

State of Rhode Island Comprehensive Annual Financial Report

Fiscal year ended June 30, 2017



Gina M. Raimondo, Governor

Department of Administration

Michael DiBiase, Director of Administration

Office of Accounts and Control

Peter B. Keenan, CPA, State Controller

2017

Table of Contents

Page

Introductory Section

Letter of Transmittal	3
Certificate of Achievement for Excellence in Financial Reporting	7
Organization Chart	8
Officials of State Government	9

Financial Section

Independent Auditor's Report - Report of the Auditor General	10
--	----

Management's Discussion and Analysis	13
--	----

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	37
Statement of Activities	38

Fund Financial Statements:

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

Component Unit Financial Statements:

Combining Statement of Net Position	48
Combining Statement of Activities	50

Notes to the Basic Financial Statements	51
---	----

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund	157
Budgetary Comparison Schedule – Intermodal Surface Transportation Fund.....	160
Notes to Required Supplementary Information - Budget and Actual.....	161
Schedule of State's Proportionate Share of the Net Pension Liability-Employees' Retirement System- State Employees- Governmental Activities.....	163
Schedule of State Contributions-Employees' Retirement System-State Employees- Governmental Activities.....	164
Schedule of State's Proportionate Share of the Net Pension Liability-Employees' Retirement System- State Share-Teachers (Special Funding Situation).....	165
Schedule of State Contributions-Employees' Retirement System-State Share- Teachers (Special Funding Situation).....	166

Table of Contents

	<u>Page</u>
Schedule of Changes in Net Pension Liability and Related Ratios-State Police Retirement Benefits Trust...	168
Schedule of Changes in Net Pension Liability and Related Ratios-Judicial Retirement Benefits Trust.....	169
Schedule of Changes in Net Pension Liability and Related Ratios-RI Judicial Retirement Fund Trust.....	170
Schedule of State Contributions-State Police Retirement Benefits Trust.....	171
Schedule of State Contributions-Judicial Retirement Benefits Trust.....	172
Schedule of State Contributions-RI Judicial Retirement Fund Trust.....	173
Schedule of Changes in Total Pension Liability-State Police Non-Contributory Retirement Plan.....	175
Schedule of Changes in Total Pension Liability-Judicial Non-Contributory Retirement Plan.....	176
Notes to Required Supplementary Information - Pensions	177
Schedule of Funding Progress-Other Postemployment Benefits.....	179
Notes to Required Supplementary Information-Other Postemployment Benefits	180

Combining Financial Statements:

Combining Balance Sheet – Nonmajor Governmental Funds.....	183
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	184
Budgetary Comparison Schedule – R.I. Temporary Disability Insurance Fund	185
Combining Statement of Net Position – Internal Service Funds.....	187
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.....	189
Combining Statement of Cash Flows – Internal Service Funds.....	191
Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefits Trust Funds	197
Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefits Trust Funds	198
Combining Statement of Fiduciary Net Position – Pension Trust Funds	199
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds	200
Combining Statement of Fiduciary Net Position – Other Employee Benefits Trust Funds	201
Combining Statement of Changes in Fiduciary Net Position – Other Employee Benefits Trust Funds	202
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds	203
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds.....	204
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	206
Combining Statement of Net Position – Nonmajor Component Units	207
Combining Statement of Activities – Nonmajor Component Units.....	209

Statistical Section

Index	210
Schedule of Net Position by Components	211
Schedule of Changes in Net Position	212
Schedule of Fund Balances of Governmental Funds.....	214
Schedule of Changes in Fund Balances of Governmental Funds	215
Schedule of Taxable Sales by Industry	217
Schedule of Personal Income by Industry	218
Schedule of Personal Income Tax Revenue as a Percent of Personal Income	219
Schedule of Personal Income Tax Rates.....	220
Schedule of Resident Personal Income Tax Filers & Liability by AGI	222
Schedule of Ratios of Outstanding Debt by Type	224
Schedule of Pledged Revenue Coverage	225
Schedule of Nominal Personal Income and Per Capita Personal Income.....	226
Principal Employers	227
Full Time State Employees by Function.....	228
Schedule of Operating Indicators by Function.....	229
Schedule of Capital Asset Statistics by Function.....	230

Introductory Section



State of Rhode Island
Comprehensive Annual Financial Report
Fiscal year ended June 30, 2017

2017



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

Peter B. Keenan, CPA, State Controller
One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6408
Fax: (401) 222-6437
peter.keenan@doa.ri.gov

December 29, 2017

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 and Providence Plantations for the fiscal year ended June 30, 2017.

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 submit an annual report on these internal controls in accordance with the Financial Integrity and Accountability Act.

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

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

PROFILE OF THE 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 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.

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

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

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

Economic Conditions and Outlook: Rhode Island's preliminary seasonally adjusted unemployment rate in October 2017 was 4.2 percent. The rate has decreased by 90 basis points from the rate recorded in October 2016 and is 7.1 percentage points less than the recession era high unemployment rate of 11.3 percent. The State's unemployment rate continued to remain slightly above the U.S. unemployment rate of 4.1 percent in October 2017. During the period between November 2016 and October 2017, the Rhode Island unemployment rate was below the national unemployment rate for the months of February through June and for the month of August, and it was equal to the national unemployment rate for the months of July and September. Thus, for two-thirds of the previous twelve months, Rhode Island's unemployment rate has been at or below the national unemployment rate. In testimony to the November 2017 Revenue Estimating Conference, IHS Markit (IHS) noted that Rhode Island's economy is projected to grow modestly over the next eight quarters, with Rhode Island non-farm employment growth coming in at 1.2 percent for fiscal year 2018 and 0.5 percent for fiscal year 2019 and Rhode Island personal income

growth checking in at 2.8 percent and 4.0 percent, respectively. IHS' economic analyst also noted that, even under an optimistic scenario of lower taxes and fewer regulations leading to higher than expected growth, Rhode Island's non-farm employment growth is expected to remain below 1.0 percent annually in 2018 through 2022.

The Rhode Island Department of Labor and Training (DLT) testified at the November 2017 Revenue Estimating Conference that Rhode Island lost 39,800 jobs during the Great Recession and as of September 2017 the state had recovered 39,200 of those lost jobs, or 98.5 percent. Only the information services sector has shown a decline in jobs between August 2009 and September 2017, shedding 2,300 jobs with an annual wage of \$72,426 in 2016. This compares to fourteen private employment sectors which have added 42,100 jobs over this same period with 28 percent of these jobs being added in higher wage industries (industries with an average annual wage of \$60,000 and above).

The November 2017 Consensus Economic Forecast indicates that the State experienced its peak rate of growth in non-farm employment in fiscal year 2014 and fiscal year 2015 at 1.5 percent for each year. Over the fiscal year 2018 through fiscal year 2023 forecast period, Rhode Island non-farm employment growth is projected to decline from 1.2 percent in fiscal year 2018 to 0.3 percent in fiscal year 2023. Most of this slowdown in non-farm employment growth is attributable to an aging working age population and anemic population growth. Personal income growth is projected to peak later in the forecast cycle building up to a peak rate of growth of 4.4 percent in fiscal year 2020 before declining to 3.9 percent in fiscal year 2023. Wage and salary growth is forecasted to plateau at a peak rate of 4.3 percent for the fiscal year 2020 through fiscal year 2023 period, rising from a 3.0 percent growth rate in fiscal year 2018. Finally, the unemployment rate is expected to rise gradually from 4.3 percent in fiscal year 2018 to 4.9 percent in both fiscal year 2022 and fiscal year 2023.

Major Initiatives: The following section highlights several notable initiatives that will likely impact revenue and expenditure trends in fiscal year 2018 and beyond.

- Changes impacting sales taxes include a new statutory framework designed to encourage remote sellers, including catalogs, to register, collect, and remit the Rhode Island sales and use tax. Alternatively, the legislation requires retailers to provide notices to consumers regarding their respective obligations under the sales and use tax laws. In addition, document and title preparation fees charged by motor vehicles dealers are no longer exempt from the sales tax.
- The fiscal year 2018 budget included a change to the corporate tax payment schedule to align the state's practices with federal reporting timelines and recognized best practices. Corporate tax payments will now be due on a quarterly basis.
- The cigarette excise tax was increased by \$0.50 per pack to \$4.25 per 20-pack.
- The fiscal year 2018 budget included legislation to authorize the state's fifth 75-day tax amnesty program. Under the program, taxpayers will not be subject to penalties or prosecution and will pay interest reduced by 25 percent from the current statutory minimum. This is a one-time program impacting fiscal year 2018 revenues.

The fiscal year 2018 Budget includes continued funding for several of the Governor's economic development initiatives under the control of the Secretary of Commerce.

The fiscal year 2018 Budget includes the seventh year of the implementation of the Education Funding Formula, which resulted in an overall increase in funding of \$44.2 million. The seventh year is the final year of the phase-in for those communities receiving an increased share of funding under the formula. The formula continues to be phased-in for three additional years, through fiscal year 2021, for those communities that will see a declining share of the funding under the formula.

The fiscal year 2018 Budget also includes new legislation that ends the ability of municipalities to tax motor vehicles over time and provides for reimbursement of lost revenues. The legislation phases-out the local excise tax by lowering values, increasing the minimum exemption and lowering tax rates. The fiscal

year 2018 budget includes \$26.0 million to reimburse lost revenues for this fiscal year. The cost of this reimbursement is projected to increase to \$221.0 million by fiscal year 2024.

The fiscal year 2018 budget includes \$3.0 million from general revenue matched by Medicaid funds to provide a rate increase to direct care workers in the privately-operated system for adults with developmental disabilities. This is in addition to a rate increase provided during fiscal year 2017. The State's minimum wage was also increased as part of the fiscal year 2018 enacted budget from \$9.60 per hour to \$10.10 per hour, effective January 1, 2018, and then to \$10.50 per hour on January 1, 2019.

The fiscal year 2018 Budget focuses on cost containment for the Medical Assistance program. General revenue savings are achieved through contractor and provider-related rate cuts; program integrity initiatives; reductions to managed care organizations (MCOs); and increased assessments for the Children's Health Account. Provider-related savings are directed primarily toward nursing facilities and Federally Qualified Health Centers (FQHCs). The implementation of a new Medicaid eligibility system, known as the Unified Health Infrastructure Project (UHIP) during its development and now known as RI Bridges, has experienced technical failures resulting in delays in eligibility determination and payments to providers. Caseload estimates for fiscal year 2018 increased in part due to the uncertainty surrounding resolution of system issues and final implementation of the new system.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for the CAFR for the fiscal year ended June 30, 2016. This is the sixth 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, 2017 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.

I wish to express my sincere appreciation to the many individuals who assisted and contributed to the timely preparation of this report. It could not have been accomplished without the professionalism, hard work and dedication demonstrated by the entire staff of the Office of Accounts and Control, the Office of the Auditor General, and numerous other State agencies. 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,



Peter B. Keenan, CPA
State Controller



Government Finance Officers Association

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

Presented to

**State of Rhode Island
and Providence Plantations**

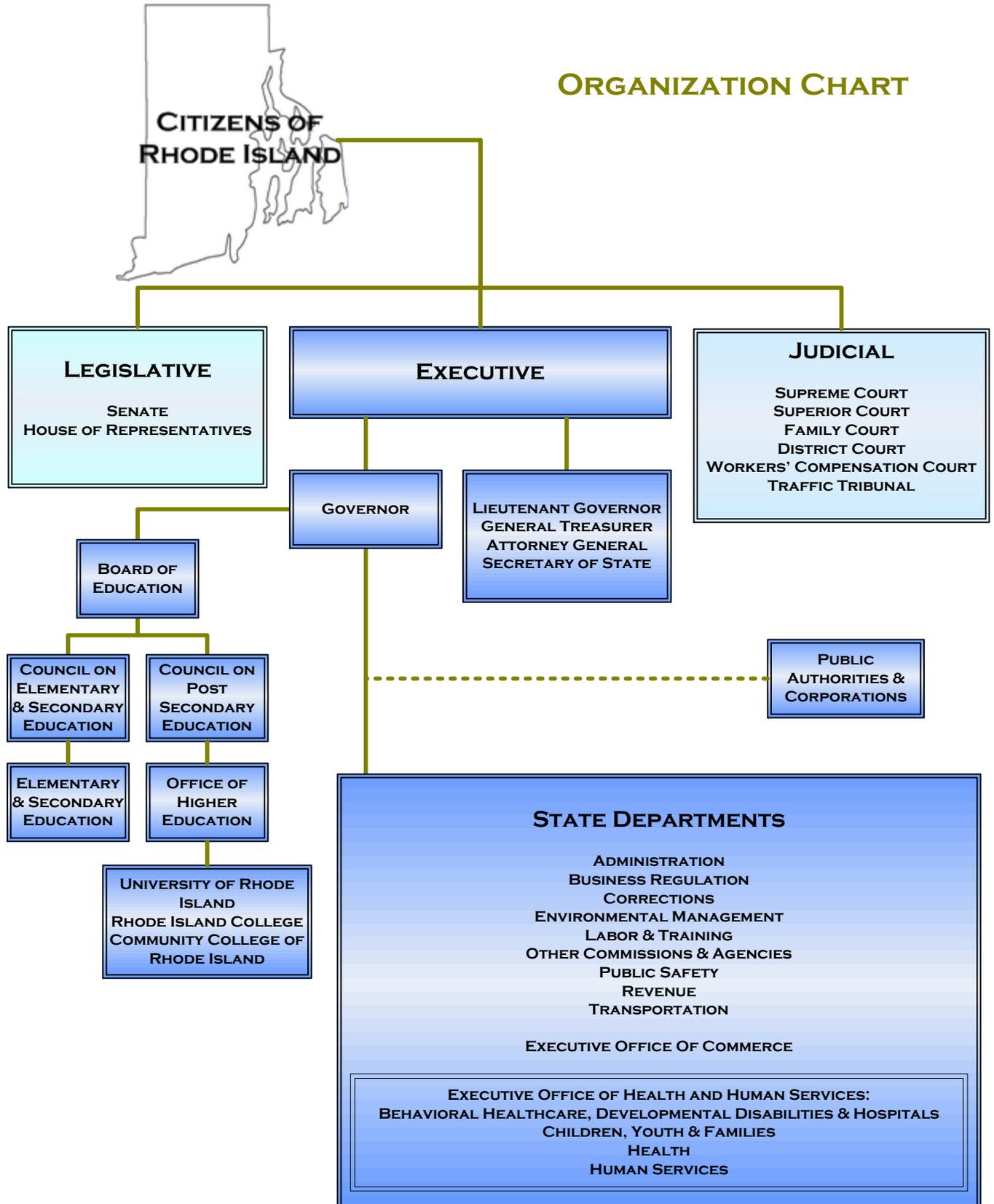
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

ORGANIZATION CHART



AS OF JUNE 30, 2017

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

OFFICIALS OF STATE GOVERNMENT

EXECUTIVE BRANCH

Governor

Gina M. Raimondo

Lieutenant Governor

Daniel J. McKee

Secretary of State

Nellie M. Gorbea

General Treasurer

Seth M. Magaziner

Attorney General

Peter F. Kilmartin

LEGISLATIVE BRANCH

Senate

President of the Senate

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, 2017

2017



Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly

Dennis E. Hoyle, CPA - Auditor General

oag.ri.gov

33 Broad Street • Suite 201 • Providence, RI • 02903-4177
tel: 401.222.2435 • fax: 401.222.2111

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- the Tobacco Settlement Financing Corporation, a blended component unit which represents 1% of the assets and deferred outflows and 1% of the revenues of the governmental activities and 1% of the assets and 3% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 26% of the assets and deferred outflows and 2% 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 40% of the assets and 24% 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, 2017, 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 13, the State disclosed various contingencies related to the implementation of its Unified Health Infrastructure Project (UHIP) / RIBridges computer system.

As described in Note 2, the fair values of certain investments included within the fiduciary funds - pension and other employee benefit trusts, which represent 23% of the assets of the pension and other employee benefit trusts and 13% 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.

As described in Note 1 (T), the State will implement GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal 2018 which will result in restatement of beginning net position of the governmental activities, business type activities and discretely presented component units.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 36, the Budgetary Comparison Schedules on pages 157 through 161, and information about the State's pension plans and other postemployment benefit plans on pages 162 through 181 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

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

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

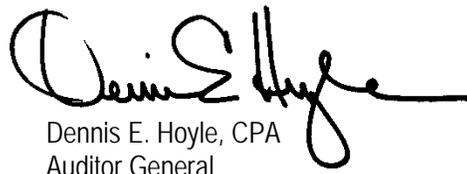
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as combining and individual nonmajor fund financial statements on pages 183 through 209 which includes the budgetary comparison schedule for the Temporary Disability Insurance (TDI) Fund on page 185, and the other information, such as the introductory and statistical sections on pages 3 through 9 and pages 211 through 230, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be included in the State's 2017 *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

December 27, 2017

Management's Discussion and Analysis



State of Rhode Island
Fiscal Year Ended
June 30, 2017



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, 2017. 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.

Financial Highlights – Primary Government

Government-wide Financial Statements

- **Net Position:** The total assets plus deferred outflows of resources of the State was less than total liabilities plus deferred inflows of resources on June 30, 2017 by (\$138.1) million. This amount is presented as "net position (deficit)" on the Statement of Net Position for the Total Primary Government. Of this amount, (\$4.6) billion was reported as unrestricted net position (deficit), \$1.3 billion as restricted net position, and \$3.2 billion as net investment in capital assets.
- **Changes in Net Position:** The increase in the primary government's net position in fiscal year 2017 of \$192.2 million which reduced the overall net deficit reported by the State at June 30, 2017 was attributable to a number of factors that include:
 - Governmental activities experienced continued revenue growth in fiscal year 2017. Taxes increased by \$42.2 million over fiscal year 2016. This was primarily attributable to an increase in inheritance tax receipts.
 - Total governmental activities expenses increased by \$198.3 million in fiscal year 2017. Expenses increased in all functional categories except general government. The most notable increases were in the human services, education and interest and other charges categories. Human services expenditures increased primarily because of increased enrollment in the Medicaid program stemming from the Affordable Care Act (ACA), along with general growth in healthcare expenses for the Medicaid population. Expenditures in the Education category were higher because of the continued transition to the Education Funding Formula, which required over \$39.4 million in additional funding in fiscal 2017. The increase in interest and other charges from fiscal 2016 to fiscal 2017 is the result of a restructuring of debt undertaken in July 2015 that freed up resources to be invested in economic development programs, but deferred debt service costs to future years. Such costs were reduced in fiscal 2016, but began to return to a more normal state in fiscal 2017.
 - Business-type activities experienced an increase in net position of \$104.4 million during the fiscal year mostly attributable to the Employment Security Fund operating at a \$101.7 million surplus in fiscal year 2017. The Lottery also contributed approximately \$362.7 million in resources to the governmental activities in fiscal year 2017.

Fund Financial Statements

Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$1,368.3 million, an increase of \$215.1 million in comparison with the previous fiscal year. This is primarily a result of the increase in the Intermodal Surface Transportation (IST) Funds' fund balance of \$318.1 million, which was due to a new GARVEE Bond issue which is discussed in Note 6. This increase was offset in part by a reduction in the General Fund's fund balance as discussed directly below.
- As of June 30, 2017, the State's General Fund reported an ending fund balance of \$390.0 million, a decrease of \$110.7 million as compared to the prior year. Tax revenues increased by \$22.5 million as compared to fiscal year 2016. Significant inheritance tax collections were offset by declines, compared to fiscal year 2016, in revenues from general business taxes and net lottery revenues.

On the expenditure side, total general revenue expenditures were \$124.6 million greater than fiscal 2016 primarily due to greater spending in the Human Services category because of increased enrollment in the Medicaid program stemming from the Affordable Care Act (ACA), along with general growth in healthcare expenses for the Medicaid population. Expenditures in the Education category were also higher because of the continued transition to the Education Funding Formula, which required over \$39.4 million in additional funding in fiscal 2017.

- As of June 30, 2017, the State's IST Fund reported an ending fund balance of \$454.2 million, an increase of \$318.1 million as compared to the prior year. The increase was mainly due to the new GARVEE bond issue mentioned above.

Proprietary Funds

- The Rhode Island State Lottery transferred \$362.7 million to the General Fund in support of general revenue expenditures during the fiscal year, a decrease of \$7.1 million in comparison with the previous fiscal year. Sales of traditional lottery products were down 4.2 percent year-over-year, reflective of the fact that in fiscal 2016 the largest Powerball jackpot in history which surpassed \$1.0 billion in January 2016 was realized and did not repeat in fiscal 2017. This decrease in the sales of traditional lottery products was matched by a decline in video lottery net terminal income revenues of 1.3 percent in fiscal 2017 as the reconfiguration of gaming options at Twin River reduced the number of video lottery terminals available in favor of additional traditional table games and the establishment of poker tables at the facility. As a result, net revenues from the operation of table games at Twin River increased by 11.3 percent in fiscal 2017 which was approximately half the growth rate in net table game revenues experienced in fiscal 2016.
- The Employment Security Fund ended the fiscal year with a net position of \$383.4 million, an increase of \$101.7 million from fiscal year 2016. This favorable change is principally attributable to full repayment of prior borrowings and a slight reduction in benefits paid due to the improving employment level in the State as well as a steady level of tax revenue.
- The Rhode Island Convention Center Authority ended the fiscal year with a net position deficiency of (\$54.7) million, a deficit decrease of \$2.1 million compared with the prior year. The Authority has historically had a net position deficiency, because the amount of debt related to capital assets has exceeded the net book value of the capital assets and because the repayment term for the debt is generally longer than the depreciable life of the assets.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds -- enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds -- the Lottery Fund, 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 post-employment benefits trusts, an external investment trust, a private-purpose trust and agency funds, are reported using accrual

accounting. Individual fund data for fiduciary funds can be found in the supplementary information section of the State's CAFR.

Discretely Presented Component Units

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (deficit) (governmental and business-type activities) totaled (\$138.1) million at the end of fiscal year 2017, compared to (\$330.3) million at the end of the prior fiscal year, as restated. Governmental activities reported unrestricted net position (deficit) of (\$4,581.5) million.

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

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

State of Rhode Island's Net Position as of June 30, 2017 and 2016
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016*	2017	2016	2017	2016*
Current and other assets	\$ 2,470,839	\$ 2,218,491	\$ 418,353	\$ 321,087	\$ 2,889,192	\$ 2,539,578
Capital assets	4,191,448	4,044,748	137,724	146,304	4,329,172	4,191,052
Total assets	6,662,287	6,263,239	556,077	467,391	7,218,364	6,730,630
Deferred outflows of resources	582,620	313,682	7,094	6,230	589,714	319,912
Long-term liabilities outstanding	6,309,285	5,822,768	205,114	216,946	6,514,399	6,039,714
Other liabilities	1,231,220	1,175,654	46,714	49,937	1,277,934	1,225,591
Total liabilities	7,540,505	6,998,422	251,828	266,883	7,792,333	7,265,305
Deferred inflows of resources	153,304	115,200	511	300	153,815	115,500
Net position (deficit):						
Net investment in capital assets	3,212,380	3,063,506	(53,682)	(57,493)	3,158,698	3,006,013
Restricted	920,232	733,280	384,198	283,901	1,304,430	1,017,181
Unrestricted	(4,581,514)	(4,333,487)	(19,684)	(19,970)	(4,601,198)	(4,353,457)
Total net position (deficit)	\$ (448,902)	\$ (536,701)	\$ 310,832	\$ 206,438	\$ (138,070)	\$ (330,263)

*-Restated. See Note 18 F for an explanation of the restatements.

As indicated above, the State reported a balance in unrestricted net position (deficit) of (\$4.6) billion as of June 30, 2017. Two primary factors, which are discussed below, contributed to this deficit.

As required by governmental accounting standards the State recognizes the net pension liability for all of the pension plans it has funding responsibility for. Recognition of this liability has had a significant adverse impact on unrestricted net position. At June 30, 2017 the net pension liability related to governmental activities was \$3.48 billion and the net pension liability related to business-type activities was \$16.3 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 (including the University of Rhode Island), and non-profit organizations within the State to fund specific projects.

Examples of these uses of general obligation bond proceeds include, but are not limited to, the following:

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

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

- Tobacco Settlement Asset-Backed Bonds and Accreted Interest - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC and do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof, and the State has no obligation to satisfy any deficiency or default of any payment of the bonds. As of June 30, 2017 approximately \$662.5 million of principal and \$85.8 million of accreted interest are included in the State's debt.
- Historic Tax Credit Bonds - In fiscal years 2009 and 2015 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$150.0 million and \$75.0 million, respectively, of revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriation by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. As of June 30, 2017, approximately \$80.2 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 to be used, 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, 2017, approximately \$228.5 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.

Changes in Net Position

The State's overall net position for the primary government improved by \$192.2 million during fiscal year 2017. Total revenues of \$8,184.8 million increased by \$156.1 million compared to fiscal year 2016. The favorable results were aided by increased general revenues due primarily to significant non-recurring inheritance tax revenues, as well as increases related to operating grants and contributions and capital grants and contributions.

The State's expenses, which cover a wide range of services, increased by \$201.8 million.

The most notable increases were in the human services, education and interest and other charges categories. Human services expenditures increased primarily because of increased enrollment in the Medicaid program stemming from the Affordable Care Act (ACA), along with general growth in healthcare expenses for the Medicaid population. Expenditures in the Education category were higher because of the continued transition to the Education Funding Formula. The increase in interest and other charges is the result of a restructuring of debt undertaken in July 2015 that freed up resources to be invested in economic development programs, but deferred debt service costs to future years. Such costs were reduced in fiscal 2016, but began to return to a more normal state in fiscal 2017.

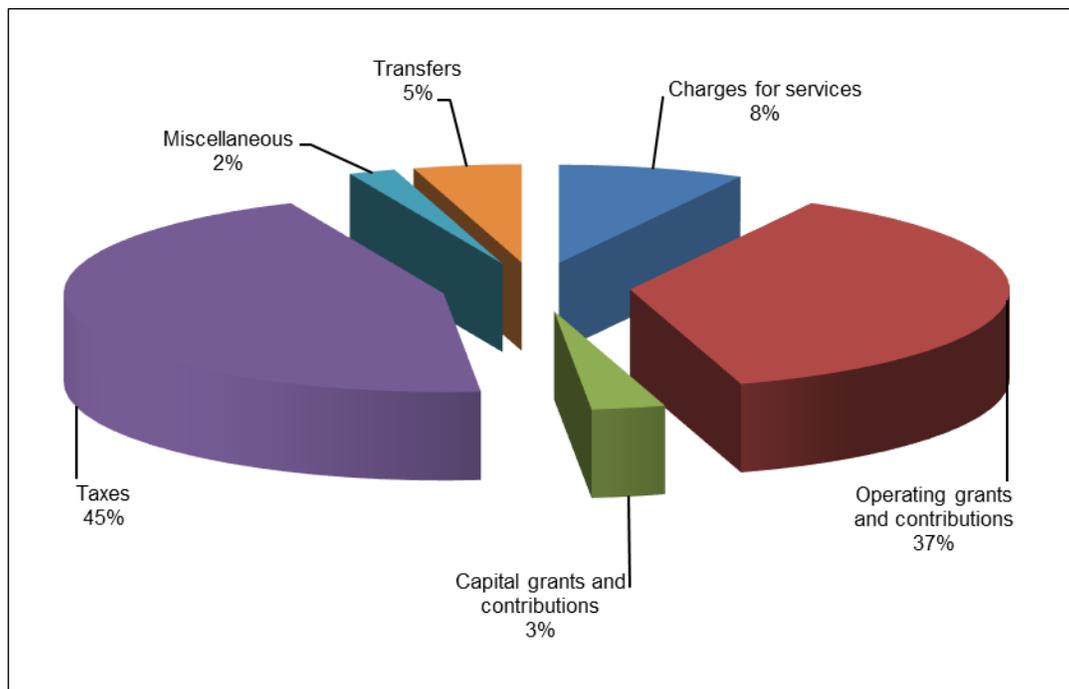
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows.

State of Rhode Island's Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 584,539	\$ 624,753	\$ 1,151,505	\$ 1,177,083	\$ 1,736,044	\$ 1,801,836
Operating grants and contributions	2,747,631	2,677,431	1,373	1,558	2,749,004	2,678,989
Capital grants and contributions	230,956	178,628			230,956	178,628
General revenues:						
Taxes	3,308,575	3,266,347			3,308,575	3,266,347
Interest and investment earnings	6,313	3,134	312	164	6,625	3,298
Miscellaneous	146,803	95,529	6,814	4,106	153,617	99,635
Total revenues	7,024,817	6,845,822	1,160,004	1,182,911	8,184,821	8,028,733
Program expenses:						
General government	753,011	769,469			753,011	769,469
Human services	3,802,311	3,652,875			3,802,311	3,652,875
Education	1,619,343	1,595,289			1,619,343	1,595,289
Public safety	551,000	545,329			551,000	545,329
Natural resources	90,082	87,537			90,082	87,537
Transportation	350,585	343,270			350,585	343,270
Interest and other charges	109,664	83,899			109,664	83,899
Lottery			510,302	507,199	510,302	507,199
Convention Center			50,658	48,905	50,658	48,905
Employment Security			155,672	157,018	155,672	157,018
Total expenses	7,275,996	7,077,668	716,632	713,122	7,992,628	7,790,790
Excess (deficiency) before transfers	(251,179)	(231,846)	443,372	469,789	192,193	237,943
Transfers	338,978	335,765	(338,978)	(335,765)		
Change in net position	87,799	103,919	104,394	134,024	192,193	237,943
Net position (deficit) - Beginning	(500,714)	(604,633)	206,438	72,414	(294,276)	(532,219)
Cumulative effect of prior period adjustments	(35,987)				(35,987)	
Net position (deficit) - Beginning, as restated	(536,701)	(604,633)	206,438	72,414	(330,263)	(532,219)
Net position (deficit) - Ending	\$ (448,902)	\$ (500,714)	\$ 310,832	\$ 206,438	\$ (138,070)	\$ (294,276)

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2017

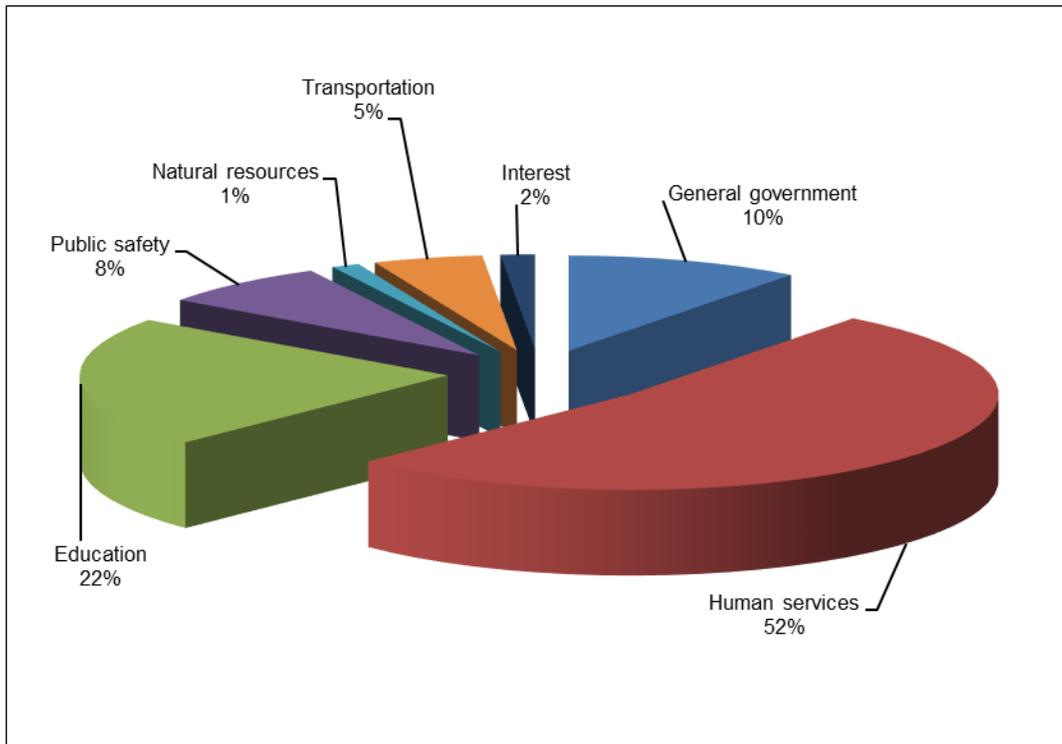
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly constant in fiscal year 2017 versus the prior fiscal year. Taxes continued to represent the largest source of revenue at 45% of the total while operating grants and contributions represented 37% of the total in fiscal year 2017.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2017.

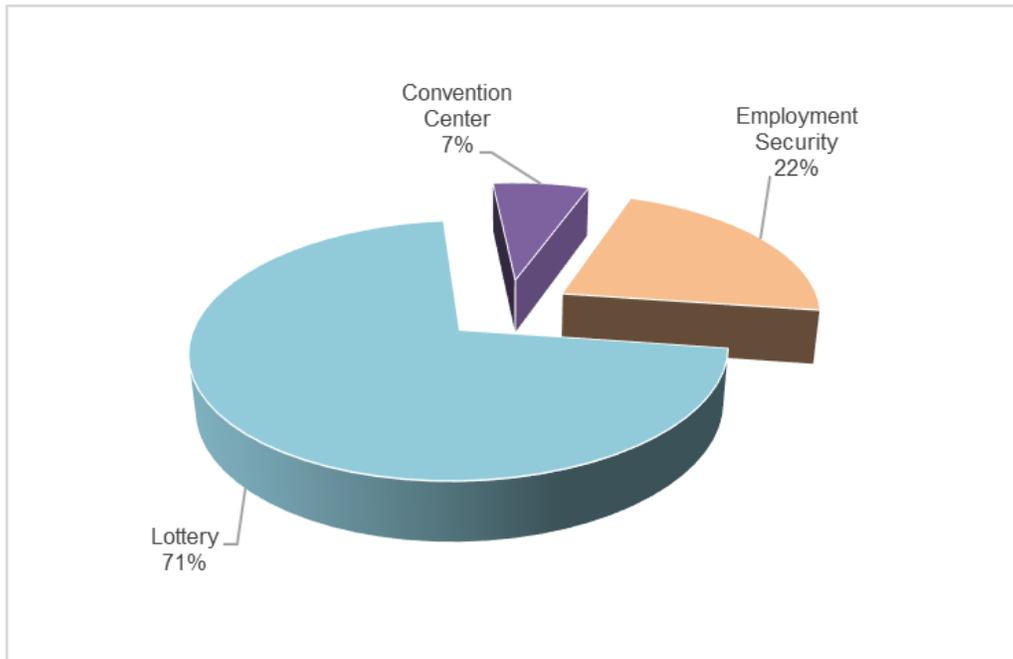
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal year 2017 as in the prior fiscal year. There was a slight increase in interest and other charges due to the impact of the July 2015 debt restructuring previously discussed, in addition to a slight reduction in general government expenses.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2017.

