activities. The total deferred outflows remaining to be amortized at June 30, 2020 was \$33 million.

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* all relevant factors are reevaluated annually to determine whether the effect of one or more of those factors is expected to significantly increase or decrease the expected outlays associated with the liability. Based on the results of each reevaluation, the liability is remeasured if required.

### ***State Takeover of Providence Public School District***

The State, acting through the Board of Education and the Rhode Island Department of Education ("RIDE"), oversees the performance of schools and school districts that receive education aid funding. This oversight role includes adopting statewide standards for student performance, and annually assessing the performance of individual schools and school districts against such statewide standards. Pursuant to RIGL Section 16-7.1-5 (the "Crowley Act"), the State is required to intervene when a school or school district continually falls short of performance standards. State intervention initially consists of support and technical assistance.

In connection with its oversight role, RIDE identified the Providence Public School District (the "PPSD") as consistently among the lowest performing districts in the State, based on objective criteria such as academic proficiency, absenteeism and graduation rates. Pursuant to the Crowley Act, the State, in collaboration with the PPCSD, attempted to improve the PPCSD through operational, policy and financial support, all of which were unsuccessful.

Pursuant to a decision and order of the Commissioner of RIDE dated October 15, 2019, the State assumed governance and management responsibility for the PPCSD effective November 1, 2019. The State has appointed a "turnaround superintendent" to manage PPCSD operations and develop and implement a long-term improvement plan for at least the next five years.

In connection with its takeover of the PPCSD, the State may be responsible for budget deficits and other costs relative to the PPCSD, subject to the State appropriations and budget process. The extent of such costs is unknown at this time.

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

#### *Gaming Systems Provider – International Game Technology (IGT)*

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

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 (\$1.9 million at June 30, 2020).

The contract mandates commission percentages ranging between 1.00% and 5.00% of lottery ticket sales and 1.00% and 2.50% of video lottery net terminal income, depending on the amount of sales in each category.

#### *Video Lottery Terminal Provider - International Game Technology (IGT)*

IGT is also a provider of video lottery terminals and receives compensation equal to 7% of net terminal income. The Master Contract (as amended) also includes provisions related to premium IGT video lottery terminals and responsibility for related license fees (IGT) as well as concurrence on agreement on the promotional points program with the casinos and the Lottery.

#### *Sportsbook - International Game Technology (IGT)*

The Lottery also executed a Sports Betting Agreement with IGT to provide, along with its subcontractor, American Wagering, Inc., D/B/A William Hill US (William Hill), a proprietary sports betting solution for all sports betting at the Twin River Casino Hotel and the Tiverton Casino Hotel facilities. The initial term of the software license is five years from launch date (November 26, 2018), and upon mutual agreement of the parties, there are two successive five-year renewal options. In exchange, IGT has allocated its revenue share in accordance with RI General Laws 42-61.2-7. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State's share of said loss interest free until a subsequent invoicing period is sufficient to cover said prior period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement authorizing IGT to supply the equipment, software, and services for online sports wagering using mobile devices. This is in accordance with authorized sports wagering legislation enacted in June 2019. Effective April 30, 2020 the Division is responsible for payment of all transaction processing fees.

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The Sports Betting Agreement was further amended in January 2020 to authorize IGT additional responsibilities for the provision of certain fraud and security services, as well as, cash fund management services in connection with the online sports wagering agreement executed in July 2019. In consideration of these additional services, the Division invoices Twin River Casino Hotel and remits payment to IGT a fixed monthly fee of \$20,000 since the launch of online sports wagering, with the initial month pro-rated.

*Licensed Gaming Facilities (Twin River Casinos)*

The Lottery's licensed gaming facilities are owned and operated by Twin River Worldwide Holdings, Inc. and operate as Twin River – Lincoln (Twin River Casino Hotel) and Twin River – Tiverton (Tiverton Casino Hotel)

Both licensed facilities operate under a common Master Contract with options to extend the agreement for two additional five (5) year terms commencing on July 18, 2020 and July 17, 2025 and continuing until July 17, 2030. Certain extensions are contingent on the owners' compliance with full-time employment mandates. The contract entitles the owners to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility.

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal 2020, each facility's allowable promotional points are 20% of prior year net terminal income plus \$750,000. In fiscal 2020, Twin River – Lincoln and Twin River – Tiverton were authorized and issued approximately \$52.0 million and \$13.2 million, respectively, in promotional points to facility patrons.

The Lottery is required by contract to reimburse Twin River - Lincoln for allowable marketing expenses incurred between \$4 million and \$10 million, and between \$14 million and \$17 million, at the same percentage as the Lottery's share of net terminal income for the fiscal year (60.78% for 2020). The Lottery accrued to reimburse Twin River - Lincoln for \$3.6 million in marketing expenses for fiscal 2020.

The Lottery is also required by contract to reimburse Twin River - Tiverton for allowable marketing expenses incurred between \$560 thousand and \$1.4 million at the same percentage as the Lottery's share of net terminal income for the fiscal year (60.94% for 2020). The Lottery accrued to reimburse Twin River - Tiverton for \$512 thousand in marketing expenses for fiscal 2020.

Table games are operated at the Twin River Casino Hotel and Tiverton Casino Hotel. Commissions for both casino facilities and the respective host community were 83.5% and 1%.

The Lottery also entered into a Sports Wagering Hosting Agreement with Twin River to host in-person and on-premises sports betting. The agreement entitles the owners to compensation of 17% of sports wagering revenue generated at the facilities. The agreement can be extended for two five-year periods so long as there is a master video lottery terminal contract between the relevant parties.

On September 4, 2019, subsequent to legislation in March 2019 authorizing online sports wagering, the Lottery entered in the first amendment to the sports wagering hosting agreement to enable Twin River to host, manage and enable players to participate in online sports wagering including validation and registration of players.

During the term of the first amendment, Twin River remits to the Division \$20,000 per month for fraud, security, and cash fund management services (performed by IGT). Twin River has the option, upon approval by the Division, to assume any or all of these services. As of August 12, 2020, the fraud and security services were assumed by Twin River. The monthly fees collected by the Lottery and remitted to IGT have been reduced to \$12,000 per month in the aggregate to reflect Twin River's assumption of these responsibilities.

## Discretely Presented Component Units

### *R.I. Resource Recovery Corporation*

#### Landfill closure and post-closure:

The Environmental Protection Agency (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, III and IV were closed by RIRRC in prior years. In 2005, the Corporation began landfilling in Phase V, which is near capacity and has temporarily stopped accepting waste. In December 2015, RIRRC began accepting waste in Phase VI.

A liability for closure and post-closure care of \$102.5 million as of June 30, 2020 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2020
Phase I	\$ 657,410
Phase II and III	16,734,356
Phase IV	18,454,341
Phase V	43,664,008
Phase VI	22,405,373
Other	619,260
	<u>\$ 102,534,748</u>

As of June 30, 2020, 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	\$ 3,550,634	92.48 %	11 months
Phase VI	\$ 72,690,768	23.56 %	17.8 years

As of June 30, 2020 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$5.6 million increase of the corresponding liability from \$110.1 million at June 30, 2019 to \$115.7 million at June 30, 2020.

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 reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in the restricted component of net position at June 30, 2020 is \$72.7 million placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV, V and VI. 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.

Changes in the pollution remediation obligation for the year ended June 30, 2020 is as follows:

Balance, June 30, 2019	Additions	Reductions	Balance, June 30, 2020	Current Portion
\$ 16,015,966	\$ —	\$ 2,822,589	\$ 13,193,377	\$ 815,211

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 \$48.4 million as of June 30, 2020.

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 \$13.2 million as of June 30, 2020.

*R.I. Turnpike and Bridge Authority*

The R.I. Turnpike and Bridge Authority has entered into contracts totaling \$37.6 million for bridge and highway repairs and electrical and communication upgrades on the Mount Hope, Claiborne Pell, Jamestown and Sakonnet River Bridges which are expected to take over a year to complete. As of June 30, 2020, remaining commitments on these contracts total \$15.3 million. The Authority also provides administrative and operational functions for the RhodeWorks truck tolling initiative.

*R.I. Public Transit Authority*

The R.I. Public Transit Authority is committed under various contracts in the amount of \$16.6 million at June 30, 2020.

*Quonset Development Corporation*

Quonset Development Corporation has entered into a \$33.6 million contract to rehabilitate a pier at the Port of Davisville. As of June 30, 2020, the remaining commitment totaled \$27.1 million.

*I-195 Redevelopment District Commission*

To provide incentives for the development of an approximately 200,000 square foot commercial building and to support the ongoing operations of key tenants, Cambridge Innovation Center (CIC) and Venture Café, the I-195 District Commission has entered into following agreements with Wexford Science and Technology and CIC:

	Total Amount Awarded Through June 30, 2020	Paid Through June 30, 2020	Remaining Commitment
Base Building 195 Incentive	\$ 1,565,000	\$ 1,565,000	\$ —
CIC Tenant Improvements Grant	12,775,000	12,250,284	524,716
CIC Operation Grant	1,200,000	800,000	400,000
District Hall Development & Management	1,800,000	540,000	1,260,000
District Hall Operation Grant	560,000	560,000	—
District Hall FF&E Grant	200,000	200,000	—
Venture Café Grant	700,000	700,000	—
	<u>\$ 18,800,000</u>	<u>\$ 16,615,284</u>	<u>\$ 2,184,716</u>

#### *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 17. Contingencies**

#### **COVID-19 Global Pandemic**

On March 11, 2020 the World Health Organization declared a pandemic following the outbreak of COVID-19. On March 9, 2020 the Governor of the State of Rhode Island declared a state of emergency due to the dangers to health and life posed by COVID-19. The COVID-19 pandemic has had a significant adverse impact on the State's operations. Significant costs have been incurred in responding to the pandemic and the accompanying economic fallout. In addition, the pandemic has had a negative impact on state revenues in general and especially revenues related to the Rhode Island Lottery. Business closings or limitations on the hours of operations, most notably at the State's two casinos and in the hospitality industry continue to have a negative impact on the State economy during this ongoing public health emergency.

#### *Primary Government*

On March 27, 2020 the federal Coronavirus Aid, Relief and Economic Security Act (CARES Act) which provides direct financial aid to American families, payroll and operating expense support for small businesses, loan assistance for distressed industries and support to capital markets was signed into law. The CARES Act also established the Coronavirus Relief Fund (CRF) to be used to make payments to States and certain other governments for specified uses. The statute limits the use of these funds to COVID-19 expense reimbursements rather than to offset anticipated revenue losses. Such expense reimbursements include COVID-19 related medical, public health, economic support, and other emergency response costs.

The State of Rhode Island received \$1.25 billion from the CRF during the year ended June 30, 2020. The State expended approximately \$255 million of those funds during fiscal 2020. The remaining funds totaling \$995 million are reflected as unearned revenue and included in other liabilities in the accompanying Statement of Net Position at June 30, 2020. The majority of remaining funding has been committed for COVID-19 related expenditures and may be expended or committed through December 31, 2021.

The State has utilized a significant portion of its CRF to administer assistance programs for a variety of individuals and businesses subject to certain eligibility criteria. The assistance has been in the form of grants or forgivable loans subject to meeting established requirements. Any funding subsequently determined to be ineligible based on program requirements will be recovered and reprogrammed for eligible COVID-19 expenditures.



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In addition to CARES Act funding, the federal government is also providing significant funding for COVID-19 expenses through Federal Emergency Management Agency (FEMA) disaster related assistance. COVID-19 related expenses incurred by the State in fiscal 2020 likely to be reimbursed by FEMA in fiscal 2021 exceeded \$100 million. These expenditures included costs to establish COVID-19 field hospitals and the procurement of personal protective equipment. Significant federal assistance has also been received to support benefits to unemployed individuals including supplemental benefits and benefits to self-employed individuals.

Costs will continue to be incurred in response to the public health emergency throughout fiscal 2021 and potentially longer. Both the extent of expenditures required to continue to address the costs of the pandemic and additional assistance from the federal government to assist with these costs continues to evolve. In addition, it is expected that significant costs will be incurred by the State in administering vaccine distribution programs.

#### *Component Units*

- There has been significant disruption to the hospitality industry, including the closing of the operations of the Rhode Island Convention Center Authority (RICCA) in mid-March 2020. RICCA operations include the management of the R.I. Convention Center, the Dunkin' Donuts Center and the Veterans Memorial Auditorium Arts and Cultural Center. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The State has utilized the RICCA for a wide array of COVID-19 response activities, including emergency field hospital operations, public testing sites and information broadcasts, which has assisted RICCA in managing revenue losses associated with the disruption of normal operations.
- Rhode Island Resource Recovery Corporation experienced a 20% decrease in solid waste tonnage, primarily from commercial customers, for the period March 2020 through June 2020.
- The pandemic and resulting restrictions have caused significant disruption in aviation activity and passenger traffic at the Rhode Island Airport Corporation.
- Precautionary measures to slow the spread of COVID-19 were ordered that have affected the Rhode Island Public Transit Authority's operations resulting in decreased ridership and fares, decreased State gas tax revenues and increased operating costs for cleaning and additional buses.
- The University of Rhode Island, Rhode Island College and Community College of Rhode Island transitioned to distance learning during the Spring 2020 semester. Also, as a result of the COVID-19 crisis, enrollment and the number of students living in the dormitories for the 2020 semester decreased. In addition, a class action lawsuit was filed against the University of Rhode Island in June 2020 claiming the plaintiffs suffered academic harm after the spring semester transitioned to distance learning.

Some component unit entities have also received direct federal assistance from the CARES Act to manage the impacts to those industries relating to the pandemic. While the disruption of normal operations to the above component units is expected to be temporary, there is considerable uncertainty around the duration and extent to which these entities will be impacted by the global pandemic and the need for additional State or federal assistance as the public health emergency persists.

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## Primary Government - Other

The State, its departments, agencies, officers and employees are defendants in numerous lawsuits and other proceedings. For those cases in which it is probable that a material 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 contingencies are discussed below.

### **American Trucking Associations, Inc. et a. v. Alviti**

The American Trucking Associations and four trucking companies have sued the State in federal district court alleging that the statute authorizing only tractor-trailer tolling violates the Dormant Commerce Clause of the United States Constitution. On March 19, 2019, the federal court granted the State's motion to dismiss for lack of subject-matter jurisdiction, stating that the state court and not federal court was the proper location for this lawsuit. Plaintiffs appealed this decision to the First Circuit Court of Appeals which reversed the decision and remanded the case to the U.S. District Court. On remand, the Court denied the Plaintiffs' motion for a preliminary injunction, concluding that the Plaintiffs had not demonstrated a likelihood of success on the merits. The cumulative amount of toll collections, which began in June 2018, totaled \$22.5 million through June 30, 2020. During this period the number of toll gantries operating ranged from two to ten. Once all toll gantries are operational, expected revenue (and thus potential restitution) is estimated to be \$45 million per year. Plaintiffs are seeking injunctive relief against the collection of future tolls.

### **K.L. Class v. R.I. Council on Elementary and Secondary Education, et. al.,**

A student, through their parents and on behalf of a class of similarly situated individuals, filed suit in federal court arguing that Local Education Agencies in the State must provide free appropriate public education to students with a disability who have not earned a regular high school diploma until the age of 22. Such services have historically been provided until the age of 21. On appeal of a district court decision in favor of the State, the First Circuit Court of Appeals reversed the district court, held in favor of Plaintiffs and remanded the case to the trial court to determine remedies.

### **Taxpayer v. Tax Administrator**

This case is pending in Rhode Island District Court as a tax appeal. The plaintiff seeks reimbursement for the past five years of contested tax payments in the collective amount of approximately \$41 million including interest and challenges the method of depreciation, which would result in recalculation of the State's assessments regarding its equipment and assets. Management intends to contest the case vigorously and believes they will be successful. The State has filed a motion for summary judgment which is pending.

Three municipalities (Providence, Pawtucket and Cranston) moved to intervene and the taxpayer objected thereto. On January 14, 2020 the Court denied Cranston and Pawtucket's motion to intervene but granted Providence's motion. On February 5, 2020 Cranston and Pawtucket filed a petition of certiorari with the Rhode Island Supreme Court. The Rhode Island Supreme Court granted certiorari on June 25, 2020 and remanded the case to the Rhode Island District Court for further briefing. Four additional municipalities (East Providence, Central Falls, Johnston and Westerly) moved to join the lawsuit, but the Rhode Island District Court denied their motion on July 9, 2020.

Over 99% of the collected tax payments are forwarded to municipalities. Therefore, an adverse verdict would impact each city and town regarding future tax payments which would be reduced to cover any amount awarded to the Plaintiff.



**A.C. et al. v. Gina Raimondo, et al.**

The State has been sued by the Rhode Island Center for Justice alleging that the State has “downgraded the teaching of social studies and civics” and thereby violated students’ rights under the Equal Protection, Privileges and Immunities and Due Process Clauses of the Fourteenth Amendment, the Sixth and Seventh Amendments, as well as the Guarantee Clause of Art. 4, § 4 of the United States Constitution. The case was dismissed by the U.S. District Court and plaintiffs have filed an appeal with the First Circuit Court of Appeals.

**Chariho Regional School District, et al. v. RIDE, et al.**

This matter includes the Council on Elementary and Secondary Education and the R.I. Department of Administration as defendants. Chariho alleges RIDE breached an agreement concerning the transfer of ownership of the Chariho Career and Technical Center by allowing other communities in the county to operate career and technical programs. Defendants’ joint motion to dismiss was granted March 20, 2017. On May 26, 2017, plaintiffs filed an appeal to the R.I. Supreme Court. The Supreme Court remanded the case back to Superior Court for trial on May 30, 2019. A hearing on a motion to dismiss by one of the defendants was held in November, 2019. The Court denied that motion. The case is currently in the discovery phase.

**Rhode Island Council 94 v. State of Rhode Island**

Council 94 claims that the COVID-19 State of Emergency Declaration and subsequent executive orders triggered the premium pay provisions of its collective bargaining agreement and has filed an arbitration demand in which it asks the arbitrator to order the State to pay all of its members who have physically reported to work at the rate of time and one-half for the duration of the emergency. Potential damages are open ended as the State of Emergency is still in effect.

**Liberty v. Rhode Island Department of Corrections (RIDOC)**

This case is a putative class action brought by Disability Rights of Rhode Island and the ACLU National Prison Project in the name of six named individuals who were/are inmates at the RIDOC. The Complaint alleges that the RIDOC violates the ADA and the constitutional rights of inmates who have severe and persistent mental illness when the inmate is placed in administrative or disciplinary confinement. The relief sought includes injunctive relief regarding DOC’s policies, practices and programs as well as seeking to have an expert appointed to assess DOC’s confinement and make recommendations. The case is in discovery. The State will contest any claim for class certification as well as defending the lawsuit on the merits.

**Tobacco Master Settlement Agreement - Tobacco Settlement Financing Corporation**

In 1998, Rhode Island, along with 45 other states, the District of Columbia and 5 territories, entered into the Master Settlement Agreement (MSA) with major tobacco manufacturers (the Participating Tobacco Manufacturers, or “PMs”) to provide restitution for damages arising from the use of tobacco products. The terms of the MSA include annual payments to all States and territories in perpetuity. The State assigned all revenues from the MSA to the Tobacco Settlement Financing Corporation (TSFC) which in turn used those committed revenues to secure its bonds. The bonds are payable both as to principal and interest solely out of the assets of TSFC and do not constitute an indebtedness of or a general, legal or “moral” obligation of the State or any political subdivision of the State.

The annual payments are subject to numerous adjustments including the non-participating manufacturer (NPM) adjustment which reduces the amount of the annual payment and is applicable to each State found by an arbitration panel not to have diligently enforced the qualifying statute. States found not diligent share the cost of the annual NPM adjustment which is applied against the next annual MSA payment. It is unknown how much of Rhode Island’s MSA revenues would be at risk in a given year due to this adjustment, however, no State can lose more than its entire annual payment.

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As of September 2020 NPM adjustments have been settled through 2022. Future NPM adjustment claims remain possible for calendar year 2023 and all future years. This could result in the TSFC receiving less revenue than assumed in out-year projections, potentially impacting its ability to service its debt obligations. Should the PMs be determined with finality to be entitled to a full NPM adjustment in a future year, this could have a material adverse effect on the amounts of tobacco settlement revenues available to the TSFC to make turbo redemptions and other debt service payments on its debt obligations.

Also, any failure on the part of the PMs to perform their obligations under the MSA and/or related agreements could also have a material adverse effect on receipt of future tobacco settlement revenues. A reduction in the amount of tobacco settlement revenues received could affect the TSFC's ability to make turbo redemptions and other debt service payments on its debt obligations.

Future payments may be impacted by a number of factors including, but not limited to, future or potential litigation against the tobacco industry, changes in the financial condition of the tobacco companies and sales of tobacco products.

For additional information about these matters, please refer to the separately issued Tobacco Settlement Financing Corporation financial statements for the year ended June 30, 2020.

### **Lottery**

The Lottery's master contracts with its video lottery facilities contain revenue protection provisions in the event that existing video lottery facilities 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. 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's decision. The remaining issue in the case relating to whether the State "operates" the Twin River - Lincoln and Twin River - Tiverton facilities remains pending in the Superior Court. If the tribe were to prevail, there could be a significant impact on the State's gaming revenue.

A plaintiff has filed suit against the Division of Lottery and Department of Administration challenging the constitutionality of sports betting in Rhode Island. The complaint asserts that the conduct of State operated sports betting in Tiverton and Lincoln violates the express constitutional requirement of voter approval and must be declared unconstitutional and enjoined until and unless the voters of Rhode Island approve sports gambling at duly authorized statewide and local elections. The complaint was dismissed once by the Rhode Island Superior Court due to a lack of standing by the Plaintiff, but subsequently the Court permitted the Plaintiff to refile an amended complaint. The parties then filed summary judgement motions. On June 1, 2020, the Rhode Island Superior Court issued a decision where it found that the legislation enabling sports betting did not impermissibly expand the location of gambling and that the acts are constitutional. The case has been appealed to the Rhode Island Supreme Court. State revenues

collected from Twin River Casino and Tiverton Casino would be affected if a court were to enjoin or otherwise restrict sports wagering.

### **Federal Assistance**

The State receives significant amounts of federal financial assistance under grant agreements or joint state/federally financed programs 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 is submitted to the Federal Single Audit Clearinghouse annually by the State. The Single Audit reports instances of federal non-compliance, questioned costs, and other matters to federal grantor agencies regarding the State's administration of federal programs. These matters could result in federal disallowances and/or sanctions upon review by the respective federal agencies. The fiscal 2020 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

Adjustments have been 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.

*Eleanor Slater Hospital Medicaid Claiming* – The State operated Eleanor Slater Hospital suspended billings to Medicaid for eligible patients due to certain concerns relating to the allowability of certain services billed to Medicaid and compliance with federal rate development requirements. After review of its current claiming practices and rate development procedures, the Executive Office of Health and Human Services (EOHHS) (State Medicaid Agency) has submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS), that, if approved, will allow Eleanor Slater Hospital to recommence billing to Medicaid for certain Medicaid eligible patients. A contingency may exist for Medicaid claims made by the hospital in prior fiscal years.

*Unemployment Insurance Benefit Fraud* – Due to the impact of the global pandemic, a significant increase in the number of applicants and the amount of benefits paid to unemployed individuals occurred during fiscal 2020 (and continuing into fiscal 2021). Rhode Island, as well as a number of other states, has experienced, concurrently, a significant increase in fraudulent claims for unemployment benefits. The State has implemented multiple objectives to attempt to prevent and detect fraudulent claims; however, the State Department of Labor and Training has estimated that approximately \$10 million of fraudulent claims were paid during fiscal 2020. A receivable for recovery of these amounts has been reflected on the financial statements (Employment Security Fund). Recoveries or collections of these fraudulent benefits, if any, will be refunded to the federal government. While the known amount of benefits considered fraudulent has been quantified for fiscal 2020, the actual extent to which benefits have been obtained fraudulently may be significantly greater.

### **Challenges to Pension Reforms**

The 2009, 2010 and 2011 legislative pension reforms resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. Of these lawsuits, two remain pending as described below.

In September 2014, a case challenging pension reforms was commenced by the Rhode Island State Troopers Association in Superior Court. The State and ERSRI filed motions to dismiss which were heard on December 13, 2019. A decision on the motions is pending. The State intends to vigorously defend this lawsuit.

In March 2020, a case challenging the Rhode Island Retirement Security Act and/or a settlement agreement related to legal challenges to pension reforms approved by the Court in July 2015 was commenced by numerous plaintiffs who were part of the class action in the Rhode Island Federal District Court against the State and ERSRI as co-defendants. The co-defendants have filed a motion to dismiss, which remains pending.

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## 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 \$27.4 million outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to \$4.4 million on June 30, 2020. 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, 2020 in addition to the State's moral obligation under the Job Creation Guaranty Program (JCGP) for the bonds discussed in Note 7 G, 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.

## Component Units - Other

### *R.I. Industrial-Recreational Building Authority (RIIRBA)*

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. RIIRBA must then request appropriations of the General Assembly for any losses in excess of insured amounts. RIIRBA's insurance guarantee is backed by the full faith and credit of the State.

At June 30, 2020, RIIRBA 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 RIIRBA at June 30, 2020 are \$8.6 million.

RIIRBA insures a bond issued by 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 RIIRBA assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a pending case in the Providence Superior Court was entered into and approved with a formal vote by the board of the Authority. This settlement resulted in a payment of \$1.5 million to the Rhode Island Industrial Recreational Authority replenishing existing available financial resources. Bond payments will continue to be made by first exhausting RIIRBA's available financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount. The insured commitment, which is included in total liabilities on the accompanying Statement of Net Position, amounts to \$2.9 million at June 30, 2020.

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No request has been made to the General Assembly at June 30, 2020 for appropriations to satisfy any liability under the insurance guarantee.

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

RIHMFC is 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 accompanying statement 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, 2020 is \$94.2 million.

*R.I. Turnpike and Bridge Authority (RITBA)*

A contractor (the Prime Contractor) hired by RITBA submitted a pass-through claim to RITBA on behalf of a subcontractor engaged by the Prime Contractor in which the subcontractor is claiming additional compensation of approximately \$8.1 million for cleaning and painting the Newport Pell Bridge as a result of the Prime Contractor's performance. RITBA vigorously disputes the matter and denies any liability to the Prime Contractor and the subcontractor. At this early stage, RITBA and its legal counsel have determined that it is not possible to fully evaluate the matter, including the likelihood of an unfavorable outcome.

*University of Rhode Island*

On September 23, 2019, a family filed suit against the University of Rhode Island and the Council for Postsecondary Education, in the death of a family member, who drowned at the Tootell Aquatic Center at the University. Discovery is ongoing. The impact of this matter, if any, cannot presently be determined.

*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 18. Employer Pension Plans

### A. Summary of Employer Plans

The State provides pension benefits for its employees through multiple retirement benefit plans as outlined below (expressed in thousands):

	Plan	Plan Type	Covered employees	FY 2020 pension expense (credit)	Net pension liability at June 30, 2019 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	\$227,348	\$2,031,989
			Business-type activities	\$3,011	\$20,850
			Special funding – teachers - state share (see Note Section 18-E)	\$151,600	\$1,366,538
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$8,454	\$30,028
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	\$2,236	\$3,480
D	RI Judicial Retirement Fund Trust (RIJRFT)	Single-employer defined benefit plan – advance funded through a trust	Covers 7 judges appointed prior to January 1, 1990	\$1,726	\$19,508
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	\$10,886	\$161,378
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	\$3,185	\$39,705
	<b>Totals</b>			<b>\$408,446</b>	<b>\$3,673,476</b>
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	\$5,400	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 of resources/deferred outflows of resources for defined benefit plans A-E as identified above are recognized in the financial statements based on the provisions of GASB Statement No. 68.

Employer pension expense and related liabilities and deferred inflows/outflows for defined benefit plan F as identified above are 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 No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. 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. As there is no required employer contribution for covered employees, no



employer pension expense is 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 Retirement Income Security Program.