Chart 3 – Program Expenses – Business Type Activities



The relative mix of expenses for business type activities remained unchanged from fiscal 2016. Expenditures on employment security programs reflected a slight decline again this fiscal year due to the improving local economy and lower unemployment rates.

Financial Analysis of the State's Funds

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$1.368 billion, an increase of \$215.1 million from June 30, 2016. A breakdown of the components follows (expressed in thousands):

	2017	2016*	Increase (decrease) from 2016	
			Change	Percent
Governmental Funds				
Nonspendable	\$ 174	\$ 174	\$	
Restricted	1,033,684	739,188	294,496	39.84%
Unrestricted				
Committed	66,229	43,150	23,079	53.49%
Assigned	67,931	137,114	(69,183)	-50.46%
Unassigned	200,300	233,577	(33,277)	-14.25%
Total	<u>\$ 1,368,318</u>	<u>\$ 1,153,203</u>	<u>\$ 215,115</u>	<u>18.65%</u>

*- Reclassified to conform to current year presentation. See Note 18 F. for more information.

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 \$294.5 million in the restricted portion of the fund balance is primarily related to the proceeds from a new issuance of highway and bridge improvement bonds (GARVEE bonds). The proceeds of the issue will be used for significant highway and bridge replacements and upgrades done in conjunction with the RhodeWorks program.
- The net increase of \$23.1 million in the committed portion of the unrestricted fund balance is primarily attributable to an increase 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 \$69.2 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 fiscal 2018 budget.

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):

	2017	2016*	Increase (decrease) from 2016	
			Change	Percent
Restricted	\$ 117,668	\$ 124,501	\$ (6,833)	-5.49%
Unrestricted				
Committed	2,556	3,975	(1,419)	-35.70%
Assigned	67,931	137,114	(69,183)	-50.46%
Unassigned	201,818	235,096	(33,278)	-14.16%
Total	\$ 389,973	\$ 500,686	\$ (110,713)	-22.11%

*- Reclassified to conform to current year presentation. See Note 18 F. for more information.

Revenues and other sources of the General Fund totaled \$6.7 billion in fiscal year 2017, an increase of \$108 million or 1.6% from the previous year. The revenues from various sources and the change from the previous year are shown in the following tabulation (expressed in thousands):

	2017	2016	Increase (decrease) from 2016	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,235,991	\$ 1,211,678	\$ 24,313	2.01%
Sales and use	1,184,326	1,173,770	10,556	0.90%
General business	398,570	428,573	(30,003)	-7.00%
Other	99,181	81,519	17,662	21.67%
Subtotal	2,918,068	2,895,540	22,528	0.78%
Federal grants	2,726,644	2,610,735	115,909	4.44%
Restricted revenues	217,258	241,872	(24,614)	-10.18%
Licenses, fines, sales, and services	348,934	355,731	(6,797)	-1.91%
Other general revenues	56,435	52,701	3,734	7.09%
Subtotal	3,349,271	3,261,039	88,232	2.71%
Total revenues	6,267,339	6,156,579	110,760	1.80%
Other sources				
Transfer from Lottery	362,697	369,761	(7,064)	-1.91%
Other transfers	70,656	74,210	(3,554)	-4.79%
Special Item	10,360	-	10,360	-
Proceeds from capital leases	2,500	5,021	(2,521)	-50.21%
Total revenues and other sources	\$ 6,713,552	\$ 6,605,571	\$ 107,981	1.63%

Fiscal 2017 personal income taxes rose modestly from fiscal 2016 levels, increasing \$24.3 million or 2.0 percent. Final payments, payments made with a return and extension payments, increased by 1.0 percent while estimated payments rose a slight 1.6 percent. Personal income tax withholding payments jumped to a rate of growth of 4.5 percent in fiscal 2017 from a 2.5 percent rate of growth in fiscal 2016. The increase in withholding tax payments was strong given that the decline in the unemployment rate was modest, falling from 5.5 percent in fiscal 2016 to 4.8 percent in fiscal 2017. The increase in personal income tax withholding payments was more than offset by a sharp increase in personal income tax refunds and adjustments of 22.4 percent. Finally, the personal income tax net accrual went from \$(18.8 million) in fiscal 2016 to \$11.1 million in fiscal 2017, adding \$29.9 million to personal income tax revenues in fiscal 2017.

The State's unemployment rate continued to decline as, according to IHS Markit, it fell from 5.5 percent in fiscal year 2016 to 4.8 percent in fiscal 2017, a decline of 0.7 percentage points or slightly more than half as much as the 1.2 percentage points decline experienced between fiscal year 2015 and fiscal 2016. Nominal personal income growth fell from 2.8 percent in fiscal 2016 to 1.4 percent in fiscal 2017. General sales and use tax revenues showed meager gains of 0.9 percent in fiscal 2017 over fiscal 2016, even with the increased collection and remittance of significant sales taxes by remote seller(s) beginning on February 1, 2017. Motor vehicle license and registration fees contributed to the mild growth in sales and use taxes as 50 percent of such fees were transferred to the Rhode Island Highway Maintenance Account vs. 25 percent in fiscal 2016. Fiscal 2017 use tax payments paid at the time of registration of a new motor vehicle increased by 2.9 percent, down sharply from the 8.7 percent rate of growth between fiscal 2015 and fiscal 2016. Sales taxes collected from the provision of prepared meals and beverages increased 2.5 percent in fiscal 2017, about one-third of the growth rate recorded in fiscal 2015.

General business tax revenues fell by 7.0 percent in fiscal 2017, driven primarily by significant declines in business corporation tax receipts of 11.6 percent, public utilities gross earnings tax payments of 12.3 percent, and insurance company gross premiums tax revenues of 7.1 percent. These declines were offset in part by a gain in financial institution tax revenues of 5.2 percent.

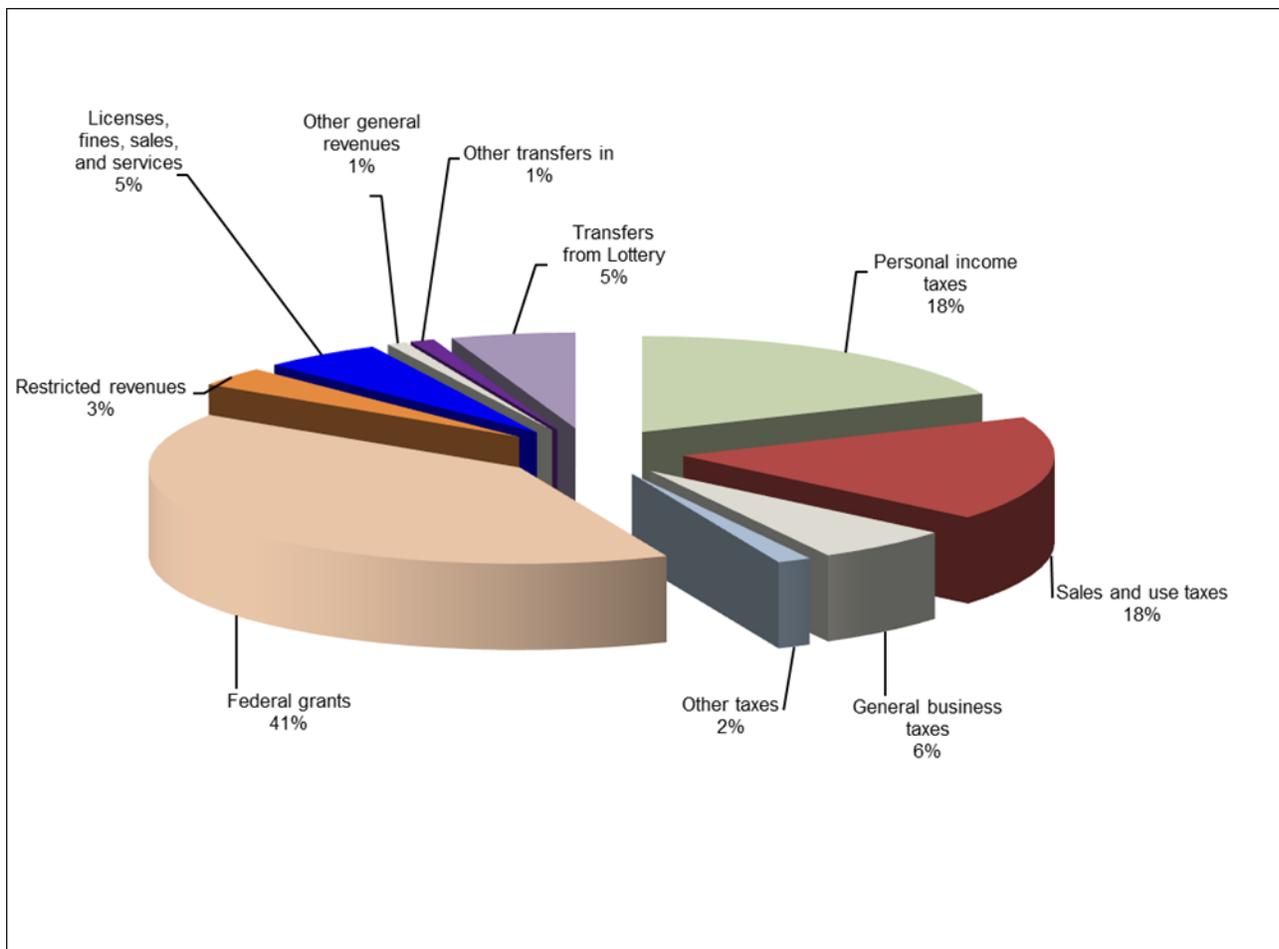
Other taxes increased by 21.7 percent over fiscal 2016. Estate and transfer tax revenues increased by 22.0 percent from fiscal year 2016 levels, due overwhelmingly to the receipt of large estate and transfer tax

payment(s). Realty transfer taxes rose 20.7 percent from fiscal 2016 levels, reflecting continued strong growth in the state's housing market.

Finally, the R.I. Lottery's transfer to the General Fund was down 1.9 percent in fiscal 2017 from fiscal year 2016. Sales of traditional lottery products were down 4.2 percent year-over-year, reflective of the fact that in fiscal 2016 the largest Powerball jackpot in history which surpassed \$1.0 billion in January 2016 was realized and did not repeat in fiscal 2017. This decrease in the sales of traditional lottery products was matched by a decline in video lottery net terminal income revenues of 1.3 percent in fiscal 2017 as the reconfiguration of gaming options at Twin River reduced the number of video lottery terminals available in favor of additional traditional table games and the establishment of poker tables at the facility. As a result, net revenues from the operation of table games at Twin River increased by 11.3 percent in fiscal 2017 which was approximately half the growth rate in net table game revenues experienced in fiscal 2016.

Chart 4 depicts the General Fund's revenues and other sources for the fiscal year ended June 30, 2017.

Chart 4 – Revenues and Other Sources – General Fund



Expenditures and transfers out totaled \$6,824.3 million in fiscal year 2017, an increase of \$226.2 million, or 3.43%, 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):

	2017	2016	Increase (decrease) from 2016	
			Amount	Percent
General government	\$ 553,479	\$ 577,399	\$ (23,920)	-4.14%
Human services	3,831,633	3,694,123	137,510	3.72%
Education	1,525,626	1,467,236	58,390	3.98%
Public safety	534,495	504,217	30,278	6.00%
Natural resources	77,556	78,270	(714)	-0.91%
Debt Service:				
Principal	103,176	74,705	28,471	38.11%
Interest	61,208	59,705	1,503	2.52%
Total expenditures	6,687,173	6,455,655	231,518	3.59%
Transfers out	137,092	142,425	(5,333)	-3.74%
Total expenditures and transfers out	\$ 6,824,265	\$ 6,598,080	\$ 226,185	3.43%

The year over year decrease of approximately \$23.9 million in the General Government function is primarily attributable to lower restricted resources available in the Regional Greenhouse Gas Initiative program within the Office of Energy Resources due to reduced revenues from auctions of CO₂ allowances; lower federal resources for the Rhode Island Health Exchange as federal funds for setup and implementation costs were exhausted; and reduced spending of one-time resources from a debt restructuring in July 2015 on economic development initiatives within the Executive Office of Commerce.

The year over year increase of \$137.5 million in the Human Services function is primarily attributable to further increases in enrollment in the Medicaid program resulting from the Affordable Care Act (ACA), along with general growth in healthcare expenses for the Medicaid population. This was coupled with an increase in the state's share of the cost of providing Medicaid coverage to the expansion population which increased from 0 percent in fiscal 2016 to 2.5 percent in fiscal 2017.

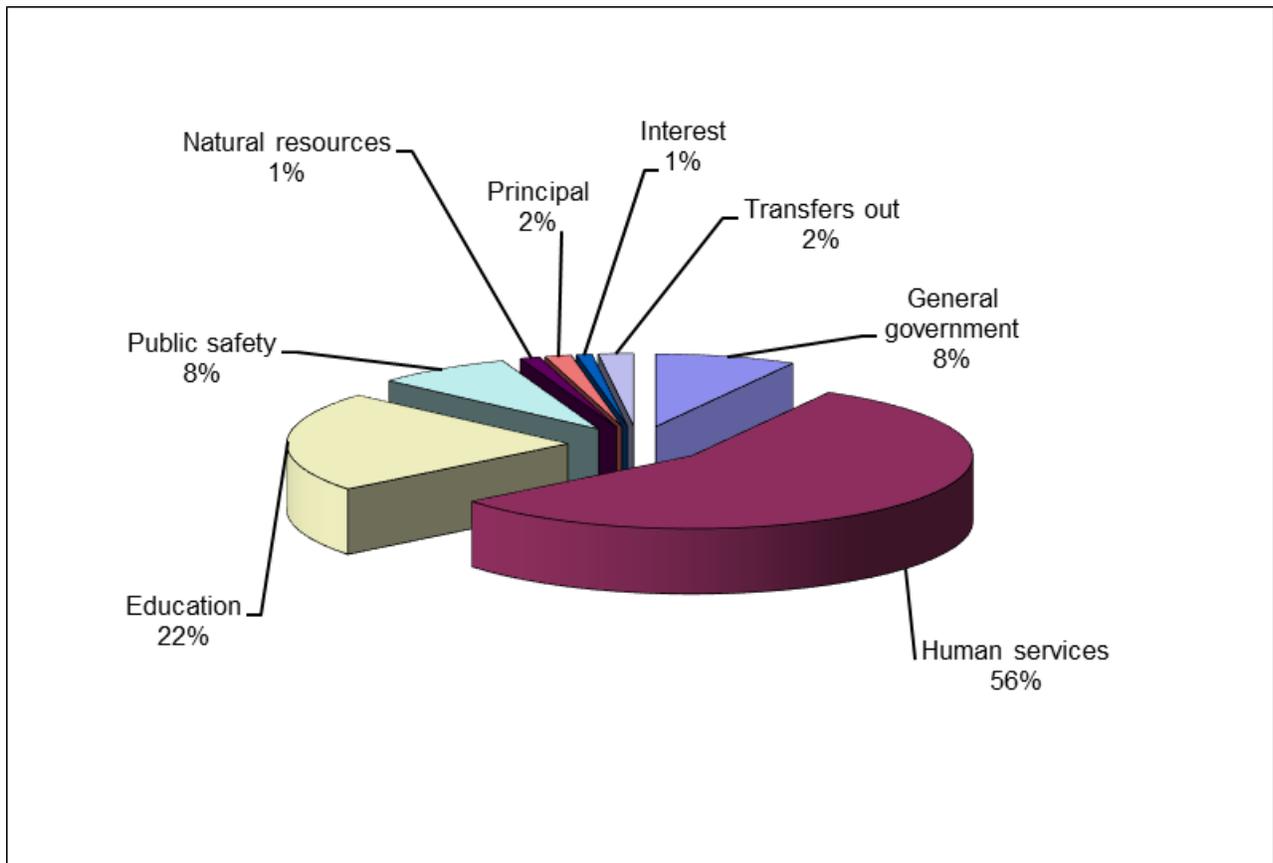
The primary driver of the increase in Education function expenditures of \$58.4 million is the continued transition to the Education Funding Formula, which required over \$39.4 million in additional funding in fiscal 2017. Also in this functional area, an additional \$10.2 million was appropriated for various categorical education programs, such as English language learners, High Cost Special Education, Early Childhood/Kindergarten and Transportation. Finally, the fiscal 2017 budget included an increase of \$7.7 million in state support for the three institutions of higher education.

The year over year increase of \$30.3 million in Public Safety function expenditures is primarily due to a one-time payment of \$15.0 million from the State Police's Equitable Sharing Settlement Federal Forfeiture account for the establishment of a pension trust fund for retired State Troopers under a pay-as-you-go pension program. The State Police program within the Department of Public Safety also included increased expenditures because of retroactive pay to State Troopers based on a contract arbitration. The Attorney General's Office also expended additional funds from its Equitable Sharing Settlement account towards the construction of a new building on the Pastore Campus in Cranston.

The increase in debt service of \$30.0 million from fiscal 2016 to fiscal 2017 is the result of a restructuring of debt undertaken in July 2015 that freed up resources to be invested in economic development programs, but deferred debt service to future years. Debt service expenses were reduced in fiscal 2016, but began to return to a more normal state in fiscal 2017.

Chart 5 depicts the General Fund's expenditures and other uses for the fiscal year ended June 30, 2017.

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, certain motor vehicle registration and licensing fees, federal grants, and Rhode Island Capital Plan funds 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):

	2017	2016	Increase (decrease) from 2016	
			Change	Percent
Restricted	\$ 392,441	\$ 98,595	\$ 293,846	298.03%
Unrestricted				
Committed	63,292	39,063	24,229	62.03%
Unassigned (deficit)	(1,518)	(1,519)	1	0.07%
Total	\$ 454,215	\$ 136,139	\$ 318,076	233.64%

The net increase of \$293.8 million in the restricted portion of the fund balance is primarily related to a new issue of GARVEE bonds in October 2016. The proceeds of the issue will be used for significant bridge and road replacements and upgrades under the RhodeWorks program. The net increase of \$24.2 million in the committed portion of the unrestricted fund balance primarily resulted from an increase in the RI Highway Maintenance Account. 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.

General Fund Budgetary Highlights – General Revenue Sources

According to the State's Constitution, general revenue appropriations in the general fund cannot exceed 97% of available general revenue sources. These sources consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. Excess revenue is transferred to the State Budget Reserve Account. If the balance in the Reserve exceeds 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.

Adjustments to general revenue receipt estimates resulted in an increase of \$1.1 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$2.8 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights General Revenue Sources				
	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,249,175	\$ 1,266,604	\$ 1,243,807	\$ (22,797)
General business	459,337	420,600	399,436	(21,164)
Sales and use	1,189,479	1,185,500	1,184,326	(1,174)
Other taxes	33,600	40,600	99,181	58,581
Departmental revenue	361,587	376,161	370,066	(6,095)
Other sources:				
Lottery transfer	365,300	362,200	362,697	497
Unclaimed property	9,200	12,100	12,725	625
Miscellaneous	7,065	12,062	12,122	60
Total revenues and other sources	<u>3,674,743</u>	<u>3,675,827</u>	<u>3,684,360</u>	<u>8,533</u>
Expenditures and other uses:				
General government	490,483	473,602	460,169	13,433
Human services	1,387,596	1,403,339	1,404,922	(1,583)
Education	1,313,340	1,315,723	1,315,613	110
Public safety	449,638	453,039	451,156	1,883
Natural resources	42,659	40,765	40,600	165
Total expenditures and other uses	<u>3,683,716</u>	<u>3,686,468</u>	<u>3,672,460</u>	<u>14,008</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (8,973)</u>	<u>\$ (10,641)</u>	<u>\$ 11,900</u>	<u>\$ 22,541</u>

*See Note 1 on the General Fund Budgetary Comparison Schedule

The negative variance between the fiscal 2017 actual revenues and the fiscal 2017 final budget for personal income taxes was largely attributable to an increase in refunds and adjustments of \$21.6 million and a decrease in the net accrual of \$3.8 million between final enactment and the final actual amounts. Relative to the original enactment of the fiscal 2017 budget in June 2016, actual fiscal 2017 personal income tax estimated payments were \$12.4 million less, final payments were \$15.4 million more, withholding payments were \$1.1 million more, refunds and adjustments were \$25.4 higher, and the net accrual was \$12.1 million greater than the amounts included in the original budget.

Actual fiscal 2017 general business taxes came in \$59.9 million below the original budget due primarily to actual business corporation and public utilities gross earnings tax revenues coming in \$55.8 million lower than the estimated amount included in the original budget. These realized decreases were compounded by shortfalls in insurance company gross premiums tax revenue of \$5.0 million and in health care provider assessment revenues of \$1.6 million.

Sales and use tax revenues received in fiscal 2017 underperformed estimated sales and use tax revenues included in the fiscal year 2017 original budget by \$5.2 million with weaker sales tax revenues of \$18.9 million offset by higher motor vehicle license and registration fees of \$13.0 million. The increased motor vehicle license and registration fee revenues were due in large part to the General Assembly increasing the percentage of these fees to be retained as general revenue from 25 percent in the original budget to 50 percent in the final budget.

Actual fiscal 2017 other tax revenues were significantly greater than in either the original budget or the final budget. In the case of the former the difference was \$65.6 million while in the case of the latter the difference was \$58.6 million. In both cases, the large positive variance is due to the receipt of large unusual estate and transfer tax payment(s) in July 2017 that were accrued back to fiscal 2017 and were not foreseen by revenue estimators when producing the estate and transfer tax revenue estimates for the original and final budgets.

Finally, the actual fiscal 2017 Lottery transfer to the General Fund was in-line with the revenue estimate contained in the final budget but was \$2.6 million below the estimated Lottery transfer to the General Fund contained in the fiscal 2017 original budget. In December 2016, five new traditional table games were added at Twin River displacing 43 video lottery terminals in the process. In addition, traditional lottery products sales declined sharply as in January 2016 the largest Powerball jackpot in U.S. history was attained driving significant ticket purchases during the run up to the jackpot.

The positive expenditure variance in the General Government function of approximately \$13.4 million was primarily in two agencies, Administration and Legislature. Within Administration, most of the positive variance, \$3.7 million, was in the Division of Capital Asset Maintenance and Management program due to lower than anticipated energy and repair costs. In addition, several programs had surpluses due to funding enacted for specific projects remaining unspent at year end, which was subsequently approved by the Governor for reappropriation to fiscal 2018. This included \$579,559 for a classification and compensation study and \$129,319 for building code training. In the Legislature's budget, the positive variance was \$7.1 million. Under Rhode Island law, the entire surplus for the Legislature is reappropriated to fiscal 2018.

The positive variance in the Human Services function of approximately \$0.6 million was due to a positive variance of \$4.7 million in the Office of Health and Human Services (OHHS), offset by a deficit of \$4.4 million in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH). The OHHS positive variance was primarily in the Medicaid program due to final caseloads being lower than estimated by the Caseload Estimating Conference in May 2017. The BHDDH deficit was primarily in the Developmental Disabilities program due to certain savings initiatives not being achieved.

The positive variance of \$1.9 million in Public Safety was primarily due to positive variances of \$1.3 million in the Department of Corrections and \$0.5 million in the Attorney General's Office. The Department of Corrections' surplus was due to funding enacted for specific projects remaining unspent at year end, which was subsequently approved by the Governor for reappropriation to fiscal 2018. This included approximately \$900,000 for various components of the Medication Assisted Treatment (MAT) program. Additional unspent appropriations were due to lower overtime and personnel expenditures than anticipated in the final

Corrections budget. Within the Attorney General's Office, the surplus was primarily in the Civil Program due to position vacancies.

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, 2017 amounts to \$4,329.2 million, net of accumulated depreciation of \$3,023.8 million. This investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 3.30% of net book value (as restated). This increase is primarily attributable to investments in the construction and rehabilitation of highways and bridges, major software modernization initiatives and major building and renovation projects including a new home for Rhode Island's veterans.

Actual expenditures to purchase or construct capital assets were \$334.3 million for the year. Of this amount, \$171.0 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$207.1 million.

State of Rhode Island's Capital Assets as of June 30, 2017 and 2016
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Capital assets not being depreciated or amortized						
Land	\$ 393,291	\$ 393,739	\$ 46,808	\$ 46,808	\$ 440,099	\$ 440,547
Works of Art	3,449	3,449			3,449	3,449
Intangibles	173,393	171,992			173,393	171,992
Construction in progress*	568,594	648,159	840	293	569,434	648,452
Total capital assets not being depreciated or amortized	1,138,727	1,217,339	47,648	47,101	1,186,375	1,264,440
Capital assets being depreciated or amortized						
Land improvements	4,665	4,665			4,665	4,665
Buildings	719,277	724,551	234,377	234,384	953,654	958,935
Building improvements	372,596	372,596			372,596	372,596
Equipment	326,981	304,793	31,379	31,104	358,360	335,897
Intangibles**	256,390	14,040	175	175	256,565	14,215
Infrastructure	4,220,721	4,069,394			4,220,721	4,069,394
	5,900,630	5,490,039	265,931	265,663	6,166,561	5,755,702
Less: Accumulated depreciation or amortization	2,847,909	2,662,630	175,855	166,460	3,023,764	2,829,090
Total capital assets being depreciated or amortized	3,052,721	2,827,409	90,076	99,203	3,142,797	2,926,612
Total capital assets (net)	\$ 4,191,448	\$ 4,044,748	\$ 137,724	\$ 146,304	\$ 4,329,172	\$ 4,191,052

*Certain fiscal year 2016 balances have been restated.

** Including information system development costs.

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 \$2.4 billion, of which \$1,091.4 million is general obligation debt, \$606.2 million is special obligation debt and \$662.5 million is debt of the blended component units. Additionally, accreted interest of \$85.8 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 \$222.0 million during fiscal year 2017. This increase consists of a \$39.6 million increase in general obligation debt, an increase of \$214.9 million in special obligation debt, and a decrease of \$32.5 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 \$276.1 million and \$1,274.3 million are supported by pledged revenue. These obligations are discussed in Notes 6 and 18 G.

In May 2017, the State issued \$91.0 million of general obligation bonds with interest rates ranging from 3.00% to 5.00%, maturing from 2018 through 2037. The premium paid on these bonds was \$9.7 million. The State also issued \$66.9 million of general obligation refunding bonds with an interest rate of 5.00%, maturing from 2024 through 2031, with a premium of \$14.7 million. These bonds, combined with the premium, were used to advance refund \$70.4 million of bonds with interest rates from 3.00% to 5.50% and maturities from 2017 to 2031. The refunding resulted in a reduction of debt service of \$7.8 million and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$7.3 million. A deferred loss on the refunding of approximately \$2.1 million was recorded.

The State's assigned general obligation bond ratings are as follows: AA (Stable) by S&P Global 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, 2017 amounted to \$395.6 million; other obligations that are authorized but unissued totaled \$198.3 million and are described in Note 6. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

Conditions Expected to Affect Future Operations

Fiscal Year 2018 Budget

The first quarter report for fiscal year 2018 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the first quarter of fiscal year 2018, as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 2017 Caseload and Revenue Estimating Conferences. The fiscal year 2018 balance, based upon these assumptions, is estimated to reflect a \$60.2 million general revenue deficit in the General Fund.

In the first quarter report for fiscal year 2018 prepared by the State Budget Office, a number of departments, primarily in the human service area as well as the Departments of Corrections and Public Safety and the Military Staff are projecting deficits. All changes recommended by the Governor in the fiscal year 2018 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations bill, which must be submitted to the General Assembly in early 2018.

The November Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the current economic forecast. On the revenue side, general revenue receipts are expected to be \$10.3 million less than enacted for fiscal year 2018. Taxes are expected to be \$9.4 million less than the enacted estimates, while departmental revenues and other sources are expected to be \$0.9 million less than enacted estimates. The November Revenue Estimating Conference estimates that revenues will be \$3,824.4 million as compared with the enacted estimate of \$3,834.7 million for fiscal year 2018.

The November Caseload Estimating Conference estimates reflect, in comparison to the fiscal year 2018 enacted budget, increased general revenue funding for fiscal year 2018 of \$29.3 million. This is due to a number of factors including especially increased costs for medical assistance programs.

RIBridges / Unified Health Infrastructure Project ("UHIP")

The State has experienced significant programmatic challenges relating to its RIBRIDGES (also known as the Unified Health Infrastructure Project or UHIP) implementation, which is Rhode Island's new integrated eligibility system for various health and human services programs (i.e., Medicaid, SNAP, TANF) and the State's Health Insurance Exchange established pursuant to the ACA.

The UHIP system commenced initial functionality in October 2013 for the State's Health Insurance Exchange Marketplace, Medicaid and CHIP (Children's Health Insurance Program) programs by determining eligibility for populations based on modified adjusted gross income. Upon initial implementation, system functional problems resulted in challenges in determining and/or validating Medicaid eligibility for certain individuals, newborn enrollments into existing cases, and other functional and operational issues that resulted in eligibility redeterminations being suspended well beyond the one year period mandated by federal regulations.

In September 2016, RIBRIDGES was expanded by adding the remainder of Medicaid program eligibility and eligibility and pay benefits for the federal Supplemental Nutrition Assistance (SNAP), Temporary Assistance to Needy Families (TANF), and Child Care programs to those already commenced under the initial UHIP launch. RIBRIDGES immediately experienced significant functional and operational challenges in addition to continuing challenges experienced by the initial UHIP implementation.

Application backlogs, delays in determining (including the timely redetermination of) eligibility have continued for extended periods of time and system interface operations designed as key controls over eligibility have been ineffective and not fully operational. Additionally, advances have been necessary for certain provider groups. Control deficiencies relating to an ineffective eligibility system have also resulted in known duplicate payments of capitation for Medicaid individuals enrolled in managed care, continued Medicaid eligibility for deceased individuals, and long-term backlogs of newborns being added to respective Medicaid cases.

Oversight from the federal grantor agencies funding the system has increased with requests for corrective actions to ensure program compliance. Additionally, the American Civil Liberties Union sued the State alleging denial of timely benefits to SNAP applicants. In settlement of that suit, the court appointed a special master to oversee the corrective actions necessary to ensure timely determination and payment of benefits through the system.

The State has negotiated with the system developer, Deloitte, to recoup some of the system costs expended to date, to receive additional services at no charge to address system deficiencies and to cover any fines that may be levied on the State by the Food and Nutrition Services (FNS) related to the SNAP program.

The State anticipates continued challenges in fiscal 2018 due to the implementation of the computer system including operational, compliance and budgetary effects.

Lottery Revenue

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

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

A new casino/hotel is currently under construction in Tiverton, Rhode Island near the Massachusetts border by Premier Entertainment II, LLC, a limited liability corporation of which the Twin River Management Group (TRMG) is the sole member. The casino is expected to be opened in the fall of 2018 with gaming operations from Newport Grand being transferred to the Tiverton Casino. The State and TRMG believe that this new facility will be better situated to compete with casinos in nearby Massachusetts.

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 14 for information about each of the State's pension plans.

The status of certain legal challenges to pension reforms initiated in prior years is discussed in Note 13. Most of the cases filed because of enactment of pension reforms have been largely resolved through settlement and legislative enactment of those settlement provisions at the close of fiscal 2015.

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

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

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 will be reflected in the determination of the net pension liability (asset) 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 will reflect the lower investment return assumption and will impact required employer contributions in fiscal 2020.

Other Postemployment Benefits (OPEB)

The State established a trust in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with its OPEB plans. All participating employers are required by law to fully fund the actuarially determined annual required contribution.

The State began accounting for retiree health care benefits on an actuarial basis in fiscal year 2008. The most recent actuarial study completed as of June 30, 2015 has determined the State's net unfunded actuarial liability for all six plans included in the Rhode Island State Employees' and Electing Teachers OPEB System to be \$720.8 million. Based on a discount rate of 5.0%, the State's and other participating employers' annual required contribution was \$56.7 million. For fiscal year 2017, the State funded the retiree health care program in accordance with law by contributing the actuarially required contribution. At June 30, 2017 the OPEB Trust's net position was \$228.4 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Future changes in healthcare costs, as well as investment returns and other assumptions, could significantly affect the level of contributions required of the State.

In fiscal year 2018 the State will be implementing GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of GASB Statement No. 45 related to accounting for other post-employment benefit plans that are administered through trusts or equivalent arrangements. This Statement will require the State to restate opening net position as of July 1, 2017 to recognize its share of the net OPEB liability relating to the OPEB

plans it administers. The restatement is expected to reduce net position of the primary government, but the amount of the restatement has not yet been determined.

Transportation Funding Initiative

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, in February 2016 a new initiative proposed by the Governor, called RhodeWorks, was enacted by the General Assembly. 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.

School Building Task Force

The Rhode Island School Building Task Force issued a report in December 2017 recommending specific actions to address Rhode Island's school facilities deficiencies. The Task Force report is in response to an in-depth analysis of the condition of every public-school facility in the state. The Task Force recommends that the State of Rhode Island, in partnership with municipalities and school districts embark on a once-in-a-generation investment in upgrading public-school buildings. Among other recommendations, the task force recommends a referendum be placed before the voters in 2018 to issue \$250 million in general obligation bonds with a similar referendum in 2022 for an additional \$250 million.

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 Jennifer.findlay@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, 2017



State of Rhode Island and Providence Plantations
Statement of Net Position
June 30, 2017
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 833,760	\$ 26,738	\$ 860,498	\$ 355,330
Funds on deposit with fiscal agent	432,119	312,491	744,610	
Investments				13,582
Receivables (net)	812,658	77,373	890,031	188,289
Restricted assets:				
Cash and cash equivalents	51,998	826	52,824	644,945
Investments				167,575
Receivables (net)				1,853
Other assets				40,865
Due from primary government				36,377
Due from component units	3,887		3,887	353
Internal balances	2,592	(2,592)		
Due from other governments and agencies	252,836	1,248	254,084	1,028
Inventories	2,269	1,109	3,378	8,654
Other assets	9,019	530	9,549	51,253
Total current assets	<u>2,401,138</u>	<u>417,723</u>	<u>2,818,861</u>	<u>1,510,104</u>
Noncurrent assets:				
Investments				184,927
Receivables (net)	17,824		17,824	1,254,354
Due from other governments and agencies	14,888		14,888	
Restricted assets:				
Cash and cash equivalents				67,287
Investments				330,900
Other assets				1,444,567
Due from component units	36,989		36,989	1,197
Capital assets - nondepreciable	1,138,727	47,648	1,186,375	233,006
Capital assets - depreciable (net)	3,052,721	90,076	3,142,797	1,854,169
Other assets		630	630	121,969
Total noncurrent assets	<u>4,261,149</u>	<u>138,354</u>	<u>4,399,503</u>	<u>5,492,376</u>
Total assets	<u>6,662,287</u>	<u>556,077</u>	<u>7,218,364</u>	<u>7,002,480</u>
Deferred outflows of resources	<u>582,620</u>	<u>7,094</u>	<u>589,714</u>	<u>90,251</u>
Liabilities and deferred inflows of resources				
Current Liabilities:				
Accounts payable	773,987	16,039	790,026	93,796
Due to primary government				4,972
Due to component units	36,377		36,377	353
Due to other governments and agencies		1,682	1,682	
Accrued expenses		6,243	6,243	
Unearned revenue	117,906		117,906	33,452
Other current liabilities	93,284	291	93,575	458,641
Current portion of long-term debt	209,666	15,176	224,842	205,146
Obligation for unpaid prize awards		7,283	7,283	
Total current liabilities	<u>1,231,220</u>	<u>46,714</u>	<u>1,277,934</u>	<u>796,360</u>
Noncurrent Liabilities:				
Due to primary government				49,090
Net pension liability	2,263,502	16,260	2,279,762	304,154
Net pension liability-special funding situation	1,212,754		1,212,754	
Net OPEB obligation	8,486		8,486	72,127
Unearned revenue		3,872	3,872	11,230
Due to component units				1,197
Notes payable				103,548
Loans payable				45,518
Obligations under capital leases	203,924		203,924	5,268
Compensated absences	20,456	320	20,776	21,833
Bonds payable	2,558,414	184,662	2,743,076	2,697,296
Other liabilities	41,749		41,749	356,649
Total noncurrent liabilities	<u>6,309,285</u>	<u>205,114</u>	<u>6,514,399</u>	<u>3,667,910</u>
Total liabilities	<u>7,540,505</u>	<u>251,828</u>	<u>7,792,333</u>	<u>4,464,270</u>
Deferred inflows of resources	<u>153,304</u>	<u>511</u>	<u>153,815</u>	<u>14,138</u>
Net position (deficit)				
Net investment in capital assets	3,212,380	(53,682)	3,158,698	1,364,845
Restricted for:				
Capital Projects	138,164		138,164	
Debt	101,858	826	102,684	255,944
Assistance to other entities	77,583		77,583	
Employment insurance programs	156,226	383,372	539,598	
Other	446,227		446,227	780,072
Nonexpendable	174		174	181,956
Unrestricted	(4,581,514)	(19,684)	(4,601,198)	31,506
Total net position (deficit)	<u>\$ (448,902)</u>	<u>\$ 310,832</u>	<u>\$ (138,070)</u>	<u>\$ 2,614,323</u>

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

State of Rhode Island and Providence Plantations
Statement of Activities
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating grants and contributions	Capital grants and contributions	Primary Government			
					Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 753,011	\$ 224,704	\$ 78,418	\$ 603	\$ (449,286)	\$	\$ (449,286)	\$
Human services	3,802,311	252,678	2,319,393	50,652	(1,179,588)		(1,179,588)	
Education	1,619,343	32,250	200,219	223	(1,386,651)		(1,386,651)	
Public safety	551,000	22,070	55,294	8,762	(464,874)		(464,874)	
Natural resources	90,082	28,980	19,871	2,670	(38,561)		(38,561)	
Transportation	350,585	23,857	74,436	168,046	(84,246)		(84,246)	
Interest and other charges	109,664				(109,664)		(109,664)	
Total governmental activities	<u>7,275,996</u>	<u>584,539</u>	<u>2,747,631</u>	<u>230,956</u>	<u>(3,712,870)</u>		<u>(3,712,870)</u>	
Business-type activities:								
State Lottery	510,302	872,376				362,074	362,074	
Convention Center	50,658	28,949				(21,709)	(21,709)	
Employment security	155,672	250,180	1,373			95,881	95,881	
Total business-type activities	<u>716,632</u>	<u>1,151,505</u>	<u>1,373</u>			<u>436,246</u>	<u>436,246</u>	
Total primary government	<u>\$ 7,992,628</u>	<u>\$ 1,736,044</u>	<u>\$ 2,749,004</u>	<u>\$ 230,956</u>	<u>(3,712,870)</u>	<u>436,246</u>	<u>(3,276,624)</u>	
Component units:	<u>\$ 1,413,976</u>	<u>\$ 749,676</u>	<u>\$ 517,686</u>	<u>\$ 160,428</u>				13,814
General Revenues:								
Taxes:								
Personal income					1,237,226		1,237,226	
General business					396,529		396,529	
Sales and use					1,183,568		1,183,568	
Gasoline					151,910		151,910	
Other					339,342		339,342	
Interest and investment earnings					6,313	312	6,625	58,030
Miscellaneous revenue					146,205	6,814	153,019	87,258
Gain on sale of capital assets					598		598	
Transfers (net)					338,978	(338,978)		
Total general revenues and transfers					<u>3,800,669</u>	<u>(331,852)</u>	<u>3,468,817</u>	<u>145,288</u>
Change in net position					87,799	104,394	192,193	159,102
Net position (deficit) - beginning as restated					<u>(536,701)</u>	<u>206,438</u>	<u>(330,263)</u>	<u>2,455,221</u>
Net position (deficit) - ending					<u>\$ (448,902)</u>	<u>\$ 310,832</u>	<u>\$ (138,070)</u>	<u>\$ 2,614,323</u>

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

State of Rhode Island and Providence Plantations
Balance Sheet
Governmental Funds
June 30, 2017
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 425,374	\$ 93,477	\$ 276,738	\$ 795,589
Funds on deposit with fiscal agent		363,948	68,171	432,119
Restricted cash equivalents			51,998	51,998
Receivables (net)	723,033	16,391	73,763	813,187
Due from other funds	14,631			14,631
Due from other governments and agencies	220,792	37,883		258,675
Loans to other funds	8,968		114,538	123,506
Other assets	2,953			2,953
Total assets	\$ 1,395,751	\$ 511,699	\$ 585,208	\$ 2,492,658
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	684,175	29,320	33,235	746,730
Due to other funds		9,931	4,591	14,522
Due to component units	6,886	6,147	23,010	36,043
Loans from other funds	114,538		8	114,546
Unearned revenue	117,906			117,906
Other liabilities	67,410	5,775	234	73,419
Total liabilities	990,915	51,173	61,078	1,103,166
Deferred inflows of resources	14,863	6,311		21,174
Fund Balances				
Nonspendable			174	174
Restricted	117,668	392,441	523,575	1,033,684
Unrestricted				
Committed	2,556	63,292	381	66,229
Assigned	67,931			67,931
Unassigned	201,818	(1,518)		200,300
Total fund balances	389,973	454,215	524,130	1,368,318
Total liabilities, deferred inflows of resources and fund balances	\$ 1,395,751	\$ 511,699	\$ 585,208	\$ 2,492,658

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

State of Rhode Island and Providence Plantations
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2017
(Expressed in Thousands)

Fund balance - total governmental funds		\$ 1,368,318
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital assets	7,032,940	
Accumulated depreciation	<u>(2,844,057)</u>	4,188,883
Deferred outflows of resources		582,620
<p>Bonds, notes, certificates of participation, accrued interest, net pension liabilities and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds.</p>		
Compensated absences	(77,796)	
Bonds payable	(2,445,884)	
Net premium/discount	(236,135)	
Obligations under capital leases	(207,968)	
Premium	(20,563)	
Interest payable	(20,564)	
Net pension liabilities	(3,476,257)	
Other liabilities	<u>(55,346)</u>	(6,540,513)
<p>Other long-term assets and unearned revenue are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
Receivables	11,191	
Due from component units	40,876	
Unavailable revenue	<u>21,174</u>	73,241
Deferred inflows of resources		(153,305)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net position of the internal service funds is reported with governmental activities.</p>		
		<u>31,854</u>
Net position - total governmental activities		<u>\$ (448,902)</u>

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

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,918,068	\$ 197,278	\$ 195,178	\$ 3,310,524
Licenses, fines, sales, and services	348,934	22,471	1,661	373,066
Departmental restricted revenue	217,258	1,360		218,618
Federal grants	2,726,644	239,691		2,966,335
Income from investments	1,885	2,272	1,981	6,138
Other revenues	54,550	1,743	81,539	137,832
Total revenues	6,267,339	464,815	280,359	7,012,513
Expenditures:				
Current:				
General government	553,479		196,137	749,616
Human services	3,831,633			3,831,633
Education	1,525,626		450	1,526,076
Public safety	534,495			534,495
Natural resources	77,556		124	77,680
Transportation		386,019	1,499	387,518
Capital outlays			194,955	194,955
Debt service:				
Principal	103,176	4,200	34,002	141,378
Interest and other charges	61,208	23,548	40,304	125,060
Total expenditures	6,687,173	413,767	467,471	7,568,411
Excess (deficiency) of revenues over (under) expenditures	(419,834)	51,048	(187,112)	(555,898)
Other financing sources (uses):				
Issuance of bonds and notes		245,925	91,000	336,925
Issuance of refunding bonds			91,560	91,560
Issuance of certificates of participation			15,960	15,960
Proceeds from capital leases	2,500		7,472	9,972
Debt issuance premiums		55,842	31,671	87,513
Transfers in	433,353	25,400	118,682	577,435
Payment to advance refunded bonds escrow agent			(109,895)	(109,895)
Transfers out	(137,092)	(60,139)	(41,226)	(238,457)
Total other financing sources (uses)	298,761	267,028	205,224	771,013
Special item	10,360		(10,360)	
Net change in fund balances	(110,713)	318,076	7,752	215,115
Fund balances - beginning (as restated)	500,686	136,139	516,378	1,153,203
Fund balances - ending	\$ 389,973	\$ 454,215	\$ 524,130	\$ 1,368,318

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

State of Rhode Island and Providence Plantations
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 215,115

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	339,270	
Depreciation expense	(196,425)	
		142,845

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	141,378	
Debt redeemed and defeased in refunding	97,370	
Accrued interest and other charges	(551)	
Proceeds from sale of debt	(454,417)	
Deferral of premium/discount	(87,513)	
Amortization of premium/discount	34,725	
Accreted interest paid	(542)	
Deferral of refunding gains/losses	3,831	
Amortization of refunding gains/losses	(9,592)	
		(275,311)

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

Compensated absences	(4,400)	
Pension expenses, net of related deferred outflows and deferred inflows	(9,148)	
Program expenses	520	
Program and miscellaneous revenue	1,210	
Operating and capital grant revenue	12,220	
General revenue - taxes	(1,960)	
		(1,558)

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

The change in net position of the internal service funds is reported with governmental activities. 6,708

Change in net position - total governmental activities \$ 87,799

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

State of Rhode Island and Providence Plantations
Statement of Net Position
Proprietary Funds
June 30, 2017
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Totals	Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	\$ 21,681	\$ 4,016	\$ 1,041	\$ 26,738	\$ 38,172
Restricted cash and cash equivalents		826		826	
Funds on deposit with fiscal agent			312,491	312,491	
Receivables (net)	5,612	1,398	70,363	77,373	14,197
Due from other funds		56		56	3,987
Due from other governments and agencies			1,248	1,248	
Inventories	1,109			1,109	2,268
Other assets	42	488		530	6,114
Total current assets	<u>28,444</u>	<u>6,784</u>	<u>385,143</u>	<u>420,371</u>	<u>64,738</u>
Noncurrent assets:					
Capital assets - nondepreciable		47,648		47,648	
Capital assets - depreciable (net)	422	89,654		90,076	2,564
Other assets		630		630	
Total noncurrent assets	<u>422</u>	<u>137,932</u>		<u>138,354</u>	<u>2,564</u>
Total assets	<u>28,866</u>	<u>144,716</u>	<u>385,143</u>	<u>558,725</u>	<u>67,302</u>
Deferred outflows of resources	<u>2,728</u>	<u>4,366</u>		<u>7,094</u>	
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	12,356	3,683		16,039	21,566
Due to other funds	2,137	483	28	2,648	1,504
Due to other governments and agencies			1,682	1,682	
Loans from other funds					8,960
Accrued expenses	6,243			6,243	
Unearned revenue	625	3,189		3,814	
Other current liabilities	276		15	291	3,418
Bonds payable		11,110		11,110	
Compensated absences	252			252	
Obligation for unpaid prize awards	7,283			7,283	
Total current liabilities	<u>29,172</u>	<u>18,465</u>	<u>1,725</u>	<u>49,362</u>	<u>35,448</u>
Noncurrent liabilities:					
Net pension liability	16,260			16,260	
Unearned revenue	3,125	701	46	3,872	
Bonds payable		184,662		184,662	
Compensated absences	320			320	
Total noncurrent liabilities	<u>19,705</u>	<u>185,363</u>	<u>46</u>	<u>205,114</u>	
Total liabilities	<u>48,877</u>	<u>203,828</u>	<u>1,771</u>	<u>254,476</u>	<u>35,448</u>
Deferred inflows of resources	<u>511</u>			<u>511</u>	
Net Position (Deficit)					
Net investment in capital assets	422	(54,104)		(53,682)	2,564
Restricted for:					
Debt		826		826	
Employment insurance programs			383,372	383,372	
Unrestricted	(18,216)	(1,468)		(19,684)	29,290
Total net position (deficit)	<u>\$ (17,794)</u>	<u>\$ (54,746)</u>	<u>\$ 383,372</u>	<u>\$ 310,832</u>	<u>\$ 31,854</u>

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

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Totals	Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Operating revenues:					
Charges for services	\$	\$ 28,703	\$ 244,676	\$ 273,379	\$ 337,270
Lottery sales	249,882			249,882	
Video lottery, net	482,404			482,404	
Table games	140,090			140,090	
Federal grants			1,373	1,373	
Miscellaneous		246	5,504	5,750	
Total operating revenues	872,376	28,949	251,553	1,152,878	337,270
Operating expenses:					
Personal services	9,948	17,004		26,952	13,645
Supplies, materials, and services	346,007	13,100		359,107	316,991
Prize awards, net of prize recoveries	154,215			154,215	
Depreciation and amortization	132	10,480		10,612	138
Benefits paid			155,672	155,672	
Total operating expenses	510,302	40,584	155,672	706,558	330,774
Operating income (loss)	362,074	(11,635)	95,881	446,320	6,496
Nonoperating revenues (expenses):					
Interest revenue	305	7		312	175
Other nonoperating revenue	874		5,940	6,814	38
Interest expense		(10,074)		(10,074)	(1)
Total nonoperating revenue (expenses)	1,179	(10,067)	5,940	(2,948)	212
Income (loss) before transfers	363,253	(21,702)	101,821	443,372	6,708
Transfers in		23,828		23,828	
Transfers out	(362,697)		(109)	(362,806)	
Change in net position	556	2,126	101,712	104,394	6,708
Net position (deficit) - beginning	(18,350)	(56,872)	281,660	206,438	25,146
Net position (deficit) - ending	\$ (17,794)	\$ (54,746)	\$ 383,372	\$ 310,832	\$ 31,854

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

State of Rhode Island and Providence Plantations
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from gaming activities	\$ 875,339		\$	\$ 875,339	\$
Cash received from customers		28,083	253,372	281,455	332,505
Cash received from grants			1,373	1,373	
Cash payments for gaming activities	(498,613)			(498,613)	
Cash payments to suppliers	(4,253)	(13,800)		(18,053)	(318,500)
Cash payments to employees	(10,126)	(17,391)		(27,517)	(13,176)
Cash payments for benefits			(155,046)	(155,046)	
Other operating revenue (expense)			4,816	4,816	38
Net cash provided by (used for) operating activities	<u>362,347</u>	<u>(3,108)</u>	<u>104,515</u>	<u>463,754</u>	<u>867</u>
Cash flows from noncapital financing activities:					
Payment of interest on loan from federal government					
Loans from other funds					11,260
Loans to other funds					(1,266)
Repayment of loans to other funds					2,072
Repayment of loans from other funds					(8,208)
Transfers in	444	24,044	1,261	25,749	
Transfers out	(362,195)		(65)	(362,260)	
Net transfers from (to) fiscal agent			(105,737)	(105,737)	
Net cash provided by (used for) noncapital financing activities	<u>(361,751)</u>	<u>24,044</u>	<u>(104,541)</u>	<u>(442,248)</u>	<u>3,858</u>
Cash flows from capital and related financing activities:					
Principal paid on capital obligations		(11,440)		(11,440)	
Interest paid on capital obligations		(11,095)		(11,095)	
Acquisition of capital assets	(185)	(2,140)		(2,325)	(32)
Net cash provided by (used for) capital and related financing activities	<u>(185)</u>	<u>(24,675)</u>		<u>(24,860)</u>	<u>(32)</u>
Cash flows from investing activities:					
Interest on investments	305	7		312	175
Net cash provided by investing activities	<u>305</u>	<u>7</u>		<u>312</u>	<u>175</u>
Net increase (decrease) in cash and cash equivalents	716	(3,732)	(26)	(3,042)	4,868
Cash and cash equivalents, July 1	20,965	8,574	1,067	30,606	33,304
Cash and cash equivalents, June 30	<u>\$ 21,681</u>	<u>\$ 4,842</u>	<u>\$ 1,041</u>	<u>\$ 27,564</u>	<u>\$ 38,172</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	362,074	(11,635)	95,881	446,320	6,496
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	132	10,480		10,612	138
Other revenue (expense) and transfers in (out)	249		(281)	(32)	38
Net changes in assets and liabilities:					
Receivables, net	(111)	(86)	9,860	9,663	(4,265)
Operating revenue deposited directly with the fiscal agent					
Inventory	165			165	(473)
Deferred outflows of resources	(1,329)			(1,329)	
Prepaid items		71		71	(120)
Due to / due from transactions	(44)		(855)	(899)	
Accounts and other payables	232	(1,158)	(4)	(930)	(1,404)
Accrued expenses	(322)		9	(313)	457
Net pension liability	1,187			1,187	
Deferred inflows of resources	211			211	
Unearned revenue	(72)	(780)	(95)	(947)	
Prize awards payable	(25)			(25)	
Total adjustments	<u>273</u>	<u>8,527</u>	<u>8,634</u>	<u>17,434</u>	<u>(5,629)</u>
Net cash provided by (used for) operating activities	<u>\$ 362,347</u>	<u>\$ (3,108)</u>	<u>\$ 104,515</u>	<u>\$ 463,754</u>	<u>\$ 867</u>

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

State of Rhode Island and Providence Plantations
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Agency Funds
Assets				
Cash and cash equivalents	\$ 23,188	\$	\$ 8,973	\$ 15,788
Deposits held as security for entities doing business in the State				54,115
Advance held by claims processing agent	797			
Receivables				
Contributions	28,220			
Due from State for teachers	19,482			
Due from other plans	2,553			
Other	1,280			
Miscellaneous	425	4	41,399	3,455
Total receivables	51,960	4	41,399	3,455
Prepaid expenses	5,050			
Investments, at fair value				
Equity in short-term investment fund		16,198		
Equity in pooled trust	8,287,885			
Other investments	694,539		6,433,475	
Total investments	8,982,424	16,198	6,433,475	
Total assets	9,063,419	16,202	6,483,847	\$ 73,358
Liabilities				
Accounts payable	4,841	5	75,313	3,041
Due to other plans	2,553			
Incurred but not reported claims	1,682			
Due to other funds	2,304			
Deposits held for others				70,317
Total liabilities	11,380	5	75,313	\$ 73,358
Net position				
Held in trust for:				
Pension benefits	8,823,621			
Other postemployment benefits	228,418			
Held for:				
External investment pool participants		16,197		
Restricted for:				
Tuition savings program			6,405,764	
Other			2,770	
Total net position	\$ 9,052,039	\$ 16,197	\$ 6,408,534	

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

State of Rhode Island and Providence Plantations
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts
Additions			
Contributions			
Member contributions	\$ 204,092	\$	\$
Employer contributions	468,858		
Supplemental employer contributions	15,445		
State contributions for teachers	96,542		
Interest on service credits purchased	200		
Service credit transfer payments	7,359		
From program participants		56,456	309,272
Total contributions	<u>792,496</u>	<u>56,456</u>	<u>309,272</u>
Other income	<u>2,180</u>		
Investment income			
Net appreciation in fair value of investments	861,090		288,858
Interest	57,050	108	
Dividends	48,478		102,298
Other investment income	17,602		38
	<u>984,220</u>	<u>108</u>	<u>391,194</u>
Less: investment expense	20,090	16	
Net investment income	<u>964,130</u>	<u>92</u>	<u>391,194</u>
Total additions	<u>1,758,806</u>	<u>56,548</u>	<u>700,466</u>
Deductions			
Retirement benefits	950,022		
Death benefits	3,210		
Distributions	12,406	42,220	
Program participant redemptions			946,411
Refund of contributions	7,468		
Administrative expense	9,681		35,589
Service credit transfers	7,359		
OPEB benefits	33,543		
Total deductions	<u>1,023,689</u>	<u>42,220</u>	<u>982,000</u>
Change in net position held in trust for:			
Pension benefits	686,825		
Other postemployment benefits	48,292		
Change in net position held for:			
External investment pool participants		14,328	
Change in net position restricted for:			
Tuition savings program			(281,762)
Other			228
Fiduciary net position - beginning	8,316,922	1,869	6,690,068
Fiduciary net position - ending	<u>\$ 9,052,039</u>	<u>\$ 16,197</u>	<u>\$ 6,408,534</u>

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

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Component Units
June 30, 2017
(Expressed in Thousands)

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 36,002	\$ 10,139	\$ 187	\$ 8,251	\$ 14,511
Investments					
Receivables (net)	26,154	2,108		4,657	70
Restricted assets:					
Cash and cash equivalents	31,044	69,637	24,321		12,344
Investments	6,185	3,709			45,790
Receivables (net)	1,831	22			
Other assets	76				545
Due from primary government	3,141	2,321		5,349	1,465
Due from other governments			29		
Due from other component units		33			
Inventories				1,487	54
Other assets	768	234	46	179	93
Total current assets	<u>105,201</u>	<u>88,203</u>	<u>24,583</u>	<u>19,923</u>	<u>74,872</u>
Noncurrent Assets:					
Investments		906		1,064	
Receivables (net)	342	4,968			
Restricted assets:					
Cash and cash equivalents	51,293	9,858			
Investments	4,896	16,234			41,978
Receivables (net)		272			
Other assets					
Capital assets - nondepreciable	93,161	129		3,719	2,627
Capital assets - depreciable (net)	484,629	141		136,763	200,154
Due from other component units					
Other assets, net of amortization	815		311		
Total noncurrent assets	<u>635,136</u>	<u>32,508</u>	<u>311</u>	<u>141,546</u>	<u>244,759</u>
Total assets	<u>740,337</u>	<u>120,711</u>	<u>24,894</u>	<u>161,469</u>	<u>319,631</u>
Deferred outflows of resources	<u>1,808</u>	<u>704</u>		<u>27,033</u>	
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	14,036	2,254	327	9,211	1,273
Due to primary government			16	1,090	
Due to other component units	235				
Due to other governments					
Unearned revenue	454	5,402	25	343	4,702
Other liabilities	23,678	1,937	228	7,854	7,630
Current portion of long-term debt	17,307	2,766			5,920
Total current liabilities	<u>55,710</u>	<u>12,359</u>	<u>596</u>	<u>18,498</u>	<u>19,525</u>
Noncurrent liabilities:					
Due to primary government	275			12,061	
Due to other component units	1,197				
Unearned revenue		11,002			
Notes payable					
Loans payable	41,541				
Obligations under capital leases	2,503				
Net pension liability	1,838	917		65,813	
Net OPEB obligation				59,053	
Other liabilities		26,751		11,274	
Compensated absences				213	
Bonds payable	287,463	18,819	38,400		177,734
Total noncurrent liabilities	<u>334,817</u>	<u>57,489</u>	<u>38,400</u>	<u>148,414</u>	<u>177,734</u>
Total liabilities	<u>390,527</u>	<u>69,848</u>	<u>38,996</u>	<u>166,912</u>	<u>197,259</u>
Deferred inflows of resources	<u>453</u>	<u>26</u>		<u>517</u>	<u>6</u>
Net position (deficit)					
Net investment in capital assets	266,356	270		127,485	62,843
Restricted for:					
Debt					53,750
Other	51,294		24,177		
Other nonexpendable		65,932			
Unrestricted	33,515	(14,661)	(38,279)	(106,412)	5,773
Total net position (deficit)	<u>\$ 351,165</u>	<u>\$ 51,541</u>	<u>\$ (14,102)</u>	<u>\$ 21,073</u>	<u>\$ 122,366</u>

(Continued)

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

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Component Units
June 30, 2017

	(Expressed in Thousands)			Other Component Units	Totals
	URI	RIC	CCRI		
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 139,647	\$ 33,234	\$ 17,722	\$ 95,637	\$ 355,330
Investments	944			12,638	13,582
Receivables (net)	45,402	5,679	2,456	101,763	188,289
Restricted assets:					
Cash and cash equivalents				507,599	644,945
Investments				111,891	167,575
Receivables (net)					1,853
Other assets				40,244	40,865
Due from primary government	10,491	7,778	1,524	4,308	36,377
Due from other governments			465	534	1,028
Due from other component units				320	353
Inventories	3,354	73	704	2,982	8,654
Other assets	2,825	8	305	46,795	51,253
Total current assets	<u>202,663</u>	<u>46,772</u>	<u>23,176</u>	<u>924,711</u>	<u>1,510,104</u>
Noncurrent Assets:					
Investments	150,156	29,063	3,578	160	184,927
Receivables (net)	21,476	3,311	13	1,224,244	1,254,354
Restricted assets:					
Cash and cash equivalents	458	2,562		3,116	67,287
Investments				267,792	330,900
Receivables (net)					272
Other assets	21,047	1,212		1,422,036	1,444,295
Capital assets - nondepreciable	33,195	14,217	10,471	75,487	233,006
Capital assets - depreciable (net)	632,234	147,222	73,678	179,348	1,854,169
Due from other component units				1,197	1,197
Other assets, net of amortization	1,929	4		118,910	121,969
Total noncurrent assets	<u>860,495</u>	<u>197,591</u>	<u>87,740</u>	<u>3,292,290</u>	<u>5,492,376</u>
Total assets	<u>1,063,158</u>	<u>244,363</u>	<u>110,916</u>	<u>4,217,001</u>	<u>7,002,480</u>
Deferred outflows of resources	<u>25,160</u>	<u>6,470</u>	<u>4,725</u>	<u>24,351</u>	<u>90,251</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	29,742	10,322	5,689	20,942	93,796
Due to primary government	1,738	1,423	705		4,972
Due to other component units				118	353
Due to other governments					
Unearned revenue	14,091	4,058	2,849	1,528	33,452
Other liabilities	4,607	5,854	4,926	401,927	458,641
Current portion of long-term debt	11,559	992	274	166,328	205,146
Total current liabilities	<u>61,737</u>	<u>22,649</u>	<u>14,443</u>	<u>590,843</u>	<u>796,360</u>
Noncurrent liabilities:					
Due to primary government	16,785	17,719	2,250		49,090
Due to other component units					1,197
Unearned revenue				228	11,230
Notes payable		886		102,662	103,548
Loans payable	737			3,240	45,518
Obligations under capital leases	2,405			360	5,268
Net pension liability	123,020	42,474	30,766	39,326	304,154
Net OPEB obligation				13,074	72,127
Other liabilities	10,849	4,191	6	303,578	356,649
Compensated absences	17,910	1,027	357	2,326	21,833
Bonds payable	204,826	15,745	1,808	1,952,501	2,697,296
Total noncurrent liabilities	<u>376,532</u>	<u>82,042</u>	<u>35,187</u>	<u>2,417,295</u>	<u>3,667,910</u>
Total liabilities	<u>438,269</u>	<u>104,691</u>	<u>49,630</u>	<u>3,008,138</u>	<u>4,464,270</u>
Deferred inflows of resources	<u>3,869</u>	<u>1,335</u>	<u>1,286</u>	<u>6,646</u>	<u>14,138</u>
Net position (deficit)					
Net investment in capital assets	458,287	132,144	79,111	238,349	1,364,845
Restricted for:					
Debt				202,194	255,944
Other	79,859	13,220	1,636	609,886	780,072
Other nonexpendable	95,393	18,175	2,456		181,956
Unrestricted	12,641	(18,732)	(18,478)	176,139	31,506
Total net position (deficit)	<u>\$ 646,180</u>	<u>\$ 144,807</u>	<u>\$ 64,725</u>	<u>\$ 1,226,568</u>	<u>\$ 2,614,323</u>

(Concluded)

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

State of Rhode Island and Providence Plantations
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	\$ 88,669	\$ 64,801	\$ 3,070	\$ 127,544	\$ 32,084	\$ 528,447	\$ 151,276	\$ 124,814	\$ 293,271	\$ 1,413,976
Program revenues:										
Charges for services	72,226	5,924	28	23,426	21,363	335,071	68,616	36,447	186,575	749,676
Operating grants and contributions		4,566	1,976	79,059	257	176,642	75,817	82,836	96,533	517,686
Capital grants and contributions	28,224			14,595	15,438	50,547	25,698	3,828	22,098	160,428
Total program revenues	100,450	10,490	2,004	117,080	37,058	562,260	170,131	123,111	305,206	1,427,790
Net (Expenses) Revenues	11,781	(54,311)	(1,066)	(10,464)	4,974	33,813	18,855	(1,703)	11,935	13,814
General revenues:										
Interest and investment earnings	569	7,966	30	(3)	542	16,078	3,846	522	28,480	58,030
Miscellaneous revenue	108	85,816		650	93	(3,474)	1,013		3,052	87,258
Total general revenue	677	93,782	30	647	635	12,604	4,859	522	31,532	145,288
Special items										
Change in net position	12,458	39,471	(1,036)	(9,817)	5,609	46,417	23,714	(1,181)	43,467	159,102
Net position (deficit) - beginning as restated	338,707	12,070	(13,066)	30,890	116,757	599,763	121,093	65,906	1,183,101	2,455,221
Net position (deficit) - ending	\$ 351,165	\$ 51,541	\$ (14,102)	\$ 21,073	\$ 122,366	\$ 646,180	\$ 144,807	\$ 64,725	\$ 1,226,568	\$ 2,614,323

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

Index

Note 1. Summary of Significant Accounting Policies.....55

- A. Basis of Presentation55**
- B. Reporting Entity55**
- C. Financial Statement Presentation.....60**
- D. Measurement Focus and Basis of Accounting63**
- E. Cash and Cash Equivalents.....63**
- F. Funds on Deposit with Fiscal Agent63**
- G. Investments64**
- H. Receivables64**
- I. Due From Other Governments and Agencies64**
- J. Interfund Activity64**
- K. Inventories64**
- L. Capital Assets.....64**
- M. Bonds Payable.....65**
- N. Obligations Under Capital Leases65**
- O. Pensions66**
- P. Compensated Absences66**
- Q. Other Assets and Liabilities66**
- R. Deferred Outflows of Resources and Deferred Inflows of Resources66**
- S. Fund Balances.....67**
- T. Recently Issued Accounting Standards68**

Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust.....69

- A. Primary Government-Governmental and Business-Type Activities69**
- B. Concentration of Credit Risk.....75**
- C. Pension Trusts75**
- D. OPEB Trust Funds88**
- E. Private Purpose Trusts.....90**
- F. Agency Funds.....90**

Note 3. Receivables91

Note 4. Intra-Entity Receivables and Payables	91
Note 5. Capital Assets	92
Note 6. Long-Term Liabilities	94
A. Changes in Long-Term Liabilities	94
B. Bonds Payable	95
C. Notes Payable	101
D. Loans Payable	101
E. Obligations Under Capital Leases	101
F. Defeased Debt	102
G. Conduit Debt	103
H. Job Creation Guaranty Program – Moral Obligations	103
I. Pollution Remediation Liabilities	104
J. Compensated Absences	105
K. Arbitrage Rebate	105
L. Due to the Primary Government	105
M. Other Long-Term Liabilities	105
Note 7. Net Position/Fund Balances	106
Note 8. Taxes	107
Note 9. Tax Abatements	108
Note 10. Transfers	112
Note 11. Operating Lease Commitments	112
Note 12. Commitments	113
Note 13. Contingencies	117
Note 14. Employer Pension Plans	123
A. Summary of Employer Plans	123

B. Defined Benefit Plan Descriptions – Advance Funded Plans.....	124
C. Defined Benefit Advance Funded Plans - Summary of Significant Accounting Policies.....	129
D. Defined Benefit Plan Descriptions – Non-Contributory (pay-as-you-go) Pension Plans.....	129
E. Special Funding Situation – ERS Plan – Teachers	130
F. Contributions and Funding Policy	130
G. Net Pension Liability	131
H. Changes in the Net Pension Liability	135
I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources	135
J. Defined Benefit Plan - LIUNA	138
K. Defined Contribution Plan - ERS.....	138
L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program.....	139
M. Other Pension Plans – Component Units.....	140
Note 15. Other Post-Employment Benefits	141
A. Plan Descriptions.....	141
B. Funding Policy, Funding Status and Funding Progress	142
C. Annual OPEB Cost and Net OPEB Obligation.....	143
D. Actuarial Methods and Assumptions	144
Note 16. Deferred Compensation	148
Note 17. Risk Management	148
Note 18. Other Information.....	149
A. Elimination Entries	149
B. Related Party Transactions	149
C. Budgeting, Budgetary Control, and Legal Compliance.....	151
D. Significant Transactions with Component Units	152
E. Individual Fund Deficits	152
F. Restatements – Net Position.....	153
G. Pledged Revenue.....	154

H. Special Item	155
Note 19. Subsequent Events	155

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB 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.

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.

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.

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.

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.

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, 265 Melrose Street, Providence, RI 02907, or at www.ripta.com.

Rhode Island Turnpike and Bridge Authority (RITBA)

This authority was created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. RITBA is responsible for the maintenance and operation of the Claiborne Pell, Mount Hope, Jamestown, and Sakonnet River Bridges which are a vital segment of the State's infrastructure. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing

to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at www.ritba.org.

University and Colleges

The Board of Education has oversight responsibility for the University of Rhode Island, Rhode Island College and the Community College of Rhode Island. The university and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805. The financial statements can also be viewed at www.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 the dual purpose of guaranteeing loans to students in eligible institutions and administering other 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.

Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)

This corporation, established in 1973, was created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State. It has the power to issue notes and bonds to achieve its corporate purpose. Certain debt issued by RIHMFC is secured in part by capital reserve funds. The General Assembly may, but is not required to, appropriate funding of any deficiencies in such reserves. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721, or at www.rhodeislandhousing.org.

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.

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.

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.

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.

The Metropolitan Regional Career and Technical Center

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

Rhode Island Infrastructure Bank (RIIB)

This agency was established in 1991 as the R.I. Clean Water Finance Agency for the purpose of providing financial assistance in the form of loans to municipalities, sewer commissions and waste water management districts in the State for the construction or upgrading of water pollution abatement projects. 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 because of 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.riinfrastructurebank.com.