Plan membership, based on the June 30, 2018 actuarial valuations (with the exception of JNCRP which has a June 30, 2019 valuation date), is summarized in the table below:

	Retirees and beneficiaries	Terminated plan members entitled to but not yet receiving benefits	Active Vested	Active Non-vested	Total by Plan
ERS-State Employees	11,260	3,481	8,104	2,874	25,719
JRBT	23	1	15	38	77
RIJRFT	2	—	5	—	7
SPRBT	73	46	49	177	345
SPRFT	266	—	—	—	266
JNCRP	48	—	—	—	48

## 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 Water Quality District 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	Schedule Criteria	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 through June 30, 2015  Effective July 1, 2015: for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (3 consecutive highest years)
(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 through June 30, 2015  Effective July 1, 2015, for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (5 consecutive highest years)
(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 (5 consecutive highest years)
(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)
(B2)	Less than 5 years of service as of July 1, 2012	Social Security Retirement Age 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)

Effective July 1, 2015 general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 11% and participate solely in the defined benefit plan. Members receive a benefit accrual of 2% per year based on the three or five year average compensation.

Effective July 1, 2015 employees are eligible to retire upon attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

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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. For members with 10 years of service as of July 1, 2005, 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 benefits payable at age sixty-two (62).

Vested members that 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 will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,184 (indexed as of January 1, 2020) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,184 is replaced with \$32,621 (indexed as of January 1, 2020) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,184).

**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.

**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 will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding

level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,184 (indexed as of January 1, 2020) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,184 is replaced with \$32,621 (indexed as of January 1, 2020) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,184).

**STATE OF RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST (RIJRFT)** - Effective July 1, 2012, and pursuant to Rhode Island General Law section 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 that 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 fifty-one (51) 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 or the District Court, for 20 years (or a combination of service in various courts) and has reached the age of 65 years, or has served 15 years, and reached the age of 70 years. These members may retire from regular service and receive a benefit equal to the annual salary the member was receiving at the time of their retirement. Members of the Traffic Tribunal who served as a justice for 20 years, or has 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 will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

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The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,184 (indexed as of January 1, 2020) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,184 is replaced with \$32,621 (indexed as of January 1, 2020) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,184).

**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 will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.



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The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,184 (indexed as of January 1, 2020) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,184 is replaced with \$32,621 (indexed as of January 1, 2020) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,184).

**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.

**STATE POLICE RETIREMENT FUND TRUST (SPRFT)** - Effective July 1, 2016 and pursuant to Rhode Island General Law section 42-28-22.1, the retirement board established a trust to collect proceeds for the purpose of paying retirement benefits to participating members of the state police initially hired on or before July 1, 1987, or their beneficiaries.

**Plan members** - the plan covers members of the state police hired on or before July 1, 1987. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis.

**Retirement eligibility and plan benefits** - The plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, members that retired after July 1, 1972 could earn an additional 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.

**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 will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,184 (indexed as of January 1, 2020) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding

paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,184 is replaced with \$32,621 (indexed as of January 1, 2020) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,184).

### **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.

Disclosures regarding methods used to value investments and investment expenses are included in Note 2C, Pension Trusts.

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

In addition to the defined benefit plans administered by the ERS, the State also administers one other non-trusted single employer defined benefit pension plan that is 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 plan was created by statute and has historically been funded by the State on a pay-as-you-go basis. Accordingly, no assets have been accumulated to pay benefits under this non-trusted plan.

Pension benefits paid under the JNCRP 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. The plan has 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, 2019 is approximately \$3.2 billion and the State's share of the net pension liability is approximately \$1.4 billion. 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, 2020 as Net Pension Liability-Special Funding Situation. The State's proportion for the special funding situation for the teachers covered in the ERS Plan was 42.83%, a decrease of 0.10% since the prior reporting period.



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 make annual actuarially determined contributions to the respective defined benefit plans.

Actuarially determined contributions are calculated as of June 30, two years prior to the commencement of the fiscal year in which the contributions are reported. The actuarially determined contribution rates (or amounts if not expressed as a rate) for fiscal 2020 were determined based on valuations performed as of June 30, 2017 for all plans, with the exception of RIJRFT which was determined based on a valuation performed as of June 30, 2019.

The Rhode Island Judicial Retirement Fund Trust is not currently advance funded. Employees make contributions to the plan; however the State is not making full actuarially determined contributions. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization over 17 years from June 30, 2013.

The Rhode Island State Police Retirement Fund Trust is a closed group of individuals and the annual contributions into the Trust have been calculated on a level-dollar amortization over 18 years from June 30, 2016.

The non-contributory judges (JNCRP) plan is 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, 2020 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP**
Contribution rate:						
State	26.39%	21.30%	\$1,215	18.48%	\$16,387	—
Plan members	3.75% and 11.00%	8.75% and 12.00%	8.75% and 12.00%	8.75%	—	—
State contribution for teachers	10.49%	—	—	—	—	—
Contributions made for state employees	\$181,181	\$2,189	\$399	\$4,878	\$16,387	\$4,656
Contribution made for teachers	\$108,636	—	—	—	—	—

\*Actuarially determined contribution not expressed as a rate

\*\*JNCRP is a pay-as-you-go plan.

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 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

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reducing the actuarial liability remaining for amortization in the following actuarial valuation to be performed. For fiscal 2020, no supplemental contribution 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 \$360 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 actual proportionate share of employer contributions required by the State varies slightly from 40% due to differences in the amortization period for the unfunded liability between the State and teacher units which is reflected in the actuarially determined contribution for the State share and the local teacher share. This results in the actual dollar amount of State contributions to be proportionately larger than the stated statutory amount of 40%.

#### **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 2019. The State's proportion for the ERS Plan for State employees was 89.66%, an increase of 0.20% since the prior reporting period.

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, 2019 (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>	\$	2,266,422
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery	\$	(20,850)
Discretely Presented Component Units		
University of Rhode Island	\$	118,983
Rhode Island College		41,591
Community College of RI		31,791
RI Division of Higher Education Assistance		385
RI Commerce Corporation		302
RI Airport Corporation		1,799
		<u>(194,851)</u>
Related organization - Narragansett Bay Commission		<u>(18,732)</u>
<b>ERS - Net Pension Liability - Governmental Activities</b>	<b>\$</b>	<b>2,031,989</b>

**Net Pension Liability - Single Employer Defined Benefit Pension Plans**

JRBT	3,480
RIJRFT	19,508
SPRBT	30,028
SPRFT	161,378
JNCRP	<u>39,705</u>

**Total Net Pension Liability** **\$ 2,286,088**

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, 2019 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 81,094	\$ 20,474	\$ 177,433	\$ 177,977
Plan fiduciary net position	<u>77,614</u>	<u>966</u>	<u>147,405</u>	<u>16,599</u>
Net pension liability	\$ 3,480	\$ 19,508	\$ 30,028	\$ 161,378
Plan fiduciary net position as a percentage of total pension liability	95.7 %	4.7 %	83.1 %	9.3 %

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

The total pension liability was determined by actuarial valuations performed as of June 30, 2018 and rolled forward to the June 30, 2019 measurement date, with the exception of JNCRP. The total pension

liability for JNCRP is based on a valuation performed as of June 30, 2019. The following table summarizes the actuarial assumptions, applied to all periods included in the measurement.

	ERS						
	State Employees	Teachers	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP
Valuation Date	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	06/30/19
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
<u>Assumptions</u>							
Investment Rate of Return	7.00%	7.00%	7.00%	3.13%	7.00%	7.00%	3.13%
Projected Salary increases	3.25% to 6.25%	3.0% to 13.0%	3.00%	3.00%	3.75% to 11.75%	N/A	N/A
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality	Variants of the RP-2014 mortality tables-for the improvement scale, update to the ultimate rates of the MP projection scale.						
COLA	Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The second such COLA will be applicable in Calendar Year 2021. As of June 30, 2019, it is assumed that the COLAs will be suspended for 8 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.5%.						

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2019 measurement date were consistent with the 2017 Actuarial Experience Investigation Study for the six year period ended June 30, 2016.

### Factors affecting trends for amounts related to the net pension liability

There was a change in assumption for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.13% as of June 30, 2019. This rate was 3.62% at June 30, 2018. Also, there was a decrease in certain salary increase assumptions used as of June 30, 2019 as compared to June 30, 2018.

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 a collective summary of capital market expectations from 34 sources. These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

The June 30, 2019 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-term Asset allocation	Long-term Expected Arithmetic Real Rate of Return
<b><i>GROWTH</i></b>		
<b>Global Equity</b>		
U.S. Equity	22.10 %	6.16 %
International Developed Equity	13.20 %	6.83 %
Emerging Markets Equity	4.70 %	8.90 %
<b>Private Growth</b>		
Private Equity	11.25 %	9.81 %
Non-Core Real Estate	2.25 %	5.51 %
Opportunistic Private Credit	1.50 %	9.81 %
<b><i>INCOME</i></b>		
High Yield Infrastructure	1.00 %	3.98 %
REITS	1.00 %	5.51 %
Liquid Credit	2.80 %	3.98 %
Private Credit	3.20 %	3.98 %
<b><i>STABILITY</i></b>		
<b>Crisis Protection Class</b>		
Treasury Duration	4.00 %	0.77 %
Systematic Trend	4.00 %	4.20 %
<b>Inflation Protection</b>		
Core Real Estate	3.60 %	5.51 %
Private Infrastructure	2.40 %	5.85 %
TIPs	1.00 %	1.37 %
Natural Resources	1.00 %	3.76 %
<b>Volatility Protection</b>		
IG Fixed Income	11.50 %	2.15 %
Absolute Return	6.50 %	4.20 %
Cash	3.00 %	0.77 %
	100.00 %	

**b. Discount rate**

The discount rate used to measure the total pension liability of the plans was 7.0% for all plans but the RIJRFT and JNCRP 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 and JNCRP 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 fixed-income mutual bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", (3.13% at June 30, 2019) was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the employers calculated using the discount rate of 7.0% (for all plans except the RIJRFT and JNCRP), as well as what the employers' net pension liability 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 and JNCRP 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 3.13% at June 30, 2019 was used in the determination of the net pension liability (asset) for those plans with a similar +1/-1 % sensitivity analysis (expressed in thousands):

#### Governmental Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.0%)	1.00% Increase (8.00%)
ERS - State employees	\$ 2,494,083	\$ 2,031,989	\$ 1,653,711
ERS - Teachers (State share)	\$ 1,688,809	\$ 1,366,538	\$ 1,102,727
JRBT	\$ 11,966	\$ 3,480	\$ (3,465)
SPRBT	\$ 50,206	\$ 30,028	\$ 15,005
SPRFT	\$ 180,926	\$ 161,378	\$ 145,373

	1.00% Decrease (2.13%)	Municipal Bond Index Rate (3.13%)	1.00% Increase (4.13%)
RIJRFT	\$ 21,790	\$ 19,508	\$ 17,809
JNCRP	\$ 42,518	\$ 39,705	\$ 37,223

#### Business-type Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Rhode Island Lottery:			
ERS Plan - State Employees	\$ 25,592	\$ 20,850	\$ 16,969

## 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	SPRFT	JNCRP*
<b>Total Pension Liability</b>					
Service cost	\$ 3,184	\$ 277	\$ 5,342	\$ —	\$ —
Interest	5,526	685	11,590	12,193	1,413
Benefit changes	—	—	—	—	—
Differences between expected and actual experience	(3,165)	—	624	—	521
Changes of assumptions	—	917	—	—	1,250
Benefit payments	(3,609)	(399)	(6,047)	(16,799)	(5,029)
<b>Net change in Total Pension Liability</b>	<b>1,936</b>	<b>1,480</b>	<b>11,509</b>	<b>(4,606)</b>	<b>(1,845)</b>
<b>Total Pension Liability - beginning</b>	<b>79,158</b>	<b>18,994</b>	<b>165,924</b>	<b>182,583</b>	<b>41,550</b>
<b>Total Pension Liability - ending</b>	<b>\$ 81,094</b>	<b>\$ 20,474</b>	<b>\$ 177,433</b>	<b>\$ 177,977</b>	<b>\$ 39,705</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 1,922	\$ 399	\$ 3,567	\$ 16,387	\$ 5,029
Employee contributions	1,109	122	2,130	—	—
Net investment income	4,821	38	9,161	770	—
Benefit payments	(3,609)	(399)	(6,047)	(16,799)	(5,029)
Administrative expenses	(74)	(1)	(140)	(17)	—
Other	—	—	1	—	—
<b>Net change in Fiduciary Net Position</b>	<b>\$ 4,169</b>	<b>\$ 159</b>	<b>\$ 8,672</b>	<b>\$ 341</b>	<b>\$ —</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>73,445</b>	<b>807</b>	<b>138,733</b>	<b>16,258</b>	<b>—</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 77,614</b>	<b>\$ 966</b>	<b>\$ 147,405</b>	<b>\$ 16,599</b>	<b>\$ —</b>
<b>Net Pension Liability</b>	<b>\$ 3,480</b>	<b>\$ 19,508</b>	<b>\$ 30,028</b>	<b>\$ 161,378</b>	<b>\$ 39,705</b>

\*This is a non-trusted plan which historically has 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, 2020 the State recognized net pension expense of \$256.8 million related to State employees who are covered by the pension plans administered by ERS as well as the JNCRP. In addition, it recognized an Education expense of \$151.6 million 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, 2020 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):

Governmental Activities:

	<u>State Employees</u>	<u>Teachers</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 179,281	\$ 108,636	\$ 287,917
Differences between expected and actual experience	21,400	16,641	38,041
Changes of assumptions	88,872	79,964	168,836
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,079	40,020	49,099
Totals	<u>\$ 298,632</u>	<u>\$ 245,261</u>	<u>\$ 543,893</u>
<u>Deferred Inflows of Resources</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 3,771	\$ 2,150	\$ 5,921
Differences between expected and actual experience	10,592	22,821	33,413
Changes of assumptions	—	10,785	10,785
Changes in proportion and differences between employer contributions and proportionate share of contributions	101	13,609	13,710
Totals	<u>\$ 14,464</u>	<u>\$ 49,365</u>	<u>\$ 63,829</u>

The \$179.3 million 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, 2021. In addition, the \$108.6 million 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, 2021. 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):

	<u>State Employees</u>	<u>Teachers</u>
Year ended June 30:		
2021	\$ 54,392	\$ 27,659
2022	30,169	3,966
2023	13,435	21,622
2024	6,485	28,086
2025	406	6,539
Thereafter	—	(612)
	<u>\$ 104,887</u>	<u>\$ 87,260</u>

## Business-type Activities:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	1,900
Differences between expected and actual experience		220
Changes of assumptions		912
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,861
Totals	\$	<u>5,893</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$	38
Differences between expected and actual experience		109
Changes in proportion and differences between employer contributions and proportionate share of contributions		155
Totals	\$	<u>302</u>

The \$1.9 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. 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 ended June 30:		
2021	\$	1,187
2022		910
2023		805
2024		712
2025		76
Thereafter		—
	\$	<u>3,690</u>

**Other Single Employer Pension Plans**

For the fiscal year ended June 30, 2020 the table below provides information about pension expense (credit) recognized for each of the State's five single employer plans (expressed in thousands):

Plan	Annual Pension Expense (Credit)
JRBT	\$ 2,236
RIJRFT	1,726
SPRBT	8,454
SPRFT	10,886
JNCRP	3,185
Total	<u>\$ 26,487</u>

At June 30, 2020 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):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,189	\$ 399	\$ 4,878	\$ 16,387	\$ 4,656	\$ 28,509
Differences between expected and actual experience	—	—	9,557	—	—	9,557
Change of Assumptions	2,156	—	6,504	—	—	8,660
Totals	<u>\$ 4,345</u>	<u>\$ 399</u>	<u>\$ 20,939</u>	<u>\$ 16,387</u>	<u>\$ 4,656</u>	<u>\$ 46,726</u>
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ 263	\$ 19	\$ 598	\$ 268	\$ —	1,148
Differences between expected and actual experience	5,288	—	4,398	—	—	9,686
Change of assumptions	—	—	154	—	—	154
Totals	<u>\$ 5,551</u>	<u>\$ 19</u>	<u>\$ 5,150</u>	<u>\$ 268</u>	<u>\$ —</u>	<u>\$ 10,988</u>

The amount of \$28.5 million 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, 2021. 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 June 30	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
2021	\$ (803)	\$ (3)	\$ 2,075	\$ (200)	—	\$ 1,069
2022	(1,170)	(10)	353	(200)	—	(1,027)
2023	(1,035)	(5)	1,349	61	—	370
2024	(387)	(1)	1,601	71	—	1,284
2025	—	—	1,516	—	—	1,516
Thereafter	—	—	4,017	—	—	4,017
	<u>\$ (3,395)</u>	<u>\$ (19)</u>	<u>\$ 10,911</u>	<u>\$ (268)</u>	<u>—</u>	<u>\$ 7,229</u>

#### 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 LIUNA 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, 2020, 867 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 Plan 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 \$0.77 to \$1.73 per hour up to a maximum of 1,820 hours per year to the Plan for calendar year 2020. 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 with less than 20 years of service as of June 30, 2012, 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

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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.

**Contributions** - Members contribute 5% of their annual covered salary and employers contribute 1% to 1.5% of annual covered salary, depending on years of service as of June 30, 2012. 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.

The State contributed and recognized as pension expense \$5.4 million for the fiscal year ended June 30, 2020, equal to 100% of the required contributions for the fiscal year.

**Investment options** - See Note 2C, Other Investments - Defined Contribution Plan.

**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 a certain age 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 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 59½. 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 a certain age 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 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 \$20.9 million during the year ended June 30, 2020.

The Rhode Island Public Transit Authority has two single-employer defined benefit pension plans that cover eligible employees which are described below. Other information about the plans can be found in the audited financial statements of RIPTA which are available at [www.ripta.com](http://www.ripta.com).

- The first plan, RIPTA Employees' Pension Plan, covers employees of the Authority who work more than 1,000 hours per year. There are no age or minimum service requirements and employees are eligible to participate immediately upon employment. Any changes to the plan are subject to the collective bargaining process. Plan benefits and other provisions are established by the plan document. The Plan is administered by the Authority's Joint Pension Board. The plan provides retirement, disability and death benefits. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of normal retirement age (62, or if later, upon completion of 5 years of service). Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. Employees are required to contribute between 3% and 4% of their base salary to the plan each year until the earlier of the participant's normal retirement date or termination of service. The remaining contributions to the plan are made by the Authority. At the June 30, 2019 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$71.7 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2020. For the fiscal year ended June 30, 2020 pension expense of \$13.0 million was recorded related to the plan.
- The second plan, Laborers' International Union of North America National Pension Fund, covers all employees who are members of the Local 808 union. The Plan is administered by the Fund's

Board of Trustees. The plan provides retirement, disability and death benefits to plan members. An employee is eligible to receive pension benefits if they have attained age 62, have five or more years of pension credit and have earned at least one of the years of pension credit during the period that his or her employer is contributing to the plan. The amount of regular pension benefits payable to an employee is determined by the highest contribution rate at which he or she earned pension credit and years of pension credits earned (up to a maximum of 30 years of pension credits). The contribution requirements of the Authority and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$1.46 per hour up to a maximum of 40 hours per week to the Plan for calendar year 2020. The Authority is not required to contribute to the Plan.

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

## Note 19. Postemployment Benefit Plans

### A. Summary of Employer Plans

The State provides other postemployment benefits (OPEB) for its employees through multiple benefit plans as outlined below (expressed in thousands):

	Plan	Plan Type	Covered employees	FY 2020 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2019 measurement date
A	State Employees	Cost-sharing multiple-employer plan – advance funded through a trust	State employees excluding state police, legislators and judges		
			Governmental activities	\$ 12,485	\$ 391,135
			Business-type activities	\$ 244	\$ 3,990
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ (428)	\$ (2,417)
C	Judges	Single-employer plan - advance funded through a trust	Judges and magistrates	\$ (296)	\$ (3,166)
D	State Police	Single-employer plan - advance funded through a trust	State police officers	\$ (1,182)	\$ 30,542
E	Legislators	Single-employer plan - advance funded through a trust	Retired and former members of the General Assembly	\$ (302)	\$ (1,655)
F	Board of Education (BOE)	Cost-sharing multiple-employer plan – advance funded through a trust	Certain employees of the Board of Education inclusive of URI, RIC, CCRI and the Office of Higher Education	\$ —	\$ 80
	<b>Totals</b>			\$ 10,521	\$ 418,509

The Rhode Island State Employees' and Electing Teachers OPEB System (the "System") acts as a common investment and administrative agent for benefits to be provided for six defined benefit other postemployment plans as listed above.

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 four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

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, One Capitol Hill, Providence, RI 02908.

The System's financial statements are included as Trust Funds within the Fiduciary Funds.

The OPEB Trust Funds are reported using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned or become measurable.

Additional disclosure regarding the methods used to value investments and investment expenses are included in Note 2D, OPEB Trust Funds.

Employer OPEB expense and related liabilities and deferred inflows of resources/deferred outflows of resources for defined benefit plans A-F as identified previously are recognized in the financial statements based on the provisions of GASB Statement No. 75.

Plan membership, based on the June 30, 2018 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	6,730	11,169	17,899
Teachers	146	N/A	146
Judges	47	61	108
State Police	173	233	406
Legislators	18	111	129
Board of Education (BOE)	801	1,859	2,660
Terminated employees are not included in the valuation.			

## B. Benefit Plan Descriptions

Members of the System, which include State employees, legislators, judges, State police officers, certified public school teachers and employees of certain component units, if they meet certain eligibility requirements, are eligible to receive some form of retiree health care benefits. In addition, certain employees of the Board of Education receive benefits under another plan known as the Rhode Island Board of Education Health Care Insurance Retirement Program (hereafter referred to as the "BOE Plan").

### Membership and Benefit Provisions

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Depending on the plan and the time of retirement, the cost to purchase coverage for spouses and dependents is either at the "active rate" applicable to active employees or at the retiree rate. Dental and vision coverage is generally not provided (except for those plans that allow active health care coverage to continue after retirement - judges, state police and legislators). Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General

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Laws or other governing documents. 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.

Active employees (other than the Board of Education active members) do not make contributions to the respective plans. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service. Other member contributions include purchased coverage for spouses or dependents or for non-subsidized coverage for dental and vision care.

A summary of the principal provisions of the plans follow:

### State Employees

For members age 59 through 64 who retire on or after October 1, 2008, with a minimum of 20 years of service, the State pays 80% of the actual cost of health care coverage.

At age 65, State retirees must purchase Medicare Part B (deducted from their Social Security payment) and may enroll in a health reimbursement account plan to which the OPEB Trust contributes an amount. The amount deposited by the State into each HRA varies based on the date of retirement and years of service at retirement but is based on the lowest-cost Medicare supplemental plan available through the program that meets the plan requirements defined in the law. Amounts available in each retiree's HRA can be used for any eligible medical care expense including reimbursement for health insurance premiums.

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

Employees retiring on or before September 30, 2008 who are under 60 year of age at retirement may retire with a minimum of 28 years of service and must pay 0% - 10% of retiree health care costs, as determined by the number of years of each employee's service. Employees retiring on or before September 30, 2008 who are 60 years of age or over at retirement may retire with a minimum of 10 years of service and must pay 0% - 50% of retiree health care costs, as determined by the number of years of each employee's service.

### Teachers

Teachers who elect to participate in the System and retired on or before September 30, 2008, receive the Tier I subsidy but no other State cost sharing. For all teachers retiring on or after October 1, 2008, the Tier I subsidy ends and there is no other cost sharing by the State. Retired teachers may purchase coverage through the System at the actual cost for retirees.

### Judges

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date are able to continue on the active health care plan provided they enroll in Medicare Part B.

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## State Police

Retired state police officers (including spouses and dependents) receive the active health care plan benefits or Medicare supplement coverage with the same co-share amount in effect at the date of their retirement.

## Legislators

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date can continue on the active health care plan provided they enroll in Medicare Part B.

## Board of Education

The BOE Plan offers three types of retiree health care benefits: (1) a self-insured health care plan for retirees not covered by Medicare, (2) a self-insured Medicare supplement plan for Medicare eligible post-65 retirees and (3) a fully insured Medicare HMO plan for Medicare eligible post-65 retirees.

The Tier I non-Medicare eligible plan subsidy provides that the Board will pay the portion of the cost of post-retirement health care for the retiree between the active group rate and the early retiree rate. This subsidy is based on years of service and ends when the retiree enrolls in Medicare. This subsidy is available only to eligible employees retiring before July 1, 2008.

To be eligible for coverage, the retiree retiring before July 1, 2008 must have worked a minimum of 10 years for the Board and must be at least 60 years of age, unless they have 28 years or more of service. Depending on the years of service and the retiree's age, the Board will pay from 50% to 100% of medical insurance premium while the retiree contributes from 50% to 0%.

Employees retiring after June 30, 2008, who are not yet 65 years of age, who have worked a minimum of 10 years for the Board and are at least 60 years of age or who have 28 years or more of service, may purchase health insurance coverage at the actual (100%) retiree premium rate for themselves and their spouses. The Board will continue to pay a portion of the post-65 Tier II benefits, 50% to 100% of medical insurance premium, depending on the years of service and the retiree's age while the retiree will contribute from 50% to 0%.

Active employees covered by the BOE plan contribute 0.9% of their salary. The contribution of employees covered under the BOE plan can be changed by the Board of Education.

## C. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws and may be amended by the General Assembly.

The State and other participating employers are required by law to fund the plans on an actuarially determined basis. For the fiscal year ended June 30, 2020, the State and other participating employers paid \$64 million into the plans.

The fiscal 2020 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2017.

A summary of the contribution rates by both the participating employers and members and the State's annual plan contributions (expressed in thousands) for the fiscal year ended June 30, 2020 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	6.65 %	— *	— *	29.65 %	— *	4.08 %
Plan members	—	—	—	—	—	0.9 %
Contributions made	\$ 45,801	\$ —	\$ —	\$ 7,797	\$ —	\$ 14

\* An actuarial valuation determined that no contribution was required for this OPEB plan.

#### **D. Net OPEB Liability (Asset)**

The net OPEB liability of the State and other participating employers in the State Employees Plan and the Board of Education Plan, which are multiple employer cost-sharing plans, has been apportioned based on the percentage share of total contributions made by each participating employer in fiscal 2019. The State's proportion for the State Employees Plan for State employees was 89.6%.

Following is a summary of the net OPEB liability of the State and other employers participating in the State Employees Plan, the net OPEB liability of the State's share of the Board of Education Plan and the State's liability (asset) related to the four single employer defined benefit plans it sponsors, all measured as of June 30, 2019 (expressed in thousands):

**Net OPEB Liability - Multiple Employer Cost-sharing OPEB Plans:**

Total Net OPEB Liability - State Employees Plan	\$ 436,477
<i>Less portion attributable to other entities:</i>	
Enterprise Fund - Rhode Island Lottery	\$ (3,990)
Discretely Presented Component Units	
University of Rhode Island	\$ 23,021
Rhode Island College	8,080
Community College of RI	6,165
RI Division of Higher Education Assistance	71
RI Commerce Corporation	58
RI Airport Corporation	348
	<u>(37,743)</u>
Related organization - Narragansett Bay Commission	<u>(3,609)</u>
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities	\$ 391,135
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities	<u>80</u>
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities	<u>\$ 391,215</u>
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities	<u>\$ 3,990</u>
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans	<u>\$ 395,205</u>
<b>Net OPEB Liability (Asset) - Single Employer Plans:</b>	
Net OPEB Liability - Single Employer OPEB Plans	
State Police	30,542
Total Net OPEB Liability	<u>\$ 30,542</u>
<b>Net OPEB Liability - All Plans</b>	<u>\$ 425,747</u>
<b>Net OPEB (Asset) - Single Employer OPEB Plans</b>	
Teachers	\$ (2,417)
Judges	(3,166)
Legislators	(1,655)
<b>Total Net OPEB (Asset)</b>	<u>\$ (7,238)</u>

	Statement of Net Position		
	Governmental	Business-Type	
	Activities	Activities	Total
Net OPEB Liability	<u>\$ 421,757</u>	<u>\$ 3,990</u>	<u>\$ 425,747</u>
Net OPEB (Asset)	<u>\$ (7,238)</u>	<u>\$ —</u>	<u>\$ (7,238)</u>

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer trusteed OPEB plans (expressed in thousands) which was measured as of June 30, 2019 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 11,433	\$ 1,283	\$ 87,090	\$ 1,612
Plan fiduciary net position	13,850	4,449	56,548	3,267
Net OPEB liability (asset)	<u>\$ (2,417)</u>	<u>\$ (3,166)</u>	<u>\$ 30,542</u>	<u>\$ (1,655)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>121.1 %</u>	<u>346.8 %</u>	<u>64.9 %</u>	<u>202.6 %</u>

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

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the June 30, 2019 measurement date using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Methods and Assumptions						
	Plan					
	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
<b>Actuarial Cost Method</b>	Individual Entry Age					
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	5.00%					
<b>Projected Salary Increases</b>	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
<b>Valuation Health Care Cost Trend Rate</b>	8.25% in 2019, grading to 3.5% in 2031					
<b>Mortality Rates</b>	<p>Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates.</p> <p>Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates.</p> <p>Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates.</p> <p>Healthy Female State Employees and Police: RP- 2014 Combined Healthy for females, projected with the MP 2016 ultimate rates.</p>					
<b>Excise Tax Under the Patient Protection and Affordable Care Act</b>	The Patient Protection and Affordable Care Act (PPACA) includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022. Subsequent to the June 30, 2019 measurement date, the PPACA provision relating to the excise tax on high cost health plans was repealed. The elimination of this provision will be reflected in the June 30, 2020 measurement data determination of the total OPEB liability.					
<b>Note:</b> Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.75% assumption.						