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 also assists the State in administering the School Building Authority Capital Fund (SBACF) in order to address high priority local school capital projects in communities with limited financial resources. RIHEBC has

administrative duties related to the management and custody of monetary assets of the SBACF, including establishing a trust to hold related funds, creating and maintaining SBACF's accounting records and the distribution and management of SBACF's award and loan programs. RIHEBC was determined to be a discretely presented component unit largely due to its support in administering the SBACF.

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 <http://rihebc.com/financial-info/financial-statements/>.

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 these 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, 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 post-employment health care benefits to eligible retirees.

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

Private Purpose Trust Funds

The Rhode Island Higher Education Savings Trust (RIHEST) administers the CollegeBoundfund 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, and certain motor vehicle registration and licensing surcharges, that are used in maintenance, upgrading, and construction of the State's highway system. It also accounts for the proceeds from the Grant Anticipation Revenue Vehicle (GARVEE) bonds, the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, the Mission 360 Loan Program and related expenditures. Management considers this a major fund regardless of the above criteria.

Proprietary funds:

Rhode Island Lottery

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

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.

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

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

E. Cash and Cash Equivalents

Cash represents amounts in demand deposit accounts with financial institutions. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase. Cash equivalents are stated at cost, which approximates fair value except for those of the Ocean State Investment Pool 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.

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). Inventories of the University and Colleges are stated at the lower of cost (first-in, first-out and retail inventory method) or market, and consist primarily of bookstore and dining, health and residential life services items. Inventories of all other component units are stated at cost.

L. Capital Assets

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

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

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

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 6E).

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) cost-sharing plan and the single-employer plans administered by the Employees' Retirement System of Rhode Island (System) and the additions to and deductions from the plans' fiduciary net position have been recognized on the same basis as they are reported by the System. The primary government's proportionate share of pension amounts was 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 14, 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, 2016 measurement date, the State administered two non-contributory (pay-as-you-go) plans covering certain retired judges and state police officers. During fiscal 2017, the State Police plan became an advance funded plan and a trust was created by the Employee's Retirement System. For these plans, the provisions of GASB Statement No. 73 have been implemented which is largely consistent with the provisions of GASB Statement No. 68 regarding recognition of the pension liability, pension expense, and deferred inflows/outflows except there is no fiduciary net position accumulated to offset the total pension liability and no employer contributions are made other than the amount needed to provide benefits on a pay-as you-go basis. See Note 14 for complete details of the State's reporting of these plans.

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

P. Compensated Absences

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

Q. Other Assets and Liabilities

Other assets reported within the primary government mainly consist of deposits required by contract with the State's healthcare claims administrator. Other liabilities include 1) escrow deposits, accrued salary and fringe benefits for the governmental fund types; 2) accrued interest payable, accrued salaries, accrued vacation and sick leave for the proprietary fund types; and 3) escrow deposits, landfill closure costs, accrued expenses, and arbitrage and interest payable for the component units.

R. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources 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, 2017 are as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Primary Government	Component Units
Deferred outflows of resources:				
Deferred loss on refunding of debt	\$ 44,027	\$ 4,366	\$ 48,393	\$ 13,655
Deferred pension costs - ERS	484,471	2,728	487,199	41,461
Deferred pension costs - single employer plans and other	54,122		54,122	32,411
Derivatives				2,724
Total deferred outflows of resources	<u>\$ 582,620</u>	<u>\$ 7,094</u>	<u>\$ 589,714</u>	<u>\$ 90,251</u>
Deferred inflows of resources:				
Deferred pension credit - ERS	\$ 110,978	\$ 511	\$ 111,489	\$ 10,782
Deferred pension credit - single employer plans and other	10,098		10,098	2,354
Deferred gain on refunding of debt	32,228		32,228	1,002
Total deferred inflows of resources	<u>\$ 153,304</u>	<u>\$ 511</u>	<u>\$ 153,815</u>	<u>\$ 14,138</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2017 are as follows (expressed in thousands):

	General Fund	IST Fund	Total Governmental Funds
Deferred inflows of resources:			
Taxes	\$ 4,059	\$	\$ 4,059
Other general revenue	7,556		7,556
Federal revenue	3,248	6,311	9,559
Total deferred inflows of resources	<u>\$ 14,863</u>	<u>\$ 6,311</u>	<u>\$ 21,174</u>

S. Fund Balances

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

- Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by constitutional provisions, 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, 2017, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No. 68, and No. 73*

The implementation of GASB Statement No. 77 requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered by other governments, which reduce the reporting government’s tax revenues. The purpose of the disclosures is to better allow users to understand how tax abatements affect a government’s future ability to raise resources and meet its financial obligations, and the impact those abatements have on a government’s financial position and economic condition.

The implementation of GASB Statements No. 80, No. 81 and No. 82 had no material impact on the State’s financial Statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was also implemented in fiscal 2017, impacting the separately-issued financial statements for the State’s Other Postemployment Benefit (OPEB) Trust funds. The OPEB trust funds are reported as fiduciary funds of the State.

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for financial statements for periods beginning after June 15, 2017. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The implementation of this statement in fiscal 2018 will require the restatement of net position in the government-wide financial statements, proprietary fund financial statements, and component unit financial statements at July 1, 2017 as the State and related entities recognize their proportionate share of the State’s Net OPEB liability.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for periods beginning after June 15, 2018. This Statement addresses the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has a legal obligation to perform future retirements should recognize a liability related to the retirement of those assets.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85, *Omnibus*, will be effective for periods beginning after June 15, 2017. The purpose of this Statement is to address issues identified during the implementation and application of certain GASB Statements. The Statement addresses topics including issues related to blending of component units, goodwill, fair value measurement and application, and post-employment benefits.

GASB Statement No. 86, *Certain Debt Extinguishments Issues*, will be effective for periods beginning after June 15, 2017. The goal of this Statement is to improve the consistency in accounting and reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust to pay debt. This Statement also enhances the accounting and reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in-substance.

GASB Statement No. 87, *Leases*, will be effective for periods beginning after December 15, 2019. 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.

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

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

A. Primary Government-Governmental and Business-Type Activities

Cash Deposits

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

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2017 pursuant to this statutory provision. However, the Office of the General Treasurer has instituted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the balance of uninsured deposits. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments are required to be collateralized at 102% of the outstanding balance. The lone exception to the full collateralization requirement is the Ocean State Investment Pool Trust (OSIP or the Trust), which follows the 60-day time deposit rule, but otherwise does not require full collateralization. The investment objective of the OSIP's Cash Portfolio is to seek to obtain as high a level of current income as is generally consistent with the preservation of principal and liquidity within the OSIP's investment guidelines which are consistent with GASB 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, 2017, of the \$545.3 million invested, \$84.9 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 or collateralized by securities held by an independent third party in the State's or the blended component unit's name.

Cash Equivalent Investments and Investments

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

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

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, 2017:

Pooled cash equivalents (at amortized cost)	
Financial company commercial paper	\$ 217,226
Other commercial paper	7,200
Asset backed commercial paper	101,136
Government agency repurchase agreement	47,853
Other repurchase agreements	37,000
Treasury debt	3,000
Certificates of deposit	47,997
Variable Rate Demand Note	17,900
Non-Negotiable Time Deposit	58,000
Other Instruments	8,000
Total investments	<u>545,312</u>
Less: other liabilities in excess of other assets	(23)
Total investment pool	<u>545,289</u>
Less: funds held by fiduciary funds and discretely presented component units	
Amounts categorized as funds on deposit with fiscal agent	-
Amounts held by fiduciary trust funds:	
Pension trusts	110,715
OPEB trust	144
RIPTA health fund	36
Amounts held by discretely presented component units:	
URI	64,051
RIIB	14,038
RIIRBA	1,227
RIHEBC	9,695
Amounts held for external parties	<u>16,197</u>
Primary government pooled cash equivalents	\$ 329,186
Add: other primary government cash equivalents	
Money Market Mutual Funds	53,085
Total primary government cash equivalents	<u>\$ 382,271</u>
Cash equivalents	\$ 382,271
Cash	531,051
Total cash and cash equivalents	<u>\$ 913,322</u>
<u>Statement of Net Position</u>	
Cash and cash equivalents	\$ 860,498
Restricted cash and cash equivalents	52,824
Total cash and cash equivalents	<u>\$ 913,322</u>

Of the State's restricted cash and cash equivalents totaling \$52.8 million, \$52.0 million is held by the Tobacco Settlement Financing Corporation and \$.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, 2017, information about the State's exposure to interest rate risk and credit risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	Investment Maturities (in days)						
	At Fair Value	Total Amortized Cost	0-30	31-90	91-180	181-397	>397
Financial Company Commercial Paper	\$ 217,245	\$ 217,226	\$ 55,581	\$ 119,687	\$ 31,958	\$ 10,000	\$
Other Commercial Paper	7,200	7,200	7,200				
Asset Backed Commercial Paper	101,133	101,136	11,297	79,839	10,000		
Government Agency Repurchase Agreements	47,853	47,853	47,853				
Other Repurchase Agreements	37,000	37,000	37,000				
Treasury Debt	3,005	3,000					3,000
Certificates of Deposit	47,998	47,997	46,000	1,997			
Variable Rate Demand Note	17,900	17,900	17,900				
Non-Negotiable Time Deposit	58,000	58,000	58,000				
Other Instruments	8,000	8,000	8,000				
	<u>\$ 545,334</u>	<u>\$ 545,312</u>	<u>\$ 288,831</u>	<u>\$ 201,523</u>	<u>\$ 41,958</u>	<u>\$ 10,000</u>	<u>\$ 3,000</u>

Investment Type	Quality Ratings (1)			
	At Fair Value	Total Amortized Cost	A-1+	A-1
Financial Company Commercial Paper	\$ 217,245	\$ 217,226	\$ 39,963	177,263
Other Commercial Paper	7,200	7,200	6,000	1,200
Asset Backed Commercial Paper	101,133	101,136		101,136
Gov't Agency Repurchase Agreements	47,853	47,853	47,853	
Other Repurchase Agreements	37,000	37,000		37,000
Treasury Debt	3,005	3,000	3,000	
Certificates of Deposit	47,998	47,997	9,000	38,997
Variable Rate Demand Note	17,900	17,900		17,900
Non-Negotiable Time Deposit	58,000	58,000		58,000
Other Instruments	8,000	8,000	8,000	
	<u>\$ 545,334</u>	<u>\$ 545,312</u>	<u>\$ 113,816</u>	<u>\$ 431,496</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, 2017, 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	Type of Investment	Moody's Rating	Average Maturities in Days
Money market mutual funds				
Fidelity Institutional Money Market Government Portfolio Class III	826	Money Market	Aaa-mf	26
Goldman Sachs Treasury Instruments Fund	52,259	Money Market	Aaa-mf	44
	<u>\$ 53,085</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, 2017 and the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	6-10	More Than 10
U.S. Treasuries	\$ 27,407	\$ 27,407	\$ 0	\$ 0	\$ 0
U.S. Government Agencies	238,487	72,086	166,401	0	0
Money Market Funds	115,478	115,478	0	0	0
Commercial Paper	17,956	17,956	0	0	0
Certificates of Deposit	18,004	18,004	0	0	0
Investment Contracts	6,649	6,649	0	0	0
	<u>\$ 423,981</u>	<u>\$ 257,580</u>	<u>\$ 166,401</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cash	8,138				
Funds in trust with fiscal agent	<u>\$ 432,119</u>				

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

Issuer	Fair Value	Moody's Rating	Maturities in Days
United States Treasury Notes/Bonds	\$ 27,407	Aaa	see detail below
US Government Agency Securities	238,487	Aaa	see detail below
Money Market Funds			
Black Rock Liquidity Funds: Federal Fund	5,299	Aaa-mf	37
Dreyfus Government Cash Management Fund	42,257	Aaa-mf	22
Dreyfus Treasury Agency Cash Management Fund	9,723	Aaa-mf	29
Federated Government Obligation Tax Managed Fund	19,088	Aaa-mf	45
Fidelity Institutional Money Market Government Portfolio Class III	1,478	Aaa-mf	26
First American Government Obligations Fund Class D	31,232	Aaa-mf	34
Invesco Government & Agency Portfolio-Short-Term	6,401	Aaa-mf	19
Commercial Paper			
JP Morgan Securities LLC	5,987	P-1	see detail below
Bank of Tokyo Mitsubishi	5,985	P-1	see detail below
Credit Agricole CIB New York	5,984	P-1	see detail below
Certificates of Deposit			
BNP Paribas New York Branch	6,004	P-1	see detail below
Norinchukin Bank New York	6,000	P-1	see detail below
Toronto Dominion Bank New York	6,000	P-1	see detail below
Investment Contracts			
FSA Capital Management GIC	6,649	N/A	N/A
	\$ 423,981		

The following (expressed in thousands) represents the fair value of investments by type held at June 30, 2017:

Investment at Fair Value	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs
	(Level 1)	(Level 2)	
Debt Securities			
US Government Securities	\$ 27,407	\$ 27,407	\$
US Government Agency Securities	238,487		238,487
Commercial Paper	17,956		17,956
Certificates of Deposit	18,002		18,002
Total Investments by fair value level	\$ 301,852	\$ 27,407	\$ 274,445
Investments measured at the net asset value (NAV)			
Money Market Mutual Funds and Guaranteed Investment Contract	122,129		
Total Funds on Deposit with Fiscal Agent	\$ 423,981		

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 \$312.5 million held by the Federal Unemployment Insurance Trust 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
US Government Agencies	Federal National Mortgage Association	\$ 98,458	12.21%
US Government Agencies	Federal Home Loan Bank	55,925	6.94%
US Government Agencies	Federal Home Loan Mortgage Corporation	76,116	9.44%
Money Market Funds	Dreyfus Government Cash Management Fund	42,257	5.24%
Money Market Funds	Goldman Sachs Treasury Instruments Fund	52,259	6.48%

C. Pension Trusts

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.

Methods 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. The fair value of mutual fund investments reflects the published closing net asset value as reported by the fund manager.

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

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

The 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, and Crisis Protection Class-Trend Following) 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 non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Hedge funds, private equity, real estate, infrastructure and crisis protection class - trend following investments represented 9.2%, 7.1%, 7.4%, 3.5% and 1.0%, respectively of the total reported fair value of all pension pooled trusts investments at June 30, 2017.

Investment expenses

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

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

Cash Deposits and Cash Equivalents

At June 30, 2017, the carrying amounts of the System's cash deposits was approximately \$14.4 million and the bank balance was approximately \$14.5 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 one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the System's deposits were required to be collateralized at June 30, 2017 (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.

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.

(a) General

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

Investment 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 established an asset allocation policy which may be amended by the SIC Board by a majority vote of its 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 following was the SIC's adopted asset allocation policy targets as of June 30, 2017:

Type of Investment	Policy Targets for Fiscal Year 2017
Global Equity	40.0%
Private Growth	15.0%
Income	8.0%
Crisis Protection Class	8.0%
Inflation Protection	8.0%
Volatility Protection	21.0%
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 Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Trust for the defined benefit plans at June 30, 2017:

Pooled Investment Trust Investment Type	Fair Value (in thousands)
Cash and Cash Equivalents	\$ 82,064
Money Market Mutual Funds	210,114
US Government Securities	699,238
US Government Agency Securities	286,192
Non-US Government Securities	8,682
Collateralized Mortgage Obligations	10,856
Corporate Bonds	505,731
Domestic Equity Securities	697,966
International Equity Securities	471,013
Private Equity	569,612
Real Estate	593,136
Commingled Funds - Domestic Equity	1,304,862
Commingled Funds - International Equity	1,224,401
Hedge Funds	745,347
Crisis Protection Class -Trend Following	77,403
Term Loans	323,918
Infrastructure	281,746
Derivative Investments	645
Investments at Fair Value	\$ 8,092,926
Receivable for investments sold	243,053
Payable for investments purchased	(269,621)
Total	\$ 8,066,358

(b) Fair value hierarchy

Investments and Derivative Instruments Measured at Fair Value

Investments at Fair Value	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Investments				
Global Equity	\$ 1,168,979	\$ 1,168,979	\$ -	
Infrastructure - publicly traded	154,653	154,653		
	\$ 1,323,632	\$ 1,323,632	\$ -	\$ -
Fixed Income				
US Government Securities	\$ 699,238	\$ 699,238	\$ -	\$ -
US Government Agency Securities	286,193		286,193	
Non-US Government Securities	8,682		8,682	
Corporate Bonds	505,731		504,204	1,527
Collateralized Mortgage Obligations	10,856		10,856	
Term Loans	323,917			323,917
	\$ 1,834,617	\$ 699,238	\$ 809,935	\$ 325,444
Total investments by fair value level	\$ 3,158,249	\$ 2,022,870	\$ 809,935	\$ 325,444
Investments Measured at Net Asset Value (NAV)				
Money Market Mutual Funds	\$ 210,114			
Commingled Funds - Domestic Equity	1,304,862			
Commingled Funds - International Equity	1,224,401			
Hedge Funds	745,347			
Private Equity	569,612			
Real Estate	593,136			
Private Infrastructure	127,094			
Crisis Protection Class - Trend Following	77,403			
	\$ 4,851,969			
Derivative Investments				
Equity and fixed income index futures	\$ (47)	\$ (47)		
Other derivatives	692		\$ 692	
	\$ 645			
Cash and cash equivalents	\$ 82,064			
Net investment payable	\$ (26,569)			
	\$ 8,066,358			

Investments measured at the net asset value (NAV)

	Fair Value (in thousands)	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Money Market Mutual Funds(1)	\$ 210,114	-	daily	none
Commingled Funds - Domestic Equity (2)	1,304,862	-	daily	none
Commingled Funds - International Equity (2)	1,224,401	-	bi-monthly	see note below
Hedge Funds (3)	745,347	-	see note below	see note below
Private Equity (4)	569,612	444,855	see note below	see note below
Real Estate (5)	593,136	76,552	see note below	see note below
Infrastructure Investments (6)	127,094	43,131	see note below	see note below
Crisis Protection Class - Trend Following (7)	77,403	-	see note below	see note below
	<u>\$ 4,851,969</u>	<u>\$ 564,538</u>		

- (1) **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.
- (2) **Commingled funds** – consist of one domestic and three international equity index funds which are intended to replicate the performance of a specific index; e.g., Russell 3000. 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 only be redeemed at scheduled intervals twice per month. There are no withdrawal limitations for the domestic equity index fund.
- (3) **Hedge funds** – this portfolio is comprised of 16 limited partnerships divided into two sub-categories: hedged equity and absolute return. Hedged 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, 2017. Of the underlying holdings within the hedge funds approximately 73% 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 funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. At June 30, 2017, investments totaling \$45,834,624 are subject to these withdrawal limitation provisions. The remainder of hedge fund assets is available for redemption on a month-end, quarter-end, semi-annual or annual basis, and is subject to notice periods which vary by fund and range from 2 days to 150 days.

As part of an overall change in asset allocation during fiscal 2017, the State Investment Commission opted to reduce its investment in hedge funds. Approximately \$371 million was received during fiscal 2017 from the System's liquidation of certain hedge funds. At June 30, 2017, approximately \$244 million is pending and expected to be received during fiscal 2018. Of the amounts pending distribution to the System, assets totaling \$8.6 million are held in three vehicles managing the liquidation of investments held in private securities, Cash will be distributed as investments are sold. An additional \$13.7 million represents non-invested, liquid assets to be distributed upon completion of the funds' annual audits.

- (4) **Private Equity** – These 84 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, 2017.

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.

- (5) **Real Estate** – These 14 limited partnerships 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, 2017.

With the exception of five 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.

- (6) **Infrastructure** – These four 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, 2017.

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.

- (7) **Crisis Protection Class – Trend Following** – These two 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 and to outperform 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, 2017.

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.

As described above, the fair values of certain investments in the pooled investment trust within the pension trust funds 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. These assets are principally hedge funds, private equity, real estate, private infrastructure, and crisis protection class – trend following investments which represent 23% of the assets of the pension and other employee benefit trusts.

(c) Rate of Return

For the year ended June 30, 2017, 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, 2017	12.34%	11.66%	12.17%	11.87%	11.87%	11.46%	9.79%

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt security's sensitivity to fair value changes arising from changes in the level of interest rates. It is the weighted average maturity of a bond's cash flows. The System manages its exposure to interest rate risk by comparing each fixed income manager portfolio's effective duration against a predetermined benchmark index based on that manager's mandate. The fixed income indices currently used by the System are:

- Barclays US Aggregate Index
- Barclays US Treasury Inflation Notes - 1-10 Year Index
- Custom loan and high yield index – 30% Bank of America Merrill Lynch 1-3 Year BB-B High Yield, 35% JP Morgan BB/B Leveraged Loan Index and 35% Credit Suisse Institutional Leveraged Loan Index

At June 30, 2017, no fixed income manager was outside of the policy guidelines.

The following table shows the System's fixed income investments by type, fair value and the effective duration at June 30, 2017:

Investment Type:	Fair Value (in thousands)	Effective Duration
US Government Securities	\$ 699,238	6.31
US Government Agency Securities	286,193	3.50
Non-US Government Securities	8,682	6.59
Collateralized Mortgage Obligations	10,856	0.80
Corporate Bonds	505,731	4.99
Term Loans	323,918	0.18
Total Fixed Income	\$ 1,834,617	4.40

The System had investments at June 30, 2017 totaling \$210 million in money market mutual fund investments including \$111 million 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 held investments with a weighted average maturity of 80 days at June 30, 2017.

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

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, 2017 is as follows (expressed in thousands):

Rating	Collateralized		US Government	
	Mortgage Obligations	Agency Securities	Corporate Bonds	Term Loans
Aaa	\$ 9,636	\$ 284,492	\$ 22,933	\$ 25,556
Aa	1,220		33,814	3,353
A			128,298	5,092
Baa		1,701	247,371	12,813
Ba			32,648	85,989
B			28,478	119,778
Caa			4,698	7,563
Ca				
C				
D				794
Not Rated			7,491	62,980
Fair Value	\$ 10,856	\$ 286,193	\$ 505,731	\$ 323,918

Ratings provided by Moody's Investors Service

(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, 2017, 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, 2017, was as follows (expressed in thousands):

Foreign Currency	Commingled				Total
	Fund	Equities	Private Equity	Derivatives	
Australian Dollar	\$ 52,306	\$ 27,591	\$	\$ 16	\$ 79,913
Brazilian Real	23,579				23,579
Canadian Dollar	100,816	39,375	3,031	5	143,227
Chilean Peso	3,641				3,641
Colombian Peso	1,557				1,557
Czech Republic Koruna	693				693
Danish Krone	12,259	7,406			19,665
Egyptian Pound	525				525
Euro Currency	246,640	150,522	52,691	207	450,060
Great Britain Pound	134,640	72,244		56	206,940
Hong Kong Dollar	97,799	15,367			113,166
Hungarian Forint	1,142				1,142
Indian Rupee	31,148				31,148
Indonesia Rupiah	8,511				8,511
Israeli Shekel	1,955	1,202			3,157
Japanese Yen	180,978	99,966		(54)	280,890
Malaysian Ringgit	8,305				8,305
Mexican Peso	13,343				13,343
New Taiwan Dollar	44,171				44,171
New Zealand Dollar	1,324	859			2,183
Norwegian Krone	4,891	2,414			7,305
Pakistani Rupee	400				400
Peruvian Nouveau Sol	1				1
Philippine Peso	4,207				4,207
Polish Zloty	4,472				4,472
Qatari Real	2,359				2,359
Russian Ruble	6,529				6,529
Singapore Dollar	10,700	8,633			19,333
Swedish Krona	22,180	15,518		10	37,708
Swiss Franc	62,700	29,916			92,616
South African Rand	24,253				24,253
South Korean Won	55,633				55,633
Thailand Baht	7,533				7,533
Turkish Lira	3,755				3,755
United Arab Emirates Dirham	2,229				2,229
Total	\$ 1,177,174	\$ 471,013	\$ 55,722	\$ 240	\$ 1,704,149
United States	49,255				
Grand Total	\$ 1,226,429				

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

(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 Statements of Fiduciary Net Position. The face or contract amount in U.S. dollars reflects the total exposure the System has in currency contracts. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

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

Buying futures tends to increase the System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument, or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

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

The System invests in mortgage-backed securities, which 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 Interest Rate Risk.

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, 2017 (expressed in thousands):

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2017	Notional Amount
Fixed income futures - long	\$ (105)	\$ (105)	\$ 165,331
Equity index futures - long	(333)	(154)	46,650
Equity index futures - short	212	212	(38,424)
Credit default swaps	591	692	
Interest rate swaps	262		
Total	\$ 627	\$ 645	
Foreign currency forward contracts:			
Pending payable (liability)		\$ (84)	
Pending receivable (asset)		175	
		<u>\$ 91</u>	

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, 2017 was \$175,412. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

Credit Default Swaps can be used in the portfolio by the credit manager to either obtain exposure to the high yield market efficiently (i.e. by selling protection) at a similar or better price than what can be obtained in cash bonds, or to hedge the credit risk of the portfolio (i.e. buy protection).

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

The System executes (through its investment managers) derivative instruments with various counterparties. The credit ratings of these counterparties were Baa2 (Moody's) or better, one counterparty was not rated by Moody's but is rated A+ by Standard and Poor's.

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

Of the \$692 million of investments held within the defined contribution plan, 91% are in target retirement date mutual funds. Additionally, 98% of plan investments are held in mutual funds that are classified as Level 1 investments 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, 2017, all assets and securities were registered in the name of TIAA-CREF as the Defined Contribution Plan's record keeper for the benefit of plan members and were held in the possession of TIAA-CREF's custodian, J.P. Morgan Bank.

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

D. OPEB Trust Funds

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

Cash Deposits and Cash Equivalents

At June 30, 2017, the carrying amount of the OPEB System's cash deposits was approximately \$8.6 million and the bank balance was \$8.6 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 one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. In addition, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the uninsured deposit amounts. At June 30, 2017, the OPEB System's cash deposits were either federally insured or collateralized.

In addition, at June 30, 2017, the OPEB System also had cash equivalent investments consisting of approximately \$143,000 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. Funds of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State are eligible to invest in OSIP. OSIP operates in a manner consistent with GASB 79 – *Certain External Investment Pools and Pool Participants*, and thus reports all investments at amortized cost rather than fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at the NAV are not subject to Fair Value Hierarchy. There are no participant withdrawal limitations. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

Investments

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

The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of market value. The custodian bank holds assets of the OPEB System in a Pooled Account and each plan holds units in the account. The number of units held by each plan is a function of each plan's respective contributions to, or withdrawals from, the account. Investment expense is allocated to each plan based on the plan's units in the pooled trust at the end of each month.

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 following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2017 (expressed in thousands):

<u>Investments at Fair Value</u>	June 30, 2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Government Securities	\$ 29,088	29,088		
US Government Agency Securities	22,573		22,573	
Non-US Government Securities	410		410	
Corporate Bonds	24,597		24,597	
Total Investments by fair value level	<u>\$ 76,668</u>	<u>\$ 29,088</u>	<u>\$ 47,580</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Commingled Funds	\$ 143,882			
Money Market Mutual Funds	10,510			
	<u>\$ 154,392</u>			
Net investment payable	<u>(9,532)</u>			
Total Pooled Investment Trust	<u>\$ 221,528</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, 2017 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	\$ 29,088	5.42
U.S. Government Agency Securities	22,573	3.77
Non-U.S. Government Securities	410	15.58
Corporate Bonds	24,597	7.93
Total Fixed Income	<u>\$ 76,668</u>	5.10

The OPEB System's investment in the Fidelity Investments Money Market Government Portfolio, a money market mutual fund, had an average maturity of 26 days at June 30, 2017.

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, 2017 is as follows (expressed in thousands):

Quality Rating (1)	U.S. Government Agency Securities	Non-US Government Securities	Corporate Bonds
Aaa	\$ 22,573	\$	\$ 561
Aa			1,383
A		410	7,836
Baa			14,606
Not rated			211
Fair Value	\$ 22,573	\$ 410	\$ 24,597

(1) Moody's Investors Service

The OPEB System's investment in a short-term money market mutual fund (Fidelity Investments Money Market Government Portfolio) was rated AAAM by Standard & Poor's Investors Service.

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2017, 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 \$6.4 billion in a number of mutual funds and other investment vehicles as of June 30, 2017. These investments are categorized as Level 1 of the fair value hierarchy. The Touro Jewish Synagogue Fund had investments of approximately \$2.8 million in the Fidelity Balanced Fund as of June 30, 2017. These investments are categorized in Level 1 of the fair value hierarchy.

F. Agency Funds

As of June 30, 2017, 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, 2017 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Total Receivables, Net	Due from Other Governments and Agencies	Due from Component Units
Governmental receivables	\$ 517,889	\$ 500,712	\$ 9,259	\$ 1,027,860	\$ 267,724	\$ 40,876
Less: Allowance for Uncollectibles	91,316	103,844	2,218	197,378		
Governmental receivables, net	426,573	396,868	7,041	830,482	267,724	40,876
Business-type receivables	71,386	26,851		98,237	1,248	
Less: Allowance for Uncollectibles	3,773	17,091		20,864		
Business-type receivables, net	67,613	9,760		77,373	1,248	
Receivables, Net of Allowance for Uncollectibles	494,186	406,628	7,041	907,855	268,972	40,876
Less: Current Portion						
Governmental receivables	422,514	386,064	4,080	812,658	252,836	3,887
Business-type receivables	67,613	9,760		77,373	1,248	
Noncurrent Receivables, Net	\$ 4,059	\$ 10,804	\$ 2,961	\$ 17,824	\$ 14,888	\$ 36,989

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2017 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	\$ 14,631	\$	Operating expenses
Intermodal Surface Transportation		9,931	Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance		1,142	Operating expenses
Permanent School		50	
Bond Capital		7	Project funding
RI Capital Plan		3,392	Primarily for transportation State match
Total Non-Major Funds		4,591	
Total Governmental Funds	14,631	14,522	
Proprietary Funds			
Enterprise			
RI Lottery		2,137	Net income owed to General Fund
RI Convention Center Authority	56	483	Project funding
Employment Security Trust		28	Benefit payments
Total Enterprise Funds	56	2,648	
Internal Service	3,987	1,504	Settlement of services rendered
Total primary government	\$ 18,674	\$ 18,674	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2017 consists of the following (expressed in thousands):

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 393,739	\$ 569	\$ (1,017)	\$ 393,291
Works of Art	3,449			3,449
Intangibles	171,992	1,401		173,393
Construction in progress*	648,159	314,261	(393,826)	568,594
Total capital assets not being depreciated or amortized	<u>1,217,339</u>	<u>316,231</u>	<u>(394,843)</u>	<u>1,138,727</u>
Capital assets being depreciated or amortized:				
Land improvements	4,665			4,665
Buildings	724,551	1,720	(6,994)	719,277
Building Improvements	372,596			372,596
Furniture and equipment	304,793	27,409	(5,221)	326,981
Intangibles **	14,040	242,350		256,390
Infrastructure	4,069,394	151,327		4,220,721
Total capital assets being depreciated or amortized	<u>5,490,039</u>	<u>422,806</u>	<u>(12,215)</u>	<u>5,900,630</u>
Less accumulated depreciation or amortization for:				
Land improvements	3,550	73		3,623
Buildings	272,710	26,658	(6,092)	293,276
Building Improvements	202,597			202,597
Furniture and equipment	242,552	21,083	(5,189)	258,446
Intangibles	14,042	12,118		26,160
Infrastructure	1,927,179	136,628		2,063,807
Total accumulated depreciation or amortization	<u>2,662,630</u>	<u>196,560</u>	<u>(11,281)</u>	<u>2,847,909</u>
Total capital assets being depreciated or amortized, net	<u>2,827,409</u>	<u>226,246</u>	<u>(934)</u>	<u>3,052,721</u>
Governmental activities capital assets, net	<u>\$ 4,044,748</u>	<u>\$ 542,477</u>	<u>\$ (395,777)</u>	<u>\$ 4,191,448</u>

* Beginning balances have been restated.

** Including information system development costs.

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

General government	\$ 11,044
Human services	19,058
Education	6,709
Public safety	16,974
Natural resources	5,633
Transportation	137,142
Total depreciation or amortization expense - governmental activities	<u>\$ 196,560</u>

Fiscal Year Ended June 30, 2017

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 46,808	\$	\$	\$ 46,808
Construction in progress	293	581	(34)	840
Total capital assets not being depreciated	47,101	581	(34)	47,648
Capital assets being depreciated:				
Buildings	234,384		(7)	234,377
Machinery and equipment	31,104	1,486	(1,211)	31,379
Intangibles	175			175
Total capital assets being depreciated	265,663	1,486	(1,218)	265,931
Less accumulated depreciation for:				
Buildings	142,018	8,182	(7)	150,193
Machinery and equipment	24,352	2,405	(1,210)	25,547
Intangibles	90	25		115
Total accumulated depreciation	166,460	10,612	(1,217)	175,855
Total capital assets being depreciated, net	99,203	(9,126)	(1)	90,076
Business-type activities capital assets, net	<u>\$ 146,304</u>	<u>\$ (8,545)</u>	<u>\$ (35)</u>	<u>\$ 137,724</u>

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 120,583	\$ 5,767	\$ (373)	\$ 125,977
Construction in progress *	77,228	115,359	(85,808)	106,779
Other	250			250
Total capital assets not being depreciated or amortized	198,061	121,126	(86,181)	233,006
Capital assets being depreciated or amortized:				
Buildings	2,251,206	56,653	25,169	2,333,028
Land improvements *	245,346	14,282	1,426	261,054
Machinery and equipment	461,448	38,841	(19,058)	481,231
Infrastructure	261,823	16,035	(11)	277,847
Total capital assets being depreciated or amortized	3,219,823	125,811	7,526	3,353,160
Less accumulated depreciation or amortization for:				
Buildings	873,263	72,823	(599)	945,487
Land improvements	137,260	11,586	(50)	148,796
Machinery and equipment	297,811	33,036	(18,441)	312,406
Infrastructure	81,100	11,202		92,302
Total accumulated depreciation or amortization	1,389,434	128,647	(19,090)	1,498,991
Total capital assets being depreciated or amortized, net	1,830,389	(2,836)	26,616	1,854,169
Total capital assets, net	<u>\$ 2,028,450</u>	<u>\$ 118,290</u>	<u>\$ (59,565)</u>	<u>\$ 2,087,175</u>

* Beginning balances have been restated.

Note 6. Long-Term Liabilities**A. Changes in Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2017 are presented in the following table:

	Long-term Liabilities (Expressed in Thousands)			Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
	Beginning Balance*	Additions	Reductions			
Governmental Activities						
<i>Bonds Payable</i>						
General obligation bonds (see section B)	\$ 1,051,810	\$ 157,920	\$ (118,345)	\$ 1,091,385	\$ 80,765	\$ 1,010,620
RICC Grant Anticipation Revenue Bonds	230,280	245,925		476,205		476,205
RICC Rhode Island Motor Fuel Tax Revenue Bonds	53,965		(4,200)	49,765	4,390	45,375
Tobacco Settlement Asset-Backed Bonds	695,046		(32,508)	662,538	10,220	652,318
Accreted interest on TSFC bonds	85,224	12,438	(11,896)	85,766		85,766
RICC Historic Tax Credit Bonds	106,995		(26,770)	80,225	28,230	51,995
Net unamortized premium/discount	187,141	80,295	(31,301)	236,135		236,135
Bonds Payable, net	2,410,461	496,578	(225,020)	2,682,019	123,605	2,558,414
Obligation under capital leases (see section E)	214,321	50,572	(56,925)	207,968	24,607	183,361
Net unamortized premium/discount	16,769	7,218	(3,424)	20,563		20,563
Obligation under capital leases, net	231,090	57,790	(60,349)	228,531	24,607	203,924
Net pension liability (see note 14)	2,113,105	150,397		2,263,502		2,263,502
Net pension liability-special funding situation (see note 14)	1,117,395	95,359		1,212,754		1,212,754
Net OPEB Obligation (see note 15 C)	8,503		(17)	8,486		8,486
Job Creation Guaranty Program Obligation (see section H)	38,090		(22,917)	15,173		15,173
Compensated absences (see section J)	75,211	67,885	(62,695)	80,401	59,945	20,456
Pollution remediation (see section I)	3,605	6,198	(6,413)	3,390	1,159	2,231
Other (see section M)	15,124	12,028	(2,457)	24,695	350	24,345
Total Governmental Long-term Liabilities	\$ 6,012,584	\$ 886,235	\$ (379,868)	\$ 6,518,951	\$ 209,666	\$ 6,309,285
Business-type Activities						
Revenue bonds (see section B)	\$ 203,880	\$	\$ (11,440)	\$ 192,440	\$ 11,110	\$ 181,330
Net unamortized premium/discount	4,747		(1,415)	3,332		3,332
Revenue bonds, net	208,627		(12,855)	195,772	11,110	184,662
Net pension liability	15,074	1,186		16,260		16,260
Unearned Revenue	9,186	45	(1,545)	7,686	3,814	3,872
Compensated absences (see section J)	565	388	(381)	572	252	320
Total Business-type Long-term Liabilities	\$ 233,452	\$ 1,619	\$ (14,781)	\$ 220,290	\$ 15,176	\$ 205,114
Component Units						
Bonds payable (see section B)	\$ 2,768,117	\$ 515,964	\$ (576,532)	\$ 2,707,549	\$ 125,479	\$ 2,582,070
Net unamortized premium/discount	102,235	40,424	(17,516)	125,143	9,917	115,226
Bonds Payable, net	2,870,352	556,388	(594,048)	2,832,692	135,396	2,697,296
Notes payable (see section C)	113,988	369,416	(312,959)	170,445	66,897	103,548
Loans payable (see section D)	46,819	1,523	(1,537)	46,805	1,287	45,518
Obligations under capital leases	5,254	2,896	(1,317)	6,833	1,565	5,268
Net pension liability	271,402	34,128	(1,376)	304,154		304,154
Net OPEB obligation	68,322	4,118	(313)	72,127		72,127
Compensated absences (see section J)	31,206	2,112	(1,571)	31,747	9,914	21,833
Due to primary government (see section L)	51,597	9,639	(6,453)	54,783	5,693	49,090
Unearned Revenue	20,573	820	(2,779)	18,614	7,384	11,230
Due to Component Units	1,821	10	(281)	1,550	353	1,197
Other Long-term liabilities						
Arbitrage rebate (see section K)	1,541	803	(349)	1,995	978	1,017
Pollution remediation (see section I)	26,939		(4,762)	22,177	1,135	21,042
Other liabilities (see section M)	346,179	12,000	(16,087)	342,092	7,502	334,590
Total Component Units Long-term Liabilities	\$ 3,855,993	\$ 993,853	\$ (943,832)	\$ 3,906,014	\$ 238,104	\$ 3,667,910

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

B. Bonds Payable

At June 30, 2017, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units	
	Governmental Activities		Business Type Activities		Principal	Interest
	Principal	Interest	Principal	Interest		
2018	\$ 123,605	\$ 103,441	\$ 11,110	\$ 10,463	\$ 125,479	\$ 101,494
2019	139,470	100,355	11,660	9,906	144,338	97,024
2020	148,620	92,645	12,240	9,312	157,574	92,111
2021	148,110	85,905	14,350	8,693	146,938	85,627
2022	150,195	78,982			142,093	78,806
2023 - 2027	684,770	290,522	80,980	31,993	621,667	315,922
2028 - 2032	427,460	147,904	38,200	12,413	547,701	197,084
2033 - 2037	139,320	81,043	23,900	3,727	381,904	105,702
2038 - 2042	85,730	57,731			273,184	49,133
2043 - 2047	85,820	41,868			99,737	21,954
2048 - 2052	227,018	1,429,892 *			62,480	6,188
2053 - 2057					4,454	512
	<u>\$ 2,360,118</u>	<u>\$ 2,510,288</u>	<u>\$ 192,440</u>	<u>\$ 86,507</u>	<u>\$ 2,707,549</u>	<u>\$ 1,151,557</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 May 2017 the State issued \$91.0 million of general obligation bonds with an interest rate of 5.00%, maturing from 2018 through 2037. The premium paid on these bonds was \$9.7 million. The State also issued \$66.9 million of general obligation refunding bonds with an interest rate of 5.00%, maturing from 2024 through 2031, with a premium of \$14.7 million. These bonds, combined with the premium, were used to advance refund \$70.4 million of bonds with interest rates from 3.00% to 5.50% and maturities from 2017 to 2031. The refunding resulted in a reduction of debt service of \$7.8 million and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$7.3 million. A deferred loss on the refunding of approximately \$2.1 million was recorded.

At June 30, 2017, general obligation bonds authorized by the voters and unissued amounted to approximately \$395.6 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. The following authorizations have been enacted and the State plans to issue the debt over the next several years: (1) Energy Conservation Certificates of Participation - \$11.6 million (2) Garrahy Courthouse Garage Constriction - \$45 million and (3) Providence River Dredging - \$10.5 million.

Historic Tax Credit Bonds - In fiscal years 2009 and 2015 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$150 million and \$75 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 \$131.2 million of Historic Tax Credit Bonds.

RICC Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds - RICC, on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from

certain pledged revenues derived from two cents (\$.02) per gallon of the thirty-three cents (\$.33) 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 October 2016, the Rhode Island Commerce Corporation, on behalf of the RI Department of Transportation, issued \$245.9 million of Grant Anticipation Bonds. The bonds mature in 2025 to 2031 and have yields ranging from 1.92% to 2.60%. The bonds were issued to provide funding for reconstruction and/or replacement of certain of the 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 future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

Pledged revenues were sufficient to fund fiscal 2017 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 2024 and 2031.

Tobacco Settlement Asset-Back Bonds and Accreted Interest – The Tobacco Settlement Financing Corporation (TSFC) has issued \$685.4 million (2002 Series), \$197 million (2007 Series), and \$620.9 million (2015 Series) of Tobacco Settlement Asset-Backed Bonds. The bond proceeds of the 2002 Series and the 2007 Series 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 2015 Series bond proceeds were used to fully redeem the remaining balance, \$547.8 million, of the 2002 Series bonds, and to repurchase and retire a portion of the 2007 Series bonds, in the amount of \$76.2 million.

All of 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 must pay as of specific dates. Certain of the bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which were issued at a deep discount from par and accrete to full value at maturity in the year 2052. The bond indenture contains "Turbo Maturity" provisions, whereby the Corporation is required to apply the funds collected that are in excess of the then current funding requirements of the indenture to the early redemption of certain of the Series 2015 B bonds (based upon a minimum turbo redemption schedule established for the bonds) and then to the Series 2007 bonds. The amount available for turbo redemptions on the Series 2015 B bonds are credited against the term maturities in ascending chronological order based on a schedule contained in the indenture. Excess turbo funds available, if any, will be used to retire Series 2007 bonds.

The 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.

On March 24, 2017, the Rhode Island Attorney General (the "Attorney General") announced that his office had reached a settlement in principle with various tobacco manufacturers over disputed payments for the years 2004 through 2014 under the Master Settlement Agreement (the "MSA") among such tobacco manufacturers (the "Participating Manufacturers" or "PMs") and certain participating states (each an "MSA State") including the State of Rhode Island ("Rhode Island" or the "State"), eliminating a potential liability to the State of over \$500 million. Disputed payments arose from a provision in the MSA that allows the PMs to withhold a portion of the annual distribution to the MSA States if certain conditions are met. Under the MSA, the MSA States have certain obligations to diligently enforce certain state statutes with respect to tobacco manufacturers that are not signatories to the MSA (the "Non-participating Manufacturers", or "NPMs"). If the PMs decide to dispute an MSA State's diligent enforcement of such statutes, the PMs may deposit a portion of their annual distribution to such MSA State (the "MSA Payment") into a disputed payments account for such MSA State until the dispute is adjudicated. The PMs have annually disputed each MSA State's diligent enforcement actions. The State has always and continues to maintain that it diligently enforces its applicable statutes against the NPMs. Under the terms of the multistate settlement with the PMs (the "Settlement Term Sheet"), settling MSA States receive an upfront payment of 54 percent of the disputed payments deposited by the PMs in the settling MSA State's disputed payments account for the years 2004-2014. The PMs receive

the remaining 46 percent in the form of credits taken against the MSA payments due to the settling MSA States in payment years 2017 through 2021. Under the Settlement Term Sheet, the PMs also would not place into the disputed payment accounts certain amounts with respect to payment years 2017 through 2021 (reflecting certain disputed amounts relating to years 2014 through and including 2020) that would otherwise be deposited into the disputed payment accounts and not paid to the MSA States if the MSA States did not join the Settlement Term Sheet.

Because the State had 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 TSFC was required to seek bondholder approval before the State could enter into the Settlement Term Sheet. A consent solicitation process was conducted in March 2017 and the requisite approvals from bondholders were received as of March 17, 2017. Upon receipt of the bondholder approvals, the Attorney General signed a joinder letter joining the multistate settlement. Rhode Island's joinder letter became effective upon written approval of the Participating Manufacturers on April 3, 2017.

As a result of the State joining the Settlement Term Sheet, in April of 2017, the Trustee for the TSFC received a payment of \$51,116,414 from the State's disputed payments account.

Pursuant to the indentures governing the TSFC Bonds, as amended during the 2015 refunding of the 2002 bonds, the State was entitled to receive 30 percent of the State's disputed payments on deposit in the State's disputed payments account as of the date of issuance of the 2015 TSFC Bonds, with the remaining 70 percent to be used to redeem \$212,160,000 (future value) of the Series A component of the 2007 TSFC Bonds (the "2007 Series A TSFC Bonds"). The disputed payments deposited after the date of issuance of the 2015 TSFC Bonds would be applied to pay debt service due on the 2015 TSFC Bonds in accordance with the terms of the indentures governing the TSFC Bonds. Of the \$51,116,414 received from the disputed payments account in April 2017, \$38,276,966 was on deposit in the State's disputed payments account as of March 19, 2015, the date of issuance of the 2015 TSFC Bonds, and the balance of \$12,839,450 was deposited after that date. The State received \$11,483,090 or 30 percent of the \$38,276,966 on deposit as of March 19, 2015. After payment of costs associated with the consent solicitation process and other transaction related costs, the net transfer to the State in May 2017 was \$10,360,190.

In June 2017, the Trustee applied: (i) the remaining 70 percent on deposit in the State's DPA as of March 19, 2015, \$26,793,876, to redeem certain 2007 Series A TSFC Bonds and (ii) the balance of \$12,839,450 to offset the lower 2017 MSA payment resulting from the credits and pay debt service due on 2015 TSFC Bonds.

Please refer to the audited financial statements of the TSFC for additional information about this matter.

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, 2017, outstanding bond indebtedness totaled \$192.4 million.

In June 2006, RICCA issued Civic Center Revenue Bonds, 2006 Series A (federally taxable), in an aggregate principal amount of \$92.5 million for the purpose of (i) financing or refinancing the acquisition, renovation, equipping, improvement and redevelopment of the Dunkin' Donuts Center (DDC), (ii) redeeming the \$33.0 million Civic Center Revenue Bonds, 2005 Series A, previously issued by RICCA, (iii) paying the costs of issuance, and (iv) paying capitalized interest on the 2006 Series A Bonds. The 2006 Series A bonds mature between 2008 and 2035 and bear interest at rates ranging from 5.38% to 6.06%.

In March 2009, RICCA issued Refunding Revenue Bonds, 2009 Series A, in an aggregate principal amount of approximately \$70.7 million for the purpose of (i) redeeming \$59.2 million of then outstanding 2001 Series A Bonds, (ii) financing the termination of a Swap Agreement, (iii) purchasing debt service reserve insurance and bond insurance under a financial guaranty policy, and (iv) paying the costs of issuance. The 2009 Series A bonds mature between 2011 and 2027 and bear interest at rates ranging from 3.00% to 5.50%.

Concurrent with the issuance of the 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corp. (AGC). The policy provides maximum coverage for principal and interest payments on the 2009 Series A Bonds of approximately \$127.5 million. Coverage under the policy expires on May 15, 2027. In August 2016, AGC was rated by Moody's as A2. In July 2016, AGC was rated by S&P as A. Fitch no longer provides ratings of AGC.

Also, concurrent with the issuance of the 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 2009 Series A Bonds are no longer outstanding. In August 2016, FSA was rated by Moody's as A2. In July 2016, FSA was rated by S&P as A. Fitch no longer provides ratings of FSA.

During March 2013, RICCA issued Refunding Revenue Bonds, 2013 Series A, in an aggregate principal amount of approximately \$37.3 million for the purpose of refunding the Authority's then outstanding Refunding Revenue Bonds, 2003 Series A, refunding a portion of RICCA's Refunding Revenue Bonds, 1993 Series B, and to pay costs of issuance. The 2013 Series A bonds bear interest at rates ranging from 2% to 5.0% and mature in varying installments beginning May 15, 2015 through May 15, 2020.

During April 2015, RICCA issued Refunding Revenue Bonds 2015 Series A in an aggregate amount of \$31.9 million for the purpose of refunding RICCA's then outstanding Refunding Revenue Bonds, 2005 Series A and refunding a portion of RICCA's then outstanding Refunding Revenue Bonds 1993 Series B and to pay costs of issuance. The final principal and interest payment for the 1993 Series B occurred on May 15, 2015. The 2015 Series A bonds mature between 2015 and 2023 and bear interest at rates ranging from 2.00% to 5.00%.

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.

At June 30, 2017, RICCA had no outstanding in-substance defeased debt. 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, 2017, 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. During the year ended June 30, 2017, RICCA was unable to fund the Renewal and Replacement requirement of the restrictive covenant for the DDC pursuant to the indenture.

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, 2017.

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, 2017, 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.

RICCA is required by the Internal Revenue Service, as well as its various bond resolutions, to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and RICCA must comply with various restrictions on investment earnings from bond proceeds.

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, 2017 revenue bonds outstanding were approximately as follows: URI - \$196.1 million, RIC - \$15.5 million, and CCRI - \$2.0 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 \$264.9 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 \$44.1 million for the year ended June 30, 2017. Principal and interest payments for the year ended June 30, 2017 were approximately \$22.5 million.

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 \$38.4 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) (1.05050% at June 30, 2017) 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, 2017, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2017, the 2013 Series A Bonds bore interest at 2.05050%.

Concurrently with the issuance of the 2013 Series A Bonds, RICC issued Economic Development Bonds, 2013 Series B (federally taxable), in the aggregate principal amount of \$960 thousand, for which the I-195 RDC is the obligor. The 2013 Series B Bonds mature in April 2019 and bear interest at the lesser of the 30-Day LIBOR (1.05050% at June 30, 2017) plus the lesser of the two long-term bond ratings of the State from Moody's and S&P in the following table:

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

Based on the State's most recent bond ratings, the 2013 Series B bonds bore interest at 2.2005% at June 30, 2017.

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 (1.05050% at June 30, 2017), 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, 2017, the fair value of the 2013 Series A and B Rate Cap Agreements was \$46,593, 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. Notes Payable

Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2017 are as follows:

Component Units -	
Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024.	\$ 1,008
R.I. Resource Recovery note payable to the host municipality with an interest rate of 1.4%, payable in equal installments over the next 13 years.	2,894
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 1.12% to 6.25% interest, payable through 2057.	166,543
	<u>170,445</u>
Less: current portion	(66,897)
	<u>\$ 103,548</u>

D. Loans Payable

Discretely Presented Component Units

In June 2006, the R.I. Airport Corporation (RIAC), R.I. Commerce Corporation (RICC), and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42 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 year 2013. RIAC began making monthly payments of interest in fiscal year 2012, with interest at a rate of 5.26%. Payments are made on behalf of RICC (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2017, RIAC had approximately \$41.5 million in borrowings under this agreement.

The remaining balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately \$919 thousand and \$4.3 million, respectively.

E. 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, 2017 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, 2017:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2018	\$ 30,453	\$ 2,622	\$ 33,075
2019	31,723	2,620	34,343
2020	33,236	2,623	35,859
2021	30,986	2,623	33,609
2022	25,501	628	26,129
2023 - 2027	75,251	942	76,193
2028 - 2032	11,079		11,079
Total future minimum lease payments	238,229	12,058	250,287
Amount representing interest	(42,319)		(42,319)
Present value of future minimum lease payments	<u>\$ 195,910</u>	<u>\$ 12,058</u>	<u>\$ 207,968</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.

In July 2016, the State financed the acquisition of a statewide communication system in the amount of approximately \$10 million under a capital lease agreement with a lender.

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, 2017 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583	\$ 53,588	\$ 161,995
Building Improvement	85,119	24,862	60,257
Computer Systems	22,429	5,770	16,659
Infrastructure	26,754	7,224	19,530
Construction in Progress	47,093		47,093
	<u>\$ 396,978</u>	<u>\$ 91,444</u>	<u>\$ 305,534</u>

F. Defeased Debt

The State and its component units have defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements.

At June 30, 2017, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 272,075
RI Refunding Bond Authority	4,026
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	53,430
R.I. Infrastructure Bank	123,200
R.I. Turnpike and Bridge Authority	3,160

G. 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, 2017 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, 2017 was \$44.2 million and \$1.1 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 13.

H. Job Creation Guaranty Program – Moral Obligations

The Job Creation Guaranty Program (JCGP) was established by the General Assembly in 2010 for the purpose of promoting economic development in the State and authorized the issuance of a maximum of \$125 million of obligations by the RI Commerce Corporation (RICC), 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 the assets to be liquidated through the state court in Rhode Island.

The total remaining debt service on the bonds is approximately \$52.7 million. The maturity dates on the bonds range from 2017 to 2020 with maximum annual debt service of approximately \$12.5 million.

In November 2012, RICC sued various individuals and entities involved with the loan to 38 Studios including principals of 38 Studios, former employees of RICC and various advisors to RICC alleging fraud, negligence, breach of fiduciary duty and other charges. The suit seeks repayment of compensatory and punitive damages associated with the various counts identified in the lawsuit. A settlement was reached with two of the defendants and, after expenses, a net recovery of approximately \$3.2 million was received in August of 2014. The net amount of the settlement was paid to the trustee for the benefit of the bondholders and was used to pay a portion of the fiscal year 2015 debt service.

In addition, subsequent to June 30, 2016, a Rhode Island Superior Court ruling upheld a settlement entered into by RICC with four named defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al., pending in Providence Superior Court. The settlement resulted in the gross payment of \$12.5 million. After payments of fees, costs and expenses, the net amount from the settlement was approximately \$9.9 million and was paid to Bank of New York Mellon Trust Company, N.A., for the benefit of the bondholders of the "Rhode Island Economic Development Corporation's Job Creation Guaranty Program series 2010 (38 Studios LLC Project)" bonds.

Also, on September 8, 2016, a Rhode Island Superior Court ruling upheld an initial settlement entered into by RICC with two named defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al. pending in Providence Superior Court. The settlement resulted in the gross payment of approximately \$25.6 million. After payment of fees, costs and expenses, the net amount from the settlement was approximately \$21.4 million and was paid to Bank of New York Mellon Trust Company, N.A. for the benefit of the bondholders of the "Rhode Island Economic Development Corporation's Job Creation Guaranty Program Series 2010 (38 Studios LLC Project)" bonds.

In October 2016, RICC reached a settlement with the officers of 38 Studios for approximately \$2,083,000. After related expenses, RICC netted \$2,069,000 which was paid to Bank of New York Mellon Trust Company, N.A. for the benefit of the bondholders of the "Rhode Island Economic Development Corporation's Job Creation Guaranty Program Series 2010 (38 Studios LLC Project)" bonds.

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 2017.

The State has recorded a liability of \$15.2 million relating to its moral obligation to the 38 Studios bondholders under the JCGP at June 30, 2017. This amount represents the current estimate of the amount of probable loss by the State and considers funds actually recovered as a result of the litigation discussed above. The \$15.2 million, although recorded as a liability for financial statement purposes, is still subject to annual appropriation by the General Assembly. The estimated liability will be reduced in future years as the related debt is extinguished.

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

I. Pollution Remediation Liabilities

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

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

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

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, 2017, no reasonable estimates of those recoveries can be made. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

J. 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.

K. 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.

L. 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.

At June 30, 2017, the State has recognized an allowance for the amount due from the RI Public Transit Authority for general obligation debt of \$13.2 million issued on behalf of the Authority on the Government-wide financial statements. Management of the State currently anticipates funding the Authority's debt service, subject to annual appropriation by the General Assembly, as additional financial assistance to the Authority. Management of the Authority is recognizing debt forgiveness annually upon the General Assembly appropriating the debt service in the State's general fund.

M. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

- Retainage related to infrastructure construction projects - these amounts are considered long-term liabilities since the related construction projects are not expected to be completed in the subsequent fiscal period.

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

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

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

Note 7. Net Position/Fund Balances

Governmental Activities

Restricted Net Position

The Statement of Net Position-Governmental Activities reflects \$920.2 million of restricted net position, of which \$425.7 million is restricted by enabling legislation, including \$151.9 million of RI Capital Plan Funds. The remaining net position that is restricted by enabling legislation is included in the Employment Security Programs and Other categories on the Statement of Net Position. The principal component of the remaining balance of the restricted net position is unexpended bond proceeds.

Governmental Funds – Fund Balances

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

Governmental Funds - Fund Balance

	Major Funds			Total
	General Fund	IST Fund	Other Funds	
Fund Balances:				
Nonspendable:				
Permanent Fund Principal	\$	\$	\$ 174	\$ 174
Restricted for:				
Purposes specified by enabling legislation	117,668			117,668
RI Capital Plan			151,856	151,856
Debt Service		26,636	75,222	101,858
Capital Projects			90,054	90,054
Temporary Disability Insurance			156,226	156,226
Historic Tax Credit Redemption			47,847	47,847
Transportation-Infrastructure		363,965		363,965
Mission 360 Loan Program		1,840		1,840
Education			1,830	1,830
Other			540	540
Committed to:				
Transportation-Maintenance		63,292		63,292
Other	2,556		120	2,676
Assigned to:				
Subsequent Years Expenditures	62,788		261	63,049
Other	5,143			5,143
Unassigned:				
Budget Reserve and Cash Stabilization	192,608			192,608
Other	9,210	(1,518)		7,692
Totals	\$ 389,973	\$ 454,215	\$ 524,130	\$ 1,368,318

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (the Reserve) within the State's General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For fiscal year 2017, 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 State has not adopted any minimum fund balance requirements for any funds beyond the State Budget Reserve and Cash Stabilization Account within the General Fund.

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

Note 8. Taxes

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

	Governmental Funds	Statement of Activities
	<u> </u>	<u> </u>
General Fund		
Personal Income	\$ 1,235,991	\$ 1,237,226
General Business Taxes:		
Business Corporations	119,175	118,081
Public Utilities Gross Earnings	90,405	89,867
Financial Institutions	22,189	22,110
Insurance Companies	120,343	120,031
Bank Deposits	2,972	2,972
Health Care Provider Assessment	43,486	43,468
Sub-total - General Business Taxes	<u>398,570</u>	<u>396,529</u>
Sales and Use Taxes:		
Sales and Use	998,197	997,605
Motor Vehicle	26,024	26,024
Motor Fuel	101	(36)
Cigarettes	140,263	140,235
Alcoholic Beverages	19,741	19,741
Sub-total - Sales and Use Taxes	<u>1,184,326</u>	<u>1,183,568</u>
Other Taxes:		
Inheritance and Gift	85,429	85,059
Racing and Athletics	1,163	1,163
Realty Transfer	12,589	12,574
Sub-total - Other Taxes	<u>99,181</u>	<u>98,796</u>
Total - General Fund	<u>2,918,068</u>	<u>2,916,119</u>
Intermodal Surface Transportation Fund		
Gasoline	151,910	151,910
RI Highway Maintenance	45,368	45,368
Other Governmental Funds	195,178	195,178
Total Taxes	<u>\$ 3,310,524</u>	<u>\$ 3,308,575</u>

Note 9. 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 twelve programs in place to abate taxes. Some of those are new, and as of June 30, 2017, have no related foregone tax revenue. Of the twelve programs, seven are managed by the State and five are managed by the Rhode Island Commerce Corporation.

For certain of the 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 will transfer funds to reimburse the State for the amount of foregone tax revenue. Additionally, 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 \$47.8 million is available in the Historic Tax Credit Fund at June 30, 2017.

Summary of Taxes Abated During Fiscal Year 2017 by Tax Type (expressed in thousands):

Tax Abatement Program	Tax Types					Total
	Personal Income	Business Corporation	Insurance Companies	Financial Institutions	Non-Profit Redemption ⁽¹⁾	
Job Development Act		\$ 1,880		\$ 7,074		\$ 8,954
Motion Picture Production Tax Credits	631	1,091				1,722
Historic Preservation Tax Credits	7,816	115	751		4,996	13,678
Job Training Tax Credits		588				588
Tax Credit for Contributions to Qualified Scholarship Organizations	1,175					1,175
Total Taxes Abated - Fiscal 2017	\$ 9,622	\$ 3,674	\$ 751	\$ 7,074	\$ 4,996	\$ 26,117

⁽¹⁾ non-profit entities may request payment for the value of historic preservation tax credits awarded in lieu of a credit to tax liabilities

Other Commitments under Tax Abatement Agreements – Certain tax abatement programs include commitments by the State other than the reduction of taxes. The Qualified Jobs Incentive Tax Credit and Rebuild Rhode Island Tax Credit programs allow respective entities to redeem tax credits for 90% of their value upon fulfilling its responsibilities under the agreement. The Rebuild Rhode Island Tax Credit program also allows respective entities to receive a rebate of sales and use taxes on construction materials relating to program projects. The Anchor Institution Tax Credit and Wavemaker Fellowship programs includes a provision that the entity may redeem the tax credit for 100% of its value upon fulfilling its responsibilities under the agreement. Additionally, 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 table on the following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2017.

Tax Abatement Program / Statutory Authority	Purpose of Program	Tax Being Abated	Eligibility Criteria and Specific Commitment Made by Recipients for Abatement	Type of Abatement and Abatement Mechanism	Recapture Provisions
Job Development Act 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)	To foster job creation for companies that create new employment in RI over a three-year period.	Business Corporation	(1) Subject to a finding of revenue neutrality based on an economic impact analysis conducted by RICC (RI Commerce Corporation); (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.	Reduction of tax rate. The 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.	N/A
Enterprise Zone Distressed Areas Economic Revitalization Act – Enterprise Zones (RIGL 42-64.3)	To stimulate jobs growth and encourage business development in targeted distressed areas of the State.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	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 working 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.	As a credit to the amount of taxes owed. 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.	N/A
Qualified Jobs Incentive Tax Credit Rhode Island Qualified Jobs Incentive Act of 2015 (RIGL Title 44-48.3)	Stimulate business expansion and attraction, create well-paying jobs for State residents, and generate revenues for necessary State and local governmental services.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	(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.	As a credit to the amount of taxes owed. The annual benefit for each new full-time job created is the lesser of (1) the reasonable State income tax withholding generated; or (2) a cap of \$2500 to \$7500 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.	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.
Rebuild Rhode Island Tax Credit Rebuild Rhode Island Tax Credit Act (RIGL 42-64.20)	Stimulate business development; retain and attract new business and industry to the State; create good-paying jobs for State residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	(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.	As a credit to the amount of taxes owed. 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 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.	Projects may be required to repay tax credits in the event the project achieves outside financial returns.

Tax Abatement Program / Statutory Authority	Purpose of Program	Tax Being Abated	Eligibility Criteria and Specific Commitment Made by Recipients for Abatement	Type of Abatement and Abatement Mechanism	Recapture Provisions
<p>Tax Increment Financing</p> <p>Rhode Island Tax Increment Financing Act of 2015 (RIGL 42-64.21)</p>	<p>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.</p>	<p>Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income</p>	<p>(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.</p>	<p>Eligible taxes are reimbursed to the developer. 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.</p>	<p>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.</p>
<p>Anchor Institution Tax Credit</p> <p>Anchor Institution Tax Credit Act (RIGL 42-64.30)</p>	<p>Give existing Rhode Island businesses an incentive to encourage businesses in their supply chain, service providers or customers to relocate to Rhode Island by giving existing Rhode Island businesses a tax credit when they are able to bring about a business relocation to the State.</p>	<p>Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income</p>	<p>Must be a Rhode Island business that (1) plays a substantial role in the decision of a qualified business to relocate at least 10 employees by 2018 or at least 25 employees between 2019 and 2020; (2) applies for approval prior to the qualified business commencing a relocation search within the State, (3) must be approved by the RICC Board of Directors; (4) must perform in accordance with an executed incentive agreement.</p>	<p>As a credit to the amount of taxes owed. An Applicant is not eligible to receive a tax credit in excess of 75% of the amount appropriated in the fiscal year in which the tax credits are issued. RICC may take into account (1) the number of new full-time jobs created; (2) the compensation and benefits for those new jobs; (3) how long the new jobs are committed to remain in the State; (4) whether the jobs created are in a targeted industry; (5) whether the qualifying relocation benefits a Hope Community or occurs in a Redevelopment Area; (6) the strategic importance of the applicant; (7) the economic return to the State; and (8) area brokers' fees.</p>	<p>Incentive agreements shall include a provision specifying for the withholding of any portion of a tax credit or requiring repayment of a tax credit if the qualified business leaves the State within a period of time set forth in the Incentive Agreement.</p>
<p>Wavemaker Fellowship</p> <p>Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26)</p>	<p>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.</p>	<p>Personal Income</p>	<p>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.</p>	<p>As a credit to the amount of taxes owed. 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.</p>	<p>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.</p>
<p>Motion Picture Production Tax Credits</p> <p>R.I. G.L. 44-31.2</p>	<p>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.</p>	<p>Business Corporation, Personal Income</p>	<p>Primary production locations are to be within the State of Rhode Island, and the total production budget must be at least \$100,000. 25% of State certified production costs incurred that are directly attributable to activity within the State.</p>	<p>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.</p>	<p>N/A</p>

Tax Abatement Program / Statutory Authority	Purpose of Program	Tax Being Abated	Eligibility Criteria and Specific Commitment Made by Recipients for Abatement	Type of Abatement and Abatement Mechanism	Recapture Provisions
<u>Historic Preservation Tax Credits</u> R.I. G.L. 44-33.6	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.	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO, Non-Profit Redemption.	A certified historic structure is to be substantially rehabilitated.	As a credit to the amount of taxes owed. The Division of Taxation issues a certificate in the amount of the qualifying credit for which the rehabilitation qualifies. 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. Non-profit entities without tax liabilities may request payment for the value of the credit awarded.	N/A
<u>Job Training Tax Credits</u> RIGL 42-64.6	To encourage employers to invest in retraining or upgrading the skills of their employees.	Business Corporation, Public Service Corporation, Bank Tax, Insurance Company	An employer must meet criteria provided by the Human Resources Investment Council. Said employer cannot be a physician or anyone whose principal business is providing legal, accounting, engineering, architectural, or other similar professional services.	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. 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.	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.
<u>Employer's Apprenticeship Tax Credits</u> RIGL 44-11-41	To encourage the creation of machine tool, metal trade, and plastic process technician apprenticeships.	Business Corporation	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.	As a credit to the amount of taxes owed. Based on 50% of actual wages paid to a qualifying apprentice or \$4,800, whichever is less.	N/A
<u>Tax Credit for Contributions to Qualified Scholarship Organizations</u> RIGL 44-62	To enhance the educational opportunities available to all students in Rhode Island.	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits Generally, Insurance Company, Personal Income Tax.	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.	The Division of Taxation issues a certificate for the amount of credit to be granted. 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.	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 10. Transfers

Transfers for the fiscal year ended June 30, 2017 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 58,208	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,816	Administrative cost
Historic Tax Credit	8,680	Tax credits claimed
Bond Capital	1,725	Interest earnings transfer
RI Capital Plan	85	Capital expenditures
Proprietary Funds		
Lottery	362,697	Net income transfer
Employment Security	142	Administrative cost
Total General	433,353	
Intermodal Surface Transportation		
RI Capital Plan	25,400	Infrastructure funding
Total Intermodal Surface Transportation	25,400	
Nonmajor Funds		
RI Capital Plan		
General	114,538	Transfer statutory excess in budget reserve
General	89	Operating assistance
Bond Capital	2,576	Premium on new bonds
RI Public Rail Corporation		
Intermodal Surface Transportation	1,479	Operating assistance
Total nonmajor funds	118,682	
Total Governmental Funds	577,435	
Proprietary Funds		
Convention Center		
General	22,465	Debt service
RI Capital Plan	1,363	Capital improvement
Total Proprietary Funds	23,828	
Total transfers primary government	\$ 601,263	

Note 11. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$14.1 million for the fiscal year ended June 30, 2017. 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, 2017:

Fiscal Year Ending June 30	
2018	\$ 15,096
2019	13,290
2020	10,328
2021	9,489
2022	8,642
2023 - 2027	31,490
2028 - 2032	11,008
Total	<u>\$ 99,343</u>

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

Note 12. Commitments

Primary Government

The primary government is committed at June 30, 2017 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, 2017, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$400 million, and contract commitments for the design, construction and renovation of buildings of approximately \$59 million. At June 30, 2017, the primary government had software development and implementation contract commitments of approximately \$32 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2017. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

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

Performance-based Agreements

The R.I. Commerce Corporation (RICC), on behalf of the State, entered into several agreements with the developer of the Providence Place Mall. The agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer through fiscal year 2021 of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) \$3.7 million in the first five years and \$3.6 million in years 6 through 20. In the year ended June 30, 2017, \$3.6 million was paid to the developer.