The actuarial assumptions used in the June 30, 2018 valuation and the calculation of the total OPEB liability (asset) at June 30, 2019 were consistent with an actuarial experience review performed as of June 30, 2017.

The long-term expected rate of return best-estimate on OPEB 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 OPEB plan expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 nationally recognized consulting firms. The June 30, 2019 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:



Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	6.05%
Fixed Income	35%	1.48%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

#### b. Discount rate

The discount rate used to measure the total OPEB liability of the plans was 5%. The projection of cash flows used to determine the discount rate assumed that the contributions, if any, from the plan members will be made at the current contribution rate and that the contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the net OPEB liability (asset) of the employers calculated using the discount rate of 5.0%, as well what the employers' net OPEB 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 (expressed in thousands).

##### Governmental Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
State employees	\$ 467,960	\$ 391,135	\$ 327,697
Teachers	\$ (1,374)	\$ (2,417)	\$ (3,315)
Judges	\$ (3,117)	\$ (3,166)	\$ (3,212)
State Police	\$ 37,660	\$ 30,542	\$ 24,128
Legislators	\$ (1,557)	\$ (1,655)	\$ (1,744)
BOE	\$ 105	\$ 80	\$ 59

##### Business-type Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 4,774	\$ 3,990	\$ 3,343

**d. Sensitivity of the net OPEB liability (asset) to changes in the healthcare inflation rate**

The following table presents the net OPEB liability (asset) of the employers calculated using the healthcare cost trend rate of 9.0% and gradually decreasing to an ultimate rate of 3.5%, as well what the employers' net OPEB liability (asset) would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate (expressed in thousands).

## Governmental Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
State employees	\$ 309,440	\$ 391,135	\$ 494,031
Teachers	\$ (3,486)	\$ (2,417)	\$ (1,193)
Judges	\$ (3,178)	\$ (3,166)	\$ (3,149)
State Police	\$ 21,259	\$ 30,542	\$ 41,422
Legislators	\$ (1,774)	\$ (1,655)	\$ (1,520)
BOE	\$ 54	\$ 80	\$ 113

## Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 3,157	\$ 3,990	\$ 5,040

**E. Changes in the Net OPEB Liability (Asset)**

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

	Teachers	Judges	State Police	Legislators
<b>Total OPEB Liability</b>				
Service cost	\$ —	\$ 22	\$ 4,108	\$ 71
Interest	581	60	4,369	79
Change of benefit terms and actual experience	(1,952)	(42)	(4,790)	(257)
Changes of assumptions	1,954	102	630	284
Benefit payments, net of retiree contributions	(45)	(11)	(1,161)	(61)
	(1,438)	(54)	(2,801)	(98)
<b>Net change in Total OPEB Liability</b>	(900)	77	355	18
<b>Total OPEB Liability - beginning</b>	12,333	1,206	86,735	1,594
<b>Total OPEB Liability - ending</b>	\$ 11,433	\$ 1,283	\$ 87,090	\$ 1,612
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 2,277	\$ —	\$ 8,257	\$ 15
Net investment income	1,101	341	4,683	276
Benefit payments	(1,438)	(54)	(2,801)	(98)
Administrative expenses	(2)	—	(12)	—
Other	117	49	277	32
<b>Net change in Fiduciary Net Position</b>	\$ 2,055	\$ 336	\$ 10,404	\$ 225
<b>Plan Fiduciary Net Position - beginning</b>	11,795	4,113	46,144	3,042
<b>Plan Fiduciary Net Position - ending</b>	\$ 13,850	\$ 4,449	\$ 56,548	\$ 3,267
<b>Net OPEB Liability (Asset)</b>	\$ (2,417)	\$ (3,166)	\$ 30,542	\$ (1,655)

## F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

### Cost-Sharing Multiple Employer OPEB Plans

For the fiscal year ended June 30, 2020 the State recognized OPEB expense of \$12.7 million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2020 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the System from the following sources (expressed in thousands):

Governmental Activities:

	<u>State Employees</u>	<u>BOE</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 45,323	\$ 14	\$ 45,337
Differences between expected and actual experience	—	1	1
Changes of assumptions	19,155	7	19,162
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,507	20	1,527
Totals	<u>\$ 65,985</u>	<u>\$ 42</u>	<u>\$ 66,027</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 49,412	\$ 23	\$ 49,435
Net difference between projected and actual investment earnings	12,449	5	12,454
Changes of Assumptions	3,435	1	3,436
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	15	15
Totals	<u>\$ 65,296</u>	<u>\$ 44</u>	<u>\$ 65,340</u>

The \$45.3 million reported as deferred outflows of resources related to OPEB resulting from State contributions to the plans subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	<u>State Employees</u>	<u>BOE</u>
Year ended June 30:		
2021	\$ (8,956)	\$ (4)
2022	(8,956)	(4)
2023	(7,530)	(4)
2024	(6,490)	(3)
2025	(5,235)	(2)
Thereafter	(7,467)	1
	<u>\$ (44,634)</u>	<u>\$ (16)</u>

## Business-type Activities:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	478
Changes of assumptions		195
Changes in proportion and differences between employer contributions and proportionate share of contributions		752
Totals	\$	<u>1,425</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$	504
Net difference between projected and actual investment earnings		127
Changes of assumptions		35
Totals	\$	<u>666</u>

The \$478 thousand reported as deferred outflows of resources related to OPEB resulting from contributions to the plan subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

Year ended June 30:		
2021	\$	25
2022		25
2023		40
2024		50
2025		63
Thereafter		78
	\$	<u>281</u>

**Other Single Employer OPEB Plans**

For the fiscal year ended June 30, 2020 the table below provides information about OPEB expense (credit) recognized for each of the State's four single employer plans (expressed in thousands):

Plan	Annual OPEB Expense (Credit)
Teachers	\$ (428)
Judges	(296)
State Police	(1,182)
Legislators	(302)
Total	\$ <u>(2,208)</u>

The June 30, 2019 measurement date information includes pension credits of \$428 thousand, \$296 thousand, \$1,182 thousand and \$302 thousand for the Teachers' plan, the Judges' plan, the State Police plan and the Legislators' plan, respectively. These credits result from several factors including recognition of investment gains, recognition of experience gains, changes to underlying healthcare plans and the reduction of certain liabilities.

At June 30, 2020 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):

	Teachers	Judges	State Police	Legislators	Totals
<u>Deferred Outflows of Resources</u>					
Employer contributions subsequent to the measurement date	\$ —	\$ —	\$ 7,797	\$ —	\$ 7,797
Differences between expected and actual experience	—	73	554	413	1,040
Change of Assumptions	—	23	—	—	23
Totals	\$ —	\$ 96	\$ 8,351	\$ 413	\$ 8,860
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 110	\$ 783	\$ —	\$ 893
Change of assumptions	—	8	4,498	78	4,584
Net difference between projected and actual investment earnings	721	239	3,393	224	4,577
Totals	\$ 721	\$ 357	\$ 8,674	\$ 302	\$ 10,054

The amount of \$7.8 million reported as deferred outflows of resources, related to OPEB resulting from State contributions to the single employer plans after the measurement date, will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	Teachers	Judges	State Police	Legislators
Year ended June 30:				
2021	\$ (237)	\$ (135)	\$ (2,153)	\$ (13)
2022	(237)	(66)	(2,153)	(13)
2023	(149)	(35)	(1,772)	18
2024	(98)	(25)	(1,490)	39
2025	—	—	(285)	48
Thereafter	—	—	(267)	32
	\$ (721)	\$ (261)	\$ (8,120)	\$ 111

## G. Component Unit Postemployment Benefit Plans

### *Rhode Island Public Transit Authority*

The Rhode Island Public Transit Authority has a single employer defined benefit post-retirement health and life insurance program that covers eligible employees. The Authority provides lifetime health care benefits to substantially all retired employees and their spouses. The Authority also provides life insurance benefits to retired employees who purchase life insurance for at least one year prior to retirement. Benefits are provided through a group insurance policy that covers both active and Pre-65 retired employees. Post-65 retired employee healthcare coverage benefits are provided through contributions to healthcare reimbursement accounts. Benefit terms, changes in benefit terms, and financing requirements are established by the Authority and are subject to the collective bargaining process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate audit report.

At June 30, 2020 the plan's total OPEB liability totaled \$71.3 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019 rolled forward to June 30, 2020. For the fiscal year ended June 30, 2020 OPEB expense of \$2.7 million 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).

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

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island participate in one of two OPEB plans: the State Employees' OPEB Cost-Sharing Plan and the Board of Education Cost-Sharing OPEB Plan (collectively referred to as the Plans). The Plans are cost-sharing multiple-employer defined benefit OPEB plans included within the Rhode Island State Employees' and Electing Teachers OPEB System. The plans generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

At June 30, 2020 each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$	39,336
Rhode Island College		19,598
Community College of Rhode Island		15,395
Total	\$	<u>74,329</u>

The net OPEB liabilities in the table above were measured as of June 30, 2019, the measurement date. The total OPEB liabilities used to calculate the net OPEB liabilities were determined for each plan by a separate actuarial valuation as of June 30, 2018 rolled forward to the June 30, 2019 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal 2019 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2020 each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	\$	583
Rhode Island College		100
Community College of Rhode Island		54
Total	\$	<u>737</u>

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Other information about the plans can be found in the audited financial statements for each institution as follows:

- University of Rhode Island - [www.uri.edu](http://www.uri.edu)
- Rhode Island College - [www.ric.edu](http://www.ric.edu)
- Community College of Rhode Island - [www.ccri.edu](http://www.ccri.edu)

#### *Other Component Units*

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

#### **Note 20. 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 without penalty at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches a certain age. 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 21. Risk Management**

The State uses a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. The most significant risks include potential loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injury; information technology security and cybersecurity; employee healthcare, Medicaid managed care contracts, and natural disasters.

To manage losses associated with the theft, damage, or loss of assets (most notably, capital assets), the State has entered into various lines of coverage with commercial insurance carriers for insurance coverage, subject to certain deductibles. 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. During fiscal 2020, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

*Employee and certain retiree healthcare* - 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 full risk of loss. The State reimburses the administrator for the costs of all claims paid plus administrative fees.



The estimated liability for incurred but not reported (IBNR) claims at June 30, 2020 and June 30, 2019 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1, 2019</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2020</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 18,542	\$ 237,398	\$ 239,500	\$ 16,440
	<u>Liability at July 1, 2018</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2019</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 17,261	\$ 241,130	\$ 239,849	\$ 18,542

*Torts* - 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.

*Worker's Compensation* - The State is self-insured for various risks of loss related to work-related injuries of State employees. The State contracts with a claims administrator to handle claims processing and provide certain loss prevention services for an administrative fee; however, the cost of worker's compensation claims (benefits) are paid by the State. 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.

*Medicaid Managed Care* - The State's Medicaid program provides health and dental coverage to a significant percentage of the Medicaid population through risk-based contracts with managed care organizations (MCOs) where the State is exposed to risk when actual medical claims exceed the capitation paid to the MCOs (subject to certain risk corridor limitations). Managed care expenditures represent a relatively large portion of the State's Medical Assistance expenditures. The State's known estimated risk (loss) or gain share amounts related to these contracts have been included in the financial statements.

*Information Technology Security and Cybersecurity* - The State relies upon a large and complex technology environment to conduct its operations, and accordingly is potentially exposed to cybersecurity threats which could disrupt operations or result in inadvertent disclosure of personal, private, or sensitive information. Additionally, cybersecurity breaches could expose the State to litigation and other legal risks. The State has not obtained insurance coverage specific to cybersecurity risks but does employ multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer and other coordinating agencies.

## Note 22. 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	\$ 60	\$ 15,309	\$ 15,369	\$ (15,623)	\$ (254)
Loans to other funds	96,938	2,236	99,174	(99,174)	—
Total assets	<u>\$ 96,998</u>	<u>\$ 17,545</u>	<u>\$ 114,543</u>	<u>\$ (114,797)</u>	<u>\$ (254)</u>
<b>Liabilities</b>					
Due to other funds	\$ 15,067	\$ 556	\$ 15,623	\$ (15,623)	\$ —
Loans from other funds	86,039	13,135	99,174	(99,174)	—
Total liabilities	<u>\$ 101,106</u>	<u>\$ 13,691</u>	<u>\$ 114,797</u>	<u>\$ (114,797)</u>	<u>\$ —</u>
<b>Program revenue</b>					
General government	\$ —	\$ 415,916	\$ 415,916	\$ (415,916)	\$ —
Public safety	—	13,035	13,035	(13,035)	—
<b>Expenses</b>					
General government	—	(415,203)	(415,203)	415,203	—
Public safety	—	(13,748)	(13,748)	13,748	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Transfers</b>					
Transfers in	\$ 513,359	\$ —	\$ 513,359	\$ (261,893)	\$ 251,466
Transfers out	(261,893)	—	(261,893)	261,893	—
Net transfers	<u>\$ 251,466</u>	<u>\$ —</u>	<u>\$ 251,466</u>	<u>\$ —</u>	<u>\$ 251,466</u>
<b>Total Business-type Activities</b>					
			Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 3,117	\$ —	\$ 3,117	\$ (2,863)	\$ 254
Total assets	<u>\$ 3,117</u>	<u>\$ —</u>	<u>\$ 3,117</u>	<u>\$ (2,863)</u>	<u>\$ 254</u>
<b>Liabilities</b>					
Due to other funds	\$ 2,863	\$ —	\$ 2,863	\$ (2,863)	\$ —
Total liabilities	<u>\$ 2,863</u>	<u>\$ —</u>	<u>\$ 2,863</u>	<u>\$ (2,863)</u>	<u>\$ —</u>
<b>Transfers</b>					
Transfers in	\$ 32,667	\$ —	\$ 32,667	\$ (32,667)	\$ —
Transfers out	(284,133)	—	(284,133)	32,667	(251,466)
Net transfers	<u>\$ (251,466)</u>	<u>\$ —</u>	<u>\$ (251,466)</u>	<u>\$ —</u>	<u>\$ (251,466)</u>

### B. Related Party Transactions

*Rhode Island Turnpike and Bridge Authority (RITBA)* - 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 (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks \$0.035 per gallon of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges. In addition, the Authority provides administrative and operational functions for the RhodeWorks truck tolling initiative which commenced in fiscal 2018. The

Authority collected tolls on behalf of the State approximating \$14.0 million during the fiscal year ended June 30, 2020.

*The R.I. Industrial-Recreational Building Authority (RIIRBA)* - 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) 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. The RIIRBA has a net deficit as of June 30, 2020 relating to the insured commitments payable for a bond issued by the RIIFC on behalf of a private-sector entity that is in default on its payments to the bondholder. As the insurer of the bond, the RIIRBA is responsible for making the debt payments. The RIIRBA has estimated the insured commitments payable to be \$2.9 million as of June 30, 2020.

*I-195 Redevelopment District Commission (I-195 RDC)* - The State has transferred land associated with the former Interstate 195 highway in Providence, Rhode Island to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land, which the Commission intends to develop, 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. 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 \$38.4 million. State appropriations for debt service were \$2.5 million in fiscal 2020. Also the State appropriated \$1.1 million for operations in fiscal 2020. The State has appropriated \$28 million to I-195 RDC to facilitate the sale of land and project development within the District.

Because Wexford is receiving incentives under the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the Commission is requiring Wexford to provide for return to the Commission from cash flows and/or upon a capital event based upon higher than expected returns from the project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case by case basis. To date, no payment has been made to the Commission under such contractual provisions with respect to the project.

*Rhode Island College (RIC)* - 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% to 5% and a life of 19 years beginning in fiscal 2009.

*Rhode Island Higher Education Savings Trust (RIHEST)* - All non-Rhode Island resident accounts invested in the CollegeBound 529 savings plan operated by RIHEST are assessed a fee, which is paid to the State to support the administration and operation of CollegeBound 529 and the establishment and marketing of educational activities and scholarship funds in the State of Rhode Island. The amount of state administrative fees and expenses includes 0.5 basis points (0.005%) accrued on all investment options in CollegeBound 529, which is remitted to the Treasurer to cover administrative costs, and 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is used to fund Rhode Island Promise scholarships. For the year ended June 30, 2020 the administrative costs fee totaled \$244 thousand and the scholarship fund contribution totaled \$733 thousand.

In addition to the 1.5 basis points used to fund scholarships discussed above, the investment manager of the fund is required to contribute 9.5 basis points (0.095%) to fund scholarships. Such contributions, which totaled \$4.7 million for the year ended June 30, 2020, are paid directly by the investment manager and are not included in administrative fees and expenses in RIHEST's financial statements.

*Rhode Island Health and Educational Building Corporation (RIHEBC)* - During fiscal 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. Funding is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings and other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies. The State issued \$70 million of General Obligation Bonds (of the total \$250 million authorized by the voters) in December 2019 to fund the School Construction Bond Program administered by RIHEBC, to provide further assistance to cities and towns for school construction projects. RIHEBC reported bond proceeds transfers from the State of \$26.9 million and related project cost expenses of \$22.3 million (approved by the State's School Building Authority) for fiscal 2020.

*Rhode Island Infrastructure Bank (RIIB)* - The Municipal Road and Bridge Revolving Fund was created within the Rhode Island Infrastructure Bank (RIIB) to provide municipalities with low-cost financial assistance for road and bridge projects. In accordance with certain bond statutes, premium received from the issuance of bonds totaling \$17.8 million was transferred to RIIB for this fund during fiscal 2020. State statute requires RIIB to administer the financial components of the fund and requires the RI Department of Transportation to receive, review and rank municipal road and bridge projects submitted for funding consideration on an annual basis.

*R. I. Commerce Corporation (RICC)* - RICC received various State appropriations totaling approximately \$25.7 million during fiscal 2020 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately \$74.4 million reserved for economic development initiatives at June 30, 2020 relating to State appropriations received in recent years.

The Corporation has on occasion required developers of projects receiving incentives under the Rebuild Rhode Island Tax Credit Program or the Tax Increment Financing Program to provide for return from cash flows and/or upon a capital event based upon higher than expected returns from a project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case by case basis. To date, no developer has made a payment to the Rhode Island Commerce Corporation under such contractual provisions in relation to a project for which incentives have been provided under the foregoing programs.

*Other Component Units* - The University of Rhode Island, Rhode Island College, Community College of Rhode Island, Central Falls School District, RI I-195 Redevelopment Commission, Rhode Island Commerce Corporation, and Rhode Island Public Transit Authority receive significant financial support from the State of Rhode Island. See Note 22 D, Significant Transactions with Component Units for further details.

## **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% of estimated general revenues. The remaining 3.0% is contributed to the Budget Reserve Account until such account equals 5.0% of total general revenues and opening surplus. Excess contributions to

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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.omb.ri.gov/budget>.

### **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	\$ 79,156	Operating assistance
Rhode Island College	48,048	Operating assistance
Community College of Rhode Island	47,488	Operating assistance
Central Falls School District	47,914	Operating assistance
The Met	10,609	Operating assistance
R.I. Commerce Corporation	25,568	Operating assistance
R.I. Division of Higher Education Assistance	5,724	Operating assistance
R.I. Public Transit Authority	3,227	Operating assistance
R.I. Health and Educational Building Corporation	63,029	School Building Authority Capital Fund/School Housing Aid
IST		
R.I. Public Transit Authority	54,487	Operating assistance
R.I. Turnpike and Bridge Authority	16,187	Infrastructure improvements
Bond Capital		
University of Rhode Island	20,277	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	32,074	Infrastructure improvements, bond proceeds and bond premiums
R.I. Housing and Mortgage Finance Corporation	5,165	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	26,853	Infrastructure improvements and bond proceeds
R. I. Capital Plan		
University of Rhode Island	21,935	Construction, improvement or purchase of assets
Rhode Island College	8,588	Construction, improvement or purchase of assets
Community College of Rhode Island	6,443	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 522,772</u>	

In addition, following is a summary of transfers made by the component units (expressed in thousands) to the primary government during the fiscal year ended June 30, 2020:

Component Unit	Amount Transferred to Primary Government
R.I. Infrastructure Bank	\$21,790
R.I. Commerce Corporation	10,487
R.I. Housing and Mortgage Finance Corporation	1,500
Quonset Development Corporation	1,200
Total	<u>\$34,977</u>

## E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2020:

- DCAMM (\$2.69 million)
- Central Utilities (\$65 thousand)
- Information Technology (\$725 thousand)
- Records Center (\$61 thousand)
- Capitol Police (\$17 thousand)

The deficits will be eliminated through charges for services in fiscal 2021.

## Note 23. Subsequent Events

### Primary Government

*COVID-19 Global Pandemic* - Subsequent to June 30, 2020, economic challenges and uncertainties remain as a result of the continued impact of the pandemic and the unprecedented public health response required by the State. The extent of the impact of the COVID-19 pandemic on the State and its component units will ultimately depend on certain developments, including the pandemic duration, the effectiveness of the overall public health response including current efforts to administer vaccines, and the amount of federal assistance received to continue to mitigate the effects and fund the required public health response.

The State and its component units have received a significant amount of federal assistance to address the effects of the COVID-19 pandemic. Federal requirements on the use of those funds continue to evolve and be modified which results in fluidity in the amount of funds expended and considered available for spending in subsequent periods. In general, compliance provisions have been relaxed in more recent policy amendments.

Subsequent to June 30, 2020, the State received Federal Emergency Management Agency (FEMA) approval for the majority of eligible costs incurred in response to the COVID-19 Global Pandemic. These costs were reported as expenditures (funded by general revenues) in fiscal 2020 when incurred. Subsequent reimbursement from FEMA will be recorded as federal revenues in the year approved. In addition, a recent federal directive allows FEMA to pay 100% federal funding (previously, 75%) for the costs of activities that have previously been determined eligible, from the beginning of the pandemic in January 2020 to September 30, 2021.

With the continuation of the public health emergency (PHE) declaration, the federal Medical Assistance Program will continue to reimburse States at an enhanced rate (additional 6.2%) through the fiscal quarter in which the PHE declaration ends. The federal Department of Health and Human Services anticipates the declaration to be in place through December 31, 2021.

In December 2020, Congress passed the Bipartisan-Bicameral Omnibus COVID Relief Deal providing approximately \$900 billion in additional COVID Relief. This relief bill provided additional stimulus to individuals, businesses, and hospitals in response to the economic distress caused by the coronavirus (COVID-19) pandemic. In addition to expanding funding for several CARES Act programs (e.g., Pandemic Unemployment Compensation, Paycheck Protection Program, Transportation Sector Aid, Education funding), this bill provided funding to assist with testing, tracing, vaccine development, and vaccine distribution.

The State began COVID-19 vaccine distribution in December 2020. Vaccine distribution efforts are expected to require a significant commitment of State resources through the remainder of fiscal 2021 and likely into fiscal 2022. Federal funding has been received to assist in the vaccination effort.



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*Voluntary Retirement Incentive Initiative* - In January 2021, the State offered a Voluntary Retirement Incentive to approximately 900 state employees within the Executive and Legislative branches to achieve future cost savings. The incentive is only available to employees actively employed on January 4, 2021 who have a Full Benefit Retirement Date on or before December 31, 2020. The incentive consists of a one-time payment equal to twice the value of an eligible employee's annual longevity dollar amount, with a total cap of \$40,000. Employees must provide notice of their election to retire under the terms of the incentive between March 15, 2021 – May 15, 2021. The final cost of the Voluntary Retirement Incentive Initiative cannot be currently determined.

*Unemployment Insurance* – The State's Department of Labor and Training has continued to receive a high volume of fraudulent benefit claims and estimates that an additional \$13 million of fraudulent benefits have been paid subsequent to June 30, 2020.

*Rhode Island Lottery* – Lottery revenues (and transfers to the State's General Fund) continue to be negatively impacted after June 30, 2020 by capacity restrictions at the State's two licensed gaming facilities as well as the State's bars and restaurants which offer Keno wagering to the public. The Lottery experienced decreased revenues for video lottery, table games, and keno of approximately 49%, 43%, and 10%, respectively, at December 31, 2020 over the prior year six-month period ending December 31, 2019, which can be largely attributable to the public health emergency. Sportsbook revenue with the expansion of mobile wagering and the commencement of on-line player registration has resulted in a 17% increase in sportsbook wagering over the same period due to its on-line availability to the public.

*RI Convention Center Authority (RICCA)* – In December 2020, the State and RICCA entered into a memorandum of understanding for RICCA's assistance with the assembly and logistical management of COVID-19 test kits used in conjunction with statewide testing procedures. The total reimbursement authorized under the seven-month agreement ending June 30, 2021 totaled \$4.1 million. In addition, the State extended its Special Use License Agreement (which initially commenced in April 2020) with RICCA until March 31, 2021 at a cost of \$660,000 per month for its use as a COVID-19 field hospital facility.

### **Component Units**

*Universities and Colleges* – As a result of the public health emergency, enrollment at URI, RIC, and CCRI decreased by 1.3%, 6%, and 8%, respectively in the fall 2020 semester compared to the prior fall semester. Additionally, the State's University and Colleges reported that a significant amount of their courses would be taught on-line and dormitory capacity would be decreased during the upcoming fall semester in response to public health guidelines.

# Required Supplementary Information



**State of Rhode Island**

Fiscal Year Ended  
June 30, 2020

**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**  
**(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	\$ 1,426,800	\$ 1,358,900	\$ 1,405,508	\$ 46,608
General Business Taxes:				
Business Corporations	164,000	132,900	148,605	15,705
Public Utilities Gross Earnings	103,200	100,000	108,635	8,635
Financial Institutions	24,400	24,400	44,612	20,212
Insurance Companies	119,675	125,000	130,471	5,471
Bank Deposits	3,000	3,100	3,325	225
Health Care Provider Assessment	45,418	41,600	42,600	1,000
Sales and Use Taxes:				
Sales and Use	1,180,434	1,129,000	1,167,418	38,418
Motor Vehicle	3,000	1,000	937	(63)
Cigarettes	135,000	138,100	137,604	(496)
Alcohol	21,400	20,300	20,235	(65)
Other Taxes:				
Inheritance and Gift	38,000	58,100	55,291	(2,809)
Racing and Athletics	1,100	900	821	(79)
Realty Transfer Tax	13,500	14,200	13,925	(275)
<i>Total Taxes (1)</i>	<u>3,278,927</u>	<u>3,147,500</u>	<u>3,279,987</u>	<u>132,487</u>
Departmental Revenue	448,452	440,725	434,983	(5,742)
Total Taxes and Departmental Revenue	<u>3,727,379</u>	<u>3,588,225</u>	<u>3,714,970</u>	<u>126,745</u>
Other Sources:				
Lottery	412,800	268,600	283,871	15,271
Unclaimed Property	9,900	12,200	12,081	(119)
Other Miscellaneous	28,650	53,134	52,790	(344)
Total Other Sources	<u>451,350</u>	<u>333,934</u>	<u>348,742</u>	<u>14,808</u>
Total General Revenues	4,178,729	3,922,159	4,063,712	141,553
Federal Revenues	2,995,889	3,418,160	3,128,897	(289,263)
Restricted Revenues	307,741	361,856	349,724	(12,132)
Other Revenues	64,301	61,200	65,540	4,340
<i>Total Revenues (2)</i>	<u>7,546,660</u>	<u>7,763,375</u>	<u>7,607,873</u>	<u>(155,502)</u>
<b>Expenditures (4):</b>				
General government	785,296	823,130	873,238	(50,108)
Health and human services	4,208,852	4,327,164	4,142,066	185,098
Education	1,756,679	1,808,752	1,711,562	97,190
Public safety	596,154	739,403	641,272	98,131
Natural resources	98,545	101,480	83,703	17,777
<i>Total Expenditures (2)</i>	<u>7,445,526</u>	<u>7,799,929</u>	<u>7,451,841</u>	<u>\$ 348,088</u>
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	119,571	
Transfer of scholarship revenue to RI Division of Higher Education (3)	—	—	5,724	
Total Expenditures and Transfers	<u>\$ 7,445,526</u>	<u>\$ 7,799,929</u>	<u>7,577,136</u>	
Change in Fund Balance			30,737	
Fund balance - beginning			371,033	
Fund balance - ending			<u>\$ 401,770</u>	

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Expenditures by Source:</b>				
General Revenues	\$ 4,077,595	\$ 3,958,713	\$ 3,826,733	\$ 131,980
General Revenues - pending FEMA reimbursement	—	—	109,828	(109,828)
Federal Funds	2,995,889	3,418,160	3,128,897	289,263
Restricted Receipts	307,741	361,856	326,839	35,017
Other Funds	64,301	61,200	59,544	1,656
	<u>\$ 7,445,526</u>	<u>\$ 7,799,929</u>	<u>\$ 7,451,841</u>	<u>\$ 348,088</u>

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

<b>Budgeted Surplus:</b>		
Total Revenue - Final Budget	\$ 7,763,375	
Total Expenditures - Final Budget	7,799,929	
<b>Final Budget - Projected Deficit</b>		\$ (36,554)
<b>Final Budget and Actual - Results</b>		
Total Revenues - Variance (Actual Revenue less than Budget)	\$ (155,502)	
Total Expenditures - Variance (Actual Expenditures less than Budget)	348,088	
<b>Surplus resulting from operations compared to final budget</b>		\$ 192,586
Total General Fund Surplus - Fiscal Year Ended June 30, 2020		<u>\$ 156,032</u>
Transfer to RI Division of Higher Education Assistance		(5,724)
Transfer of Excess Budget Reserve to RICAP Fund		<u>(119,571)</u>
<b>Net Change in General Fund - Fund Balance</b>		\$ 30,737
Fund Balance, Beginning		371,033
Fund Balance, Ending		<u><u>\$ 401,770</u></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.