RICC has issued economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the State paid \$3.3 million of the debt on the related economic development revenue bonds in fiscal year 2017. The State has commitments relating to this debt through fiscal year 2027.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider – International Game Technology (IGT)

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

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 (\$3.8 million at June 30, 2017).

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.

On July 1, 2016, the Lottery entered into a Sixth Amendment to the Master Contract with IGT. Under this amendment, IGT will provide instant ticket printing services under the same terms and conditions as the Lottery's most recent contract, including pricing, through June 30, 2023. In addition, IGT will provide a redesigned, enhanced website. By mutual agreement, IGT will provide courier service for the delivery of instant ticket products, four licensed instant ticket games, and the new website at no cost to the Lottery (total value of \$2,691,000); and the Lottery will waive IGT's obligations under Section 6.3 of the Master Contract (minimum employment mandates) through December 31, 2017. The first amendment to the IGT instant ticket agreement dated May 2017 requires IGT to implement the sales force management system known as OnePlace by December 31, 2017. OnePlace combines web and mobile applications to provide sales representatives in the field information on the most important retailer issues and opportunities. These include specific individual retailer issues, project tasks, various alerts, sales trends, and more detailed information in order to optimize the mix of instant games and increase sales.

Video Lottery Facility – UTGR, Inc. (Twin River)

On July 18, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc. (UTGR), the owners of Twin River, to manage one of the State's licensed video lottery facilities. The contract entitles UTGR to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. UTGR and the Lottery extended the contract and signed the first five-year extension term commencing on July 18, 2010. The second term commenced on July 18, 2015. Certain extensions are contingent on UTGR's compliance with full-time employment mandates.

The Master Contract has been amended in recent years to reflect the statutory authorization of a promotional points program at Twin River. In fiscal 2017, Twin River was authorized and issued approximately \$45 million in promotional points to facility patrons. Recent legislation authorizes increases in promotional points from 10% of prior year net terminal income plus \$750,000 to 20% of prior year net terminal income plus \$750,000, subject to approval from the Lottery Director.

Most recent statute and contract amendments require the Lottery to reimburse UTGR 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 (60.86% for 2017). The Lottery reimbursed UTGR for \$5,477,400 in marketing expenses for fiscal 2017.

On May 2, 2017, the Lottery entered into a fifth amendment to the Master Contract with UTGR, Inc. authorizing UTGR to construct and operate a hotel at Twin River Casino in Lincoln, RI.

On May 3, 2017, the Lottery entered into a sixth amendment to the Master Contract with UTGR, Inc. providing the option 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 UTGR's compliance with full-time employment mandates. The agreement also effectuates the legislation authorizing and directing the Lottery to operate casino gaming at Twin River-Tiverton and to implement statutory changes regarding

the allocation of video lottery net terminal income and net table game revenue at Twin River Casino in Lincoln, RI and Twin River – Tiverton in Tiverton, RI.

Video Lottery Facilities – Premier Entertainment II, LLC (Newport Grand)

On November 23, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand to continue to manage one of the State's licensed video lottery facilities. Newport Grand and the Lottery extended the contract and signed the first five-year extension term of the contract commencing on November 23, 2010. The second term, which commenced on November 23, 2015, is contingent on Newport Grand's compliance with full-time employment mandates specified in the 2010 law. The contract, as amended, entitles Newport Grand to compensation equal in percentage of net terminal income to that of Twin River. In addition, Newport Grand is entitled to an increased percentage of net terminal income of 1.9% to be used for approved marketing expenses of Newport Grand.

The Master Contract has been amended in recent years to reflect the statutory authorization of a promotional points program at Newport Grand. In fiscal year 2017, Newport Grand was authorized and issued approximately \$5.2 million in promotional points to facility patrons. Recent legislation authorizes increases in promotional points from 10% of prior year net terminal income plus \$750,000 to 20% of prior year net terminal income plus \$750,000, subject to approval from the Lottery Director.

Most recent statute and contract amendments require the Lottery to reimburse Newport Grand for allowable marketing expenses incurred between \$560,000 and \$1.4 million, at the same percentage as the Lottery's share of net terminal income for the fiscal year (61.40% for 2017). The Lottery reimbursed Premier Entertainment II, LLC for \$504,212 in marketing expenses for fiscal 2017.

Discretely Presented Component Units

R.I. Airport Corporation

As of June 30, 2017, RIAC is obligated for the completion of certain airport improvements under commitments of approximately \$29 million, which are expected to be funded from current available resources and future operations.

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 and III were closed by RIRRC in prior years, while Phase IV reached capacity during fiscal year 2012, with final capping completed during fiscal year 2014. In 2005, RIRRC began landfilling in Phase V, which is near capacity and has temporarily stopped accepting waste. As of December 2015, RIRRC began accepting waste in Phase VI.

A liability for closure and post-closure care of \$74.3 million as of June 30, 2017 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2017
Phase I	\$ 463,591
Phase II and III	7,842,011
Phase IV	11,364,792
Phase V	47,448,792
Phase VI	6,559,631
Other	597,526
	<u>\$ 74,276,343</u>

As of June 30, 2017, 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	\$ 3,195,550	93.69%	7 months
Phase VI	\$ 86,027,007	7.08%	21.6 years

As of June 30, 2017 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$661 thousand decrease of the corresponding liability from \$96.5 million at June 30, 2016 to \$95.9 million at June 30, 2017 and was primarily attributable to improved leachate flow data.

Amounts provided for closure and post-closure care are based on current costs. These costs may be adjusted each year due to changes in the closure and post-closure care plan, inflation or deflation, technology, or applicable laws or regulations. It is 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, 2017 is \$51 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, 2017 is as follows:

Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017	Current Portion
\$ 26,939,144	\$	\$ (4,761,506)	\$ 22,177,638	\$ 1,135,463

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 \$43.7 million as of June 30, 2017.

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 \$22.2 million as of June 30, 2017.

R.I. Turnpike and Bridge Authority

The R.I. Turnpike and Bridge Authority has entered into contracts totaling \$30.3 million for bridge and highway repairs on the Mount Hope, Claiborne Pell and Jamestown Bridges, which is expected to take over a year to complete. As of June 30, 2017, remaining commitments on these contracts total \$21.2 million.

R.I. Public Transit Authority

The R.I. Public Transit Authority is committed under various contracts in the amount of \$6.4 million at June 30, 2017.

Other Component Units

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

Note 13. Contingencies

Litigation - Primary Government

The State, its departments, agencies, officers and employees are defendants in numerous lawsuits. 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 specific litigation is discussed below.

Challenges to Pension Reforms

The 2009, 2010 and 2011 legislative pension reforms have resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. These lawsuits, some of which are still pending, are described below. The State is vigorously defending any liability in all pending pension reform litigation.

In May of 2010, a number of unions representing State employees and teachers filed a lawsuit in the State's superior court (the "Superior Court") challenging the pension reform legislation enacted by the General Assembly in 2009 and 2010. In June of 2012, certain unions, active employees, retired State employees and associations of retired State and municipal employees who maintain they are current beneficiaries of ERSRI filed five separate lawsuits in Superior Court challenging the RIRSA. In April of 2014, a seventh lawsuit was filed in Superior Court by certain individual retired State workers and teachers. In September of 2014, the Cranston Firefighters, IAFF Local 1363, AFL-CIO and the International Brotherhood of Police Officers, Local 201 (Cranston Police), which had been parties to the 2012 lawsuit challenging RIRSA, withdrew from the original lawsuit and each filed separate lawsuits in Superior Court challenging RIRSA, resulting in nine lawsuits overall. These nine lawsuits were ultimately consolidated.

In March of 2015, the Superior Court entered an order appointing a Special Master, tasking him with certain duties, including "addressing all discovery issues, motions, and assisting the parties in narrowing and/or resolving disputed issues by agreement, subject to further approval by the Court." In April of 2015, the Special Master presented an interim report to the Superior Court stating that a settlement has been reached in five of the nine consolidated pension cases. The Special Master reported that the proposed settlement would impact 58,901 employees. A class action was filed for settlement purposes and in June of 2015, the Superior Court issued its decision approving the proposed settlement. The General Assembly passed legislation to carry out the settlement, which was enacted into law on June 30, 2015 ("New RIRSA"), and the Superior Court entered final judgments in July of 2015. The employees that are members of the unions that brought the non-settled consolidated cases will receive the same benefits afforded to the settling parties.

In July of 2015, the State moved to dismiss three of the remaining six cases – *Cranston Firefighters, IAFF Local 1363, AFL-CIO v. Chafee*; *International Brotherhood of Police Officers, Local 301, AFL-CIO v. Chafee* and *City of Cranston Police Officers, International Brotherhood of Police Officers, Local 301, AFL-CIO v. Chafee* – for lack of justiciability on the grounds that because RIRSA was amended by New RIRSA, the plaintiffs' claims were moot. The Superior Court granted the motion and dismissed the three cases without prejudice.

Nine appeals from two of the July 2015 judgments were filed with the State's Supreme Court (the "Supreme Court"). The appeals do not affect the implementation of New RIRSA. Three of the nine appeals have been dismissed by the Supreme Court. The six remaining appeals are pending before the Supreme Court.

In March of 2016, Cranston Firefighters, IAFF Local 1363, AFL-CIO and International Brotherhood of Police Officers, Local 301, AFL-CIO jointly filed a new lawsuit in the United States District Court for the District of Rhode Island captioned *Cranston Firefighters, IAFF Local 1363, AFL-CIO, et al. v. Raimondo, et al.* In that case, the Cranston police and firefighters' unions claim that RIRSA and New RIRSA violate the Contracts Clause, Takings Clause and Due Process Clause of the United States Constitution. They also seek a declaration concerning the effect of the class action settlement on Cranston police and firefighter retirees. In March of 2017, the District Court granted the State's motion to dismiss all counts in the plaintiffs' complaint. The plaintiffs subsequently filed an appeal with the United States Court of Appeals for the First Circuit, which has been briefed and argued and is pending decision. Notably, the employees represented by the plaintiff unions are municipal employees for which the State would not have funding responsibility.

In addition to the foregoing cases, in September 2014, another case challenging RIRSA was commenced by the Rhode Island State Troopers Association and Rhode Island State Troopers Association *ex rel.* Kevin M. Grace and Ernest E. Adams in Superior Court. The State has answered the complaint in that action, which remains pending. There is no trial date set. The State intends to vigorously defend this lawsuit.

Andrew C. (Previously Cassie M) v. Raimondo, EOHHS, and DCYF, USDC

Children's Rights Incorporated (CRI) brought suit against DCYF and various other state entities (the State) in 2007 seeking to put the State's child welfare program administered by DCYF under federal court supervision through a class action seeking prospective relief. After various proceedings in the U.S. District Court, the parties have reached a mediated settlement which is pending approval by the Court. As part of the settlement, the State will be required to pay a portion of the plaintiff's legal fees and costs. The State has additionally agreed to a series of specific commitments regarding assessments and the delivery of services provided to children in the DCYF's care. Additionally, the Court will have continuing enforcement jurisdiction to ensure compliance with the agreement. The State's obligation to pay plaintiff's legal fees and costs was accrued in the accompanying financial statements.

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

The RIDOT has entered into a Consent Decree with the EPA concerning violations of the Clean Water Act by failing to comply with the conditions in the General Permit – Rhode Island Pollutant Discharge Elimination System Storm Water Discharge from Small Municipal Separate Storm Sewer Systems. The Consent Decree was lodged with the U.S. District Court on October 15, 2015 and 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 has 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.

Tobacco Master Settlement Agreement Related Matters

The State is a party to an arbitration proceeding brought by tobacco companies concerning the diligent enforcement of the escrow statute enacted in connection with the Tobacco Master Settlement Agreement (the "MSA"). The MSA is an agreement entered into between a number of states, including Rhode Island, and major tobacco companies in settlement of certain litigation. Additional information about these proceedings and other matters related to the outstanding debt of the Tobacco Settlement Financing Corporation, a blended component unit, are discussed below under the heading "**Tobacco Settlement Financing Corporation**".

Other

The State is vigorously contesting all litigation matters including those detailed above. As of this date it is not possible to determine the outcome of certain proceedings and their overall impact on the State's financial statements. The State is currently of the opinion that current litigation matters are not likely to result either individually or in the aggregate in final judgments against the State that would materially affect its financial position.

Tobacco Settlement Financing Corporation

In fiscal 2017 the State entered into a NPM Adjustment Settlement Agreement ("Settlement") to resolve disputed payments for 2004 through 2014 (2003 was previously resolved through arbitration in the State's favor).

Under the Settlement, the Participating Tobacco Manufacturers ("PMs") agreed not to dispute payments through the years of settlement. At present, for Rhode Island, that is through 2014. It is possible that the PMs could dispute the MSA amounts beginning with the 2016 NPM Adjustment, which could result in the Corporation receiving less revenue than assumed in out-year projections and impact its ability to redeem bonds. Under the MSA, if a State is found non-diligent, it could lose up to its entire MSA payment for a given year.

As part of the Settlement, for years 2017-2021, the tobacco companies agreed to give Rhode Island (the bondholders) a portion of the NPM Adjustment that otherwise would have been deposited in the Disputed Payment Account ("DPA"). Thus, the State will receive certain DPA monies for future potential disputes that it otherwise would not have received until or unless there was a diligence determination at a later date.

Unsuccessful litigation has been filed in the past alleging, among other claims, that the MSA violates provisions of the U.S. Constitution, state constitutions, federal antitrust and civil rights laws, and state consumer protection laws. These lawsuits sought to prevent the states from collecting any monies under the MSA, and/or a determination that prevents the tobacco manufacturers from collecting MSA payments through price increases to cigarette consumers. In addition, class action lawsuits have been filed in jurisdictions alleging violations of state Medicaid agreements. While there are currently no known cases pending, such cases could be brought in the future where an adverse ruling could potentially result in the Corporation not having adequate financial resources to service its debt obligations.

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. In addition, both neighboring States have already approved or are considering additional casino expansion likely to increase gaming competition in New England. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states. In 2016, statewide and local referenda passed authorizing a new gaming facility located in Tiverton, RI, owned by Twin River - Tiverton which will offer state-operated casino gaming. The Casino is currently under construction and is expected to commence operations in the fall of 2018.

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 issues in the case relating to whether the State "operates" Twin River and Newport Grand facilities remain pending in the Superior Court.

Federal Grants

The State receives significant amounts of federal financial assistance under grant agreements which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. The Single Audit for the State of Rhode Island for the fiscal year ended June 30, 2017 will be issued in March 2018. 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.

Several findings had potentially significant but unknown or unquantifiable questioned costs as included in prior year Single Audit Reports. The ultimate disposition of these findings rests with the federal grantor agencies, and, in most cases, resolution is still in progress. 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. The fiscal 2017 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

Unresolved Medicaid Prior Audit Findings and Questioned Costs

The federal Centers for Medicare and Medicaid Services (CMS) are pursuing resolution of prior audit findings, applicable to Medicaid, as included in the State's Single Audit Reports for multiple years. The State is working cooperatively with CMS to resolve the prior audit findings. Resolution of the findings, in some instances, may involve return of federal funds to the federal grantor. Liabilities have been reflected in the financial statements when the audit findings and related questioned costs have been resolved by management by determining that repayment of federal funds is necessary. Other audit findings require further resolution activities and discussion with the federal grantor and accordingly management cannot presently estimate any additional amounts that may require repayment to the federal government.

RIBRIDGES / Unified Health Infrastructure Project ("UHIP")

The RIBRIDGES system, also known as the Unified Health Infrastructure Project or UHIP, is Rhode Island's new integrated eligibility system for various health and human services programs (i.e., Medicaid, SNAP, TANF) and the State's Health Insurance Exchange established pursuant to the ACA. The UHIP system commenced initial functionality administering the State's Health Insurance Exchange Marketplace and Medicaid and CHIP (Children's Health Insurance Program) program eligibility for populations determined based on modified adjusted gross income (MAGI) in October 2013. Upon initial implementation, the system experienced several functional problems that resulted in challenges in determining and/or validating Medicaid eligibility for certain individuals, newborn enrollments into existing cases, and other functional and operational issues that resulted in eligibility redeterminations being suspended well beyond the one year period mandated by federal regulations.

In September 2016, RIBRIDGES was launched as the State's new comprehensive eligibility system adding the remainder of Medicaid program eligibility and eligibility and pay benefits for the federal Supplemental Nutrition Assistance (SNAP), Temporary Assistance to Needy Families (TANF), and Child Care programs to those already commenced under the initial UHIP launch. RIBRIDGES immediately experienced significant functional and operational challenges in addition to continuing challenges experienced by the initial UHIP implementation.

The State has experienced on-going significant programmatic challenges relating to its RIBRIDGES implementation. Application backlogs, delays in determining (including the timely redetermination of) eligibility have continued for extended periods of time, system interface operations designed to be key controls over eligibility have been ineffective and not fully operational, and provider advances not subject to the eligibility and claims processing controls critical to proper program administration have been experienced by the State because of these system issues. Control deficiencies relating to an ineffective eligibility system have also resulted in known duplicate payments of capitation for Medicaid individuals enrolled in managed care, continued Medicaid eligibility for deceased individuals, and long-term backlogs of newborns being added to respective Medicaid cases.

System development has largely been funded with federal grants and because of the implementation issues there has been increased oversight from the federal grantor agencies and requests for corrective action plans.

The American Civil Liberties Union sued the State alleging denial of timely benefits to SNAP applicants. In settlement of that suit, the court appointed a special master to oversee the corrective actions necessary to ensure timely determination and payment of benefits through the system.

The State has negotiated with the system developer, Deloitte, to recoup some of the system costs expended to date, to receive additional services at no charge to address system deficiencies. In April 2017, Deloitte agreed to credit the State \$27 million in system costs outstanding at that time and a further agreement has been reached with Deloitte to provide a credit of nearly \$60 million to cover ongoing costs of the

implementation and for Deloitte to cover any fines that may be levied on the State by the Food and Nutrition Services (FNS) related to the SNAP program.

Various contingencies result from the implementation of the RIBRIDGES/UHIP computer system and its impact on the administration of various federal programs. These include potential (1) disallowance of certain system development costs, (2) sanctions imposed by federal grantor agencies for noncompliance with specific program requirements, and (3) requests for return of federal funds for benefits provided to ineligible individuals. Additionally, advances have been made to certain provider groups due to untimely eligibility determinations which has precluded the processing of Medicaid claims. Settlement of such advances by subsequent adjudication of claims for eligible individuals is anticipated but uncertain. Management has recorded liabilities for known amounts and made estimates for other contingencies where possible. Management cannot presently estimate the likelihood of other contingent liabilities related to the RIBridges/UHIP implementation, however, such amounts could be material to the financial statements.

Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Monies in a capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bondholders. These bonds are considered “moral obligations” of the State when the General Laws require the executive director of the issuing agency to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget.

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

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) had \$30.3 million outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to \$6.9 million on June 30, 2017. 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, 2017 in addition to the State’s moral obligation under the Job Creation Guaranty Program (JCGP) for the bonds discussed in Note 6 H, certain bonds secured by RICC’s capital reserve fund carry a moral obligation of the State. If at any time, certain reserve funds of RICC pledged fall below their funding requirements, a request will be made to the General Assembly to appropriate the amount of the deficiency. Additional outstanding moral obligations relating to these bonds total \$21.6 million at June 30, 2017.

Component Units

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, 2017, 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, 2017 are \$13.4 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. The payments are being made by first exhausting RIIRBA's available financial resources. At June 30, 2016, RIIRBA has determined that it is likely that it will incur a loss under the insured commitment. RIIRBA has accrued an insured commitment payable of \$1.9 million equal to the estimated loss at June 30, 2016. No request has been made to the General Assembly at June 30, 2016 for appropriations to satisfy any liability under the insurance guarantee. At June 30, 2017, RIIRBA estimates the potential loss to be approximately \$2 million.

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

As of June 30, 2017, RIHMFC may borrow up to a maximum of \$110 million under various revolving loan agreements expiring between August 2017 and January 2018. Borrowings under the lines of credit are payable on demand and are unsecured.

RIHMFC is a party to financial instruments with off-balance sheet risk in connection with its commitments to commitments expose RIHMFC to credit risk in excess of the amounts recognized in the statements provide financing. Such 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, 2017 is \$97.4 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 \$8,100,000 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.

Other Component Units

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

Note 14. Employer Pension Plans

A. Summary of Employer Plans

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

	Plan	Plan type	Covered employees	FY 2017 pension expense	Net pension liability at June 30, 2016 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	\$154,722,000	\$1,887,351,000
			Business-type activities	\$1,383,000	\$16,260,000
			Special funding – teachers - state share (see Note Section 14-E)	\$97,822,000	\$1,212,754,000
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$3,441,000	\$9,240,000
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	\$2,065,000	\$6,533,000
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	\$1,839,000	\$20,037,000
E	State Police Non-Contributory Retirement Plan (SPNCRP)	Single employer defined benefit – non trustee – pay-as-you-go plan	State Police hired before July 1, 1987	\$40,470,000	\$289,060,000
F	Judicial Non-Contributory Retirement Plan (JNCRP)	Single employer defined benefit – non trustee – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	\$5,230,000	\$51,281,000
	Totals			\$306,972,000	\$3,492,516,000
G	LIUNA – union plan for members of the LIUNA bargaining units	Cost-sharing multiple employer defined benefit plan – “Taft-Hartley” non-governmental plan	Members of the LIUNA bargaining unit	Not applicable (see note below)	Not applicable (see note below)
H	ERS – Defined Contribution Plan	Multiple employer defined contribution plan	State employees subject to the “hybrid” defined benefit/defined contribution plan provisions	\$4,700,000	Not applicable
I	FICA Alternative Retirement Income Security Program	Single employer defined contribution plan	State employees not eligible to participate in the State’s other defined benefit plans	Not applicable	Not applicable

Employer pension expense and related liabilities and deferred inflows or resources/deferred outflows of resources for defined benefit plans A-D 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 plans E and 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 68, and Amendments to Certain Provisions of GASB Statements 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 Income Security Program.

Plan membership, based on the June 30, 2015 actuarial valuations, 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	11,041	2,948	8,544	2,650	25,183
JRBT	16		18	36	70
RIJRFT			7		7
SPRBT	39	25	55	182	301
JNCRP	57				57
SPNCRP	274				274

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 as well as in certain charter schools. Membership in the plan is mandatory for all covered state employees and teachers. General officers may become members on an optional basis and legislators may participate if elected to office prior to January 1, 1995.

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

Plan vesting provisions – after five years of service.

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

Schedule	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 th year Effective July 1, 2012: 1.0% per year Effective July 1, 2015: for members with 20 years or more of service as of July 1, 2012: 2% per year	80% of final average (3 consecutive highest years) earnings and 35 years of service
(AB)	Completed 10 years of service on or before July 1, 2005 but ineligible to retire as of September 30, 2009	Minimum retirement age of 62 and ten years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Effective until June 30, 2012: Same accrual rates as (A) above to September 30, 2009 and then Schedule B rates (below) thereafter Effective July 1, 2012: 1.0% per year	80% of final average (5 consecutive highest years) earnings
(B)	Less than 10 years of service before July 1, 2005 and eligible to retire as of September 30, 2009	Age 65 with 10 years of service or after 29 years of service and age 59	Effective until June 30, 2012: 1.6% for each of first ten years 1.8% for each of next ten years 2.0% for each of next five years 2.25% for each of next five years 2.5% for each of next seven years 2.25% for the 38 th year Effective July 1, 2012: 1.0% per year	75% of final average earnings (3 consecutive highest years) and 38 years of service
(B1)	Less than 10 years of service before July 1, 2005 and ineligible to retire as of September 30, 2009	Age 65 with ten years of service, or age 62 with at least 29 years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Same as Schedule B	75% of final average earnings (5 consecutive highest years) and 38 years of service
(B2)	Less than 5 years of service as of July 1, 2012	Social Security Normal Retirement Age not to exceed age 67 and 5 years of contributory service	1.6% for each of first ten years Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years) and 38 years of service

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

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

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

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

Cost of Living Adjustments – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a four-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA 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% (5yr Return – 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$26,098, effective January 1, 2017, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.) COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement.

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 can be reviewed in a four-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA 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% (5yr Return – 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$26,098, effective January 1, 2017, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.) COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement.

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

Plan members – The plan covers seven (7) judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 who do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for sixty-five (65) retired judges and surviving beneficiaries who were not members of either judicial plan. The employee contribution rate is 12% of salary (except for members of the Supreme Court who contribute 8.75%).

Retirement eligibility and plan benefits – The plan generally provides retirement benefits for members who have served as a justice of the Supreme Court, the Superior Court, the Family Court, the District Court, or any combination of them for 20 years and have reached the age of 65 years, or have served 15 years, and reached the age of 70 years may retire from regular service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement. Members of the Traffic Tribunal who served as a justice for 20 years, or have served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. However, any Traffic Tribunal judge who has served 20 years and has reached age 65 years, or has served for 15 years and has reached age 70 years may retire from active service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement.

Cost of Living Adjustments – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a four-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA 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% (5yr Return – 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$26,098, effective January 1, 2017, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.) COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement.

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

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

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

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

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

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

Cost of Living Adjustments – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT, and JRBT plans reach a funded status of 80%. The COLA provision can be reviewed in a four-year interval. When the collective funding level of the plans exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA 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% (5yr Return – 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$26,098, effective January 1, 2017, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.) COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement.

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.

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 Descriptions – Non-Contributory (pay-as-you-go) Pension Plans

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

Pension benefits paid under the JNCRP and SPNCRP are generally determined based on years of service at retirement and are payable to the retiree or their beneficiary. JNCRP members, in general, are eligible for full retirement benefits equal to their final annual compensation at age 65, if the member has served for 20 years, or at age 70 with 15 years of service. For SPNCRP members, in general, benefits are equal to 50% of salary after 20 years of service; for those who retired after July 1, 1972 an additional 3% annual increment is added until attaining a maximum benefit of 65% of salary after 25 years of service. Both plans have provisions that allow survivors, upon the death of the participant, to continue to receive a portion of the participant's benefit.

E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute 40% of the cost of providing retirement benefits for teachers covered by the Employees' Retirement System. Under GASB Statement No. 68, for teachers, the State is considered to be a non-employer contributing entity under a special funding situation. The total net pension liability for teachers covered by the Employees' Retirement System measured as of June 30, 2016 is approximately \$2.8 billion and the State's share of the net pension liability is approximately \$1.2 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, 2017 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 40.59 percent, a decrease of 0.09 percent 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. Except for the RIJRFT, employers are required by statute to contribute at an actuarially determined rate for the respective defined benefit plans.

The fiscal year 2017 contribution rates for the Employees' Retirement System, the State Police Retirement Benefits Trust, and the Judicial Retirement Benefits Trust were based on the actuarial valuation of those plans performed as of June 30, 2014. The fiscal year 2017 actuarially determined contribution for the Judicial Retirement Fund Trust was also based on the actuarial valuation of that plan performed as of June 30, 2014. However, while members contribute to the RIJRFT, the State as employer, has not opted to make contributions. The non-contributory judges (JNCRP) and State Police (SPNCRP) plans are financed on a pay-as-you-go basis.

A summary of the contribution rates by both the participating employers and members and the State's annual pension plan contributions (expressed in thousands) for the fiscal year ended June 30, 2017 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	JNCRP	SPNCRP
Contribution rate:						
State	25.34%	21.58%	\$1,241	12.66%		
Plan members	3.75% and 11.00%	8.75% and 12.00%	8.75% and 12.00%	8.75%		
State contribution for teachers	8.80% to 9.27%					
Contributions made for state employees	\$157,115	\$2,057	\$332	\$2,980	\$6,107	\$31,566
Contribution made for teachers	\$96,542					

*- Actuarially determined contribution not expressed as a rate.

ERS Plan Supplemental Contributions - The General Laws (Section 36-10-2(a) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to twenty percent (20%) of the rate reduction to be applied to the actuarial accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill and shall be paid by the general treasurer into the retirement system. The retirement system's actuary shall not adjust the computation of the annual required contribution for the year in which supplemental contributions are received; such contributions once made may be treated as reducing the actuarial liability remaining for amortization in the next following actuarial valuation to be performed. For

fiscal year 2017, no contribution to the System was required in accordance with this provision of the General Laws.

The Retirement Security Act provides for additional contributions to the System based on 5.5% of the value of contracts where the services performed by the contractor were previously performed by state employees. A supplemental contribution of \$445 thousand was paid to the System pursuant to Section 42-149-3.1 of the General Laws.

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

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

G. Net Pension Liability

The net pension liability of the State and other participating employers in the Employees' Retirement System – a multiple employer cost-sharing plan, has been apportioned based on the percentage share of total contributions made by each employer in fiscal year 2016. The State's proportion for the ERS Plan for State employees was 88.93 percent, a decrease of 0.03 percent 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, 2016 (expressed in thousands and excluding amounts related to teachers under the special funding arrangement discussed above):

Total Net Pension Liability - Employees' Retirement System (ERS) - State Employees	\$	2,122,263
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery	\$	(16,260)
Discretely Presented Component Units		
University of Rhode Island	\$	123,020
Rhode Island College		42,474
Community College of RI		30,766
RI Division of Higher Education Assistance		1,966
RI Commerce Corporation		294
RI Airport Corporation		1,838
		<u>(200,358)</u>
Related organization - Narragansett Bay Commission		<u>(18,294)</u>
ERS - Net Pension Liability - Governmental Activities	\$	1,887,351
Net Pension Liability - Single Employer Defined Benefit Pension Plans		
JRBT		6,533
RIJRFT		20,037
SPRBT		9,240
JNCRP		51,281
SPRFT		289,060
Total Net Pension Liability	\$	<u>2,263,502</u>

Further details regarding the State's total pension liability and net pension liability for the single employer trustee defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2015 is presented below:

	JRBT	RIJFT	SPRBT
Total pension liability	\$ 66,951	\$ 20,571	\$ 125,557
Plan fiduciary net position	60,418	534	116,317
Net pension liability	\$ 6,533	\$ 20,037	\$ 9,240

Plan fiduciary net position as a percentage of total pension liability	90.2%	2.6%	92.6%
--	-------	------	-------

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2015 and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

	ERS						
	State Employees	Teachers	JRBT	RIJFT	SPRBT	JNCRP	SPNCRP
Valuation Date	6/30/2015 rolled forward to 6/30/2016	6/30/2015 rolled forward to 6/30/2016	6/30/2015 rolled forward to 6/30/2016	6/30/2015	6/30/2015 rolled forward to 6/30/2016	6/30/2015	6/30/2015
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
<u>Assumptions</u>							
Investment Rate							
of Return	7.50%	7.50%	7.50%	2.85%	7.50%	2.85%	2.85%
Projected Salary Increases	3.50% to 6.50%	3.50% to 13.50%	3.50%	3.50%	3.75% to 11.75%	N/A	N/A
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Mortality	Male employees: 115% of RP-2000 Combined Healthy For Males with White Collar adjustments, projected with Scale AA from 2000. Female employees: 95% of RP-2000 Combined Healthy For Females with White Collar adjustments, projected with Scale AA from 2000. Male and Female Teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.						
Cost of Living Adjustments	The COLA calculation has two components: 1) 50% of the COLA is calculated by taking the previous 5 year average investment return, less 5.5% with a maximum of 4% and 2) 50% is calculated based on previous year's CPI-U (maximum of 3%) for a total maximum COLA of 3.5%. The COLA is to be applied to the first \$25,855 of benefits, indexed over time. The COLA is delayed until the later of Social Security eligibility age or 3 years after retirement, except for State Police for which the COLA is delayed until the later of age 55 or three years after retirement. A COLA of 2% is assumed once every four years until the plan achieves 80% collective funded status, in accordance with the law. It is assumed the plan will not achieve the targeted 80% funded status for 15 years.						

The actuarial assumptions used in the June 30, 2015 valuations rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Factors affecting trends for amounts related to the net pension liability

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability 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% compared to 4.29% used in the June 30, 2015 valuation.

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 35 sources. The June 30, 2016 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	100.00%	

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

For the RIJRFT, JNCRP and SPNCRP plans, the State has not opted to make actuarially determined employer contributions and based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Consequently, for those plans, the municipal bond index rate, based on the 20-year Bond Buyer GO Index, (2.85% at June 30, 2016) was applied to all periods of projected benefit payments to determine the total pension liability.

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 will be reflected in the determination of the net pension liability (asset) 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 will reflect the lower investment return assumption and will impact required employer contributions in fiscal 2020.