Historical Tax Credit Fund Transfers to the General Fund in Fiscal 2020 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	\$ 1,398,121	\$ 7,387	\$ 1,405,508
Business Corporations	148,450	155	148,605
Insurance Corporations	126,164	4,307	130,471
Financial Institutions	34,612	10,000	44,612

(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) Amounts are provided for scholarships by the administrator of the Rhode Island Higher Education Savings Trust. For financial reporting purposes such amounts are recorded as restricted revenue and a transfer to the Rhode Island Division of Higher Education Assistance which administers the scholarship program. These amounts are non-budgeted items.

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

**(4) Functional Expenditure Reclassifications - Budgetary presentation compared to Financial Statement Presentation:** During Fiscal 2020, certain COVID-19 related expenditures were programmed in the department or agency administering the activity. For financial reporting purposes, certain expenditures have been reclassified to align to the appropriate functional expenditure classification.

	<b>General Government</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Public Safety</b>	<b>Natural Resources</b>	<b>Debt Service</b>	<b>Transfers</b>	<b>Total Expenditures</b>
<b>Budgetary Presentation</b>	\$ 873,238	\$ 4,142,066	\$ 1,711,562	\$ 641,272	\$ 83,703	\$ —	\$ 125,295	\$ 7,577,136
Reclassifications:								
General Government (DOA) reclassified to Health and Human Services - primarily Hospital Assistance Partnership Program	\$ (121,244)	\$ 121,244	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Public Safety (EMA) reclassified to Health and Human Services - primarily acquisition of personal protective equipment	\$ —	\$ 62,051	\$ —	\$ (62,051)	\$ —	\$ —	\$ —	\$ —
Debt Service	\$ (155,963)	\$ —	\$ (49,388)	\$ (500)	\$ —	\$ 205,851	\$ —	\$ —
Other Transfers - RIDHEA	\$ 5,724	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (5,724)	\$ —
Other Transfers - RICCA	\$ (24,338)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,338	\$ —
<b>Financial Statement Presentation</b>	\$ 577,417	\$ 4,325,361	\$ 1,662,174	\$ 578,721	\$ 83,703	\$ 205,851	\$ 143,909	\$ 7,577,136

**(5) COVID-19 related expenditures funded by federal Coronavirus Relief Fund (CRF)** - certain fiscal 2020 expenditures were funded through new federal funding available to the State to address the effects of the Covid-19 pandemic. The following summarizes the actual expenditures by functional category that were funded by the CRF. Actual expenditures in the budgetary comparison schedule are designated as federal funds; the original and final budget, in most instances, classified these amounts as general revenue funded.

	<b>General Government</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Public Safety</b>	<b>Natural Resources</b>	<b>Debt Service</b>	<b>Transfers</b>	<b>Total Expenditures</b>
	\$ 107,224	\$ 66,597	\$ 523	\$ 78,678	\$ 1,682	\$ —	\$ —	\$ 254,704

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

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

	Fund Balance Reported in the Financial Statements	Budgetary Perspective	
		Fund Balance Not Available for Appropriation in Fiscal 2021	Fund Balance Available for Appropriation in Fiscal 2021
Nonspendable	\$ 7,918	\$ —	\$ 7,918
Restricted	141,229	141,229	—
Committed	6,791	6,791	—
Assigned	6,851	6,851	(a) —
Unassigned	238,981	90,711	(b) 148,270
Total Fund Balance	<u>\$ 401,770</u>	<u>\$ 245,582</u>	<u>\$ 156,188</u> (c)

*(a) Assigned fund balance not available for appropriation in fiscal 2021 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.*

*(b) Budget Reserve and Cash Stabilization Account - for financial statement purposes, this account is classified as unassigned, yet, it is not considered available for recurring operational appropriations.*

*(c) Fund balance available for appropriation in fiscal 2021.*

(Concluded)

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Intermodal Surface Transportation Fund**  
**For the Fiscal Year Ended June 30, 2020**  
*(Expressed in Thousands)*

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 224,025	\$ 224,025	\$ 217,933	\$ (6,092)
Licenses, fines, sales, and services	50,720	50,445	37,303	(13,142)
Departmental restricted revenue	3,008	2,656	4,370	1,714
Federal grants	325,075	338,215	321,416	(16,799)
Other revenues	2,645	6,264	3,966	(2,298)
Total revenues	<u>605,473</u>	<u>621,605</u>	<u>584,988</u>	<u>(36,617)</u>
<b>Revenues and other Financing Sources (unbudgeted):</b>				
Miscellaneous revenue			3,627	
Total revenues			<u>588,615</u>	
<b>Other Financing Sources:</b>				
Transfers from RI Capital Plan			32,462	
Proceeds from issuance of GARVEE Bonds			165,555	
Premium on issuance of GARVEE Bonds			36,955	
Total Other Financing Sources			<u>234,972</u>	
Total Revenues and Other Financing Sources			<u>823,587</u>	
<b>Expenditures (budgeted):</b>				
<b>Central Management</b>				
Federal Funds	5,955	9,544	7,103	2,441
Gasoline Tax	7,644	9,024	5,766	3,258
Total - Central Management	<u>13,599</u>	<u>18,568</u>	<u>12,869</u>	<u>5,699</u>
<b>Management and Budget</b>				
Gasoline Tax	2,353	4,993	824	4,169
Total - Management and Budget	<u>2,353</u>	<u>4,993</u>	<u>824</u>	<u>4,169</u>
<b>Infrastructure-Engineering-GARVEE/Motor Fuel Tax Bonds</b>				
Federal Funds	319,120	328,670	310,155	18,515
Federal Funds-Stimulus	—	—	—	—
Restricted Receipts	3,008	2,656	4,648	(1,992)
Gasoline Tax	76,985	68,400	70,159	(1,759)
Toll Revenue	25,000	8,532	(55)	8,587
Land Sale Revenue	2,595	6,214	3,816	2,398
Total - Infrastructure - Engineering	<u>426,708</u>	<u>414,472</u>	<u>388,723</u>	<u>25,749</u>
<b>Infrastructure - Maintenance</b>				
Gasoline Tax	42,306	30,090	21,817	8,273
Non-Land Surplus Property	50	50	—	50
Utility Access Permit Fees	500	—	—	—
Rhode Island Highway Maintenance Account	124,177	123,902	145,951	(22,049)
Total - Infrastructure - Maintenance	<u>167,033</u>	<u>154,042</u>	<u>167,768</u>	<u>(13,726)</u>
Total Expenditures (budgeted)	<u>\$ 609,693</u>	<u>\$ 592,075</u>	<u>\$ 570,184</u>	<u>\$ 21,891</u>
<b>Expenditures and Other Financing Uses (unbudgeted):</b>				
Infrastructure Expenditures - State Match funded by RI Capital Plan and Bond Capital Funds			32,816	
Infrastructure maintenance - Federal Funds			251	
Infrastructure maintenance -General Revenues			822	
Infrastructure expenditures - GARVEE			127,954	
I-195 Redevelopment District project			5,493	
Transfers to general fund - Gas Tax			39,431	
Total Expenditures and Other Financing Uses (unbudgeted)			<u>206,767</u>	
Total Expenditures and Other Financing Uses			<u>776,951</u>	
Net change in fund balance			46,636	
Fund balance, beginning			323,782	
Fund balance, ending			<u>\$ 370,418</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. Examples of line items under "Administration" are "Central Management" and "Purchasing." 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 labeled "Annual Budgetary Comparison Schedules" and is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>. General fund original and final budgeted revenues reflect annual amounts adopted during the State's revenue estimating conferences which meet biannually in November and May.

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, certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles, tolls, 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. By statute, the IST fund receives a percentage of certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles which are dedicated to the Rhode Island Highway Maintenance Account within the IST Fund. These revenues are not specifically budgeted through the revenue estimating process. Annual budgeted expenditures from the Highway Maintenance Account reflect amounts available in the account.

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**  
**Required Supplementary Information - 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 2020 reflect a June 30, 2019 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.

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-Governmental Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Business-Type Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - Teachers**
- **ERS - Schedule of State Contributions - State Employees - Governmental Activities**
- **ERS - Schedule of State Contributions - State Employees - Business-Type Activities**
- **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 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State's Proportionate Share**  
**of the Net Pension Liability**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

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

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's proportion of the net pension liability	89.7 %	89.5 %	89.2 %	88.9 %	89.0 %	89.0 %
State's proportionate share of the net pension liability	\$ 2,031,989	\$ 2,013,417	\$ 2,010,955	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647
State's covered payroll	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466	\$ 581,589
State's proportionate share of the net pension liability as a percentage of its covered payroll	315.3 %	320.8 %	324.0 %	308.3 %	297.3 %	272.6 %
Plan fiduciary net position as a percentage of the total pension liability	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State's Proportionate Share**  
**of the Net Pension Liability**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

**Employees' Retirement System-State Employees - Business-Type Activities**

*Rhode Island Lottery*

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Lottery's proportion of the net pension liability	0.9 %	0.8 %	0.7 %	0.8 %	0.8 %	0.7 %
Lottery's proportionate share of the net pension liability \$	20,850 \$	17,142 \$	16,869 \$	16,260 \$	15,074 \$	13,315
Lottery's covered payroll \$	6,613 \$	5,311 \$	5,186 \$	5,156 \$	5,071 \$	4,891
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	315.3 %	322.8 %	325.3 %	315.4 %	297.3 %	272.2 %
Plan fiduciary net position as a percentage of the total pension liability	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of the State's Proportionate Share**  
**of the Net Pension Liability**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

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

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's proportion of the net pension liability	42.8 %	42.7 %	43.1 %	40.7 %	40.6 %	40.7 %
State's proportionate share of the net pension liability	\$ 1,366,538	\$ 1,357,444	\$ 1,357,577	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	54.6 %	54.3 %	54.0 %	54.1 %	57.6 %	61.4 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Six Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

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

	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466
Contributions as a percentage of covered payroll	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

*\* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.*

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Six Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**Employees' Retirement System-State Employees - Business-Type Activities**

*Rhode Island Lottery*

	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contributions in relation to the actuarially determined contribution	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071
Contributions as a percentage of covered payroll	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

*\* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing and elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.*

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.



**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Six Years Ended June 30**  
**(Expressed in Thousands)**

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 108,636	\$ 102,239	\$ 98,121	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	108,636	102,239	98,121	96,542	87,998	84,944
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - 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)
- State Police Retirement Fund Trust (SPRFT)

These plans are administered within the Employees' Retirement System of Rhode Island. Separate actuarial valuations are performed for 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 2020 reflect a June 30, 2019 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
  - SPRFT
  
- **Schedule of State Contributions**
  - SPRBT
  - JRBT
  - RIJRFT
  - SPRFT

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

**State Police Retirement Benefits Trust**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>						
Service cost	\$ 5,342	\$ 4,999	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	11,590	10,763	9,393	9,058	8,540	7,768
Benefit Changes	—	—	—	—	1,170	—
Differences between expected and actual experience	624	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	—	—	9,274	—	—	(364)
Benefit payments	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
<b>Net Change in Total Pension Liability</b>	<b>11,509</b>	<b>11,650</b>	<b>28,717</b>	<b>4,650</b>	<b>7,889</b>	<b>10,759</b>
<b>Total Pension Liability-Beginning</b>	<b>165,924</b>	<b>154,274</b>	<b>125,557</b>	<b>120,907</b>	<b>113,018</b>	<b>102,259</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 177,433</b>	<b>\$ 165,924</b>	<b>\$ 154,274</b>	<b>\$ 125,557</b>	<b>\$ 120,907</b>	<b>\$ 113,018</b>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 3,567	\$ 2,797	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,130	1,994	2,060	2,035	1,732	2,034
Net investment income	9,161	10,298	13,694	58	2,656	14,124
Benefit payments	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Administrative expenses	(140)	(137)	(125)	(103)	(100)	(83)
Other	1	16	5	1	4	5
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 8,672</b>	<b>\$ 8,944</b>	<b>\$ 13,472</b>	<b>\$ 1,411</b>	<b>\$ 5,227</b>	<b>\$ 17,644</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>138,733</b>	<b>129,789</b>	<b>116,317</b>	<b>114,906</b>	<b>109,679</b>	<b>92,035</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 147,405</b>	<b>\$ 138,733</b>	<b>\$ 129,789</b>	<b>\$ 116,317</b>	<b>\$ 114,906</b>	<b>\$ 109,679</b>
<b>Net Pension Liability</b>	<b>\$ 30,028</b>	<b>\$ 27,191</b>	<b>\$ 24,485</b>	<b>\$ 9,240</b>	<b>\$ 6,001</b>	<b>\$ 3,339</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total</b>						
<b>Pension Liability</b>	83.1 %	83.6 %	84.1 %	92.6 %	95.0 %	97.0 %
<b>Covered Payroll</b>	\$ 24,216	\$ 22,590	\$ 22,728	\$ 20,985	\$ 19,701	\$ 23,051
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	124.0 %	120.4 %	107.7 %	44.0 %	30.5 %	14.5 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

**Judicial Retirement Benefits Trust**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>						
Service cost	\$ 3,184	\$ 3,215	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	5,526	5,303	5,031	4,744	4,540	4,134
Benefit Changes	—	—	—	—	253	—
Differences between expected and actual experience	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	—	—	5,173	—	—	(672)
Benefit payments	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
<b>Net Change in Total Pension Liability</b>	<b>1,936</b>	<b>3,530</b>	<b>8,677</b>	<b>3,866</b>	<b>3,151</b>	<b>4,833</b>
<b>Total Pension Liability-Beginning</b>	<b>79,158</b>	<b>75,628</b>	<b>66,951</b>	<b>63,085</b>	<b>59,934</b>	<b>55,101</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 81,094</b>	<b>\$ 79,158</b>	<b>\$ 75,628</b>	<b>\$ 66,951</b>	<b>\$ 63,085</b>	<b>\$ 59,934</b>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 1,922	\$ 2,058	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,109	1,142	1,118	1,053	1,121	1,093
Net investment income	4,821	5,377	7,107	29	1,368	7,221
Benefit payments	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Administrative expenses	(74)	(71)	(65)	(53)	(51)	(43)
Other	—	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 4,169</b>	<b>\$ 5,550</b>	<b>\$ 7,477</b>	<b>\$ 908</b>	<b>\$ 3,338</b>	<b>\$ 9,183</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>73,445</b>	<b>67,895</b>	<b>60,418</b>	<b>59,510</b>	<b>56,172</b>	<b>46,989</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 77,614</b>	<b>\$ 73,445</b>	<b>\$ 67,895</b>	<b>\$ 60,418</b>	<b>\$ 59,510</b>	<b>\$ 56,172</b>
<b>Net Pension Liability</b>	<b>\$ 3,480</b>	<b>\$ 5,713</b>	<b>\$ 7,733</b>	<b>\$ 6,533</b>	<b>\$ 3,575</b>	<b>\$ 3,762</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total</b>						
<b>Pension Liability</b>	95.7 %	92.8 %	89.8 %	90.2 %	94.3 %	93.7 %
<b>Covered Payroll</b>	\$ 9,474	\$ 9,653	\$ 9,532	\$ 8,981	\$ 9,570	\$ 9,314
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	36.7 %	59.2 %	81.1 %	72.7 %	37.4 %	40.4 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

**Rhode Island Judicial Retirement Fund Trust**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>						
Service cost	\$ 277	\$ 294	\$ 350	\$ 466	\$ 416	\$ 498
Interest	685	726	586	719	673	710
Benefit Changes	—	—	—	—	—	—
Differences between expected and actual experience	—	(1,953)	—	(1,060)	(642)	1,617
Changes of assumptions	917	(116)	(666)	1,865	859	(1,160)
Benefit payments	(399)	(399)	(399)	(231)	—	—
<b>Net Change in Total Pension Liability</b>	<b>1,480</b>	<b>(1,448)</b>	<b>(129)</b>	<b>1,759</b>	<b>1,306</b>	<b>1,665</b>
<b>Total Pension Liability-Beginning</b>	<b>18,994</b>	<b>20,442</b>	<b>20,571</b>	<b>18,812</b>	<b>17,506</b>	<b>15,841</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 20,474</b>	<b>\$ 18,994</b>	<b>\$ 20,442</b>	<b>\$ 20,571</b>	<b>\$ 18,812</b>	<b>\$ 17,506</b>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 399	\$ 399	\$ 332	\$ 140	\$ —	\$ —
Employee contributions	122	117	117	135	159	153
Net investment income	38	44	64	4	9	12
Benefit payments	(399)	(399)	(399)	(231)	—	—
Administrative expenses	(1)	(1)	(1)	—	—	—
Other	—	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 159</b>	<b>\$ 160</b>	<b>\$ 113</b>	<b>\$ 48</b>	<b>\$ 168</b>	<b>\$ 165</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>807</b>	<b>647</b>	<b>534</b>	<b>486</b>	<b>318</b>	<b>153</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 966</b>	<b>\$ 807</b>	<b>\$ 647</b>	<b>\$ 534</b>	<b>\$ 486</b>	<b>\$ 318</b>
<b>Net Pension Liability</b>	<b>\$ 19,508</b>	<b>\$ 18,187</b>	<b>\$ 19,795</b>	<b>\$ 20,037</b>	<b>\$ 18,326</b>	<b>\$ 17,188</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>						
<b>Covered Payroll</b>	<b>\$ 1,002</b>	<b>\$ 1,020</b>	<b>\$ 988</b>	<b>\$ 963</b>	<b>\$ 1,321</b>	<b>\$ 1,276</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>1946.9 %</b>	<b>1783.0 %</b>	<b>2003.3 %</b>	<b>2189.2 %</b>	<b>1387.4 %</b>	<b>1346.8 %</b>

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**State Police Retirement Fund Trust**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total Pension Liability</b>			
Service cost	\$ —	\$ —	\$ —
Interest	12,193	11,712	12,589
Benefit Changes	—	—	—
Differences between expected and actual experience	—	12,187	—
Changes of assumptions	—	—	4,214
Benefit payments	(16,799)	(17,273)	(17,392)
<b>Net Change in Total Pension Liability</b>	<b>(4,606)</b>	<b>6,626</b>	<b>(589)</b>
<b>Total Pension Liability-Beginning</b>	<b>182,583</b>	<b>175,957</b>	<b>176,546</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 177,977</b>	<b>\$ 182,583</b>	<b>\$ 175,957</b>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 16,387	\$ 16,387	\$ 31,566
Employee contributions	—	—	—
Net investment income	770	1,137	1,839
Benefit payments	(16,799)	(17,273)	(17,392)
Administrative expenses	(17)	(6)	—
Other	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 341</b>	<b>\$ 245</b>	<b>\$ 16,013</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>16,258</b>	<b>16,013</b>	<b>—</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 16,599</b>	<b>\$ 16,258</b>	<b>\$ 16,013</b>
<b>Net Pension Liability</b>	<b>\$ 161,378</b>	<b>\$ 166,325</b>	<b>\$ 159,944</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>			
<b>Covered Payroll</b>	<b>9.3 %</b>	<b>8.9 %</b>	<b>9.1 %</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
	<b>— %</b>	<b>— %</b>	<b>— %</b>

*There is no covered payroll because there are no active members of the plan.*

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only three years of activity to report as the Trust began operations in fiscal 2018.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Six Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State Police Retirement Benefits Trust**

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,878	\$ 3,567	\$ 2,802	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	4,878	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 26,394	\$ 24,199	\$ 22,930	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered payroll	18.48 %	14.74 %	12.22 %	13.43 %	17.22 %	17.24 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Six Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**Judicial Retirement Benefits Trust**

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,189	\$ 1,922	\$ 2,064	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,189	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 10,278	\$ 9,477	\$ 9,768	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered payroll	21.30 %	20.28 %	21.13 %	21.58 %	26.80 %	28.32 %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.



**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Six Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**Rhode Island Judicial Retirement Fund Trust**

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,215	\$ 1,224	\$ 1,322	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	399	399	399	332	140	—
Contribution deficiency (excess)	<u>\$ 816</u>	<u>\$ 825</u>	<u>\$ 923</u>	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered payroll	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	38.15 %	39.82 %	39.12 %	33.60 %	14.52 %	— %

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be required prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State Police Retirement Fund Trust**

	2020	2019	2018
Actuarially determined contribution	\$ 16,387	\$ 16,387	\$ 16,387
Contributions in relation to the actuarially determined contribution	16,387	16,387	16,387
Contribution deficiency (excess)	\$ —	\$ —	\$ —

*There is no covered payroll because there are no active members of the plan.*

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only three years of activity to report as the Trust began operations in fiscal 2018.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Non-Contributory (pay-as-you-go) Defined Benefit Single-Employer Plan**

Certain retired state employees are covered by the Judicial Non-Contributory Retirement Plan, a single-employer plan, which is separate from the plans previously described, and is not part of the Employees' Retirement System of Rhode Island.

The State funds this plan 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. A separate actuarial valuation is performed to provide an accounting measure of the total pension liability for the plan.

A Schedule of Changes in Total Pension Liability is presented for this plan. The amounts included in this schedule for fiscal 2020 reflects a June 30, 2019 measurement date. The Schedule of Changes in Total Pension Liability is intended to show information for 10 years - additional years will be displayed as information becomes available. A Schedule of State Contributions is not presented as the plan operates on a pay-as-you-go basis and there is no covered payroll because there are no active members of the plan.

Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of Changes in Total Pension Liability**  
**Last Six Fiscal Years**  
**(Expressed in Thousands)**

**Judicial Non-Contributory Retirement Plan**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>						
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	1,413	1,497	1,380	1,860	2,172	2,334
Benefit changes	—	—	—	—	—	—
Differences between expected and actual experience	521	916	182	—	328	—
Changes of assumptions	1,250	(166)	(2,291)	3,510	1,885	—
Benefit payments	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)
<b>Net Change in Total Pension Liability</b>	(1,845)	(3,239)	(6,492)	(737)	(1,635)	(3,839)
<b>Total Pension Liability-Beginning</b>	41,550	44,789	51,281	52,018	53,653	57,492
<b>Total Pension Liability-Ending</b>	<u>\$ 39,705</u>	<u>\$ 41,550</u>	<u>\$ 44,789</u>	<u>\$ 51,281</u>	<u>\$ 52,018</u>	<u>\$ 53,653</u>

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

### Required Supplementary Information - Pensions

#### Significant Methods and Assumptions used in calculating the actuarially determined contributions

Generally, actuarially determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. The actuarially determined contribution rates for fiscal 2020 were determined based on valuations performed as of June 30, 2017, with the exception of the RIJRFT contribution which was determined based on a valuation performed as of June 30, 2019. Significant methods and assumptions are summarized for each plan in the table below:

	ERS		SPRBT	JRBT	RIJRFT	SPRFT
	State Employees	Teachers				
<b>Actuarial Cost Method</b>	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.					
<b>Amortization Method</b>	Level Percent of Payroll - Closed				Level Dollar	Level Dollar
<b>Equivalent single remaining amortization period</b>	19 years	21 years	21 years	20 years	20 years	16 years
<b>Asset valuation method</b>	5 year smoothed market				Market Value	Market Value
<b>Amortization period for new gains and losses</b>	20 years				N/A	N/A
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	7.0%				3.13%	7.00%
<b>Projected Salary Increases</b>	3.25% to 6.25%	3.0% to 13.0%	3.75% to 11.75%	3.00%	3.00%	N/A
<b>Mortality</b>	<p>Male Employees: RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with Scale Ultimate MP16.</p> <p>Female Employees: RP-2014 Combined Healthy for Females, projected with Scale Ultimate MP16.</p> <p>Male Teachers: RP-2014 Combined Healthy for Males with White Collar adjustments, projected with Scale Ultimate MP16.</p> <p>Female Teachers: RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Scale Ultimate MP16.</p>					
<b>Inflation</b>	2.5%					

#### Cost of Living Adjustments

Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017 and the second such COLA will be applicable in Calendar Year 2021. As of June 30, 2017, it is assumed that the COLAs will be suspended for 10 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.0%.

**Factors affecting trends for amounts related to the net pension liability**

**June 30, 2019 measurement date** -The RIJRFT and JNCRP plans used the municipal bond index rate of 3.13% as of June 30, 2019. This rate was 3.62% at June 30, 2018. Also, there was a decrease in certain salary increase assumptions used as of June 30, 2019 as compared to June 30, 2018.

**June 30, 2018 measurement date** -There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date except for the changes in assumptions for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.62% as of June 30, 2018. This rate was 3.56% at June 30, 2017.

**June 30, 2017 measurement date** - As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

For RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

The June 30, 2017 measurement date information includes a pension credit of \$96.5 million for the SPRFT plan which results from a change in assumption attributable to the establishment of an advance funded trust (effective July 1, 2016) that replaced the previous plan which was funded on a pay-as-you-go basis. As allowed by GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you-go plans. Higher discount rates result in lower pension expense. The discount rate for the SPRFT plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit. GASB standards require the immediate recognition of this change in the discount rate assumption since the SPRFT plan is a closed plan that is comprised entirely of retired employees.

A pension credit of \$664 thousand for the JNCRP plan results from an increase in the discount rate from 2.85% to 3.56%. GASB standards require the immediate recognition of this change in the discount rate assumption since the JNCRP plan is a closed plan that is comprised entirely of retired employees. Accordingly, the effect of this change in assumption was recorded in fiscal 2018 and was reflected in the pension credit total of \$664 thousand.

**June 30, 2016 measurement date** -- There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumption for the RIJRFT plan due to use of the municipal bond index rate of 2.85%.

**June 30, 2015 measurement date** -- There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2015 measurement date

compared to the June 30, 2014 measurement date except for the changes in assumption for the RIJRFT plan due to use of the municipal bond index rate of 3.8% compared to 4.29% used in the June 30, 2014 valuation.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 - service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return - 5.5%, with a maximum of 4%) and 50% is calculated using the previous year's CPI-U (maximum of 3%) for a total maximum COLA of 3.5%. The COLA is calculated on the first \$25,855, effective 01/01/2016, and indexed as of that date as well.
- Other changes included providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to the first \$25,000), two \$500 stipends, and minor adjustments.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Multiple-Employer Cost-Sharing Plans**

The Rhode Island State Employees' and Electing Teachers OPEB System administers two multiple-employer cost-sharing OPEB plans covering state employees; the State Employees plan and the Board of Education plan. Separate actuarial valuations are performed for each plan but not for individual employers within each plan. The net OPEB liability and other OPEB related amounts are apportioned based on proportionate employer contributions to the plan.

The amounts included in these schedules for fiscal 2020 reflect a June 30, 2019 measurement date.

Additional information for these plans is available in the separately issued audited financial statements of Rhode Island State Employees' and Electing Teachers OPEB System and an additional report prepared to provide the GASB Statement No. 75 related information for participating employers.