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

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5% (for all plans except the RIJRFT, JNCRP and SPNCRP), as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT, JNCRP and SPNCRP plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members and consequently the municipal bond index rate of 2.85% at June 30, 2016 was used in the determination of the net pension liability for those plans with a similar +1/-1 % sensitivity analysis (expressed in thousands):

Governmental Activities:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
ERS - State employees	\$ 2,311,138	\$ 1,887,351	\$ 1,540,417
ERS - Teachers (State share)	\$ 1,497,645	\$ 1,212,754	\$ 979,528
JRBT	\$ 13,495	\$ 6,533	\$ 835
SPRBT	\$ 22,275	\$ 9,240	\$ (1,426)

	1.00% Decrease (1.85%)	Municipal Bond Index Discount Rate (2.85%)	1.00% Increase (3.85%)
RIJRFT	\$ 22,300	\$ 20,037	\$ 18,186
JNCRP	\$ 55,530	\$ 51,282	\$ 47,600
SPNCRP	\$ 328,638	\$ 289,060	\$ 256,906

Business-type Activities:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Rhode Island Lottery:			
ERS Plan - State Employees	\$ 19,911	\$ 16,260	\$ 13,271

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):

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

	JRBT	RIJRFT	SPRBT	JNCRP*	SPNCRP*
Total Pension Liability					
Service Cost	\$ 2,859	\$ 466	\$ 4,316	\$ -	\$ -
Interest	4,744	719	9,058	1,860	9,778
Benefit changes					
Differences between expected and actual experience	(1,206)	(1,060)	(4,139)		
Changes of assumptions		1,865		3,510	30,696
Benefit payments	(2,531)	(231)	(4,585)	(6,107)	(17,505)
Net change in Total Pension Liability	3,866	1,759	4,650	(737)	22,969
Total pension liability - beginning	63,085	18,812	120,907	52,018	266,091
Total pension liability - ending	\$ 66,951	\$ 20,571	\$ 125,557	\$ 51,281	\$ 289,060
Plan Fiduciary Net Position					
Employer contributions	\$ 2,410	\$ 140	\$ 4,005	\$ -	\$ -
Employee contributions	1,053	135	2,035		
Net investment income	29	4	58		
Benefit payments	(2,531)	(231)	(4,585)		
Administrative expenses	(53)	-	(102)		
Net change in fiduciary net position	\$ 908	\$ 48	\$ 1,411	\$ -	\$ -
Plan Fiduciary net position - beginning	\$ 59,510	486	114,906		
Plan Fiduciary net position - ending	\$ 60,418	\$ 534	\$ 116,317	\$ -	\$ -
Net Pension Liability	\$ 6,533	\$ 20,037	\$ 9,240	\$ 51,281	\$ 289,060

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, 2017 the State recognized pension expense of \$209.2 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 \$97.8 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, 2017 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):

	State <u>Employees</u>	<u>Teachers</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 157,115	\$ 96,542	\$ 253,657
Net difference between projected and actual earnings on pension plan investments	134,722	94,638	229,360
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,454	1,454
Totals	<u>\$ 291,837</u>	<u>\$ 192,634</u>	<u>\$ 484,471</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 49,980	\$ 23,928	\$ 73,908
Changes of assumptions	9,371	25,122	34,493
Changes in proportion and differences between employer contributions and proportionate share of contributions	761	1,816	2,577
Totals	<u>\$ 60,112</u>	<u>\$ 50,866</u>	<u>\$ 110,978</u>

The \$157.1 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, 2017. In addition, the \$96.5 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

	State <u>Employees</u>	<u>Teachers</u>
Year ended June 30:		
2018	\$ 5,931	\$ 7,869
2019	5,931	7,869
2020	38,722	29,168
2021	24,026	13,405
2022	-	(9,080)
Thereafter	-	(4,005)
	<u>\$ 74,610</u>	<u>\$ 45,226</u>

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2017 the table below provides information about pension expense recognized for each of the State's five single employer plans (expressed in thousands):

<u>Plan</u>	<u>Annual Pension Expense</u>
JRBT	\$ 2,065
RIJRFT	1,839
SPRBT	3,441
JNCRP	5,230
SPNCRP	40,470
Total	<u>\$ 53,045</u>

At June 30, 2017 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	<u>JRBT</u>	<u>RIJRFT</u>	<u>SPRBT</u>	<u>JNCRP</u>	<u>SPNCRP</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,057	\$ 332	\$ 2,980	\$ 5,829	\$ 31,566	\$ 42,764
Net difference between projected and actual earnings on pension plan investments	3,876	30	7,452			11,358
Totals	<u>\$ 5,933</u>	<u>\$ 362</u>	<u>\$ 10,432</u>	<u>\$ 5,829</u>	<u>\$ 31,566</u>	<u>\$ 54,122</u>
<u>Deferred Inflows of Resources</u>						
Differences between expected and actual experience	\$ 2,909	\$ -	\$ 6,601	\$ -	\$ -	\$ 9,510
Change of assumptions	329		259			588
Totals	<u>\$ 3,238</u>	<u>\$ -</u>	<u>\$ 6,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,098</u>

The amount of \$42.8 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, 2017. 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):

Fiscal Year Ended June 30, 2017

Year ending June 30,	JRBT	RIJRFT	SPRBT	JNCRP	SPNCRP
2018	\$ (49)	\$ 8	\$ 668	\$	\$
2019	(49)	8	668		
2020	690	8	2,086		
2021	206	6	952		
2022	(160)		(769)		
Thereafter			(3,013)		
	\$ 638	\$ 30	\$ 592	\$	\$

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, 2017, 818 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.

The contribution requirements of the State and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$0.70 to \$1.57 per hour up to a maximum of 1,820 hours per year to the Plan for calendar year 2017. 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 TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan contributions - Members contribute 5% of their annual covered salary and employers contribute 1% 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 \$4.7 million for the fiscal year ended June 30, 2017, equal to 100% of the required contributions for the fiscal year.

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the employee and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70 ½ or terminates employment, if later.

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

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

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

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

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

Plan vesting provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The State does not make matching contributions to the FARP.

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

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

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

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

M. Other Pension Plans – Component Units

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two 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 \$18.3 million during the year ended June 30, 2017.

The Rhode Island Public Transit Authority has two single employer defined benefit pension plans that cover eligible employees. The first plan covers those in Amalgamated Transit Union (ATU) Division 618, ATU Division 618A, and Laborers' International Union (LIU) Local 808. The second plan covers all other employees who work more than 1,000 hours per year. The plans provide retirement, disability and death benefits to plan members and beneficiaries. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of 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 3% of their base salary to their respective 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 June 30, 2017 the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$65.8 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2017. For the fiscal year ended June 30, 2017 pension expense of \$10.5 million was recorded related to the plans. Other information about the plans can be found in the audited financial statements of RIPTA which are available at www.ripta.com.

The Rhode Island Commerce Corporation (RICC) sponsors a cost sharing multiple employer pension plan for all employees, who were hired before January 1, 2006 who meet eligibility requirements. Eligible employees of Quonset Development Corporation, another component unit, who were hired before January 1, 2006 also participate in the plan. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefits vest upon completion of five years of service. The plan assigns to RICC the authority to amend benefit provisions. At June 30, 2017, the plan's total pension liability exceeded the plan's fiduciary net position by \$624 thousand. Accordingly, a net pension liability in that amount has been recorded as of that date. For the fiscal year ended June 30, 2017 pension expense of \$104 thousand was recorded related to this plan. Other information about the plan can be found in the audited financial statements of RICC which are available at www.commerceri.com.

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

Note 15. Other Post-Employment Benefits

A. Plan Descriptions

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

- Certain state employees and employees of the following component units or related organizations: Narragansett Bay Commission, RI Airport Corporation and RI Commerce Corporation
- Certain certified public school teachers
- Judges
- State police officers
- Legislators
- Certain employees of the Board of Education (BOE)

Members of the System must meet the eligibility and service requirements set forth in the RI General Laws or other governing documents. Although the assets of the six plans are commingled for investment purposes, each plan's assets are accounted for separately and may be used only for the payment of benefits to the members of that plan, in accordance with the terms of that plan.

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

The 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.

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

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the benefit structures. The report may be obtained by writing to the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

A summary of the principal provisions of the plans follows:

	State Employees and Teachers	Judicial	State Police	Legislators	BOE Plan
Plan type	Cost Sharing Multiple Employer	Single employer	Single employer	Single employer	Cost Sharing Multiple Employer
Eligibility	Members of ERS meeting eligibility criteria.	Retired judges.	Retired members of the State Police.	Retired legislators.	Members of the BOE Alternative Retirement Plan as defined in RI G.L. 16-17.1-1 and 2 meeting eligibility criteria.
Plan benefits	Retiree plan for members and dependents until Medicare eligible; subsequently eligible retirees access their benefits through a Health Reimbursement Account that the OPEB Trust makes a monthly deposit to based on years of service.	May purchase active employee plan for member and dependents until age 65.	Active employee plan for member and dependents until age 65; at that age coverage ceases if Medicare eligible.	May purchase active employee plan for member and dependents until age 65.	For employees retiring after June 21, 1998 the Board pays a portion of the post 65 Tier II benefits depending on the years of service and the retiree's age. Those employees who retired previously have different benefits.
Other	Retired teachers can purchase coverage for themselves and dependents at active or early retirement rate, as applicable until they are Medicare eligible.				

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

B. Funding Policy, Funding Status and Funding Progress

The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. 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, 2017, the State and other participating employers paid \$56.7 million into the plans.

C. Annual OPEB Cost and Net OPEB Obligation

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

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

	State Employee 06/30/13	Teachers 06/30/13	Judicial 06/30/13	State Police 06/30/13	Legislators 06/30/13	BOE 06/30/13
Date of Actuarial Valuation	06/30/13	06/30/13	06/30/13	06/30/13	06/30/13	06/30/13
Annual required contribution as a percent of payroll	5.97%	N/A	0.00%	33.39%	1.53%	3.11%
Annual required contribution	\$ 42,732	\$ 2,321	\$ 0	\$ 7,702	\$ 27	\$ 3,932
Plus: Interest on net OPEB obligation at beginning of year	0	N/A	0	425	0	0
Less: Adjustment to ARC	0	N/A	0	442	0	0
Annual OPEB cost	42,732	2,321	0	7,685	27	3,932
Participating State and/or other employer contributions	42,732	2,321	0	7,702	27	3,932
Decrease in OPEB obligation	0	0	0	(17)	0	0
Net OPEB obligation at beginning of year	0	0	0	8,503	0	0
Net OPEB obligation at end of year	\$ 0	\$ 0	\$ 0	\$ 8,486	\$ 0	\$ 0

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

Plan	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees	2015	\$ 47,768	100.00%	-
	2016	40,709	100.00%	-
	2017	42,732	100.00%	-
Teachers	2015	2,799	100.00%	-
	2016	2,321	100.00%	-
	2017	2,321	100.00%	-
Judicial	2015	13	100.00%	-
	2016	-	100.00%	-
	2017	-	100.00%	-
State Police	2015	8,170	99.56%	8,520
	2016	6,806	99.57%	8,503
	2017	7,685	99.98%	8,486
Legislators	2015	-	N/A	-
	2016	27	N/A	-
	2017	27	N/A	-
BOE	2015	3,011	100.00%	-
	2016	3,558	100.00%	-
	2017	3,932	100.00%	-

The table below displays the funded status of each plan at June 30, 2015 (updated as of October 25, 2017), which is the most recent actuarial valuation completed for funding purposes. The updated 2015 valuation reflects certain results of an actuarial experience investigation performed for the Employees' Retirement System of Rhode Island at June 30, 2016 as well as other assumptions specific to OPEB plans (dollar amounts expressed in thousands):

	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age - (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
State Employees	\$ 92,125	\$ 672,004	\$ 579,879	13.7%	\$ 682,965	84.9%
Teachers	6,648	12,772	6,124	52.1%	n/a	n/a
Judicial	2,826	907	(1,919)	311.6%	10,281	-18.67%
State Police	22,920	82,519	59,599	27.8%	18,119	328.9%
Legislators	2,469	1,630	(839)	151.5%	1,742	-48.2%
BOE	14,608	92,562	77,954	15.8%	113,947	68.4%

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

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the

effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

The Annual Required Contributions for fiscal year 2017 were determined based on the June 30, 2013 valuations for all plans.

The following table summarizes the actuarial methods and assumptions used in the 2013 valuation:

Summary of Actuarial Methods and Assumptions as of June 30, 2013 valuation						
	Plan					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Education
Plan Type	Cost sharing multiple employer	Single Employer	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll	Level Dollar	Level Percent of Payroll			
Equivalent Single Remaining Amortization Period	23 years closed	Determined by statutory contribution	30 years open	23 years closed	30 years open	23 years closed
Asset Valuation Method	Four-year smoothed market					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.50% to 6.50%	NA	3.50%	3.50% to 11.5%	3.75% to 8.00%	3.50% to 6.50%
Valuation Health Care Cost Trend Rate	9% in 2014, grading to 3.5% in 2023					
Excise Tax Under the Patient Protection and Affordable Care Act	11.00%					
Note: The actuarial assumptions do not include a separate general inflation rate assumption.						

As of the June 30, 2013 actuarial valuation, the UAAL was amortized over the remainder of a closed 30-year (or shorter) period from June 30, 2006. The remaining amortization period at June 30, 2013 was 23 years. The UAAL for teachers is being amortized is based on the statutory contribution, subject to statutory restriction. The remaining amortization period at June 30, 2013 for teachers was three years. Due to the current funding status of the Judges and Legislators plans, the amortization period is set to 30-year open.

The most recent actuarial valuations of the plans were performed as of June 30, 2015 (updated October 25, 2017).

There have been changes in actuarial assumptions since the June 30, 2013 valuation. Certain actuarial assumptions for State Employees, Legislators, and Board of Education were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- Aging factors and health and inflation trends.

In addition, the wage inflation was changed to 3.75% for State Police in order to match the most recent actuarial valuation of the State Police Retirement Benefits Trust.

The excise tax load on pre-65 liabilities was changed from 11.0% to 13.8%

The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2020. 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 2020.

The following table summarizes the actuarial methods and assumptions as of June 30, 2015. These method and assumptions were used to determine the Unfunded Actuarial Accrued Liability as of June 30, 2015 (updated October 25, 2017) that is presented in the table in Section C above.

Summary of Actuarial Methods and Assumptions as of June 30, 2015						
	Plan					
	State Employees	Teachers	Judicial	State Police	Legislators	Board of Education
Plan Type	Cost sharing multiple employer	Single Employer	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll	Level Dollar	Level Percent of Payroll			
Equivalent Single Remaining Amortization Period	21 years closed	Determined by statutory contribution	30 years open	21 years closed	30 years open	21 years closed
Asset Valuation Method	Four-year smoothed market					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.00% to 6.00%	NA	3.00%	4.00% to 14.00%	3.00% to 6.00%	3.00% to 6.00%
Valuation Health Care Cost Trend Rate	9% in 2016, grading to 3.5% in 2030					
Excise Tax Under the Patient Protection and Affordable Care Act	13.8%					
Note: The actuarial assumptions do not include a separate general inflation rate assumption.						

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

Note 16. Deferred Compensation

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

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

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

Note 17. Risk Management

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

The State has entered into agreements with commercial insurance companies for comprehensive insurance coverage, subject to certain deductibles, on State property to protect the State against loss from fire and other risks. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees. During fiscal year 2017, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

The State also has a contract with an insurance carrier/administrator to provide health care benefits to active and certain retired employees. For coverage provided to active employees and retirees who are not eligible for Medicare, the State retains the 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, 2017 and June 30, 2016 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1, 2016	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30, 2017
Health Insurance Internal Service Fund Unpaid claims	\$ 19,042	\$ 237,511	\$ 238,248	\$ 18,305
	Liability at July 1, 2015	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30, 2016
Health Insurance Internal Service Fund Unpaid claims	\$ 18,632	\$ 230,129	\$ 229,719	\$ 19,042

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

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

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

Note 18. Other Information

A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 14,631	\$ 3,987	\$ 18,618	\$ (16,026)	\$ 2,592
Loans to other funds	123,506		123,506	(123,506)	
Total assets	<u>\$ 138,137</u>	<u>\$ 3,987</u>	<u>\$ 142,124</u>	<u>\$ (139,532)</u>	<u>\$ 2,592</u>
Liabilities					
Due to other funds	\$ 14,522	\$ 1,504	\$ 16,026	\$ (16,026)	\$
Loans from other funds	114,546	8,960	123,506	(123,506)	
Total liabilities	<u>\$ 129,068</u>	<u>\$ 10,464</u>	<u>\$ 139,532</u>	<u>\$ (139,532)</u>	<u>\$</u>
Program revenue					
General government	\$	\$ 324,017	\$ 324,017	\$ (324,017)	
Public safety		13,253	13,253	(13,253)	
Expenses					
General government		(324,836)	(324,836)	324,836	
Public safety		(12,434)	(12,434)	12,434	
Net revenue (expenses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Transfers					
Transfers in	\$ 577,435	\$	\$ 577,435	\$ (238,457)	\$ 338,978
Transfers out	(238,457)		(238,457)	238,457	
Net transfers	<u>\$ 338,978</u>	<u>\$</u>	<u>\$ 338,978</u>	<u>\$</u>	<u>\$ 338,978</u>
Total Business-type Activities					
	Total		Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 56	\$	\$ 56	\$ (2,648)	\$ (2,592)
Total assets	<u>\$ 56</u>	<u>\$</u>	<u>\$ 56</u>	<u>\$ (2,648)</u>	<u>\$ (2,592)</u>
Liabilities					
Due to other funds	\$ 2,648	\$	\$ 2,648	\$ (2,648)	\$
Total liabilities	<u>\$ 2,648</u>	<u>\$</u>	<u>\$ 2,648</u>	<u>\$ (2,648)</u>	<u>\$</u>
Transfers					
Transfers in	\$ 23,828	\$	\$ 23,828	\$ (23,828)	\$
Transfers out	(362,806)		(362,806)	23,828	(338,978)
Net transfers	<u>\$ (338,978)</u>	<u>\$</u>	<u>\$ (338,978)</u>	<u>\$</u>	<u>\$ (338,978)</u>

B. Related Party Transactions

The State has transferred custody, control and supervision of the Jamestown Verrazano 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 of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges. In addition, the Authority has been selected to provide administrative and operational functions for the RoadWorks truck tolling initiative upon commencement.

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

The State entered into a lease and operating agreement (the agreement) with the R.I. Airport Corporation (RIAC) whereby the State has agreed to lease various assets to RIAC. The agreement requires RIAC to reimburse the State for principal and interest payments for certain airport-related General Obligation Bonds. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require RIAC to continue to remit payments to the State based upon the amortization schedule of original airport-related General Obligation Bonds through June 2023. As of June 30, 2017, the amounts owed were approximately \$275,000. The term of the agreement is 30 years beginning July 1, 1993, with annual rent of \$1.00. In the event RIAC does not have sufficient funds to make the required lease payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no right to terminate the agreement as long as there are bonds and subordinate indebtedness outstanding.

The State has transferred land reclaimed from the Interstate 195 relocation project and the Washington Bridge project to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land was reported in the State's financial statements as a capital contribution at the historical cost of \$343 per acre, for a total of \$7,203. Significant improvements to the land are being funded by the State to complete redevelopment of the land for sale. In April 2013, the R.I. Commerce Corporation (RICC) issued conduit debt obligations on behalf of the I-195 RDC totaling \$38.4 million.

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 nineteen years beginning in fiscal year 2009.

Under an agreement with Ascensus College Recordkeeping Services, LLC, the program manager for CollegeBound 529 operated by the R.I. Higher Education Savings Trust, the State receives an administrative fee assessed on all non-Rhode Island resident accounts invested in CollegeBound 529. This administrative fee supports the administration of CollegeBound 529 and the establishment and marketing of education activities and scholarship funds in the state of Rhode Island. These administrative fees amounted to \$1,180,247 for the year ended June 30, 2017.

During fiscal 2016, the State created the School Building Authority Capital Fund program to address high priority school projects in communities with limited financial 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. An appropriation of \$10 million and \$20 million was made to RIHEBC during the fiscal years ended June 30, 2017 and 2016, respectively, to fund the program. Funding is expected to continue through annual appropriations from the legislature, bond refinance interest savings and other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies.

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. The State has appropriated approximately \$31 million to RIIB since the program inception in fiscal 2014. 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 received various state appropriations totaling approximately \$58 million during fiscal 2017 to fund various economic development initiatives on behalf of the State.

C. Budgeting, Budgetary Control, and Legal Compliance

Budget Preparation

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

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.0 percent of estimated general revenues. The remaining 3.0 percent is contributed to the Budget Reserve Account until such account equals 5.0 percent of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

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

The State's budget documents may be accessed at the following website: <http://www.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	\$ 76,674	Operating assistance
Rhode Island College	47,394	Operating assistance
Community College of Rhode Island	49,488	Operating assistance
Central Falls School District	43,345	Operating assistance
The Met	14,084	Operating assistance
I-195 District Commission	830	Operating assistance
R.I. Commerce Corporation	61,664	Operating and capital assistance
R.I. Division of Higher Education Assistance	6,757	Operating assistance
R.I. Public Transit Authority	4,415	Operating assistance
R.I. Health and Educational Building Corporation	60,525	School Building Authority Capital Fund/debt service
IST		
R.I. Public Transit Authority	46,322	Operating assistance
R.I. Turnpike and Bridge Authority	15,606	Infrastructure improvements
Bond Capital		
University of Rhode Island	19,661	Construction, improvement or purchase of assets
Rhode Island College	18,281	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	9,483	Infrastructure improvements and bond proceeds
R. I. Capital Plan		
University of Rhode Island	11,719	Construction, improvement or purchase of assets
Rhode Island College	6,352	Construction, improvement or purchase of assets
Community College of Rhode Island	3,583	Construction, improvement or purchase of assets
R.I. Airport Corporation	3,000	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 499,183</u>	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2017:

- Central Utilities (\$11 thousand)
- Central Mail (\$6 thousand)
- State Telecommunications (\$442 thousand)
- Records Center (\$96 thousand)
- Capitol Police (\$17 thousand)

The deficits will be eliminated through charges for services in fiscal year 2018.

F. Restatements – Net Position

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

	Governmental Activities	General Fund	Discretely Presented Component Units
Balances previously reported at June 30, 2016			
Net position	\$ (500,714)		\$ 2,453,328
Fund balance		\$ 509,378	
Restatement due to:			
1) Inclusion of the University of Rhode Island Research Foundation as a discretely presented component unit of the University of Rhode Island (a discretely presented component unit of the State of Rhode Island and Providence Plantations).			1,893
2) Restatement due to reclassification of revenue from restricted to federal sources and related deferral of federal receipts in advance of expenditure.	(8,692)	(8,692)	
3) Restatement to correct prior period recording of deferred loss on refunding and related effect on deferred outflows.	(27,175)		
4) Restatement to expense item previously reported as construction in progress.	(120)		
Balances at June 30, 2016, as restated:			
Net position	\$ (536,701)		\$ 2,455,221
Fund balance		\$ 500,686	

G. Pledged Revenue

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

Revenue Bonds-Tobacco Settlement Financing Corporation		
Revenue:		
Tobacco settlement revenue-cash basis (a)	\$	31,057
Investment income		212
Total revenue		<u>31,268</u>
Operating expenses		84
Net revenue available for debt service	\$	<u>31,184</u>
Required debt service payments	\$	37,996
Covered ratio (b)		82.07%
Turbo redemptions - principal (c)		6,275
Total annual debt service	\$	<u>44,271</u>
Covered ratio after turbo principal payments (d)		70.44%
Term of commitment - through June 2052		
Revenue Bonds-GARVEE (Federal Highway)		
Revenue - FHWA participation	\$	19,116
Less: operating expenses		-
Net available revenue	\$	<u>19,116</u>
Debt service		
Principal	\$	-
Interest		19,116
Total debt service	\$	<u>19,116</u>
Covered ratio (b)		100.00%
Term of commitment - through June 2031		
Revenue Bonds-GARVEE (Gas Tax)		
Revenue - 2 cents per gallon of the gasoline tax	\$	8,845
Less: operating expenses		-
Net available revenue	\$	<u>8,845</u>
Debt service		
Principal	\$	4,200
Interest		2,661
Total debt service	\$	<u>6,861</u>
Covered ratio (b)		128.92%
Term of commitment - through June 2027		

(a) This is the amount received by the Corporation in fiscal year 2017. Such amount is net of credits of \$16,866,135 made in connection with a disputed payments account settlement.

(b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.

(c) The Corporation is required 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.

H. Special Item

During fiscal 2017, the State reached a settlement with various tobacco manufacturers over disputed payments for the years 2004 through 2014 under the Master Settlement Agreement (the "MSA"), eliminating a potential liability to the State of over \$500 million. By agreement with the bondholders, the State received \$11,483,090 or 30 percent of the \$38,276,966 on deposit from the State's disputed payment account as of March 19, 2015. After payment of costs associated with the consent solicitation process and other transaction related costs, the TSFC (a blended component unit) made a net transfer to the State in May 2017 of \$10,360,190. This amount is reflected as a Special Item in the accompanying financial statements.

Note 19. Subsequent Events

Primary Government

In November, 2017 the State of Rhode Island finalized a Voluntary Retirement Incentive Plan which was offered to state employees in the Executive Branch and certain other state employees. The incentive is only available to employees who have already reached normal retirement age and consists of a one-time payment equal to twice the value of an eligible employee's annual longevity bonus. The deadline for employees to submit written notice of their election to retire under the terms of the plan ranges from January 15, 2018 – March 15, 2018. Accordingly, the final expenses associated with and future cost savings from the Voluntary Retirement Incentive Plan cannot be currently determined.

In December, 2017 the Rhode Island Department of Transportation awarded a \$248 million contract for the design and reconstruction of the Routes 6 and 10 interchange in Providence. The project is scheduled for completion in the fall of 2023.

Discretely Presented Component Units

Rhode Island Commerce Corporation (RICC) received a report on September 20, 2017 from the Office of Inspector General for the United States Department of Treasury containing audit findings in relation to the administration of RICC's State Small Business Credit Initiative Beta Spring program during the 2011-2014 time frame. In response to the report, management of the Department of Treasury indicated that it would not disburse the final funding allocation of \$2,000,000 to the Small Business Loan Fund Corporation.

The I-195 Redevelopment District Commission entered into an agreement with Rhode Island Commerce Corporation and Providence Innovation District Phase I Owner, LLC on September 22, 2017, for building incentives in the amount of \$19.8 million under the I-195 Redevelopment Project Fund Act, Chapter 64.24 of Title 42 of the Rhode Island General Laws. This incentive is to be used for the construction of an approximately 196,000 square foot innovation center/office building to be constructed on Parcels 22 and 25 and for tenant inducements for the Cambridge Innovation Center, one of the building's anchor tenants. Included in the agreement is a \$1,000,000 request for tenant improvements at One Ship Street, space to be used for interim occupancy during the construction phase of the project. In addition to the incentives through the I-195 Redevelopment fund, Providence Innovation District Phase I Owner, LLC received Rebuild Rhode Island Tax Credit Incentives and Sales and Use Tax Rebates in separate and distinct transactions with the Rhode Island Commerce Corporation.

On October 17, 2017, the University of Rhode Island issued:

- Series 2017 A University of Rhode Island Auxiliary Enterprise Revenue Issue Bonds with a par amount of \$76,895,000 for the design and construction of a new multi-story apartment style residence building west of White Horn Brook.
- Series 2017 B University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue Bonds with a par amount of \$35,560,000 for the advance refunding of the Series 2010 B bonds.

- Series 2017 C University of Rhode Island Education and General Revenue Issue Bonds with a par amount of \$4,235,000 for the cost of site-enabling facility relocation, utility and hardscape and landscape infrastructure for the White Horn Brook apartments.
- Series 2017 D University of Rhode Island Education and General Revenue Refunding Issue Bonds with a par amount of \$6,525,000 for the advance refunding of the Series 2009 A bonds.

On November 30, 2017 the Rhode Island Commerce Corporation issued Motor Fuel Tax Revenue Refunding (Rhode Island Department of Transportation) Series 2017 A bonds with a par amount of \$35,020,000 for the advance refunding of Series 2003 A, 2006 A and 2009 A Rhode Island Economic Development Corporation Motor Fuel Tax Revenue Bonds (Rhode Island Department of Transportation). The bonds mature annually from 2019 to 2027 with an interest rate of 5%.

In November, 2017 Rhode Island Housing and Mortgage Finance Corporation issued multi-family development bonds with a par amount of \$51,930,000 to finance developments in Providence, RI. Additionally, in November and December 2017, Rhode Island Housing Mortgage and Finance Corporation issued a total of \$21,600,000 in Federal Financing Bank debt to refinance multi-family developments.

On December 7, 2017, the Rhode Island Infrastructure Bank issued a private placement Bond Anticipation Note for \$10,000,000, the proceeds of which will be used to fund a loan to the Providence Public Buildings Authority. In addition, on December 13, 2017 the Rhode Island Infrastructure Bank issued a private placement Bond Anticipation Note for \$6,000,000, the proceeds of which will be used for their Efficient Building Funds Program which seeks to provide long-term financing for the completion of energy efficiency and renewable energy projects. Also, on December 1, 2017 Rhode Island Infrastructure Bank extended an existing one year Bond Anticipation Note (Series 2016 A) for \$17,345,000.

On December 20, 2017 the Rhode Island Convention Center Authority issued bonds with a par amount of \$68,720,000 for the advance refunding of Series 2009 A bonds. The bonds mature annually from 2020 through 2027 with interest rates ranging from 2.283% to 3.265%.

Required Supplementary Information



State of Rhode Island
Fiscal Year Ended
June 30, 2017



State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,249,175	\$ 1,266,604	\$ 1,243,807	\$ (22,797)
General Business Taxes:				
Business Corporations	164,472	125,000	119,290	(5,710)
Public Utilities Gross Earnings	101,000	96,200	90,405	(5,795)
Financial Institutions	20,300	20,500	22,189	1,689
Insurance Companies	126,065	133,400	121,094	(12,306)
Bank Deposits	2,400	2,500	2,972	472
Health Care Provider Assessment	45,100	43,000	43,486	486
Sales and Use Taxes:				
Sales and Use	1,017,044	1,001,000	998,197	(2,803)
Motor Vehicle	13,065	26,000	26,024	24
Motor Fuel			101	101
Cigarettes	139,600	138,700	140,263	1,563
Alcohol	19,770	19,800	19,741	(59)
Other Taxes:				
Inheritance and Gift	21,400	27,800	85,429	57,629
Racing and Athletics	1,100	1,100	1,163	63
Realty Transfer Tax	11,100	11,700	12,589	889
Total Taxes (1)	<u>2,931,591</u>	<u>2,913,304</u>	<u>2,926,750</u>	<u>13,446</u>
Departmental Revenue	<u>361,587</u>	<u>376,161</u>	<u>370,066</u>	<u>(6,095)</u>
Total Taxes and Departmental Revenue	<u>3,293,178</u>	<u>3,289,465</u>	<u>3,296,816</u>	<u>7,351</u>
Other Sources:				
Lottery	365,300	362,200	362,697	497
Unclaimed Property	9,200	12,100	12,725	625
Other Miscellaneous	7,065	12,062	12,122	60
Total Other Sources	<u>381,565</u>	<u>386,362</u>	<u>387,544</u>	<u>1,182</u>
Total General Revenues	<u>3,674,743</u>	<u>3,675,827</u>	<u>3,684,360</u>	<u>8,533</u>
Federal Revenues	2,674,571	2,901,219	2,726,644	(174,575)
Restricted Revenues	256,159	272,000	217,258	(54,742)
Other Revenues	80,174	87,373	82,790	(4,583)
Non-budgeted Capital Lease Proceeds			2,500	2,500
Total Revenues (2)	<u>6,685,647</u>	<u>6,936,419</u>	<u>6,713,552</u>	<u>(222,867)</u>
Expenditures (4):				
General government	744,388	772,036	712,409	59,627
General government - non-budgeted capital lease expenditures			2,500	(2,500)
Total general government	<u>744,388</u>	<u>772,036</u>	<u>714,909</u>	<u>57,127</u>
Human services	3,755,919	3,939,010	3,831,634	107,376
Education	1,562,855	1,569,805	1,550,544	19,261
Public safety	532,479	564,645	535,084	29,561
Natural resources	98,981	101,564	77,556	24,008
Total Expenditures (2)	<u>6,694,622</u>	<u>6,947,060</u>	<u>6,709,727</u>	<u>\$ 237,333</u>
Transfer of Excess Budget Reserve to RI Capital Fund			114,538	
Total Expenditures and Transfers	<u>\$ 6,694,622</u>	<u>\$ 6,947,060</u>	<u>6,824,265</u>	
Change in Fund Balance			(110,713)	
Fund balance - beginning (as restated)			500,686	
Fund balance - ending			<u>\$ 389,973</u>	

(continued)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures by Source:				
General Revenues	\$ 3,683,718	\$ 3,686,468	\$ 3,672,460	\$ 14,008
Federal Funds	2,674,571	2,901,219	2,727,902	173,317
Restricted Receipts	256,159	272,000	226,155	45,845
Other Funds	80,174	87,373	80,710	6,663
Non-budgeted Capital Lease Expenditures			2,500	(2,500)
	<u>\$ 6,694,622</u>	<u>\$ 6,947,060</u>	<u>\$ 6,709,727</u>	<u>\$ 237,333</u>

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

Budgeted Surplus:

Total Revenue - Final Budget	\$ 6,936,419	
Total Expenditures - Final Budget	<u>6,947,060</u>	
Final Budget - Projected Surplus (3)		\$ (10,641)

Final Budget and Actual - Results

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (222,867)	
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>237,333</u>	
Surplus resulting from operations compared to final budget		<u>\$ 14,466</u>
Total General Fund Surplus - Fiscal Year Ended June 30, 2017		\$ 3,825
Transfer of Excess Budget Reserve to RICAP Fund		<u>(114,538)</u>
Net Change in General Fund - Fund Balance		\$ (110,713)
Fund Balance, Beginning (as restated)		<u>500,686</u>
Fund Balance, Ending		<u>\$ 389,973</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 as detailed below, to align with the State's legally adopted budget format.

Historic Tax Credit Fund Transfers to the General Fund in Fiscal 2017 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Budgetary Comparison Total
Personal Income	1,235,991	7,816	1,243,807
Business Corporations	119,175	115	119,290
Insurance Companies	120,343	751	121,094

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

(3) RI General Law section 35-3-20.1, titled "Limitation on state spending", mandates that expenditure appropriations shall not be greater than 97.0% of estimated general revenue for the fiscal year ending June 30, 2017.

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

General government	\$ 138,966
Education	24,918
Public Safety	500
	<u>\$ 164,384</u>

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017
(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 2018	Fund Balance Available for Appropriation in Fiscal 2018
Restricted	\$ 117,668	\$ 117,668	\$
Committed	2,556	2,556	
Assigned	67,931	15,481 (a)	52,450 (b)
Unassigned	201,818	192,608 (c)	9,210 (d)
Total Fund Balance	\$ 389,973	\$ 328,313	\$ 61,660

(a) Assigned fund balance not available for appropriation in fiscal 2018 includes (1) centralized cost allocation surplus that requires offset through fiscal 2018 centralized charges and (2) general revenue appropriations carried forward by the Governor, Judiciary, and Legislature.

(b) Assigned fund balance available for appropriation in fiscal 2018 includes fiscal 2017 ending surplus amounts of \$49.7 million appropriated as resources in the 2018 enacted budget, and fund balance amounts encumbered at June 30, 2017.

(c) 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.

(d) Remaining fund balance available for appropriation.