The following schedules are presented for these multiple-employer cost-sharing plans:

- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Governmental Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Business-Type Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - Board of Education Plan**
- **Schedule of State Contributions - State Employees Plan - Governmental Activities**
- **Schedule of State Contributions - State Employees Plan - Business-Type Activities**
- **Schedule of State Contributions - Board of Education Plan**

*These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 19 to the financial statements contains detailed information concerning OPEB plans.*

See Notes to Required Supplementary Information.



**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State's Proportionate Share**  
**of the Net OPEB Liability**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**State Employees-Governmental Activities**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	89.6 %	89.4 %	89.2 %
State's proportionate share of the net OPEB liability	\$ 391,135	\$ 455,475	\$ 463,597
State's covered payroll	\$ 657,222	\$ 633,562	\$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.5 %	71.9 %	73.3 %
Plan fiduciary net position as a percentage of the total OPEB liability	33.6 %	26.3 %	22.4 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State's Proportionate Share**  
**of the Net OPEB Liability**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**State Employees-Business-Type Activities**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
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Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
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*Rhode Island Lottery*

Lottery's proportion of the net OPEB liability	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability	\$ 3,990	\$ 3,876	\$ 3,864
Lottery's covered payroll	\$ 6,705	\$ 5,308	\$ 5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	33.6 %	26.3 %	22.4 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State's Proportionate Share**  
**of the Board of Education Plan Net OPEB Liability**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**State's Share of Board of Education Plan**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	0.2 %	0.2 %	0.2 %
State's proportionate share of the net OPEB liability	\$ 80	\$ 87	\$ 111
State's covered payroll	\$ 276	\$ 411	\$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	29.0 %	21.2 %	42.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	51.6 %	38.6 %	32.1 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State Employees-Governmental Activities**

	2020	2019	2018
Actuarially determined contribution	\$ 45,323	\$ 39,302	\$ 37,887
Contributions in relation to the actuarially determined contribution	45,323	39,302	37,887
Contribution deficiency (excess)	\$ —	\$ —	\$ —
Covered payroll	\$ 681,554	\$ 657,222	\$ 633,562
Contributions as a percentage of covered payroll	6.65 %	5.98 %	5.98 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State Employees-Business-Type Activities**

*Rhode Island Lottery*

	2020	2019	2018
Actuarially determined contribution	\$ 478	\$ 401	\$ 317
Contributions in relation to the actuarially determined contribution	478	401	317
Contribution deficiency (excess)	\$ —	\$ —	\$ —
Covered payroll	\$ 7,182	\$ 6,705	\$ 5,308
Contributions as a percentage of covered payroll	6.65 %	5.98 %	5.98 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions to Board of Education Plan**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State's Share of Board of Education Plan**

	2020	2019	2018
Actuarially determined contribution	\$ 14	\$ 12	\$ 18
Contributions in relation to the actuarially determined contribution	14	12	18
Contribution deficiency (excess)	\$ —	\$ —	\$ —
Covered payroll	\$ 335	\$ 276	\$ 411
Contributions as a percentage of covered payroll	4.08 %	4.36 %	4.36 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Single-Employer Plans**

Certain state employees are covered by the following single-employer plans, which are separate from the State Employees and Board of Education multiple-employer cost-sharing plans, that cover most state employees.

- Teachers Plan
- Judges Plan
- State Police Plan
- Legislators Plan

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

The amounts included in these schedules for fiscal 2020 reflect a June 30, 2019 measurement date.

The following schedules are presented for each single-employer plan:

- **Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios**
  - Teachers Plan
  - Judges Plan
  - State Police Plan
  - Legislators Plan
  
- **Schedule of State Contributions**
  - Teachers Plan
  - Judges Plan
  - State Police Plan
  - Legislators Plan

*These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 19 to the financial statements contains detailed information concerning OPEB plans.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**Teachers Plan**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>			
Service cost	\$ —	\$ —	\$ —
Interest	581	612	562
Benefit Changes	(1,952)	—	—
Differences between expected and actual experience	1,954	91	1,625
Changes of assumptions	(45)	—	217
Benefit payments	(1,438)	(1,202)	(1,610)
<b>Net Change in Total OPEB Liability</b>	<u>(900)</u>	<u>(499)</u>	<u>794</u>
<b>Total OPEB Liability-Beginning</b>	12,333	12,832	12,038
<b>Total OPEB Liability-Ending</b>	<u>\$ 11,433</u>	<u>\$ 12,333</u>	<u>\$ 12,832</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 2,277	\$ 2,321	\$ 2,321
Net investment income	1,101	780	864
Benefit payments	(1,438)	(1,202)	(1,610)
Administrative expenses	(2)	(17)	7
Other	117	136	103
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 2,055</u>	<u>\$ 2,018</u>	<u>\$ 1,685</u>
<b>Plan Fiduciary Net Position-Beginning</b>	11,795	9,777	8,092
<b>Plan Fiduciary Net Position-Ending</b>	<u>\$ 13,850</u>	<u>\$ 11,795</u>	<u>\$ 9,777</u>
<b>Net OPEB Liability (Asset)</b>	<u>\$ (2,417)</u>	<u>\$ 538</u>	<u>\$ 3,055</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	121.1 %	95.6 %	76.2 %
<b>Covered Payroll</b>	\$ —	\$ —	\$ —
<b>Net OPEB Liability (Asset) as a Percentage of Covered Payroll</b>	N/A	N/A	N/A

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.



**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**Judges Plan**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>			
Service cost	\$ 22	\$ 15	\$ 20
Interest	60	68	50
Benefit Changes	(42)	—	—
Differences between expected and actual experience	102	(271)	(306)
Changes of assumptions	(11)	—	503
Benefit payments	(54)	72	138
<b>Net Change in Total OPEB Liability</b>	<u>77</u>	<u>(116)</u>	<u>405</u>
<b>Total OPEB Liability-Beginning</b>	1,206	1,322	917
<b>Total OPEB Liability-Ending</b>	<u>\$ 1,283</u>	<u>\$ 1,206</u>	<u>\$ 1,322</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ —	\$ —	\$ —
Net investment income	341	293	334
Benefit payments	(54)	72	138
Administrative expenses	—	(6)	—
Other	49	54	26
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 336</u>	<u>\$ 413</u>	<u>\$ 498</u>
<b>Plan Fiduciary Net Position-Beginning</b>	4,113	3,700	3,202
<b>Plan Fiduciary Net Position-Ending</b>	<u>\$ 4,449</u>	<u>\$ 4,113</u>	<u>\$ 3,700</u>
<b>Net OPEB Liability (Asset)</b>	<u>\$ (3,166)</u>	<u>\$ (2,907)</u>	<u>\$ (2,378)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	346.8 %	341.0 %	279.9 %
<b>Covered Payroll</b>	\$ 11,297	\$ 10,746	\$ 10,746
<b>Net OPEB Liability (Asset) as a Percentage of Covered Payroll</b>	(28.0)%	(27.1)%	(22.1)%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**State Police Plan**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>			
Service cost	\$ 4,108	\$ 3,920	\$ 3,836
Interest	4,369	4,148	4,202
Benefit Changes	(4,790)	—	—
Differences between expected and actual experience	630	(907)	(174)
Changes of assumptions	(1,161)	—	(6,005)
Benefit payments	(2,801)	(2,849)	(3,130)
<b>Net Change in Total OPEB Liability</b>	<u>355</u>	<u>4,312</u>	<u>(1,271)</u>
<b>Total OPEB Liability-Beginning</b>	86,735	82,423	83,694
<b>Total OPEB Liability-Ending</b>	<u>\$ 87,090</u>	<u>\$ 86,735</u>	<u>\$ 82,423</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 8,257	\$ 7,919	\$ 7,702
Net investment income	4,683	3,413	3,491
Benefit payments	(2,801)	(2,849)	(3,130)
Administrative expenses	(12)	(73)	(1)
Other	277	197	163
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 10,404</u>	<u>\$ 8,607</u>	<u>\$ 8,225</u>
<b>Plan Fiduciary Net Position-Beginning</b>	46,144	37,537	29,312
<b>Plan Fiduciary Net Position-Ending</b>	<u>\$ 56,548</u>	<u>\$ 46,144</u>	<u>\$ 37,537</u>
<b>Net OPEB Liability (Asset)</b>	<u>\$ 30,542</u>	<u>\$ 40,591</u>	<u>\$ 44,886</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	64.9 %	53.2 %	45.5 %
<b>Covered Payroll</b>	\$ 23,943	\$ 21,334	\$ 21,334
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	127.6 %	190.3 %	210.4 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios**  
**Last Three Fiscal Years**  
**(Expressed in Thousands)**

**Legislators Plan**

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>			
Service cost	\$ 71	\$ 54	\$ 63
Interest	79	74	66
Benefit Changes	(257)	—	—
Differences between expected and actual experience	284	102	168
Changes of assumptions	(61)	—	(45)
Benefit payments	(98)	(161)	(36)
<b>Net Change in Total OPEB Liability</b>	18	69	216
<b>Total OPEB Liability-Beginning</b>	1,594	1,525	1,309
<b>Total OPEB Liability-Ending</b>	\$ 1,612	\$ 1,594	\$ 1,525
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 15	\$ 14	\$ 27
Net investment income	276	247	283
Benefit payments	(98)	(161)	(36)
Administrative expenses	—	(4)	—
Other	32	42	29
<b>Net Change in Plan Fiduciary Net Position</b>	\$ 225	\$ 138	\$ 303
<b>Plan Fiduciary Net Position-Beginning</b>	3,042	2,904	2,601
<b>Plan Fiduciary Net Position-Ending</b>	\$ 3,267	\$ 3,042	\$ 2,904
<b>Net OPEB Liability (Asset)</b>	\$ (1,655)	\$ (1,448)	\$ (1,379)
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	202.6 %	190.9 %	190.4 %
<b>Covered Payroll</b>	\$ 1,814	\$ 1,719	\$ 1,719
<b>Net OPEB Liability (Asset) as a Percentage of Covered Payroll</b>	(91.2)%	(84.2)%	(80.2)%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**Teachers Plan**

	2020*	2019	2018
Actuarially determined contribution	\$ —	\$ 2,321	\$ 2,321
Contributions in relation to the actuarially determined contribution	—	2,277 **	2,321
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ 44</u>	<u>\$ —</u>
Covered payroll	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

\*An actuarial valuation determined that no contribution was required for this OPEB plan.

\*\* The contribution funded in Fiscal 2019 was the amount appropriated by the General Assembly.

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**Judges Plan**

	2020	2019	2018
Actuarially determined contribution	\$ —	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —
Covered payroll	\$ 11,589	\$ 11,297	\$ 10,746
Contributions as a percentage of covered payroll	— %	— %	— %

*An actuarial valuation determined that no contribution was required for this OPEB plan.*

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State Police Plan**

	2020	2019	2018
Actuarially determined contribution	\$ 7,797	\$ 8,257	\$ 7,919
Contributions in relation to the actuarially determined contribution	<u>7,797</u>	<u>8,257</u>	<u>7,919</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$26,297	\$23,666	\$22,698
Contributions as a percentage of covered payroll	29.7 %	34.9 %	34.9 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions**  
**Last Three Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**Legislators Plan**

	2020*	2019	2018
Actuarially determined contribution	\$ —	\$ 15	\$ 14
Contributions in relation to the actuarially determined contribution	—	15	14
Contribution deficiency (excess)	\$ —	\$ —	\$ —
Covered payroll	\$ 1,856	\$ 1,812	\$ 1,728
Contributions as a percentage of covered payroll	— %	0.8 %	0.8 %

\* An actuarial valuation determined that no contribution was required for this OPEB plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

## Required Supplementary Information - OPEB

## Significant Methods and Assumptions used in calculating the actuarially determined contributions

The actuarially determined contribution rates for fiscal 2020 were determined based on valuations performed as of June 30, 2017. Significant methods and assumptions are summarized for each plan in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
<b>Actuarial Cost Method</b>	Entry Age Normal					
<b>Amortization Method</b>	Level Percent of Pay	Level Dollar	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
<b>Remaining amortization period</b>	19 Years Closed	Determined by Statutory Contribution	30 Years Open	19 Years Closed	30 Years Open	19 Years Closed
<b>Asset valuation method</b>	4 Year smoothed market					
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	5%, net of OPEB plan expenses, including inflation					
<b>Projected Salary Increases</b>	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
<b>Retirement Age</b>	Experience-based table of rates that are specific to the type of eligibility condition.					
<b>Mortality</b>	<b>Post-Retirement Mortality</b>					
	Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates.					
	Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates.					
	Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates.					
	Healthy Female State Employees and Police: RP- Combined Healthy for females, projected with the MP 2016 ultimate rates.					
	<b>Disabled Mortality</b>					
Disabled Males: RP-2014 Disabled Retiree Table for males, projected with the MP 2016 ultimate rates.						
Disabled Females: RP-2014 Disabled Retiree Table for females, projected with the MP 2016 ultimate rates.						
<b>Pre-Retirement Mortality</b>						
The mortality tables used to project the pre-termination mortality experience of plan members are the RP-2014 Employee tables for males and females as the base table, and then to apply a 75% multiplier for Teachers, Judges, Legislators, and Board of Education and a 100% multiplier for State Employees and State Police.						
<b>Healthcare Cost Trend Rate</b>	Based on the Getzen Model, with trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 3.5%.					
<b>Aging Factors</b>	The tables used in developing the retiree only premium are based on the 2013 SOA Study "Health Care Costs-From Birth to Death".					
<b>Inflation</b>	Not explicitly used, consistent with 2.50% assumption.					



# Combining Financial Statements



**State of Rhode Island**

Fiscal Year Ended  
June 30, 2020

## Nonmajor Funds

**Special Revenue Funds** – accounts 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.

**Capital Project Funds** – accounts 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.

**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  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020  
(Expressed in Thousands)

	Special Revenue					Capital Project					Debt Service	Permanent	
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corp	Total Special Revenue Funds	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	Certificates of Participation	Total Capital Project Funds	Tobacco Settlement Financing Corporation	Permanent School	Total Nonmajor Governmental Funds
<b>Assets</b>													
Cash and cash equivalents	\$ 584	\$ 82,608	\$ 11,990	\$ 167	\$ 95,349	\$191,125	\$ 3,456	\$ 3,825	\$ —	\$ 198,406	\$ 232	\$ 711	\$ 294,698
Funds on deposit with fiscal agent	—	—	47,640	—	47,640	—	—	—	24,072	24,072	—	—	71,712
Restricted cash equivalents	—	—	—	—	—	—	—	—	—	—	50,890	—	50,890
Receivables (net)	—	54,684	—	—	54,684	—	—	—	—	—	19,775	—	74,459
Due from other funds	—	—	—	—	—	—	—	—	—	—	—	60	60
Loans to other funds	—	—	—	—	—	—	75,030	—	—	75,030	—	—	75,030
Total assets	<u>\$ 584</u>	<u>\$ 137,292</u>	<u>\$ 59,630</u>	<u>\$ 167</u>	<u>\$ 197,673</u>	<u>\$191,125</u>	<u>\$ 78,486</u>	<u>\$ 3,825</u>	<u>\$ 24,072</u>	<u>\$ 297,508</u>	<u>\$ 70,897</u>	<u>\$ 771</u>	<u>\$ 566,849</u>
<b>Liabilities and Fund Balances</b>													
<b>Liabilities</b>													
Accounts payable	—	188	—	—	188	3,248	9,766	—	254	13,268	1	5	13,462
Due to other funds	—	943	—	—	943	190	128	—	—	318	—	—	1,261
Due to component units	—	—	—	—	—	10,595	6,352	—	539	17,486	—	—	17,486
Loans from other funds	—	—	—	—	—	11,000	—	—	8	11,008	—	—	11,008
Other liabilities	—	188	—	—	188	—	72	—	—	72	—	—	260
Total liabilities	<u>—</u>	<u>1,319</u>	<u>—</u>	<u>—</u>	<u>1,319</u>	<u>25,033</u>	<u>16,318</u>	<u>—</u>	<u>801</u>	<u>42,152</u>	<u>1</u>	<u>5</u>	<u>43,477</u>
<b>Fund balances</b>													
Nonspendable	—	—	—	—	—	—	—	—	—	—	—	174	174
Restricted	584	135,973	59,630	—	196,187	166,092	62,168	3,825	23,271	255,356	70,664	592	522,799
Unrestricted	—	—	—	—	—	—	—	—	—	—	—	—	—
Committed	—	—	—	167	167	—	—	—	—	—	232	—	399
Total fund balances	<u>584</u>	<u>135,973</u>	<u>59,630</u>	<u>167</u>	<u>196,354</u>	<u>166,092</u>	<u>62,168</u>	<u>3,825</u>	<u>23,271</u>	<u>255,356</u>	<u>70,896</u>	<u>766</u>	<u>523,372</u>
Total liabilities and fund balances	<u>\$ 584</u>	<u>\$ 137,292</u>	<u>\$ 59,630</u>	<u>\$ 167</u>	<u>\$ 197,673</u>	<u>\$191,125</u>	<u>\$ 78,486</u>	<u>\$ 3,825</u>	<u>\$ 24,072</u>	<u>\$ 297,508</u>	<u>\$ 70,897</u>	<u>\$ 771</u>	<u>\$ 566,849</u>

State of Rhode Island  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2020  
(Expressed in Thousands)

	Special Revenue				Capital Projects					Debt Service	Permanent	Total Nonmajor Governmental Funds	
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corp	Total Special Revenue Funds	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	Certificates of Participation	Total Capital Project Funds	Tobacco Settlement Financing Corporation		Permanent School
<b>Revenues:</b>													
Taxes	\$ —	\$ 210,423	\$ —	\$ —	\$ 210,423	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 210,423
Licenses, fines, sales, and services	—	—	554	29	583	—	—	—	—	—	—	94	677
Income from investments	—	1,193	1,041	2	2,236	2,494	17	55	349	2,915	619	12	5,782
Other revenues	—	—	—	—	—	—	—	—	2,341	2,341	39,875	—	42,216
Total revenues	—	211,616	1,595	31	213,242	2,494	17	55	2,690	5,256	40,494	106	259,098
<b>Expenditures:</b>													
General government	—	219,437	3,287	—	222,724	—	—	—	—	—	80	—	222,804
Education	—	—	—	—	—	—	—	—	—	—	—	162	162
Transportation	—	—	—	1,840	1,840	—	—	—	—	—	—	—	1,840
Capital outlays	—	—	—	—	—	135,586	112,006	—	852	248,444	—	—	248,444
Debt service:													
Principal	—	—	—	—	—	—	1,494	—	—	1,494	17,965	—	19,459
Interest and other charges	—	—	4	—	4	1,026	—	—	461	1,487	24,716	—	26,207
Total expenditures	—	219,437	3,291	1,840	224,568	136,612	113,500	—	1,313	251,425	42,761	162	518,916
Excess (deficiency) of revenues over (under) expenditures	—	(7,821)	(1,696)	(1,809)	(11,326)	(134,118)	(113,483)	55	1,377	(246,169)	(2,267)	(56)	(259,818)
<b>Other financing sources (uses)</b>													
Issuance of bonds and notes	—	—	—	—	—	221,150	—	—	—	221,150	—	—	221,150
Premium	—	—	—	—	—	32,458	—	—	—	32,458	—	—	32,458
Transfers in	—	—	—	1,829	1,829	—	119,570	—	—	119,570	—	—	121,399
Payment to refunded bonds escrow agent	—	—	—	—	—	(82,028)	—	—	—	(82,028)	—	—	(82,028)
Transfers out	—	(1,060)	(21,851)	—	(22,911)	(2,871)	(40,801)	(67)	—	(43,739)	—	—	(66,650)
Total other financing sources (uses)	—	(1,060)	(21,851)	1,829	(21,082)	168,709	78,769	(67)	—	247,411	—	—	226,329
Net change in fund balances	—	(8,881)	(23,547)	20	(32,408)	34,591	(34,714)	(12)	1,377	1,242	(2,267)	(56)	(33,489)
Fund balances - beginning	584	144,854	83,177	147	228,762	131,501	96,882	3,837	21,894	254,114	73,163	822	556,861
Fund balances - ending	\$ 584	\$ 135,973	\$ 59,630	\$ 167	\$ 196,354	\$ 166,092	\$ 62,168	\$ 3,825	\$ 23,271	\$ 255,356	\$ 70,896	\$ 766	\$ 523,372

**State of Rhode Island**  
**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, 2020**  
**(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	\$ 210,423	\$ 210,423	\$ 210,423	\$ —
Other Revenues	1,193	1,193	1,193	—
Total Revenues	<u>211,616</u>	<u>211,616</u>	<u>211,616</u>	<u>—</u>
<b>Expenditures:</b>				
Department of Labor and Training	203,095	257,074	220,267	36,807
Treasury Department	250	264	230	34
Total Expenditures	<u>\$ 203,345</u>	<u>\$ 257,338</u>	<u>\$ 220,497</u>	<u>\$ 36,841</u>
Net change in fund balance			<u>(8,881)</u>	
Fund balance - beginning			<u>\$ 144,854</u>	
Fund balance - ending			<u><u>\$ 135,973</u></u>	

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

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues:</b>				
Transferred from Budget Reserve	\$ 119,827	\$ 124,802	\$ 119,570	\$ 5,232
Investment Earnings*	17	17	17	—
Total Revenues	119,844	124,819	119,587	5,232
<b>Expenditures:</b>				
Administration				
Security Measures State Buildings	500	543	454	89
Energy Efficiency Improvements	500	629	434	195
Cranston Street Armory	500	430	393	37
State House Renovations	2,202	3,335	2,252	1,083
Zambarano Utilities and Infrastructure	2,242	1,700	1,164	536
Cannon Building	1,250	80	17	63
Old State House	500	684	864	(180)
State Office Building	350	290	186	104
State Office Reorganization & Relocation	1,750	1,750	547	1,203
Old Colony House	25	—	—	—
William Powers Building	1,250	909	398	511
Pastore Center Utilities Upgrade	387	1,185	1,069	116
Replacement of Fueling Tanks	330	—	—	—
Environmental Compliance	200	200	218	(18)
Big River Management Area	100	88	87	1
Pastore Center Buildings Demolition	—	41	1	40
Washington County Government Center	1,050	950	703	247
Veterans Memorial Auditorium	90	91	91	—
Chapin Health Laboratory	275	221	34	187
Shepard Building	250	20	9	11
Pastore Center Water Tanks & Pipes	280	100	92	8
RI Convention Center Authority	5,500	6,648	6,211	437
Dunkin Donuts Center	1,500	2,201	2,182	19
Pastore Center Power Plant Rehabilitation	2,350	2,875	2,693	182
Accessibility - Facility Renovations	1,000	700	642	58
DoIT Enterprise Operations Center	500	300	64	236
BHDDH MH & Community Facilities - Asset Protection	200	231	221	10
BHDDH DD & Community Homes - Fire Code	1,600	2,744	1,449	1,295
BHDDH DD Regional Facilities - Asset Protection	300	483	452	31
BHDDH Group Homes	500	472	462	10
BHDDH Substance Abuse Asset Protection	250	306	247	59

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
Expo Center (Springfield)	250	250	250	—
Hospital Consolidation	13,132	200	120	80
McCoy Stadium Repairs	200	219	182	37
Statewide Facility Master Plan	250	332	167	165
Virks Building Renovations	—	—	(12)	12
Pastore Center Non-Medical Buildings Asset Protection	4,350	11,057	9,743	1,314
Pastore Center Medical Buildings Asset Protection	3,479	150	103	47
<b>Business Regulation</b>				
Fire Academy	495	352	346	6
<b>Executive Office of Commerce</b>				
I-195 Commission	450	450	299	151
Quonset Piers	5,000	5,000	5,000	—
Quonset Point Infrastructure	4,000	4,000	4,000	—
<b>Children, Youth, and Families</b>				
Training School Asset Protection	750	450	104	346
Training School Generators	610	657	—	657
Female Residential Facility	1,500	—	—	—
<b>Human Services</b>				
Blind Vending Facilities	165	183	114	69
Veterans Home Asset Protection	250	100	19	81
<b>Behavioral Healthcare, Developmental Disabilities, and Hospitals</b>				
DD Residential Development	300	300	274	26
Hospital Equipment	—	19	14	5
<b>Elementary and Secondary Education</b>				
Davies HVAC	200	—	—	—
Davies Asset Protection	150	132	126	6
Davies Advanced Manufacturing	—	564	560	4
RI School for the Deaf Asset Protection	50	50	50	—
Met School Asset Protection	250	250	250	—
<b>Public Higher Education</b>				
Higher Education Centers	3,800	1,933	—	1,933
OPC Building Asset Protection	341	341	—	341
<b>University of Rhode Island</b>				
Asset Protection	8,327	8,330	8,407	(77)
Fine Arts Center Advanced Planning	7,070	11,168	9,159	2,009
Biological Resources Lab	2,855	4,369	4,369	—

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
Rhode Island College				
Asset Protection	3,669	5,434	2,666	2,768
Infrastructure Modernization	3,000	4,000	4,092	(92)
Academic Building Phase I	—	1,603	1,603	—
RIC Phase III Master Plan	300	300	228	72
Community College of Rhode Island				
Asset Protection	2,439	2,587	2,586	1
Knight Campus Lab Renovation	—	299	—	299
Knight Campus Renewal	3,500	5,216	3,660	1,556
Data Cabling & Power Infrastructure	500	500	197	303
RI Atomic Energy Commission				
RINSC Asset Protection	50	50	50	—
Attorney General				
Building Renovations and Repairs	150	70	19	51
Corrections				
Asset Protection	8,578	4,025	2,948	1,077
High Security Renovations and Repairs	4,875	17,880	13,315	4,565
Judiciary				
Judicial Complexes - HVAC	1,000	1,000	1,000	—
Judicial Complexes Asset Protection	1,000	1,014	992	22
Licht Judicial Complex Restoration	750	757	745	12
Licht Chillers Replacement	1,200	1,200	1,200	—
Noel Shelled Courtroom Build Out	2,176	1,397	1,357	40
Military Staff				
Armory of Mounted Command Roof Replacement	537	715	690	25
Military Staff Asset Protection	700	604	352	252
Bristol Readiness Center	125	125	—	125
Joint Force Headquarters Building	2,158	2,939	1,343	1,596
Middletown Armory Land Transfer	—	1,034	1,034	—
Public Safety				
DPS Asset Protection	600	729	218	511
Training Academy Upgrades	425	350	65	285
DPS Facilities Master Plan	350	448	411	37
State Police Headquarters Roof Project	2,000	1,300	712	588
Emergency Management Agency				
RI Statewide Communications Network	1,494	1,494	1,494	—

(Continued)



**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Environmental Management				
Blackstone Valley Park Improvements	800	1,114	20	1,094
Dam Repair	—	178	178	—
Fort Adams Rehabilitation	300	505	251	254
Recreational Facilities Improvement	2,600	2,600	2,396	204
Recreational Facility Asset Protection	500	500	500	—
Galilee Piers Upgrades	2,790	1,979	485	1,494
Marine Infrastructure and Pier Development	1,275	1,687	1,687	—
State Recreation Building Demolition	—	152	97	55
Newport Pier	—	73	73	—
Health Department				
Health Laboratories & Medical Examiner Equipment	400	400	399	1
Coastal Resources Management Council				
Rhode Island Coastal Storm Risk Study	500	500	500	—
Narragansett Bay SAMP	—	100	11	89
Green Hill Pond	30	30	28	2
Transportation				
Bike Path Facilities Maintenance	400	400	362	38
RIPTA Land and Buildings	390	390	34	356
RIPTA Warwick Bus Hub	120	120	—	120
RIPTA Pawtucket Bus Hub	—	979	265	714
RIPTA Providence Transit Connector	—	747	974	(227)
RIPTA College Hill Bus Terminal	800	—	—	—
Welcome Center	150	150	78	72
Highway Improvement Program	32,451	32,451	32,451	—
Maintenance Facilities Improvements	1,019	601	433	168
Salt Storage Facilities	1,900	1,550	1,463	87
Portsmouth Facility	—	—	—	—
Maintenance- Equipment Replacement	1,500	1,400	1,337	63
Train Station Maintenance and Repairs	350	100	22	78
Total Expenditures	\$ 175,806	\$ 186,838	\$ 154,301	\$ 32,537
Net change in fund balance			(34,714)	
Fund balance - beginning			\$ 96,882	
Fund balance - ending			<u>\$ 62,168</u>	

(Concluded)

\* Revenues are not legislatively adopted, budgeted revenues for these line items are assumed to equal actual amounts.

Certain items included in the budget and actual comparison schedule are presented as transfers to other funds on the Rhode Island Capital Plan financial statements.

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## 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.

**Human Resources** - accounts for costs of human resource services provided to State agencies.

**DCAMM Facilities** - accounts for costs of property management and maintenance services provided to State 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.

**Information Technology** - accounts for costs of information technology provided to State agencies.

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

**State Telecommunications** - provides telecommunication services for the State, 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.

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

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

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

**State Fleet Replacement Revolving Loan** - used to finance the acquisition of new vehicles by various State agencies, and functions as a revolving loan fund.

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

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ 2,191	\$ —	\$ 4,716	\$ 170	\$ —	\$ —	\$ 91	\$ 2,255
Receivables (net)	—	—	1,157	49	21	427	268	483
Due from other funds	—	1,512	—	2,223	10,935	4	26	—
Inventories	—	—	—	—	—	374	—	196
Other assets	—	—	1,001	—	—	—	—	—
Total current assets	2,191	1,512	6,874	2,442	10,956	805	385	2,934
Noncurrent assets:								
Capital assets (net)	—	25	—	—	684	1	—	67
Total noncurrent assets	—	25	—	—	684	1	—	67
Total assets	2,191	1,537	6,874	2,442	11,640	806	385	3,001
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	20	2,609	186	—	2,661	58	223	466
Due to other funds	194	—	342	—	—	—	—	20
Loans from other funds	—	486	—	2,500	6,142	90	—	2,000
Other liabilities	1,414	1,132	1,812	7	3,562	165	109	71
Total current liabilities	1,628	4,227	2,340	2,507	12,365	313	332	2,557
<b>Net Position (Deficit):</b>								
Net investment in capital assets	—	25	—	—	684	1	—	67
Unrestricted	563	(2,715)	4,534	(65)	(1,409)	492	53	377
Total net position (deficit)	\$ 563	\$ (2,690)	\$ 4,534	\$ (65)	\$ (725)	\$ 493	\$ 53	\$ 444

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ 226	\$ 1,378	\$ 656	\$ 59	\$ 16,707	\$ 6,036	\$ —	\$ 34,485
Receivables (net)	26	354	65	—	6,232	997	—	10,079
Due from other funds	420	2	91	—	38	58	—	15,309
Loans to other funds	2,236	—	—	—	—	—	—	2,236
Inventories	904	743	—	—	—	—	—	2,217
Other assets	—	—	—	—	6,811	—	—	7,812
<b>Total current assets</b>	<b>3,812</b>	<b>2,477</b>	<b>812</b>	<b>59</b>	<b>29,788</b>	<b>7,091</b>	<b>—</b>	<b>72,138</b>
Noncurrent assets:								
Capital assets (net)	2,067	204	—	—	—	—	—	3,048
<b>Total noncurrent assets</b>	<b>2,067</b>	<b>204</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,048</b>
<b>Total assets</b>	<b>5,879</b>	<b>2,681</b>	<b>812</b>	<b>59</b>	<b>29,788</b>	<b>7,091</b>	<b>—</b>	<b>75,186</b>
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	272	676	4	—	16,440	—	—	23,615
Due to other funds	—	—	—	—	—	—	—	556
Loans from other funds	—	1,050	850	—	—	—	17	13,135
Other liabilities	90	311	19	—	387	—	—	9,079
<b>Total current liabilities</b>	<b>362</b>	<b>2,037</b>	<b>873</b>	<b>—</b>	<b>16,827</b>	<b>—</b>	<b>17</b>	<b>46,385</b>
<b>Net Position (Deficit):</b>								
Net investment in capital assets	2,067	204	—	—	—	—	—	3,048
Unrestricted	3,450	440	(61)	59	12,961	7,091	(17)	25,753
<b>Total net position (deficit)</b>	<b>\$ 5,517</b>	<b>\$ 644</b>	<b>\$ (61)</b>	<b>\$ 59</b>	<b>\$ 12,961</b>	<b>\$ 7,091</b>	<b>\$ (17)</b>	<b>\$ 28,801</b>

(Concluded)

**State of Rhode Island**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Operating revenues:</b>								
Charges for services	\$ 12,824	\$ 38,598	\$ 38,176	\$ 26,993	\$ 39,703	\$ 6,190	\$ 3,531	\$ 12,070
Total operating revenues	12,824	38,598	38,176	26,993	39,703	6,190	3,531	12,070
<b>Operating expenses:</b>								
Personal services	10,681	11,835	1,190	146	25,670	1,104	933	697
Supplies, materials, and services	2,075	28,617	34,122	26,887	13,505	5,012	2,450	11,181
Depreciation	—	5	—	—	196	2	—	9
Total operating expenses	12,756	40,457	35,312	27,033	39,371	6,118	3,383	11,887
Operating income (loss)	68	(1,859)	2,864	(40)	332	72	148	183
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	—	—	24	—	—	—	—	—
Other nonoperating revenues (expenses)	—	—	21	—	—	—	—	1
Change in net position	68	(1,859)	2,909	(40)	332	72	148	184
Net position (deficit) - beginning	495	(831)	1,625	(25)	(1,057)	421	(95)	260
Net position (deficit) - ending	\$ 563	\$ (2,690)	\$ 4,534	\$ (65)	\$ (725)	\$ 493	\$ 53	\$ 444

(Continued)

**State of Rhode Island**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Operating revenues:</b>								
Charges for services	\$ 4,791	\$ 7,298	\$ 876	\$ —	\$ 236,952	\$ 3	\$ 946	\$ 428,951
Total operating revenues	4,791	7,298	876	—	236,952	3	946	428,951
<b>Operating expenses:</b>								
Personal services	824	1,739	282	—	1,038	—	867	57,006
Supplies, materials, and services	3,924	6,171	482	2	237,398	9	79	371,914
Depreciation	101	54	—	—	—	—	—	367
Total operating expenses	4,849	7,964	764	2	238,436	9	946	429,287
Operating income (loss)	(58)	(666)	112	(2)	(1,484)	(6)	—	(336)
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	—	—	—	—	168	57	—	249
Other nonoperating revenues (expenses)	—	—	—	—	—	—	—	22
Change in net position	(58)	(666)	112	(2)	(1,316)	51	—	(65)
Net position (deficit) - beginning	5,575	1,310	(173)	61	14,277	7,040	(17)	28,866
Net position (deficit) - ending	\$ 5,517	\$ 644	\$ (61)	\$ 59	\$ 12,961	\$ 7,091	\$ (17)	\$ 28,801

(Concluded)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Cash flows from operating activities:</b>								
Cash received from customers	\$ 15,308	\$ 37,725	\$ 38,251	\$ 25,849	\$ 31,708	\$ 6,121	\$ 3,254	\$ 11,982
Cash payments to suppliers for goods and services	(2,124)	(28,801)	(34,327)	(26,934)	(15,578)	(5,140)	(2,342)	(11,084)
Cash payments to employees	(10,572)	(11,824)	(1,236)	(144)	(25,257)	(1,099)	(917)	(694)
Other operating revenue (expense)	—	—	21	—	—	—	—	—
Net cash provided by (used for) operating activities	2,612	(2,900)	2,709	(1,229)	(9,127)	(118)	(5)	204
<b>Cash flows from noncapital financing activities:</b>								
Loans from other funds	—	487	—	—	6,142	90	—	1,000
Repayment of loans to other funds	—	—	—	—	—	—	—	—
Repayment of loans from other funds	(421)	—	(1,000)	(4,061)	—	—	—	—
Net cash provided by (used for) noncapital financing activities	(421)	487	(1,000)	(4,061)	6,142	90	—	1,000
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	—	—	—	—	(44)	—	—	(65)
Net cash provided by (used for) capital and related financing activities	—	—	—	—	(44)	—	—	(65)
<b>Cash flows from investing activities:</b>								
Interest on investments	—	—	24	—	—	—	—	1
Net cash provided by (used for) investing activities	—	—	24	—	—	—	—	1
Net increase (decrease) in cash and cash equivalents	2,191	(2,413)	1,733	(5,290)	(3,029)	(28)	(5)	1,140
Cash and cash equivalents - July 1	—	2,413	2,983	5,460	3,029	28	96	1,115
Cash and cash equivalents - June 30	\$ 2,191	\$ —	\$ 4,716	\$ 170	\$ —	\$ —	\$ 91	\$ 2,255

(Continued)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>								
Operating income (loss)	\$ 68	\$ (1,859)	\$ 2,864	\$ (40)	\$ 332	\$ 72	\$ 148	\$ 183
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>								
Depreciation	—	5	—	—	195	2	—	9
Other (revenue) expense and transfers (in) out	—	—	21	—	—	—	—	(1)
(Increase) decrease in assets:								
Receivables	2,291	(875)	78	(1,144)	(7,995)	(69)	(277)	(89)
Inventory	—	—	—	—	—	(114)	—	70
Prepaid items	—	—	—	—	—	—	—	—
Increase (decrease) in liabilities:								
Accounts payable	145	(183)	(208)	(46)	(2,073)	13	108	29
Accrued expenses	108	12	(46)	1	414	(22)	16	3
<b>Total adjustments</b>	<b>2,544</b>	<b>(1,041)</b>	<b>(155)</b>	<b>(1,189)</b>	<b>(9,459)</b>	<b>(190)</b>	<b>(153)</b>	<b>21</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 2,612</b>	<b>\$ (2,900)</b>	<b>\$ 2,709</b>	<b>\$ (1,229)</b>	<b>\$ (9,127)</b>	<b>\$ (118)</b>	<b>\$ (5)</b>	<b>\$ 204</b>

(Continued)



**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Cash flows from operating activities:</b>								
Cash received from customers	\$ 4,873	\$ 8,592	\$ 762	\$ —	\$ 233,805	\$ 3	\$ 946	\$ 419,179
Cash payments to suppliers for goods and services	(4,138)	(5,929)	(495)	(2)	(240,174)	—	(79)	(377,147)
Cash payments to employees	(811)	(1,761)	(313)	—	(1,031)	(9)	(867)	(56,535)
Other operating revenue (expense)	—	—	—	—	—	—	—	21
Net cash provided by (used for) operating activities	(76)	902	(46)	(2)	(7,400)	(6)	—	(14,482)
<b>Cash flows from noncapital financing activities:</b>								
Loans from other funds	—	—	550	—	—	—	—	8,269
Loans to other funds	(2,236)	—	—	—	—	—	—	(2,236)
Repayment of loans to other funds	—	—	—	—	—	1,089	—	1,089
Repayment of loans from other funds	—	(1,000)	—	—	—	—	—	(6,482)
Net cash provided by (used for) noncapital financing activities	(2,236)	(1,000)	550	—	—	1,089	—	640
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	—	(33)	—	—	—	—	—	(142)
Net cash provided by (used for) capital and related financing activities	—	(33)	—	—	—	—	—	(142)
<b>Cash flows from investing activities:</b>								
Interest on investments	—	—	—	—	168	57	—	250
Net cash provided by (used for) investing activities	—	—	—	—	168	57	—	250
Net increase (decrease) in cash and cash equivalents	(2,312)	(131)	504	(2)	(7,232)	1,140	—	(13,734)
Cash and cash equivalents - July 1	2,538	1,509	152	61	23,939	4,896	—	48,219
Cash and cash equivalents - June 30	\$ 226	\$ 1,378	\$ 656	\$ 59	\$ 16,707	\$ 6,036	\$ —	\$ 34,485

(Continued)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>								
Operating income (loss)	\$ (58)	\$ (666)	\$ 112	\$ (2)	\$ (1,484)	\$ (6)	\$ —	\$ (336)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>								
Depreciation	100	54	—	—	—	—	—	365
Other (revenue) expense and transfers (in) out	—	—	—	—	—	—	—	20
(Increase) decrease in assets:								
Receivables	83	1,292	(664)	—	(3,149)	—	—	(10,518)
Inventory	(206)	131	—	—	—	—	—	(119)
Prepaid items	—	—	—	—	—	—	—	—
Increase (decrease) in liabilities:								
Accounts payable	(8)	113	537	—	(2,774)	—	—	(4,347)
Accrued expenses	13	(22)	(31)	—	7	—	—	453
Total adjustments	(18)	1,568	(158)	—	(5,916)	—	—	(14,146)
Net cash provided by (used for) operating activities	\$ (76)	\$ 902	\$ (46)	\$ (2)	\$ (7,400)	\$ (6)	\$ —	\$ (14,482)

(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 on or after July 1, 1987.

**State Police Retirement Fund Trust** – a single-employer public employee retirement plan for State police hired prior to 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 certain 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.

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## Trust Funds

### Other Employee Benefit Trust Funds

**Legislators** – covers retired and former members of the General Assembly.

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

### Private Purpose Trust Funds

**Rhode Island Higher Education Savings Trust - (RIHEST)** administers the CollegeBound Savers fund which was established as part of the Rhode Island Tuition Savings Program, to enable residents of any state to save money on a tax-advantaged basis to pay qualified higher education expenses of their designated beneficiaries.

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

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Other Employee Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,566	\$ 5,757	\$ 13,323
Advance held by claims processing agent	—	200	200
Receivables			
Contributions	23,068	2,063	25,131
Due from State for teachers	32,239	—	32,239
Other	1,048	—	1,048
Miscellaneous	—	—	—
Total receivables	56,355	2,063	58,418
Prepaid expenses	3,365	—	3,365
Due from other plans	1,354	—	1,354
Investments, at fair value			
Equity in pooled trust	8,517,713	403,850	8,921,563
Other investments	1,176,735	—	1,176,735
Total investments	9,694,448	403,850	10,098,298
Total assets	9,763,088	411,870	10,174,958
<b>Liabilities</b>			
Accounts payable	6,790	439	7,229
Due to other plans	1,354	—	1,354
Incurred but not reported claims	—	1,032	1,032
Other	—	6,316	6,316
Total liabilities	8,144	7,787	15,931
<b>Net position restricted for pension and other postemployment benefits</b>	<b>\$ 9,754,944</b>	<b>\$ 404,083</b>	<b>\$ 10,159,027</b>

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Pension Trust	Other Employee Benefits Trust	Totals
<b>Additions</b>			
Contributions			
Member contributions	\$ 215,847	\$ 1,745	\$ 217,592
Employer contributions	468,873	63,686	532,559
New employer contributions	12,757	—	12,757
Supplemental employer contributions	360	—	360
State contributions for teachers	108,636	—	108,636
Interest on service credits purchased	192	—	192
Service credit transfer payments	874	—	874
Total contributions	807,539	65,431	872,970
Other income	29	2,180	2,209
Investment income			
Increase in fair value of investments	327,009	25,820	352,829
Interest	59,150	3,525	62,675
Dividends	66,376	—	66,376
Other investment income	142	—	142
	452,677	29,345	482,022
Less investment expense	88,082	178	88,260
Net investment income	364,595	29,167	393,762
Total additions	1,172,163	96,778	1,268,941
<b>Deductions</b>			
Retirement benefits	965,420	—	965,420
Death benefits	3,514	—	3,514
Distributions	23,897	—	23,897
Refund of contributions	6,711	—	6,711
Administrative expense	9,908	260	10,168
Service credit transfers	874	—	874
OPEB benefits	—	30,679	30,679
Total deductions	1,010,324	30,939	1,041,263
Net Increase	161,839	65,839	227,678
<b>Net position restricted for pension and other postemployment benefits</b>			
Net position - beginning	9,593,105	338,244	9,931,349
Net position - ending	\$ 9,754,944	\$ 404,083	\$ 10,159,027

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>State Police Retirement Fund 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	\$ 4,542	\$ 862	\$ 969	\$ 22	\$ 142	\$ 430	\$ 599	\$ —	\$ —	7,566
Receivables										
Contributions	20,467	2,599	—	—	1	—	1	—	—	23,068
Due from State for teachers	32,239	—	—	—	—	—	—	—	—	32,239
Other	834	171	—	—	—	33	10	—	—	1,048
Total receivables	53,540	2,770	—	—	1	33	11	—	—	56,355
Prepaid expenses	2,650	536	38	7	19	—	115	—	—	3,365
Due from other plans	240	1,114	—	—	—	—	—	—	—	1,354
Investments, at fair value										
Equity in Pooled Trust	6,265,011	1,660,004	153,010	17,242	80,046	650	341,750	—	—	8,517,713
Other-Defined Contribution Plan	—	—	—	—	—	—	—	1,173,294	3,441	1,176,735
Total investments	6,265,011	1,660,004	153,010	17,242	80,046	650	341,750	1,173,294	3,441	9,694,448
Total assets	6,325,983	1,665,286	154,017	17,271	80,208	1,113	342,475	1,173,294	3,441	9,763,088
<b>Liabilities</b>										
Accounts payable	5,321	1,080	108	15	50	—	216	—	—	6,790
Due to other plans	1,114	240	—	—	—	—	—	—	—	1,354
Total liabilities	6,435	1,320	108	15	50	—	216	—	—	8,144
<b>Net position restricted for pension benefits</b>	<b>\$ 6,319,548</b>	<b>\$ 1,663,966</b>	<b>\$ 153,909</b>	<b>\$ 17,256</b>	<b>\$ 80,158</b>	<b>\$ 1,113</b>	<b>\$ 342,259</b>	<b>\$ 1,173,294</b>	<b>\$ 3,441</b>	<b>\$ 9,754,944</b>

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>State Police Retirement Fund 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	\$ 90,886	\$ 18,732	\$ 2,346	\$ —	\$ 1,204	\$ 126	\$ 746	\$ 101,386	\$ 421	\$ 215,847
Employer contributions	357,767	56,477	4,878	16,387	2,189	399	746	30,030	—	468,873
New employer contributions	—	12,757	—	—	—	—	—	—	—	12,757
Supplemental employer contributions	360	—	—	—	—	—	—	—	—	360
State contributions for teachers	108,636	—	—	—	—	—	—	—	—	108,636
Interest on service credits purchased	168	3	21	—	—	—	—	—	—	192
Service credit transfers (net)	—	874	—	—	—	—	—	—	—	874
Total contributions	557,817	88,843	7,245	16,387	3,393	525	1,492	131,416	421	807,539
Investment income										
Increase in fair value of investments	209,482	53,783	5,029	786	2,632	20	11,302	43,975	—	327,009
Interest	43,632	11,397	1,041	162	546	4	2,368	—	—	59,150
Dividends	47,786	12,499	1,146	179	601	5	2,595	1,565	—	66,376
Other investment income	—	—	—	—	—	—	—	—	142	142
	300,900	77,679	7,216	1,127	3,779	29	16,265	45,540	142	452,677
Less investment expense	64,955	16,931	1,573	258	824	6	3,535	—	—	88,082
Net investment income	235,945	60,748	5,643	869	2,955	23	12,730	45,540	142	364,595
Miscellaneous revenue	13	1	4	—	—	—	—	11	—	29
Total additions	793,775	149,592	12,892	17,256	6,348	548	14,222	176,967	563	1,172,163
<b>Deductions</b>										
Retirement benefits	821,227	106,878	6,174	16,581	3,724	399	10,437	—	—	965,420
Death benefits	2,629	885	—	—	—	—	—	—	—	3,514
Distributions	—	—	—	—	—	—	—	23,675	222	23,897
Refund of contributions	4,736	1,327	55	—	—	—	593	—	—	6,711
Administrative expense	6,602	1,676	159	17	79	2	350	964	59	9,908
Service credit transfers (net)	874	—	—	—	—	—	—	—	—	874
Total deductions	836,068	110,766	6,388	16,598	3,803	401	11,380	24,639	281	1,010,324
Net increase	(42,293)	38,826	6,504	658	2,545	147	2,842	152,328	282	161,839
<b>Net position restricted for pension benefits</b>										
Net position - beginning	6,361,841	1,625,140	147,405	16,598	77,613	966	339,417	1,020,966	3,159	9,593,105
Net position - ending	\$ 6,319,548	\$ 1,663,966	\$ 153,909	\$ 17,256	\$ 80,158	\$ 1,113	\$ 342,259	\$ 1,173,294	\$ 3,441	\$ 9,754,944



**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>State Employees</b>	<b>Teachers</b>	<b>Judges</b>	<b>State Police</b>	<b>Legislators</b>	<b>Board of Education</b>	<b>Totals</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 3,393	\$ 400	\$ 564	\$ 822	\$ 81	\$ 497	\$ 5,757
Advance held by claims processing agent	200	—	—	—	—	—	200
Receivables							
Due from other funds	—	—	—	—	—	—	—
Contributions Receivable	1,585	40	13	235	22	168	2,063
Investments at fair value - equity in pooled trust	268,924	14,091	4,250	65,638	3,448	47,499	403,850
<b>Total assets</b>	<b>274,102</b>	<b>14,531</b>	<b>4,827</b>	<b>66,695</b>	<b>3,551</b>	<b>48,164</b>	<b>411,870</b>
<b>Liabilities</b>							
Accounts payable	316	17	4	72	6	24	439
Incurred but not reported claims	740	66	5	138	8	75	1,032
Due to other funds	343	17	5	75	19	59	518
Other	5,798	—	—	—	—	—	5,798
<b>Total liabilities</b>	<b>7,197</b>	<b>100</b>	<b>14</b>	<b>285</b>	<b>33</b>	<b>158</b>	<b>7,787</b>
<b>Net position restricted for other postemployment benefits</b>	<b>\$ 266,905</b>	<b>\$ 14,431</b>	<b>\$ 4,813</b>	<b>\$ 66,410</b>	<b>\$ 3,518</b>	<b>\$ 48,006</b>	<b>\$ 404,083</b>

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education	Totals
<b>Additions</b>							
Contributions							
Member contributions	\$ —	\$ —	\$ —	\$ —	\$ —	1,745	\$ 1,745
Employer contributions	50,408	—	—	7,797	—	5,481	63,686
Total contributions	50,408	—	—	7,797	—	7,226	65,431
Other income	1,515	150	57	334	75	49	2,180
Investment income							
Increase in fair value of investments	17,083	954	288	4,227	233	3,035	25,820
Interest and dividends	2,332	135	41	577	31	409	3,525
	19,415	1,089	329	4,804	264	3,444	29,345
Less investment expense	117	7	2	29	2	21	178
Net investment income	19,298	1,082	327	4,775	262	3,423	29,167
Total additions	71,221	1,232	384	12,906	337	10,698	96,778
<b>Deductions</b>							
Benefits	24,668	627	18	3,009	85	2,272	30,679
Administrative expense	170	24	2	35	2	27	260
Total deductions	24,838	651	20	3,044	87	2,299	30,939
Net increase	46,383	581	364	9,862	250	8,399	65,839
<b>Net position restricted for other postemployment benefits</b>							
Net position - beginning	220,522	13,850	4,449	56,548	3,268	39,607	338,244
Net position - ending	\$ 266,905	\$ 14,431	\$ 4,813	\$ 66,410	\$ 3,518	\$ 48,006	\$ 404,083

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Tuition Savings Program</b>	<b>Touro Jewish Synagogue</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,609	\$ —	\$ 6,609
Receivables			
Program investments sold	73,161	—	73,161
Investments, at fair value	5,179,250	3,192	5,182,442
Total assets	5,259,020	3,192	5,262,212
<b>Liabilities</b>			
Accounts payable	94,160	—	94,160
Total liabilities	94,160	—	94,160
<b>Net position</b>			
Restricted for:			
Tuition Savings Program	5,164,860	—	5,164,860
Other	—	3,192	3,192
Total net position	\$ 5,164,860	\$ 3,192	\$ 5,168,052

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Tuition Savings Program</b>	<b>Touro Jewish Synagogue</b>	<b>Totals</b>
<b>Additions</b>			
Program participant subscriptions	\$ 260,353	\$ —	\$ 260,353
Investment income			
Increase (Decrease) in fair value of investments	(95,658)	260	(95,398)
Dividends and interest	171,101	56	171,157
Total additions	<u>335,796</u>	<u>316</u>	<u>336,112</u>
<b>Deductions</b>			
Program participant redemptions	829,622	—	829,622
Administrative expense	21,771	130	21,901
Total deductions	<u>851,393</u>	<u>130</u>	<u>851,523</u>
<b>Change in net position restricted for:</b>			
Tuition Savings Program	(515,597)	—	(515,597)
Other	—	186	186
Net position - beginning	5,680,457	3,006	5,683,463
Net position - ending	<u>\$ 5,164,860</u>	<u>\$ 3,192</u>	<u>\$ 5,168,052</u>

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## 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**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>HealthSource RI Trust</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,694	\$ 109,462	\$ 109,134	\$ 3,022
Receivables	2	—	2	—
<b>Total assets</b>	<b>\$ 2,696</b>	<b>\$ 109,462</b>	<b>\$ 109,136</b>	<b>\$ 3,022</b>
<b>Liabilities</b>				
Deposits held for others	\$ 2,695	\$ 120,509	\$ 120,193	\$ 3,011
Accounts payable	1	712	702	11
<b>Total liabilities</b>	<b>\$ 2,696</b>	<b>\$ 121,221</b>	<b>\$ 120,895</b>	<b>\$ 3,022</b>
<b>RIPTA Health Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,510	\$ 62,296	\$ 59,945	\$ 5,861
Receivables	4,149	1,236	5,090	295
<b>Total assets</b>	<b>\$ 7,659</b>	<b>\$ 63,532</b>	<b>\$ 65,035</b>	<b>\$ 6,156</b>
<b>Liabilities</b>				
Deposits held for others	\$ 186	\$ 931	\$ 1,117	\$ —
Accounts payable	7,473	17,231	18,548	6,156
<b>Total liabilities</b>	<b>\$ 7,659</b>	<b>\$ 18,162</b>	<b>\$ 19,665</b>	<b>\$ 6,156</b>
<b>Statutory Deposits</b>				
<b>Assets</b>				
Deposits held as security for entities doing business in the State	\$ 53,944	\$ 11,758	\$ 5,874	\$ 59,828
<b>Total assets</b>	<b>\$ 53,944</b>	<b>\$ 11,758</b>	<b>\$ 5,874</b>	<b>\$ 59,828</b>
<b>Liabilities</b>				
Deposits held for others	\$ 53,944	\$ 11,758	\$ 5,874	\$ 59,828
<b>Total liabilities</b>	<b>\$ 53,944</b>	<b>\$ 11,758</b>	<b>\$ 5,874</b>	<b>\$ 59,828</b>
<b>Court Deposits</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 10,538	\$ 7,613	\$ 7,932	\$ 10,219
Receivables	68	823	841	50
<b>Total assets</b>	<b>\$ 10,606</b>	<b>\$ 8,436</b>	<b>\$ 8,773</b>	<b>\$ 10,269</b>
<b>Liabilities</b>				
Deposits held for others	\$ 10,590	\$ 2,263	\$ 2,591	\$ 10,262
Accounts payable	16	4,024	4,033	7
<b>Total liabilities</b>	<b>\$ 10,606</b>	<b>\$ 6,287</b>	<b>\$ 6,624</b>	<b>\$ 10,269</b>
<b>Total - All Agencies</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 16,742	\$ 179,371	\$ 177,011	\$ 19,102
Deposits held as security for entities doing business in the State	53,944	11,758	5,874	59,828
Receivables	4,219	2,059	5,933	345
<b>Total assets</b>	<b>\$ 74,905</b>	<b>\$ 193,188</b>	<b>\$ 188,818</b>	<b>\$ 79,275</b>
<b>Liabilities</b>				
Deposits held for others	\$ 67,415	\$ 135,461	\$ 129,775	\$ 73,101
Accounts payable	7,490	21,967	23,283	6,174
<b>Total liabilities</b>	<b>\$ 74,905</b>	<b>\$ 157,428</b>	<b>\$ 153,058</b>	<b>\$ 79,275</b>

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>CFSD</b>	<b>The Met</b>	<b>DHEA</b>	<b>RIHMFC</b>	<b>RIIFC</b>	<b>RIIRBA</b>
<b>Assets and deferred outflows of resources</b>						
Current Assets:						
Cash and cash equivalents	\$ 2,765	\$ 13,273	\$ —	\$ 4,974	\$ 165	\$ 1,383
Investments	—	—	407	—	—	—
Receivables (net)	163	1,361	—	1,857	24	12
Restricted assets:						
Cash and cash equivalents	908	316	13,112	315,147	—	—
Investments	—	—	—	122,096	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	—	—	—	36,552	—	—
Due from primary government	705	812	2,456	—	—	—
Due from other governments	3,100	—	—	663	—	—
Due from other component units	—	—	—	—	123	—
Inventories	—	—	—	—	—	—
Other assets	16	110	3	4,738	3	5
Total current assets	<u>7,657</u>	<u>15,872</u>	<u>15,978</u>	<u>486,027</u>	<u>315</u>	<u>1,400</u>
Noncurrent Assets:						
Investments	—	—	—	—	—	—
Receivables (net)	—	—	—	8,967	—	—
Restricted assets:						
Cash and cash equivalents	—	—	—	—	—	—
Investments	—	—	—	373,264	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	4,559	—	—	1,382,684	—	—
Capital assets - nondepreciable	—	—	194	—	—	—
Capital assets - depreciable (net)	1,651	197	34	—	—	—
Due from other component units	—	—	—	—	—	—
Other assets, net of amortization	—	—	—	189,569	—	—
Total noncurrent assets	<u>6,210</u>	<u>197</u>	<u>228</u>	<u>1,954,484</u>	<u>—</u>	<u>—</u>
Total assets	<u>13,867</u>	<u>16,069</u>	<u>16,206</u>	<u>2,440,511</u>	<u>315</u>	<u>1,400</u>
<b>Deferred outflows of resources</b>	<u>9,976</u>	<u>—</u>	<u>318</u>	<u>2,424</u>	<u>—</u>	<u>—</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMF	RIIFC	RIIRBA
<b>Liabilities and deferred inflows of resources</b>						
Current liabilities:						
Accounts payable	4,150	2,072	—	6,405	7	—
Notes Payable	—	—	—	80,441	—	—
Due to primary government	—	—	—	—	—	—
Due to other component units	—	—	—	—	70	156
Unearned revenue	122	—	—	—	3	—
Other liabilities	81	—	—	262,101	—	453
Compensated absences	54	—	9	—	—	—
Current portion of long-term debt	35	—	—	45,805	—	—
Total current liabilities	4,442	2,072	9	394,752	80	609
Noncurrent liabilities:						
Unearned revenue	—	—	—	—	20	—
Notes payable	—	—	—	182,489	—	—
Loans payable	—	—	—	—	—	—
Obligations under capital leases	176	—	—	—	—	—
Net pension liability	35,829	—	385	—	—	—
Net OPEB liability	10,754	—	71	7,763	—	—
Other liabilities	—	—	—	232,164	—	2,477
Compensated absences	922	—	21	1,737	—	—
Bonds payable	—	—	—	1,253,944	—	—
Total noncurrent liabilities	47,681	—	477	1,678,097	20	2,477
Total liabilities	52,123	2,072	486	2,072,849	100	3,086
<b>Deferred inflows of resources</b>	5,781	—	1,932	1,531	—	—
<b>Net position (deficit)</b>						
Net investment in capital assets	1,440	197	228	9,204	—	—
Restricted for:						
Debt	—	—	—	270,990	—	—
Other	1,730	1,713	13,878	2,112	—	—
Other nonexpendable	—	—	—	—	—	—
Unrestricted	(37,231)	12,087	—	86,249	215	(1,686)
Net position (deficit)	\$ (34,061)	\$ 13,997	\$ 14,106	\$ 368,555	\$ 215	\$ (1,686)

(Continued)



**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>RIRRC</b>	<b>QDC</b>	<b>RIIB</b>	<b>RIHEBC</b>	<b>Totals</b>
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 63,265	\$ 184	\$ 4,331	\$ 7,886	\$ 98,226
Investments	—	—	—	—	407
Receivables (net)	5,723	3,180	12,835	644	25,799
Restricted assets:					
Cash and cash equivalents	—	6,439	285,465	14,607	635,994
Investments	—	—	60,019	—	182,115
Receivables (net)	—	—	92,116	—	92,116
Other assets	—	—	216	—	36,768
Due from primary government	—	6,382	—	4,213	14,568
Due from other governments	—	—	—	—	3,763
Due from other component units	—	235	—	—	358
Inventories	2,298	—	—	—	2,298
Other assets	639	231	—	68	5,813
Total current assets	<u>71,925</u>	<u>16,651</u>	<u>454,982</u>	<u>27,418</u>	<u>1,098,225</u>
Noncurrent Assets:					
Investments	—	—	—	—	—
Receivables (net)	—	60	83,483	1,735	94,245
Restricted assets:					
Cash and cash equivalents	2,604	12,803	—	—	15,407
Investments	121,175	—	—	—	494,439
Receivables (net)	—	—	1,121,815	—	1,121,815
Other assets	—	1,284	—	—	1,388,527
Capital assets - nondepreciable	11,310	138,230	—	—	149,734
Capital assets - depreciable (net)	70,344	129,014	176	25	201,441
Due from other component units	—	1,237	—	—	1,237
Other assets, net of amortization	3,440	—	—	—	193,009
Total noncurrent assets	<u>208,873</u>	<u>282,628</u>	<u>1,205,474</u>	<u>1,760</u>	<u>3,659,854</u>
Total assets	<u>280,798</u>	<u>299,279</u>	<u>1,660,456</u>	<u>29,178</u>	<u>4,758,079</u>
<b>Deferred outflows of resources</b>	<u>78</u>	<u>464</u>	<u>5,975</u>	<u>—</u>	<u>19,235</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

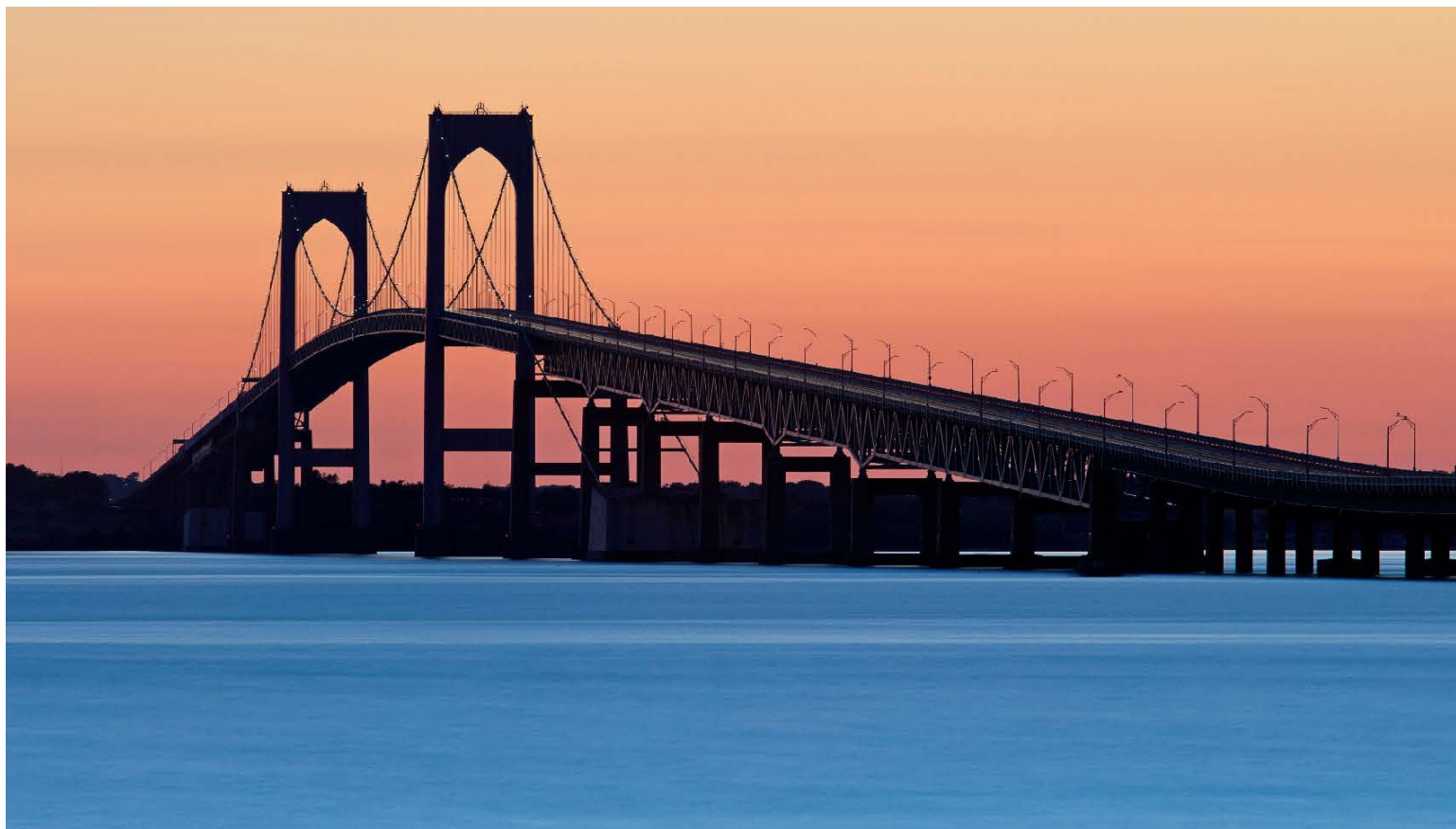
	RIRRC	QDC	RIIB	RIHEBC	Totals
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	5,544	11,409	413	6,438	36,438
Notes Payable	250	—	—	—	80,691
Due to primary government	—	—	—	223	223
Due to other component units	—	—	—	—	226
Unearned revenue	—	5,737	—	—	5,862
Other liabilities	847	—	119,461	73	383,016
Compensated absences	525	—	—	—	588
Current portion of long-term debt	4,274	1,934	69,598	—	121,646
Total current liabilities	<u>11,440</u>	<u>19,080</u>	<u>189,472</u>	<u>6,734</u>	<u>628,690</u>
Noncurrent liabilities:					
Unearned revenue	—	167	—	—	187
Notes payable	1,893	—	—	—	184,382
Loans payable	—	11,315	—	—	11,315
Obligations under capital leases	—	—	—	—	176
Net pension liability	—	—	—	—	36,214
Net OPEB liability	657	—	—	—	19,245
Other liabilities	114,881	—	1,064	—	350,586
Compensated absences	—	—	—	—	2,680
Bonds payable	8,911	15,700	723,845	—	2,002,400
Total noncurrent liabilities	<u>126,342</u>	<u>27,182</u>	<u>724,909</u>	<u>—</u>	<u>2,607,185</u>
Total liabilities	<u>137,782</u>	<u>46,262</u>	<u>914,381</u>	<u>6,734</u>	<u>3,235,875</u>
<b>Deferred inflows of resources</b>	<u>145</u>	<u>624</u>	<u>2,342</u>	<u>—</u>	<u>12,355</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	73,719	251,099	176	25	336,088
Restricted for:					
Debt	2,604	—	—	—	273,594
Other	5,447	313	723,082	13,937	762,212
Other nonexpendable	—	—	—	—	—
Unrestricted	61,179	1,445	26,450	8,482	157,190
Net position (deficit)	<u>\$ 142,949</u>	<u>\$ 252,857</u>	<u>\$ 749,708</u>	<u>\$ 22,444</u>	<u>\$1,529,084</u>

(Concluded)

**State of Rhode Island**  
**Combining Statement of Activities**  
**Nonmajor Component Units**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA	RIRRC	QDC	RIIB	RIHEBC	Totals
<b>Expenses</b>	\$ 53,320	\$ 16,564	\$ 11,096	\$ 118,148	\$ 92	\$ 109	\$ 56,036	\$ 16,090	\$ 54,314	\$ 36,172	\$ 361,941
<b>Program revenues:</b>											
Charges for services	620	4,854	51	98,363	38	69	67,903	17,210	6,052	2,429	197,589
Operating grants and contributions	50,322	11,173	5,724	18,486	—	—	—	—	1,372	26,984	114,061
Capital grants and contributions	404	—	—	—	—	—	—	32,039	54,237	—	86,680
Total program revenues	51,346	16,027	5,775	116,849	38	69	67,903	49,249	61,661	29,413	398,330
Net (Expenses) Revenues	(1,974)	(537)	(5,321)	(1,299)	(54)	(40)	11,867	33,159	7,347	(6,759)	36,389
<b>General revenues:</b>											
Interest and investment earnings	—	166	284	35,824	—	11	6,698	8	30,234	308	73,533
Miscellaneous revenues	877	20	—	—	—	—	874	—	—	261	2,032
Total general revenues	877	186	284	35,824	—	11	7,572	8	30,234	569	75,565
Change in net position	(1,097)	(351)	(5,037)	34,525	(54)	(29)	19,439	33,167	37,581	(6,190)	111,954
<b>Net position (deficit) - beginning</b>	(32,964)	14,348	19,143	334,030	269	(1,657)	123,510	219,690	712,127	28,634	1,417,130
<b>Net Position</b>	\$ (34,061)	\$ 13,997	\$ 14,106	\$ 368,555	\$ 215	\$ (1,686)	\$ 142,949	\$ 252,857	\$ 749,708	\$ 22,444	\$ 1,529,084

# Statistical Section



*State of Rhode Island*  
**Comprehensive Annual Financial Report**  
*Fiscal year ended June 30, 2020*

**2020**

## 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>278</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>284</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>290</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>292</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>295</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**  
**Schedule of Net Position by Components**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 3,845,461	\$ 3,554,559	\$ 3,356,040	\$ 3,212,380	\$ 3,063,627	\$ 2,934,439	\$ 2,706,209	\$ 2,486,783	\$ 2,302,368	\$ 2,115,001
Restricted *	979,507	850,784	584,682	920,232	741,971	841,777	799,274	775,758	696,743	553,421
Unrestricted *	(5,434,782)	(5,124,876)	(4,702,373)	(4,581,514)	(4,342,299)	(4,380,849)	(4,454,382)	(1,436,799)	(1,458,163)	(1,529,992)
Total governmental activities net position	<u>\$ (609,814)</u>	<u>\$ (719,533)</u>	<u>\$ (761,651)</u>	<u>\$ (448,902)</u>	<u>\$ (536,701)</u>	<u>\$ (604,633)</u>	<u>\$ (948,899)</u>	<u>\$ 1,825,742</u>	<u>\$ 1,540,948</u>	<u>\$ 1,138,430</u>
Business-type activities										
Net investment in capital assets	\$ (31,295)	\$ (42,225)	\$ (50,807)	\$ (53,682)	\$ (57,493)	\$ (61,956)	\$ (62,060)	\$ (67,394)	\$ (64,492)	\$ (63,156)
Restricted	366,561	561,601	471,070	384,198	283,901	155,682	33,795	8,340	9,308	11,036
Unrestricted	(29,080)	(27,981)	(26,437)	(19,684)	(19,970)	(21,312)	(19,991)	(86,571)	(157,396)	(159,388)
Total business-type activities net position	<u>\$ 306,186</u>	<u>\$ 491,395</u>	<u>\$ 393,826</u>	<u>\$ 310,832</u>	<u>\$ 206,438</u>	<u>\$ 72,414</u>	<u>\$ (48,256)</u>	<u>\$ (145,625)</u>	<u>\$ (212,580)</u>	<u>\$ (211,508)</u>
Primary government										
Net investment in capital assets	\$ 3,814,166	\$ 3,512,334	\$ 3,305,233	\$ 3,158,698	\$ 3,006,134	\$ 2,872,483	\$ 2,644,149	\$ 2,419,389	\$ 2,237,876	\$ 2,051,845
Restricted *	1,346,068	1,412,385	1,055,752	1,304,430	1,025,872	997,459	833,069	784,098	706,051	473,787
Unrestricted *	(5,463,862)	(5,152,857)	(4,728,810)	(4,601,198)	(4,362,269)	(4,402,161)	(4,474,373)	(1,523,370)	(1,615,559)	(1,598,710)
Total primary government net position	<u>\$ (303,628)</u>	<u>\$ (228,138)</u>	<u>\$ (367,825)</u>	<u>\$ (138,070)</u>	<u>\$ (330,263)</u>	<u>\$ (532,219)</u>	<u>\$ (997,155)</u>	<u>\$ 1,680,117</u>	<u>\$ 1,328,368</u>	<u>\$ 926,922</u>

\* Reclassifications from fiscal years 2011 through 2015 were made to conform with current presentation.

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Expenses</b>										
Governmental activities:										
General government	\$ 914,244	\$ 843,756	\$ 751,362	\$ 753,011	\$ 769,469	\$ 695,611	\$ 736,911	\$ 625,081	\$ 653,003	\$ 644,194
Health and human services	4,361,236	4,063,865	3,965,185	3,802,311	3,652,875	3,631,236	3,302,590	3,038,841	2,970,269	3,013,081
Education	1,802,009	1,803,273	1,708,408	1,619,343	1,595,289	1,472,786	1,399,347	1,364,575	1,334,355	1,332,453
Public safety	586,841	580,367	433,815	551,000	545,329	478,854	478,826	473,580	468,098	436,940
Natural resources	103,506	103,477	97,253	90,082	87,537	83,979	80,690	76,730	85,039	80,360
Transportation	365,022	426,522	403,365	350,585	343,270	283,085	298,626	300,639	268,523	300,366
Interest and other charges	102,687	99,971	92,231	109,664	83,899	121,845	129,421	129,714	145,964	148,850
Total governmental activities	8,235,545	7,921,231	7,451,619	7,275,996	7,077,668	6,767,396	6,426,411	6,009,160	5,925,251	5,956,244
Business-type activities:										
Lottery	600,854	680,356	521,594	510,302	507,199	484,293	462,153	397,625	399,421	368,870
Convention Center	46,544	51,698	52,684	50,658	48,905	48,628	49,255	48,437	49,439	32,986
Employment Security	1,424,693	148,430	149,227	155,672	157,018	167,527	257,145	396,909	559,440	645,979
Total business-type activities	2,072,091	880,484	723,505	716,632	713,122	700,448	768,553	842,971	1,008,300	1,047,835
Total primary government expenses	\$ 10,307,636	\$ 8,801,715	\$ 8,175,124	\$ 7,992,628	\$ 7,790,790	\$ 7,467,844	\$ 7,194,964	\$ 6,852,131	\$ 6,933,551	\$ 7,004,079
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 261,568	\$ 273,477	\$ 240,236	\$ 224,704	\$ 229,659	\$ 209,005	\$ 212,275	\$ 220,376	\$ 212,750	\$ 185,918
Health and human services	394,744	294,852	274,115	252,678	266,091	246,604	229,047	227,158	204,287	210,905
Education	34,724	45,262	34,357	32,250	29,749	29,775	27,617	26,840	26,044	22,022
Public safety	33,909	35,122	38,239	22,070	45,245	39,709	44,192	47,075	37,339	34,389
Natural resources	30,840	30,579	28,429	28,980	28,655	29,258	27,259	28,975	26,060	29,046
Transportation	41,701	34,663	25,929	23,857	25,354	22,806	7,199	1,076	1,660	372
Operating grants and contributions	3,159,368	2,817,912	2,784,544	2,747,631	2,677,431	2,666,243	2,403,772	2,211,800	2,194,892	2,387,540
Capital grants and contributions	288,421	295,979	207,673	230,956	178,628	217,604	228,649	190,551	210,720	162,032
Total governmental activities program revenues	4,245,275	3,827,846	3,633,522	3,563,126	3,480,812	3,461,004	3,180,010	2,953,851	2,913,752	3,032,224
Business-type activities:										
Charges for services	1,113,028	1,332,911	1,142,564	1,151,505	1,177,083	1,163,752	1,127,206	1,055,070	1,056,285	985,556
Operating grants and contributions	1,010,408	1,278	1,259	1,373	1,558	839	53,146	166,164	278,671	358,932
Total business-type activities program revenues	2,123,436	1,334,189	1,143,823	1,152,878	1,178,641	1,164,591	1,180,352	1,221,234	1,334,956	1,344,488
Total primary government program revenues	\$ 6,368,711	\$ 5,162,035	\$ 4,777,345	\$ 4,716,004	\$ 4,659,453	\$ 4,625,595	\$ 4,360,362	\$ 4,175,085	\$ 4,248,708	\$ 4,376,712

(Continued)

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Net (Expenses)/Revenues</b>										
Governmental activities	\$ (3,990,270)	\$ (4,093,385)	\$ (3,818,097)	\$ (3,712,870)	\$ (3,596,856)	\$ (3,306,392)	\$ (3,246,401)	\$ (3,055,309)	\$ (3,011,499)	\$ (2,924,020)
Business-type activities	51,345	453,705	420,318	436,246	465,519	464,143	411,799	378,263	326,656	296,653
Total primary government net expenses	<u>\$ (3,938,925)</u>	<u>\$ (3,639,680)</u>	<u>\$ (3,397,779)</u>	<u>\$ (3,276,624)</u>	<u>\$ (3,131,337)</u>	<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>
<b>General Revenue and Other Changes in Net Position</b>										
Governmental activities:										
Taxes	\$ 3,693,329	\$ 3,609,427	\$ 3,474,545	\$ 3,308,575	\$ 3,266,347	\$ 3,206,935	\$ 2,980,387	\$ 2,870,969	\$ 2,824,368	\$ 2,665,169
Interest and investment earnings	12,884	19,028	10,548	6,313	3,134	3,212	4,852	4,893	4,304	5,561
Miscellaneous	142,310	101,495	124,370	146,205	90,836	107,382	108,398	143,240	118,506	102,478
Gain on sale of capital assets	—	—	—	598	4,693	993	953	3,757	—	—
Special items	—	—	—	—	—	(5,000)	—	—	—	—
Transfers	251,466	368,236	343,273	338,978	335,765	345,190	332,824	333,804	344,386	331,186
Total governmental activities	<u>4,099,989</u>	<u>4,098,186</u>	<u>3,952,736</u>	<u>3,800,669</u>	<u>3,700,775</u>	<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>
Business-type activities:										
Interest and investment earnings	764	639	604	312	164	186	109	117	94	79
Miscellaneous	14,148	11,461	8,946	6,814	4,106	1,531	31,208	24,490	16,564	(5,454)
Transfers	(251,466)	(368,236)	(343,273)	(338,978)	(335,765)	(345,190)	(332,824)	(333,804)	(344,386)	(331,186)
Total business-type activities	<u>(236,554)</u>	<u>(356,136)</u>	<u>(333,723)</u>	<u>(331,852)</u>	<u>(331,495)</u>	<u>(343,473)</u>	<u>(301,507)</u>	<u>(309,197)</u>	<u>(327,728)</u>	<u>(336,561)</u>
Total primary government	<u>3,863,435</u>	<u>3,742,050</u>	<u>3,619,013</u>	<u>3,468,817</u>	<u>3,369,280</u>	<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>
<b>Changes in Net Position</b>										
Governmental activities	109,719	4,801	134,639	87,799	103,919	352,320	181,013	301,354	280,065	180,374
Business-type activities	(185,209)	97,569	86,595	104,394	134,024	120,670	110,292	69,066	(1,072)	(39,908)
Total primary government	<u>\$ (75,490)</u>	<u>\$ 102,370</u>	<u>\$ 221,234</u>	<u>\$ 192,193</u>	<u>\$ 237,943</u>	<u>\$ 472,990</u>	<u>\$ 291,305</u>	<u>\$ 370,420</u>	<u>\$ 278,993</u>	<u>\$ 140,466</u>

(Concluded)



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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 7,918	\$ 1,558	\$ 1,626	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 53,353
* Restricted	141,229	119,677	97,185	117,668	133,193	134,231	120,898	110,178	78,940	67,592
Unrestricted										
Committed	6,791	5,206	3,210	2,556	3,975	2,561	4,770	4,035	22,793	5,956
Assigned	6,851	37,255	42,385	67,931	128,422	130,964	72,005	105,639	97,639	8,425
* Unassigned	238,981	207,337	218,136	201,818	235,096	234,131	197,706	181,282	173,782	135,574
Total General Fund (as restated)	<u>\$ 401,770</u>	<u>\$ 371,033</u>	<u>\$ 362,542</u>	<u>\$ 389,973</u>	<u>\$ 500,686</u>	<u>\$ 501,887</u>	<u>\$ 395,379</u>	<u>\$ 401,134</u>	<u>\$ 373,154</u>	<u>\$ 270,900</u>
All Other Governmental Funds										
Nonspendable	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174
** Restricted	843,088	794,052	862,804	916,016	614,687	660,845	615,667	660,198	619,799	528,251
Unrestricted										
** Committed	51,116	87,111	76,782	63,673	39,175	10,727	4,118	163	1,742	1,448
** Assigned	—	—	—	—	—	—	—	255	318	284
Unassigned	(588)	(694)	(1,130)	(1,518)	(1,519)	(1,486)	(4,028)	(4,113)	(4,717)	(5,043)
Total All Other Governmental Funds	<u>\$ 893,790</u>	<u>\$ 880,643</u>	<u>\$ 938,630</u>	<u>\$ 978,345</u>	<u>\$ 652,517</u>	<u>\$ 670,260</u>	<u>\$ 615,931</u>	<u>\$ 656,677</u>	<u>\$ 617,316</u>	<u>\$ 525,114</u>

\* In fiscal 2016 it was determined that the State Budget Reserve and Cash Stabilization Account should be Unassigned rather than Restricted. Prior year balances have been restated to agree to this format.

\*\* The 2015 balances were adjusted to agree to the 2016 presentation. There was no effect on years prior to 2015.

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues:</b>										
Taxes	\$ 3,686,449	\$ 3,603,497	\$ 3,472,042	\$ 3,310,524	\$ 3,266,616	\$ 3,210,123	\$ 2,975,016	\$ 2,868,503	\$ 2,814,331	\$ 2,664,420
Licenses, fines, sales, and services	444,469	430,616	410,726	373,066	380,376	348,214	332,655	320,767	313,724	308,564
Departmental restricted revenue	354,123	283,896	231,624	218,618	244,754	229,492	223,314	222,027	194,279	174,563
Federal grants	3,449,540	3,113,925	2,986,155	2,966,335	2,865,006	2,889,963	2,630,678	2,402,444	2,411,262	2,541,335
Income from investments	12,633	18,554	9,783	6,138	3,017	3,156	4,809	4,840	4,280	5,537
Other revenues	148,874	96,518	130,381	137,832	100,356	106,872	115,804	147,090	121,202	100,164
Total operating revenues	\$ 8,096,088	\$ 7,547,006	\$ 7,240,711	\$ 7,012,513	\$ 6,860,125	\$ 6,787,820	\$ 6,282,276	\$ 5,965,671	\$ 5,859,078	\$ 5,794,583
<b>Expenditures:</b>										
Current:										
General government	\$ 800,221	\$ 745,574	\$ 707,953	\$ 749,616	\$ 764,066	\$ 697,289	\$ 656,826	\$ 634,010	\$ 635,554	\$ 620,110
Health and human services	4,325,361	4,034,359	3,928,845	3,831,633	3,694,123	3,661,964	3,325,538	3,042,705	2,969,166	3,009,097
Education	1,662,336	1,642,764	1,579,936	1,526,076	1,467,236	1,403,807	1,357,903	1,330,388	1,282,063	1,287,733
Public safety	578,721	577,168	555,393	534,495	504,217	490,981	478,108	463,734	459,114	428,687
Natural resources	83,703	81,986	80,820	77,680	78,307	79,941	76,127	70,202	75,156	71,818
Transportation	661,629	593,988	474,310	387,518	386,712	373,715	383,816	373,887	399,512	367,496
Capital outlays	248,444	267,151	203,687	194,955	185,361	171,469	139,848	130,415	111,044	138,843
Intergovernmental										
Debt service:										
Principal	202,571	179,561	153,974	141,378	103,310	190,784	176,885	176,970	164,245	154,475
Interest and other charges	114,774	114,596	112,311	125,060	99,802	140,728	122,663	126,852	135,806	138,066
Total operating expenditures	\$ 8,677,760	\$ 8,237,147	\$ 7,797,229	\$ 7,568,411	\$ 7,283,134	\$ 7,210,678	\$ 6,717,714	\$ 6,349,163	\$ 6,231,660	\$ 6,216,325
Excess (deficiency) of revenues over (under) expenditures	\$ (581,672)	\$ (690,141)	\$ (556,518)	\$ (555,898)	\$ (423,009)	\$ (422,858)	\$ (435,438)	\$ (383,492)	\$ (372,582)	\$ (421,742)

(Continued)

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Other financing sources (uses):</b>										
Issuance of bonds and notes	\$ 386,705	\$ 255,820	\$ 149,375	\$ 336,925	\$ 72,000	\$ 121,125	\$ 53,150	\$ 81,400	\$ 145,035	\$ —
Issuance of refundings and other escrow assets	—	—	43,020	91,560	459,235	830,139	78,700	88,175	146,730	—
Capital leases	—	—	1,328	25,932	5,021	49,495	—	26,690	31,980	—
Premium and accrued interest	69,413	16,588	14,893	87,513	73,516	82,553	14,719	27,507	45,437	—
Transfers in	513,359	627,562	593,815	577,435	572,569	622,520	566,076	592,804	581,679	545,229
Payments from component units	—	—	—	—	—	—	—	—	—	—
Payment to refunded bonds escrow agent	(82,028)	—	(60,111)	(109,895)	(532,780)	(866,168)	(91,991)	(101,172)	(172,094)	—
Proceeds from termination of investment contracts	—	—	—	—	—	26,361	—	—	—	—
Transfers out	(261,893)	(259,326)	(257,510)	(238,457)	(236,804)	(277,330)	(231,717)	(264,571)	(235,253)	(211,789)
<b>Total other financing sources (uses)</b>	<b>625,556</b>	<b>640,644</b>	<b>484,810</b>	<b>771,013</b>	<b>412,757</b>	<b>588,695</b>	<b>388,937</b>	<b>450,833</b>	<b>543,514</b>	<b>333,440</b>
Special items	—	—	—	—	—	(5,000)	—	—	—	—
<b>Net change in fund balances</b>	<b>\$ 43,884</b>	<b>\$ (49,497)</b>	<b>\$ (71,708)</b>	<b>\$ 215,115</b>	<b>\$ (10,252)</b>	<b>\$ 160,837</b>	<b>\$ (46,501)</b>	<b>\$ 67,341</b>	<b>\$ 170,932</b>	<b>\$ (88,302)</b>
Total operating expenditures	\$ 8,677,760	\$ 8,237,147	\$ 7,797,229	\$ 7,568,411	\$ 7,283,134	\$ 7,210,678	\$ 6,717,714	\$ 6,349,163	\$ 6,231,660	\$ 6,216,325
*The capital outlay amount used to calculate the debt service as a percentage of noncapital expenditures is from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities, and includes infrastructure additions reported separately above as transportation expense.										
Capital outlays	\$ 531,688	\$ 416,953	\$ 340,650	\$ 339,270	\$ 378,935	\$ 327,792	\$ 360,267	\$ 315,644	\$ 264,770	\$ 230,746
Total noncapital expenditures	\$ 8,146,072	\$ 7,820,194	\$ 7,456,579	\$ 7,229,141	\$ 6,904,199	\$ 6,882,886	\$ 6,357,447	\$ 6,033,519	\$ 5,966,890	\$ 5,985,579
Debt service as a percentage of noncapital expenditures	3.9 %	3.8 %	3.6 %	3.9 %	3.5 %	4.8 %	4.7 %	5.0 %	5.1 %	5.0 %

Certain prior year amounts have been reclassified to conform to the current year presentation.

(Concluded)

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

<b>Taxable Sales By Industry:</b>	Calendar Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Grocery, Food Stores, Delis, Bakeries	\$ 1,225	\$ 1,258	\$ 1,203	\$ 1,265	\$ 1,194	\$ 1,162	\$ 1,189	\$ 1,097	\$ 1,092	\$ 1,093
Restaurants and Bars	2,930	2,814	2,773	2,594	2,472	2,311	2,199	2,113	1,983	1,939
Room Rentals - Motels, Hotels	681	647	619	592	652	503	429	531	389	407
Utilities - Telephone, Electric, Gas, Water	267	286	266	255	592	673	601	618	583	588
<b>Total</b>	<b>\$ 5,103</b>	<b>\$ 5,005</b>	<b>\$ 4,861</b>	<b>\$ 4,706</b>	<b>\$ 4,910</b>	<b>\$ 4,649</b>	<b>\$ 4,418</b>	<b>\$ 4,359</b>	<b>\$ 4,047</b>	<b>\$ 4,027</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.

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

	Calendar Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Farm Earnings	\$ 25	\$ 26	\$ 29	\$ 19	\$ 26	\$ 21	\$ 26	\$ 26	\$ 22	\$ 27
<b>Private Earnings</b>										
Forestry, Fishing and Other	(D)	(D)	(D)	(D)	(D)	(D)	(D)	66	(D)	(D)
Mining	(D)	(D)	(D)	(D)	(D)	(D)	(D)	11	(D)	(D)
Utilities	203	203	176	160	150	146	144	132	144	146
Construction	2,405	2,285	(D)	2,025	1,952	1,914	1,868	1,930	1,756	1,742
Manufacturing	3,208	3,172	3,125	3,043	3,098	3,007	2,888	2,790	2,725	2,667
Wholesale Trade	1,740	1,693	1,693	1,640	1,667	1,561	1,467	1,386	1,319	1,282
Retail Trade	2,458	2,379	2,202	2,169	2,223	2,180	2,193	2,188	2,114	2,036
Transportation and warehousing	828	779	722	698	685	646	641	642	622	585
Information	588	575	568	767	815	826	817	867	874	832
Finance and Insurance	3,295	3,214	3,332	2,976	2,883	2,822	2,527	2,432	2,063	2,139
Real Estate and Rental and Leasing	778	739	636	664	633	672	758	841	785	722
Professional, scientific, technical services	3,314	3,152	3,015	2,839	2,838	2,700	2,554	2,476	2,411	2,323
Management of companies and enterprises	1,747	1,944	1,952	1,902	1,802	1,700	1,559	1,409	1,230	1,156
Administrative and waste services	1,635	1,600	1,499	1,388	1,362	1,312	1,265	1,176	1,108	1,058
Educational services	1,603	1,530	1,459	1,419	1,427	1,371	1,295	1,271	1,297	1,258
Health care and social assistance	5,486	5,224	5,091	5,055	5,052	4,885	4,782	4,650	4,592	4,601
Arts, entertainment, and recreation	448	506	529	524	496	478	419	390	377	366
Accommodation and food services	1,648	1,507	1,415	1,352	1,274	1,176	1,166	1,118	1,013	935
Other services, except public administration	1,458	1,400	1,350	1,314	1,273	1,222	1,160	1,157	1,112	1,098
<b>Government and Government Enterprises</b>										
Federal/Civilian	1,376	1,339	1,312	1,225	1,188	1,147	1,106	1,122	1,104	1,092
Military	509	484	463	457	474	475	502	508	508	513
State and Local	4,751	4,594	4,399	4,313	4,213	4,110	3,973	3,906	3,942	3,944
<b>Total Personal Income by Industry*</b>	<b>\$ 39,600</b>	<b>\$ 38,440</b>	<b>\$ 37,176</b>	<b>\$ 36,046</b>	<b>\$ 35,620</b>	<b>\$ 34,447</b>	<b>\$ 33,183</b>	<b>\$ 32,495</b>	<b>\$ 31,193</b>	<b>\$ 30,604</b>

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

The U.S. Bureau of Economic Analysis has released updated statistics which resulted in restatements for amounts previously reported for calendar years 2010 -2017.

Source: US Bureau of Economic Analysis

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

**State of Rhode Island**  
**Schedule of Personal Income Tax Revenue as a Percent of Personal Income**  
**Prior Ten Fiscal Years**  
**(expressed in millions)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Personal Income Tax (PIT) Revenue	\$ 1,397	\$ 1,345	\$ 1,244	\$ 1,217	\$ 1,228	\$ 1,116	\$ 1,086	\$ 1,060	\$ 1,021	\$ 898
Personal Income	58,777	56,831	54,317	53,087	51,951	49,619	48,788	47,997	46,299	45,268
PIT Revenue as a Percent of Personal Income	2.38 %	2.37 %	2.29 %	2.29 %	2.36 %	2.25 %	2.23 %	2.21 %	2.21 %	1.98 %

Source: Office of Revenue Analysis  
*Includes wages, interest, dividends, rents,  
pensions and transfer payments.*

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

		Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 2019 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$64,050	4.75% \$64,050 - \$145,600	5.99% over \$145,600		
Tax Year 2018 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$62,550	4.75% \$62,550 - \$142,150	5.99% over \$142,150		
Tax Year 2017 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$61,300	4.75% \$61,300 - \$139,400	5.99% over \$139,400		
Tax Year 2016 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$60,850	4.75% \$60,850 - \$138,300	5.99% over \$138,300		
Tax Year 2015 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$60,550	4.75% \$60,550 - \$137,650	5.99% over \$137,650		
Tax Year 2014 All Filing Status Types	Tax Rate Income Bracket	3.75% \$ 0 - \$59,600	4.75% \$59,600 - \$135,500	5.99% over \$135,500		
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

Source: Department of Revenue - Division of Taxation

**State of Rhode Island**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
**Tax Years 2009 through 2018**

<u>Tax Year 2018</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	168,885	33.04 %	\$ 12,516,825	1.04 %
\$25,001 - \$50,000	123,549	24.16 %	82,115,469	6.85 %
\$50,001 - \$75,000	74,969	14.66 %	107,644,389	8.98 %
\$75,001 - \$100,000	47,853	9.36 %	108,478,237	9.04 %
\$100,001 - \$200,000	73,511	14.38 %	341,333,662	28.46 %
\$200,001 - \$500,000	18,908	3.70 %	269,715,269	22.49 %
\$500,001 - \$1,000,000	2,570	0.50 %	98,018,372	8.17 %
\$1,000,001 and greater	1,038	0.20 %	179,528,957	14.97 %
	<u>511,283</u>	<u>100.00 %</u>	<u>\$ 1,199,351,180</u>	<u>100.00 %</u>

<u>Tax Year 2017</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	173,455	34.56 %	\$ 13,071,271	1.21 %
\$25,001 - \$50,000	120,894	24.09 %	80,782,374	7.47 %
\$50,001 - \$75,000	72,481	14.44 %	104,524,797	9.67 %
\$75,001 - \$100,000	45,756	9.12 %	104,790,845	9.69 %
\$100,001 - \$200,000	69,443	13.84 %	323,717,549	29.95 %
\$200,001 - \$500,000	16,766	3.34 %	240,752,018	22.27 %
\$500,001 - \$1,000,000	2,251	0.45 %	86,024,931	7.96 %
\$1,000,001 and greater	837	0.17 %	127,304,302	11.78 %
	<u>501,883</u>	<u>100.00 %</u>	<u>\$ 1,080,968,087</u>	<u>100.00 %</u>

<u>Tax Year 2016</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	178,845	35.59 %	\$ 14,309,901	1.28 %
\$25,001 - \$50,000	119,884	23.86 %	83,011,473	7.43 %
\$50,001 - \$75,000	71,266	14.18 %	107,036,620	9.58 %
\$75,001 - \$100,000	45,370	9.03 %	106,648,459	9.55 %
\$100,001 - \$200,000	67,374	13.41 %	313,908,244	28.10 %
\$200,001 - \$500,000	16,510	3.29 %	237,228,771	21.24 %
\$500,001 - \$1,000,000	2,312	0.46 %	88,073,796	7.89 %
\$1,000,001 and greater	961	0.19 %	166,731,910	14.93 %
	<u>502,522</u>	<u>100.00 %</u>	<u>\$ 1,116,949,174</u>	<u>100.00 %</u>

<u>Tax Year 2015</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	181,611	36.77 %	\$ 14,296,084	1.17 %
\$25,001 - \$50,000	115,747	23.44 %	83,335,501	6.82 %
\$50,001 - \$75,000	68,878	13.95 %	110,057,592	9.00 %
\$75,001 - \$100,000	44,457	9.00 %	109,913,917	8.99 %
\$100,001 - \$200,000	64,897	13.14 %	302,002,270	24.70 %
\$200,001 - \$500,000	15,145	3.07 %	218,229,138	17.85 %
\$500,001 - \$1,000,000	2,144	0.43 %	81,482,245	6.67 %
\$1,000,001 and greater	973	0.20 %	303,125,066	24.80 %
	<u>493,852</u>	<u>100.00 %</u>	<u>\$ 1,222,441,813</u>	<u>100.00 %</u>

<u>Tax Year 2014</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	185,935	37.56 %	\$ 14,665,245	1.34 %
\$25,001 - \$50,000	114,881	23.21 %	82,902,886	7.57 %
\$50,001 - \$75,000	68,668	13.87 %	109,495,169	10.00 %
\$75,001 - \$100,000	44,097	8.91 %	109,097,854	9.96 %
\$100,001 - \$200,000	63,469	12.82 %	296,654,641	27.08 %
\$200,001 - \$500,000	14,888	3.01 %	216,813,938	19.79 %
\$500,001 - \$1,000,000	2,126	0.43 %	80,900,417	7.39 %
\$1,000,001 and greater	972	0.20 %	184,862,456	16.88 %
	<u>495,036</u>	<u>100.00 %</u>	<u>\$ 1,095,392,606</u>	<u>100.00 %</u>

(Continued)



**State of Rhode Island**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
**Tax Years 2009 through 2018**

<u>Tax Year 2013</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	186,349	38.17 %	\$ 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 %	107,951,956	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 %
	488,190	100.00 %	\$ 1,008,556,448	100.00 %

<u>Tax Year 2012</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	185,433	38.36 %	\$ 15,788,095	1.55 %
\$25,001 - \$50,000	114,123	23.61 %	83,752,981	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	26.92 %
\$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 %
	483,437	100.00 %	\$ 1,016,502,611	100.00 %

<u>Tax Year 2011</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	187,194	38.93 %	\$ 16,926,831	1.75 %
\$25,001 - \$50,000	113,669	23.64 %	85,575,958	8.82 %
\$50,001 - \$75,000	67,075	13.95 %	108,935,845	11.23 %
\$75,001 - \$100,000	42,991	8.94 %	109,489,374	11.29 %
\$100,001 - \$200,000	56,062	11.66 %	270,444,262	27.88 %
\$200,001 - \$500,000	11,501	2.39 %	171,575,565	17.69 %
\$500,001 - \$1,000,000	1,582	0.33 %	61,270,009	6.32 %
\$1,000,001 and greater	714	0.15 %	145,706,695	15.02 %
	480,788	100.00 %	\$ 969,924,539	100.00 %

<u>Tax Year 2010</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	179,885	38.65 %	\$ 20,705,060	2.32 %
\$25,001 - \$50,000	112,371	24.14 %	86,321,200	9.65 %
\$50,001 - \$75,000	66,255	14.24 %	111,244,636	12.44 %
\$75,001 - \$100,000	41,956	9.01 %	109,185,357	12.21 %
\$100,001 - \$200,000	52,857	11.36 %	271,103,111	30.32 %
\$200,001 - \$500,000	10,147	2.18 %	146,038,132	16.33 %
\$500,001 - \$1,000,000	1,337	0.29 %	46,337,234	5.18 %
\$1,000,001 and greater	626	0.13 %	103,258,427	11.55 %
	465,434	100.00 %	\$ 894,193,157	100.00 %

<u>Tax Year 2009</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	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 %
	467,439	100.00 %	\$ 844,486,431	100.00 %

Source: Department of Revenue - Division of Taxation

(Concluded)

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Governmental Activities</b>										
General obligation bonds	\$ 1,499,293	\$ 1,324,337	\$ 1,267,433	\$ 1,327,520	\$ 1,238,951	\$ 1,162,764	\$ 1,137,468	\$ 1,146,789	\$ 1,153,616	\$ 1,064,891
Revenue bonds (blended component units)	727,353	755,610	765,150	748,304	780,270	789,580	846,475	848,212	846,327	846,871
Capital leases	170,362	204,105	201,478	228,531	231,090	255,581	224,206	245,150	237,464	227,896
Special purpose bonds	704,755	666,788	648,237	606,195	391,240	435,600	415,955	468,730	519,060	567,190
<b>Total governmental activities</b>	<b>3,101,763</b>	<b>2,950,840</b>	<b>2,882,298</b>	<b>2,910,550</b>	<b>2,641,551</b>	<b>2,643,525</b>	<b>2,624,104</b>	<b>2,708,881</b>	<b>2,756,467</b>	<b>2,706,848</b>
<b>Business-type Activities</b>										
Revenue bonds	207,374	222,752	234,542	195,772	208,627	221,775	230,838	234,321	241,535	249,669
<b>Total primary government</b>	<b>\$ 3,309,137</b>	<b>\$ 3,173,592</b>	<b>\$ 3,116,840</b>	<b>\$ 3,106,322</b>	<b>\$ 2,850,178</b>	<b>\$ 2,865,300</b>	<b>\$ 2,854,942</b>	<b>\$ 2,943,202</b>	<b>\$ 2,998,002</b>	<b>\$ 2,956,517</b>
Debt as a Percentage of Personal Income	5.5 %	5.5 %	5.6 %	5.8 %	5.8 %	5.8 %	6.0 %	6.8 %	7.5 %	7.4 %
Amount of Debt Per Capita	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3

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

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)</b>										
Revenue:										
Tobacco settlement revenue, cash basis	\$ 41,489	\$ 43,882	\$ 45,916	\$ 31,057	\$ 47,432	\$ 45,295	\$ 51,757	\$ 46,692	\$ 49,944	\$ 50,166
Investment income	714	1,043	540	212	50	1,436	3,300	3,376	3,234	4,354
Total revenue	42,203	44,925	46,456	31,269	47,482	46,731	55,057	50,068	53,178	54,520
Less: operating expenses	87	65	52	84	141	126	62	33	74	74
Net available revenue	\$ 42,116	\$ 44,860	\$ 46,404	\$ 31,185	\$ 47,341	\$ 46,605	\$ 54,995	\$ 50,035	\$ 53,104	\$ 54,446
Debt service										
Interest and required principal payments (c)	\$ 35,701	\$ 36,006	\$ 36,287	\$ 37,996	\$ 38,139	\$ 35,633	\$ 35,229	\$ 36,085	\$ 37,029	\$ 37,783
Covered ratio before turbo principal payment	118 %	125 %	128 %	82 %	124 %	131 %	156 %	139 %	143 %	144 %
Turbo principal payments (b)	6,945	9,160	10,315	6,275	10,005	25,520	20,340	14,265	15,735	12,570
Total debt service	\$ 42,646	\$ 45,166	\$ 46,602	\$ 44,271	\$ 48,144	\$ 61,153	\$ 55,569	\$ 50,350	\$ 52,764	\$ 50,353
Coverage ratio after turbo principal payments (a)	99 %	99 %	100 %	70 %	98 %	76 %	99 %	99 %	101 %	108 %
<b>Revenue Bonds-GARVEE (Federal Highway)</b>										
Revenue - FHWA participation	\$ 57,493	\$ 57,521	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389
Net available revenue	\$ 57,493	\$ 57,521	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389
Debt service (d)										
Principal	\$ 35,525	\$ 33,975	\$ —	\$ —	\$ —	\$ 34,160	\$ 32,615	\$ 31,075	\$ 29,590	\$ 28,205
Interest	22,012	23,560	23,560	19,116	6,254	14,196	15,772	17,308	18,792	20,184
Total debt service	\$ 57,537	\$ 57,535	\$ 23,560	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,383	\$ 48,382	\$ 48,389
Coverage (a)	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
<b>Revenue Bonds - Motor Fuel (Gas Tax)</b>										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,270	\$ 9,776	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421
Net available revenue	\$ 8,270	\$ 9,776	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421
Debt service										
Principal	\$ 3,790	\$ 3,605	\$ —	\$ 4,200	\$ 4,375	\$ 4,185	\$ 3,985	\$ 3,840	\$ 3,710	\$ 3,585
Interest	1,571	1,751	948	2,661	2,839	3,006	3,162	3,304	3,439	3,561
Coverage (a)	154 %	183 %	947 %	129 %	124 %	122 %	119 %	116 %	118 %	118 %

(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.

(c) 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.

(d) The large variance in Fiscal 2016 occurred because the bonds were refunded.

Source: Department of Administration

**State of Rhode Island**

**Schedule of Nominal Personal Income and Per Capita Personal Income  
Prior Ten Calendar Years**

**Resident Population  
Prior Ten Calendar Years**

	<b>Personal Income</b>				<b>Per Capita Personal Income</b>				<b>Population</b>			
	<b>(in billions)</b>				<b>(in dollars)</b>				<b>(in thousands)</b>			
	<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>2019</b>	18,542	3.9%	59.7	3.7%	56,490	3.5%	56,361	3.5%	328,240	0.5%	1,059	0.1%
<b>2018</b>	17,839	5.3%	57.6	3.7%	54,606	4.8%	54,431	3.4%	326,688	0.5%	1,058	0.2%
<b>2017</b>	16,938	4.9%	55.6	3.8%	52,118	4.2%	52,644	3.9%	324,986	0.6%	1,056	-0.1%
<b>2016</b>	16,152	2.8%	53.5	1.5%	50,015	2.0%	50,655	1.4%	322,941	0.7%	1,057	0.1%
<b>2015</b>	15,717	4.9%	52.7	3.7%	49,019	4.1%	49,939	3.7%	320,635	0.7%	1,056	0.0%
<b>2014</b>	14,983	5.7%	50.9	4.3%	47,071	4.9%	48,169	4.2%	318,301	0.7%	1,056	0.1%
<b>2013</b>	14,176	1.3%	48.8	-0.1%	44,860	0.6%	46,226	-0.1%	315,994	0.7%	1,055	0.0%
<b>2012</b>	13,998	5.1%	48.8	3.7%	44,605	4.4%	46,282	3.6%	313,831	0.7%	1,055	0.1%
<b>2011</b>	13,316	6.2%	47.1	4.0%	42,739	5.4%	44,670	4.0%	311,557	0.7%	1,054	0.0%
<b>2010</b>	12,542	4.1%	45.3	5.4%	40,547	3.2%	42,944	5.3%	309,322	0.8%	1,054	0.0%

**Source:** *United States Bureau of Economic Analysis*

**Schedule of Economic Indicators  
Prior Ten Calendar Years**

	<b>Civilian Labor Force</b>		<b>Existing Single Family Home Sales</b>	
	<b>(in thousands)</b>			
	<b>Number in Labor Force</b>	<b>Percent Change</b>	<b>Number of Sales</b>	<b>Percent Change</b>
<b>2019</b>	555	0.1%	13,668	1.4%
<b>2018</b>	555	0.3%	13,480	-7.7%
<b>2017</b>	553	0.0%	14,608	2.1%
<b>2016</b>	553	-0.2%	14,313	8.6%
<b>2015</b>	554	-0.4%	13,178	8.7%
<b>2014</b>	557	-0.1%	12,118	-4.5%
<b>2013</b>	557	-0.3%	12,683	11.3%
<b>2012</b>	558	-0.3%	11,390	11.6%
<b>2011</b>	560	-1.2%	10,203	-2.1%
<b>2010</b>	567	-0.1%	10,420	-9.0%

**Source:** IHS Long Term Quarterly Forecast from September 2019

**State of Rhode Island  
Principal Employers  
2020 and 2011**

2020				2011			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	13,001	2.34 %	1	Lifespan	12,378	2.18 %
2	CVS Health Corp.	8,600	1.55 %	2	Care New England	7,045	1.24 %
3	Care New England	7,549	1.36 %	3	CVS Corporation	6,200	1.09 %
4	Citizens Bank	4,976	0.90 %	4	Citizens Financial Group (Royal Bank of Scotland)	5,350	0.94 %
5	Brown University	4,310	0.78 %	5	Brown University	4,200	0.74 %
6	General Dynamics Electric Boat	4,000	0.72 %	6	Roman Catholic Diocese of Providence	3,600	0.63 %
7	Naval Undersea Warfare Center	3,481	0.63 %	7	Bank of America	3,500	0.62 %
8	Fidelity Investments	3,100	0.56 %	8	CharterCare Health Partners	3,164	0.56 %
9	Roman Catholic Diocese	3,000	0.54 %	9	Fidelity Investments	2,900	0.51 %
10	Charter CARE Health Partners	2,794	0.50 %	10	Naval Undersea Warfare Center	2,745	0.48 %
	Total employment	555,000	9.88 %			567,000	9.01 %

**Source:** Providence Business News

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

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b><u>Full-time Employees</u></b>										
General Government	2,371	2,573	2,457	2,496	2,428	2,364	2,384	2,414	2,337	2,561
Health and Human Services	3,345	3,211	3,096	3,196	3,190	3,273	3,353	3,273	3,118	3,247
Education	351	358	357	352	353	340	359	370	354	358
Public Safety	3,011	3,025	3,032	3,031	3,007	3,029	3,057	3,023	3,002	2,685
Natural Resources	813	861	851	860	843	879	904	898	887	865
Transportation	743	789	740	741	705	735	771	781	797	802
<b>State Total</b>	<b>10,634</b>	<b>10,817</b>	<b>10,533</b>	<b>10,676</b>	<b>10,526</b>	<b>10,620</b>	<b>10,828</b>	<b>10,759</b>	<b>10,495</b>	<b>10,518</b>

**Source:** Department of Administration

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Government</b>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$ 3,232,999	\$ 3,094,923	\$ 2,948,315	\$ 2,788,256	\$ 2,732,982	\$ 2,630,196	\$ 2,479,404	\$ 2,422,640	\$ 2,330,068	\$ 2,242,867
Number of business transactions processed electronically	891,270	844,749	809,922	1,219,895	1,042,129	1,026,097	1,160,506	988,669	970,394	917,982
Personal Income Tax returns filed electronically -Tax Year	588,220	559,995	546,404	555,142	531,354	505,137	490,000	463,900	451,406	442,383
Department of Labor and Training										
Labor force total (expressed in thousands)	555	555	553	553	555	553	554	560	566	569
Unemployment rate (percentage)	3.7 %	4.3 %	4.7 %	5.6 %	6.7 %	7.7 %	8.9 %	11.1 %	11.4 %	11.6 %
<b>Health and Human Services</b>										
Department of Children, Youth and Families										
Average Number of Children in Out of Home Placement	2,991	2,838	2,531	2,535	2,484	2,306	2,141	2,116	2,249	2,201
Number of births (expressed in thousands)	11	11	12	12	12	11	11	12	12	12
<b>Education</b>										
Office of Postsecondary Commissioner										
Enrollment - Higher Education	38,405	39,779	40,098	41,030	43,335	42,765	42,786	44,504	43,254	43,224
Number of certificates and degrees awarded - Higher Education	8,594	8,372	8,325	7,888	7,675	7,400	7,256	6,804	6,500	6,516
<b>Public Safety</b>										
Department of Corrections										
Incarcerated offenders (male)	2,521	2,644	2,819	3,068	3,047	3,060	2,988	3,022	3,084	3,154
Incarcerated offenders (female)	145	140	138	125	136	154	173	169	189	187
<b>Natural Resources</b>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	178	180	180	143	141	145	138	131	114	119
Park visitations (expressed in thousands)	8,652	8,775	8,111	7,884	6,393	1,904	1,302	3,449	5,213	5,386
Recreational registrations (boats)	38,784	38,880	43,259	40,178	38,463	38,950	39,012	38,583	40,525	41,158
<b>Transportation</b>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	7,905	8,009	8,001	7,927	7,832	7,677	7,775	7,786	7,901	8,280

Source: Various Agencies

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b><u>General Government</u></b>										
Buildings	17	17	16	17	17	16	16	16	16	15
Vehicles	192	182	118	126	161	163	272	257	251	258
<b><u>Health and Human Services</u></b>										
Buildings	182	188	188	188	188	205	199	199	196	197
Vehicles	232	243	248	273	281	280	291	286	304	337
<b><u>Education</u></b>										
Buildings	9	12	12	12	13	12	12	9	10	10
Vehicles	19	19	19	18	18	17	16	13	14	19
<b><u>Public Safety</u></b>										
Buildings	68	67	66	66	66	65	65	64	62	59
Vehicles	661	627	674	669	656	646	635	643	561	604
<b><u>Natural Resources</u></b>										
Buildings	66	60	81	80	81	78	80	80	67	49
Vehicles	396	381	388	424	443	416	431	419	426	428
Number of state parks, beaches, bike paths	34	34	34	34	25	26	21	21	21	21
Area of state parks, beaches (acres)	8,038	8,038	8,038	8,038	8,038	8,052	8,052	8,052	8,052	8,052
<b><u>Transportation</u></b>										
Buildings	23	23	22	21	19	33	23	23	21	19
Vehicles	881	833	790	693	606	652	558	547	555	621
Miles of state highway	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272

**Source: Department of Administration**



**The Rhode Island Commerce Corporation assisted in providing artwork for the State of Rhode Island's 2020 Comprehensive Annual Financial Report**

**Cover – Beavertail State Park – Jamestown**



**Introductory Section – Providence Skyline – Providence**



**Financial Section – Weekapaug – Westerly**



**Management's Discussion and Analysis – Providence Performing Art Center - Providence**



**Basic Financial Statements – Cliff Walk - Newport**



**Required Supplementary Information – North Light – Block Island**



**Combining Financial Statements – Sachuest Beach – Middletown**



**Statistical Section – Newport Bridge – Newport**