(concluded)

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 141,711	\$ 141,711	\$ 197,278	\$ 55,567
Licenses, fines, sales, and services			22,471	
Departmental restricted revenue	180	3,610	1,359	(2,251)
Federal grants	272,410	272,963	239,691	(33,272)
Other revenues	2,650	2,692	1,187	(1,505)
Total revenues	<u>416,951</u>	<u>420,976</u>	<u>461,986</u>	<u>18,539</u>
Revenues and other Financing Sources (unbudgeted):				
Miscellaneous revenue			1,872	
Transfer from I-195 Redevelopment Commission			960	
Total revenues			<u>464,818</u>	
Other Financing Sources:				
Transfers from RI Capital Plan Fund (State FHWA Match)			25,396	
Proceeds from issuance of GARVEE bonds			245,925	
Premium on issuance of GARVEE bonds			55,842	
Total Other Financing Sources			<u>327,163</u>	
Total Revenues and Other Financing Sources			<u>791,981</u>	
Expenditures (budgeted):				
Central Management				
Federal Funds	6,611	8,703	5,214	3,489
Gasoline Tax	2,594	4,523	3,469	1,054
Total - Central Management	<u>9,205</u>	<u>13,226</u>	<u>8,683</u>	<u>4,543</u>
Management and Budget				
Gasoline Tax	3,009	4,099	2,412	1,687
Total - Management and Budget	<u>3,009</u>	<u>4,099</u>	<u>2,412</u>	<u>1,687</u>
Infrastructure-Engineering-GARVEE/ Motor Fuel Tax Bonds				
Federal Funds	260,385	247,729	223,447	24,282
Federal Funds-Stimulus	5,415	16,531	11,007	5,524
Restricted Receipts	180	3,610	1,278	2,332
Gasoline Tax	72,131	75,765	76,025	(260)
Motor Fuel Tax Residuals	2,500	2,542	357	2,185
Total - Infrastructure - Engineering	<u>340,611</u>	<u>346,177</u>	<u>312,114</u>	<u>34,063</u>
Infrastructure - Maintenance				
Gasoline Tax	12,847	8,418	23,709	(15,291)
Non-Land Surplus Property	50	50		50
Outdoor Advertising	100	100		100
Rhode Island Highway Maintenance Account	79,793	110,202	36,247	73,955
Total - Infrastructure - Maintenance	<u>92,790</u>	<u>118,770</u>	<u>59,956</u>	<u>58,814</u>
Total Expenditures (budgeted)	<u>\$ 445,615</u>	<u>\$ 482,272</u>	<u>\$ 383,165</u>	<u>\$ 99,107</u>
Expenditures and Financing Uses (unbudgeted):				
Infrastructure Expenditures - State Match funded by RI Capital Plan Fund			29,162	
Infrastructure Expenditures - GARVEE			2,828	
I-195 Redevelopment District Project			4,894	
Transfers to General Fund - Gas Tax			53,856	
Total Expenditures and Financing Uses (unbudgeted)			<u>90,740</u>	
Total Expenditures and Other Financing Uses			<u>473,905</u>	
Net change in fund balance			<u>318,076</u>	
Fund balance, beginning			<u>136,139</u>	
Fund balance, ending			<u>\$ 454,215</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 "Auditing". 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 amounts adopted during the State's revenue estimating conference which meets 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, 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 estimation 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 and Providence Plantations
Pension Information
Defined Benefit Multiple Employer Cost-Sharing Plan

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

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

The amounts included in these schedules for fiscal 2017 reflect a June 30, 2016 measurement date.

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

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

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

These schedules are intended to show information for 10 years – additional years will be displayed as information becomes available. Note 14 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State's Proportionate Share
of the Net Pension Liability
Last Three Fiscal Years
(Expressed in Thousands)**

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	88.9%	89.0%	89.0%
State's proportionate share of the net pension liability	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647
State's covered employee payroll	\$ 597,074	\$ 595,832	\$ 581,589
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	316.1%	296.6%	272.6%
Plan fiduciary net position as a percentage of the total pension liability	51.9%	55.0%	58.6%

**** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 144,913	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	\$ 144,913	\$ 144,696	\$ 138,689
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 571,875	\$ 612,081	\$ 594,466
Contributions as a percentage of covered-employee payroll	25.34%	23.64%	23.33%

**** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of the State's Proportionate Share
of the Net Pension Liability
Last Three Fiscal Years
(Expressed in Thousands)

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

Year Ended	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	40.65%	40.59%	40.68%
State's proportionate share of the net pension liability	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	54.10%	57.60%	61.40%

** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
 Required Supplementary Information
 Schedule of State Contributions
 Last Three Fiscal Years Ending June 30*
 (Expressed in Thousands)**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	96,542	87,998	84,944
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Pension Information
Single Employer Defined Benefit Plans

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

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

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

The amounts included in these schedules for fiscal 2017 reflect a June 30, 2016 measurement date.

The following schedules are presented for each single-employer plan:

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

These schedules are intended to show information for 10 years – additional years will be displayed as information becomes available. Note 14 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

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

State Police Retirement Benefits Trust

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 4,316	\$ 4,198	\$ 5,122
Interest	9,058	8,540	7,768
Benefit Changes	-	1,170	-
Differences between expected and actual experience	(4,139)	(3,522)	-
Changes of assumptions	-	-	(364)
Benefit payments	<u>(4,585)</u>	<u>(2,497)</u>	<u>(1,767)</u>
Net Change in Total Pension Liability	4,650	7,889	10,759
Total Pension Liability-Beginning	<u>120,907</u>	<u>113,018</u>	<u>102,259</u>
Total Pension Liability-Ending	<u>\$ 125,557</u>	<u>\$ 120,907</u>	<u>\$ 113,018</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,035	1,732	2,034
Net investment income	58	2,656	14,124
Benefit payments	(4,585)	(2,497)	(1,767)
Transfers of member contributions	-	-	-
Administrative expenses	(103)	(100)	(83)
Other	<u>1</u>	<u>4</u>	<u>5</u>
Net Change in Plan Fiduciary Net Position	\$ 1,411	\$ 5,227	\$ 17,644
Plan Fiduciary Net Position-Beginning	<u>114,906</u>	<u>109,679</u>	<u>92,035</u>
Plan Fiduciary Net Position-Ending	<u>\$ 116,317</u>	<u>\$ 114,906</u>	<u>\$ 109,679</u>
Net Pension Liability	<u>\$ 9,240</u>	<u>\$ 6,001</u>	<u>\$ 3,339</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.6%	95.0%	97.0%
Covered Employee Payroll	\$ 20,985	\$ 19,701	\$ 23,051
Net Pension Liability as a Percentage of Covered Employee Payroll	44.0%	30.5%	14.5%

* The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net Pension Liability
and Related Ratios
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

Judicial Retirement Benefits Trust

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 2,859	\$ 3,024	\$ 3,002
Interest	4,744	4,540	4,134
Benefit Changes	-	253	-
Differences between expected and actual experience	(1,206)	(2,857)	-
Changes of assumptions	-	-	(672)
Benefit payments	<u>(2,531)</u>	<u>(1,809)</u>	<u>(1,631)</u>
Net Change in Total Pension Liability	3,866	3,151	4,833
Total Pension Liability-Beginning	<u>63,085</u>	<u>59,934</u>	<u>55,101</u>
Total Pension Liability-Ending	<u>\$ 66,951</u>	<u>\$ 63,085</u>	<u>\$ 59,934</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,053	1,121	1,093
Net investment income	29	1,368	7,221
Benefit payments	(2,531)	(1,809)	(1,631)
Transfers of member contributions	-	-	-
Administrative expenses	(53)	(51)	(43)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	<u>\$ 908</u>	<u>\$ 3,338</u>	<u>\$ 9,183</u>
Plan Fiduciary Net Position-Beginning	<u>59,510</u>	<u>56,172</u>	<u>46,989</u>
Plan Fiduciary Net Position-Ending	<u>\$ 60,418</u>	<u>\$ 59,510</u>	<u>\$ 56,172</u>
Net Pension Liability	<u>\$ 6,533</u>	<u>\$ 3,575</u>	<u>\$ 3,762</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.2%	94.3%	93.7%
Covered Employee Payroll	\$ 8,981	\$ 9,570	\$ 9,314
Net Pension Liability as a Percentage of Covered Employee Payroll	72.7%	37.4%	40.4%

* The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net Pension Liability
and Related Ratios
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 466	\$ 416	\$ 498
Interest	719	673	710
Benefit Changes	-	-	-
Differences between expected and actual experience	(1,060)	(642)	1,617
Changes of assumptions	1,865	859	(1,160)
Benefit payments	(231)	-	-
Net Change in Total Pension Liability	<u>1,759</u>	<u>1,306</u>	<u>1,665</u>
Total Pension Liability-Beginning	<u>18,812</u>	<u>17,506</u>	<u>15,841</u>
Total Pension Liability-Ending	<u>\$ 20,571</u>	<u>\$ 18,812</u>	<u>\$ 17,506</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 140	\$ -	\$ -
Employee contributions	135	159	153
Net investment income	4	9	12
Benefit payments	(231)	-	-
Transfers of member contributions	-	-	-
Administrative expenses	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	<u>\$ 48</u>	<u>\$ 168</u>	<u>\$ 165</u>
Plan Fiduciary Net Position-Beginning	<u>486</u>	<u>318</u>	<u>153</u>
Plan Fiduciary Net Position-Ending	<u>\$ 534</u>	<u>\$ 486</u>	<u>\$ 318</u>
Net Pension Liability	<u>\$ 20,037</u>	<u>\$ 18,326</u>	<u>\$ 17,188</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.5%	2.6%	1.8%
Covered Employee Payroll	\$ 963	\$ 1,321	\$ 1,276
Net Pension Liability as a Percentage of Covered Employee Payroll	2189.2%	1387.4%	1346.8%

** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

State Police Retirement Benefits Trust

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	2,980	4,005	3,432
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered-employee payroll	13.43%	17.22%	17.24%

** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

Judicial Retirement Benefits Trust

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,057	2,410	2,709
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered-employee payroll	21.58%	26.80%	28.32%

** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	332	140	-
Contribution deficiency (excess)	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered-employee payroll	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered-employee payroll	33.63%	14.54%	0.00%

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

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

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

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

The amounts included in these schedules for fiscal 2017 reflect a June 30, 2016 measurement date.

The following schedules are presented for each plan:

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

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

These schedules are intended to show information for 10 years – additional years will be displayed as information becomes available. Note 14 to the financial statements contains detailed information concerning pension plans.

Subsequent to the June 30, 2016 measurement date, a trust was created for the State Police Non-contributory Retirement Plan and the State, beginning in fiscal 2017, began making actuarially determined contributions on an advance-funded basis to the plan. A one-time supplemental employer contribution of \$15 million was also made to the plan in fiscal 2017 from federal Equitable Sharing funds made available for that purpose.

See Notes to Required Supplementary Information.

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

State Police Non-Contributory Retirement Plan

Total Pension Liability	2017	2016	2015
Service cost	\$ -	\$ -	\$ -
Interest	9,778	10,503	10,795
Benefit changes	-	-	-
Differences between expected and actual experience	-	3,565	-
Changes of assumptions	30,696	15,955	-
Benefit payments	(17,505)	(17,512)	(17,700)
Net Change in Total Pension Liability	22,969	12,511	(6,905)
Total Pension Liability-Beginning	266,091	253,580	260,485
Total Pension Liability-Ending	\$ 289,060	\$ 266,091	\$ 253,580

** The State of Rhode Island adopted GASB Statement 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 and Providence Plantations
Required Supplementary Information
Schedule of Changes in Total Pension Liability
Last Three Fiscal Years Ended June 30*
(Expressed in Thousands)

Judicial Non-Contributory Retirement Plan

Total Pension Liability	2017	2016	2015
Service cost	\$ -	\$ -	\$ -
Interest	1,860	2,172	2,334
Benefit changes	-	-	-
Differences between expected and actual experience	-	328	-
Changes of assumptions	3,510	1,885	-
Benefit payments	(6,107)	(6,020)	(6,173)
Net Change in Total Pension Liability	(737)	(1,635)	(3,839)
Total Pension Liability-Beginning	52,018	53,653	57,492
Total Pension Liability-Ending	\$ 51,281	\$ 52,018	\$ 53,653

** The State of Rhode Island adopted GASB Statement 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

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 2017 were determined based on valuations performed as of June 30, 2014. Significant methods and assumptions are summarized for each plan in the table below:

	ERS		SPRBT	JRBT	RIJRFT
	State Employees	Teachers			
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.				
Amortization Method	Level Percent of Payroll – Closed				Level Dollar
Equivalent single remaining amortization period	21 years remaining at June 30, 2014				
Asset valuation method	5 year smoothed market				
Amortization period for gains and losses	20 years				
Actuarial Assumptions					
Investment Rate of Return	7.50%				4.00%
Projected Salary Increases	3.50% to 6.50%	3.50% to 13.5%	3.75% to 11.75%	3.50%	3.50%
Mortality	<ul style="list-style-type: none"> Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000. 				
		Male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.			
Inflation	2.75%				
Cost of Living Adjustments: COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for State Police for which the COLA is delayed until the later of age 55 or 3 years after retirement.					

Factors affecting trends for amounts related to the net pension liability

June 30, 2016 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, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumptions for the RIJRFT plan due to use of the municipal bond index rate of 2.85% instead of the plan's assumed investment rate of return of 4.0%.

June 30, 2015 measurement date - There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability 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 – 7.5%, with a max of 4%) and 50% calculated using the previous year's CPI-U (max of 3%) for a total max 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 first \$25,000), two \$500 stipends, and minor adjustments

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
Other Postemployment Benefits
June 30, 2017
(Expressed in Thousands)

State Employees Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2015 *	\$ 92,125	\$ 672,004	\$ 579,879	13.7%	\$ 682,965	84.9%
06/30/2013	39,527	637,059	597,532	6.2%	671,762	88.9%
06/30/2011	11,545	728,207	716,662	1.6%	600,273	119.4%

Teachers Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2015 *	\$ 6,648	\$ 12,772	\$ 6,124	52.1%	NA	NA
06/30/2013	3,230	12,569	9,339	25.7%	NA	NA
06/30/2011	2,040	11,512	9,472	17.7%	NA	NA

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded)/ Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2015 *	\$ 2,826	\$ 907	\$ (1,919)	311.6%	\$ 10,281	-18.7%
06/30/2013	2,151	1,054	(1,097)	204.1%	13,447	-8.2%
06/30/2011	841	2,610	1,769	32.2%	10,813	16.4%

State Police Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2015 *	\$ 22,920	\$ 82,519	\$ 59,599	27.8%	\$ 18,119	328.9%
06/30/2013	9,587	70,385	60,798	13.6%	17,748	342.6%
06/30/2011	1,488	81,759	80,271	1.8%	17,384	461.8%

Legislators Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded)/ Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2015 *	\$ 2,469	\$ 1,630	\$ (839)	151.5%	\$ 1,742	-48.2%
06/30/2013	2,202	1,549	(653)	142.2%	1,695	-38.5%
06/30/2011	1,442	1,443	1	99.9%	1,615	0.1%

Board of Education Health Care Insurance Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2015 *	\$ 14,608	\$ 92,562	\$ 77,954	15.8%	\$ 113,947	68.4%
06/30/2013	7,486	55,706	48,220	13.4%	113,375	42.5%
06/30/2011	3,189	53,751	50,562	5.9%	125,340	40.3%

* -The 6/30/2015 valuation was updated as of 10/25/2017 to reflect certain results of an actuarial experience investigation performed for the Employees' Retirement System of Rhode Island at June 30, 2016 as well as other assumptions specific to OPEB plans.

See Notes to Required Supplementary Information.

Schedules of Funding Progress - Other Postemployment Benefits

1. Actuarial Assumptions and Methods

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2015, is included in Note 15.

2. Schedules of Funding Progress

Changes affecting the June 30, 2015 Actuarial Valuation:

There have been some changes in actuarial assumptions since the June 30, 2013 valuation. Certain actuarial assumption for State Employees, Legislators and Board of Education were updated to match the assumptions used for State Employees in the most recent pension valuation for the Employees' Retirement System of Rhode Island (ERSRI). Changes were made to the following assumptions; merit and longevity portion of the salary increase assumption, rates of separation from active membership, rates of retirement and rates of disability. In addition, the wage inflation for the State Police was changed to 3.75% in order to match the most recent actuarial valuation of the State Police Retirement Benefits Trust. Also, the health care trend assumption has been reset to 9.0% the first year trending down to 3.5% over 10 years. The excise tax load was increased from 11% to 13.8%. The excise tax has been delayed by one year; however, the rate increase in pre-65 pre-capita costs has out-paced increases in price inflation which has a lowering effect on the excise tax.

The 2015 valuation was subsequently updated in October 2017 to reflect census data, actuarial assumptions, and plan provisions used in the GASB 74 valuation for accounting purposes to be used in the separately issued OPEB System financial statements.

Changes affecting the June 30, 2013 Actuarial Valuation:

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

Changes affecting the June 30, 2011 Actuarial Valuation:

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

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

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

Changes to the OPEB specific assumptions include a change in the medical trend assumption from 9% decreasing to 4.5% in 8 years to 9% decreasing to 4.0% in 10 years, a change in the Medicare election rate for Legislators

from 75% electing Medicare to 100% electing Medicare and the addition of the assumption that current retired Teachers over age 65 in the Early Retiree Plan are assumed to not be eligible for Medicare.

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

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

The General Laws were amended in the 2013 session of the General Assembly to modify the manner in which health insurance is provided to Medicare eligible retirees covered under the System's plan covering state employees. The System's actuary has updated the June 30, 2011 actuarial valuation to reflect the effect on the Actuarial Accrued Liability resulting from this change.

Combining Financial Statements



State of Rhode Island
Fiscal Year Ended
June 30, 2017



Nonmajor Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(Expressed in Thousands)

	Special Revenue				Capital Project				Debt Service	Permanent	Total Nonmajor Governmental Funds		
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corporation	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
Assets													
Cash and cash equivalents	\$ 540	\$ 107,077	\$ 7,956	\$ 120	\$ 115,693	\$ 92,586	\$ 60,837	\$ 5,307	\$	\$ 158,730	\$ 261	\$ 2,054	\$ 276,738
Funds on deposit with fiscal agent			39,794		39,794				28,377	28,377			68,171
Restricted cash equivalents											51,998		51,998
Receivables (net)		50,442	97		50,539						23,224		73,763
Loans to other funds							114,538			114,538			114,538
Total assets	\$ 540	\$ 157,519	\$ 47,847	\$ 120	\$ 206,026	\$ 92,586	\$ 175,375	\$ 5,307	\$ 28,377	\$ 301,645	\$ 75,483	\$ 2,054	\$ 585,208
Liabilities and Fund Balances													
Liabilities													
Accounts payable		60			60	16,353	11,116	210	5,496	33,175			33,235
Due to other funds		1,142			1,142	7	3,392			3,399		50	4,591
Due to component units						222	8,868		13,920	23,010			23,010
Loans from other funds									8	8			8
Other liabilities		91			91		143			143			234
Total liabilities		1,293			1,293	16,582	23,519	210	19,424	59,735		50	61,078
Fund balances													
Nonspendable												174	174
Restricted	540	156,226	47,847		204,613	76,004	151,856	5,097	8,953	241,910	75,222	1,830	523,575
Unrestricted				120	120						261		381
Committed													
Total fund balances	540	156,226	47,847	120	204,733	76,004	151,856	5,097	8,953	241,910	75,483	2,004	524,130
Total liabilities and fund balances	\$ 540	\$ 157,519	\$ 47,847	\$ 120	\$ 206,026	\$ 92,586	\$ 175,375	\$ 5,307	\$ 28,377	\$ 301,645	\$ 75,483	\$ 2,054	\$ 585,208

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017
(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 Corporation	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
Revenues:													
Taxes	\$	\$ 195,178	\$	\$	\$ 195,178	\$	\$	\$	\$	\$	\$	\$	\$ 195,178
Licenses, fines, sales, and services			1,404	27	1,431							230	1,661
Income from investments		564	160	1	725	515	399	38	77	1,029	212	15	1,981
Other revenues		18			18		95			95	81,426		81,539
Total revenues		195,760	1,564	28	197,352	515	494	38	77	1,124	81,638	245	280,359
Expenditures:													
Current:													
General government		190,004	4,996		195,000						1,137		196,137
Education												450	450
Natural resources	124				124								124
Transportation				1,499	1,499								1,499
Capital outlays						74,246	97,702	225	22,782	194,955			194,955
Debt service:													
Principal							1,494			1,494	32,508		34,002
Interest and other charges						1,264			483	1,747	38,557		40,304
Total expenditures	124	190,004	4,996	1,499	196,623	75,510	99,196	225	23,265	198,196	72,202	450	467,471
Excess (deficiency) of revenues over (under) expenditures	(124)	5,756	(3,432)	(1,471)	729	(74,995)	(98,702)	(187)	(23,188)	(197,072)	9,436	(205)	(187,112)
Other financing sources (uses)													
Issuance of bonds and notes						91,000				91,000			91,000
Issuance of refunding bonds						66,920			24,640	91,560			91,560
Issuance of certificates of participation									15,960	15,960			15,960
Proceeds from capital leases							7,472			7,472			7,472
Premium						24,453			7,218	31,671			31,671
Transfers in				1,479	1,479		117,203			117,203			118,682
Payment to advance refunded bonds escrow agent						(81,132)			(28,763)	(109,895)			(109,895)
Transfers out		(1,815)	(8,680)		(10,495)	(3,887)	(26,844)			(30,731)			(41,226)
Total other financing sources (uses)		(1,815)	(8,680)	1,479	(9,016)	97,354	97,831		19,055	214,240			205,224
Special items											(10,360)		(10,360)
Net change in fund balances	(124)	3,941	(12,112)	8	(8,287)	22,359	(871)	(187)	(4,133)	17,168	(924)	(205)	7,752
Fund balances - beginning	664	152,285	59,959	112	213,020	53,645	152,727	5,284	13,086	224,742	76,407	2,209	516,378
Fund balances - ending	\$ 540	\$ 156,226	\$ 47,847	\$ 120	\$ 204,733	\$ 76,004	\$ 151,856	\$ 5,097	\$ 8,953	\$ 241,910	\$ 75,483	\$ 2,004	\$ 524,130

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Temporary Disability Insurance Fund
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 195,178	\$ 195,178	\$ 195,178	\$
Other Revenues	582	582	582	
Total Revenues	<u>195,760</u>	<u>195,760</u>	<u>195,760</u>	
Expenditures:				
Department of Labor and Training	186,954	192,748	191,577	1,171
Treasury Department	250	225	242	(17)
Total Expenditures	<u>\$ 187,204</u>	<u>\$ 192,973</u>	<u>\$ 191,819</u>	<u>\$ 1,154</u>
Net change in fund balance			3,941	
* Fund balance - beginning			152,285	
Fund balance - ending			<u><u>\$ 156,226</u></u>	

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

Internal Service Funds

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

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

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

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

State Telecommunications – provides telecommunication services for the State, processes all of the telephone bills for the State and charges the expending department/agency.

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

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

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

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

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

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 and Providence Plantations
Combining Statement of Net Position
Internal Service Funds
June 30, 2017
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Telecom- munications	Automotive Maintenance	Central Warehouse	Correctional Industries
Assets:							
Current assets:							
Cash and cash equivalents	\$ 5,603	\$ 2,520	\$	\$	\$ 1,287	\$ 2,687	\$ 587
Receivables (net)	768	895	369	155	908	26	3,263
Due from other funds	2,683	1,036	14			139	115
Inventories			710		196	649	713
Other assets							
Total current assets	<u>9,054</u>	<u>4,451</u>	<u>1,093</u>	<u>155</u>	<u>2,391</u>	<u>3,501</u>	<u>4,678</u>
Noncurrent assets:							
Capital assets (net)	<u>7</u>		<u>6</u>		<u>14</u>	<u>2,356</u>	<u>181</u>
Total noncurrent assets	<u>7</u>		<u>6</u>		<u>14</u>	<u>2,356</u>	<u>181</u>
Total assets	<u>9,061</u>	<u>4,451</u>	<u>1,099</u>	<u>155</u>	<u>2,405</u>	<u>5,857</u>	<u>4,859</u>
Liabilities:							
Current liabilities:							
Accounts payable	11	811	45	54	957	379	970
Due to other funds				61	213		
Loans from other funds	650	3,650	893	400	1,000		2,050
Other liabilities	2,158	1	167	82	45	69	280
Total current liabilities	<u>2,819</u>	<u>4,462</u>	<u>1,105</u>	<u>597</u>	<u>2,215</u>	<u>448</u>	<u>3,300</u>
Net Position (Deficit):							
Net investment in capital assets	7		6		14	2,356	181
Unrestricted	6,235	(11)	(12)	(442)	176	3,053	1,378
Total net position (deficit)	<u>\$ 6,242</u>	<u>\$ (11)</u>	<u>\$ (6)</u>	<u>\$ (442)</u>	<u>\$ 190</u>	<u>\$ 5,409</u>	<u>\$ 1,559</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Internal Service Funds
June 30, 2017
(Expressed in Thousands)

	Surplus Property	Records Center	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$ 64	\$ 227	\$ 21,714	\$ 3,483	\$	\$ 38,172
Receivables (net)		52	3,771	3,990		14,197
Due from other funds						3,987
Inventories						2,268
Other assets			6,114			6,114
Total current assets	64	279	31,599	7,473		64,738
Noncurrent assets:						
Capital assets (net)						2,564
Total noncurrent assets						2,564
Total assets	64	279	31,599	7,473		67,302
Liabilities:						
Current liabilities:						
Accounts payable		34	18,305			21,566
Due to other funds			608	622		1,504
Loans from other funds		300			17	8,960
Other liabilities		41	575			3,418
Total current liabilities		375	19,488	622	17	35,448
Net Position (Deficit):						
Net investment in capital assets						2,564
Unrestricted	64	(96)	12,111	6,851	(17)	29,290
Total net position (deficit)	\$ 64	\$ (96)	\$ 12,111	\$ 6,851	\$ (17)	\$ 31,854

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Central Mail</u>	<u>State Telecom- munications</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>
Operating revenues:							
Charges for services	\$ 40,376	\$ 21,679	\$ 5,164	\$ 3,223	\$ 11,633	\$ 4,833	\$ 7,411
Total operating revenues	<u>40,376</u>	<u>21,679</u>	<u>5,164</u>	<u>3,223</u>	<u>11,633</u>	<u>4,833</u>	<u>7,411</u>
Operating expenses:							
Personal services	6,372		989	866	637	765	1,753
Supplies, materials, and services	29,009	21,679	4,243	2,236	11,070	3,968	4,613
Depreciation	5		2		13	101	17
Total operating expenses	<u>35,386</u>	<u>21,679</u>	<u>5,234</u>	<u>3,102</u>	<u>11,720</u>	<u>4,834</u>	<u>6,383</u>
Operating income (loss)	<u>4,990</u>		<u>(70)</u>	<u>121</u>	<u>(87)</u>	<u>(1)</u>	<u>1,028</u>
Nonoperating revenues (expenses):							
Interest revenue	4						
Interest expense							
Other nonoperating revenues and (expenses)	<u>38</u>						
Change in net position	5,032		(70)	121	(87)	(1)	1,028
Net position (deficit) - beginning	<u>1,210</u>	<u>(11)</u>	<u>64</u>	<u>(563)</u>	<u>277</u>	<u>5,410</u>	<u>531</u>
Net position (deficit) - ending	<u>\$ 6,242</u>	<u>\$ (11)</u>	<u>\$ (6)</u>	<u>\$ (442)</u>	<u>\$ 190</u>	<u>\$ 5,409</u>	<u>\$ 1,559</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance Active</u>	<u>State Fleet Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
Operating revenues:						
Charges for services	\$	\$ 1,024	\$ 240,896	\$ 22	\$ 1,009	\$ 337,270
Total operating revenues		1,024	240,896	22	1,009	337,270
Operating expenses:						
Personal services		419	866		978	13,645
Supplies, materials, and services	2	486	237,511	2,174		316,991
Depreciation						138
Total operating expenses	2	905	238,377	2,174	978	330,774
Operating income (loss)	(2)	119	2,519	(2,152)	31	6,496
Nonoperating revenues (expenses):						
Interest revenue			161	10		175
Interest expense			(1)			(1)
Other nonoperating revenues and (expenses)						38
Change in net position	(2)	119	2,679	(2,142)	31	6,708
Net position (deficit) - beginning	66	(215)	9,432	8,993	(48)	25,146
Net position (deficit) - ending	\$ 64	\$ (96)	\$ 12,111	\$ 6,851	\$ (17)	\$ 31,854

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Central Mail	State Telecom- munications	Automotive Maintenance	Central Warehouse	Correctional Industries
Cash flows from operating activities:							
Cash received from customers	\$ 38,665	\$ 19,910	\$ 5,492	\$ 3,108	\$ 11,947	\$ 5,023	\$ 5,614
Cash payments to suppliers for goods and services	(29,442)	(21,008)	(4,392)	(2,260)	(11,283)	(4,016)	(5,008)
Cash payments to employees	(5,784)	(8)	(1,011)	(881)	(649)	(825)	(1,751)
Other operating revenue (expense)	38						
Net cash provided by (used for) operating activities	<u>3,477</u>	<u>(1,106)</u>	<u>89</u>	<u>(33)</u>	<u>15</u>	<u>182</u>	<u>(1,145)</u>
Cash flows from noncapital financing activities:							
Loans from other funds		6,949	894	400	500		2,500
Loans to other funds							
Repayment of loans to other funds							
Repayment of loans from other funds		(5,310)	(983)	(367)	(250)		(1,250)
Net cash provided by (used for) noncapital financing activities		<u>1,639</u>	<u>(89)</u>	<u>33</u>	<u>250</u>		<u>1,250</u>
Cash flows from capital and related financing activities:							
Acquisition of capital assets						(32)	
Net cash provided by (used for) capital and related financing activities						<u>(32)</u>	
Cash flows from investing activities:							
Interest on investments	4						
Net cash provided by (used for) investing activities	<u>4</u>						
Net increase (decrease) in cash and cash equivalents	3,481	533			265	150	105
Cash and cash equivalents - July 1	2,122	1,987			1,022	2,537	482
Cash and cash equivalents - June 30	<u>\$ 5,603</u>	<u>\$ 2,520</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,287</u>	<u>\$ 2,687</u>	<u>\$ 587</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>Assessed Fringe Benefits</u>	<u>Central Utilities</u>	<u>Central Mail</u>	<u>State Telecom- munications</u>	<u>Automotive Maintenance</u>	<u>Central Warehouse</u>	<u>Correctional Industries</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 4,990	\$	\$ (70)	\$ 121	\$ (87)	\$ (1)	\$ 1,028
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	5		2		13	101	17
Other revenue (expense) and transfers in (out)	38						
(Increase) decrease in assets:							
Receivables	(1,469)	(1,769)	368	(23)	101	189	(1,798)
Inventory			(139)		(10)	(36)	(288)
Prepaid items							
Increase (decrease) in liabilities:							
Accounts payable	(676)	671	(50)	(116)	10	(11)	(106)
Accrued expenses	589	(8)	(22)	(15)	(12)	(60)	2
Total adjustments	<u>(1,513)</u>	<u>(1,106)</u>	<u>159</u>	<u>(154)</u>	<u>102</u>	<u>183</u>	<u>(2,173)</u>
Net cash provided by (used for) operating activities	<u>\$ 3,477</u>	<u>\$ (1,106)</u>	<u>\$ 89</u>	<u>\$ (33)</u>	<u>\$ 15</u>	<u>\$ 182</u>	<u>\$ (1,145)</u>

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Surplus Property	Records Center	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
Cash flows from operating activities:						
Cash received from customers	\$	\$ 998	\$ 241,552	\$ (813)	\$ 1,009	\$ 332,505
Cash payments to suppliers for goods and services	(2)	(501)	(238,414)	(2,174)		(318,500)
Cash payments to employees		(436)	(853)		(978)	(13,176)
Other operating revenue (expense)						38
Net cash provided by (used for) operating activities	(2)	61	2,285	(2,987)	31	867
Cash flows from noncapital financing activities:						
Loans from other funds					17	11,260
Loans to other funds				(1,266)		(1,266)
Repayment of loans to other funds				2,072		2,072
Repayment of loans from other funds					(48)	(8,208)
Net cash provided by (used for) noncapital financing activities				806	(31)	3,858
Cash flows from capital and related financing activities:						
Acquisition of capital assets						(32)
Net cash provided by (used for) capital and related financing activities						(32)
Cash flows from investing activities:						
Interest on investments			161	10		175
Net cash provided by (used for) investing activities			161	10		175
Net increase (decrease) in cash and cash equivalents	(2)	61	2,446	(2,171)		4,868
Cash and cash equivalents - July 1	66	166	19,268	5,654		33,304
Cash and cash equivalents - June 30	\$ 64	\$ 227	\$ 21,714	\$ 3,483	\$	\$ 38,172

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>Surplus Property</u>	<u>Records Center</u>	<u>Health Insurance Active</u>	<u>State Fleet Replacement Revolving Loan</u>	<u>Capitol Police</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (2)	\$ 119	\$ 2,519	\$ (2,152)	\$ 31	\$ 6,496
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation						138
Other revenue (expense) and transfers in (out)						38
(Increase) decrease in assets:						
Receivables		67	69			(4,265)
Inventory						(473)
Prepaid items			(120)			(120)
Increase (decrease) in liabilities:						
Accounts payable		(108)	(183)	(835)		(1,404)
Accrued expenses		(17)				457
Total adjustments		(58)	(234)	(835)		(5,629)
Net cash provided by (used for) operating activities	<u>\$ (2)</u>	<u>\$ 61</u>	<u>\$ 2,285</u>	<u>\$ (2,987)</u>	<u>\$ 31</u>	<u>\$ 867</u>
						(Concluded)

Trust Funds

Pension Trust Funds

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

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

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

State Police Retirement Benefits Trust – a single-employer public employee retirement plan for State police hired 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 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.

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 CollegeBoundfund 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 and Providence Plantations
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Pension Trust	Other Employee Benefits Trust	Totals
Assets			
Cash and cash equivalents	\$ 14,440	\$ 8,748	\$ 23,188
Advance held by claims processing agent		797	797
Receivables			
Contributions	26,807	1,413	28,220
Due from State for teachers	19,482		19,482
Due from other plans	2,553		2,553
Other	1,280		1,280
Miscellaneous		425	425
Total receivables	50,122	1,838	51,960
Prepaid Expenses	5,050		5,050
Investments, at fair value			
Equity in pooled trust	8,066,357	221,528	8,287,885
Other investments	694,539		694,539
Total investments	8,760,896	221,528	8,982,424
Total assets	8,830,508	232,911	9,063,419
Liabilities			
Accounts payable	4,334	507	4,841
Due to other plans	2,553		2,553
Incurred but not reported claims		1,682	1,682
Other		2,304	2,304
Total liabilities	6,887	4,493	11,380
Net position held in trust for pension and other postemployment benefits	\$ 8,823,621	\$ 228,418	\$ 9,052,039

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Pension Trust	Other Employee Benefits Trust	Totals
Additions			
Contributions			
Member contributions	\$ 202,517	\$ 1,575	\$ 204,092
Employer contributions	412,143	56,715	468,858
Supplemental employer contributions	15,445		15,445
State contributions for teachers	96,542		96,542
Interest on service credits purchased	200		200
Service credit transfer payments	7,359		7,359
Other income	103	2,077	2,180
Investment income			
Net appreciation in fair value of investments	841,175	19,915	861,090
Interest	55,282	1,768	57,050
Dividends	48,478		48,478
Other investment income	17,602		17,602
	962,537	21,683	984,220
Less investment expense	19,959	131	20,090
Net investment income	942,578	21,552	964,130
Total additions	1,676,887	81,919	1,758,806
Deductions			
Retirement benefits	950,022		950,022
Death benefits	3,210		3,210
Distributions	12,406		12,406
Refund of contributions	7,468		7,468
Administrative expense	9,597	84	9,681
Service credit transfers	7,359		7,359
OPEB benefits		33,543	33,543
Total deductions	990,062	33,627	1,023,689
Change in net position	686,825	48,292	735,117
Net position held in trust for pension and other postemployment benefits			
Net position - beginning	8,136,796	180,126	8,316,922
Net position - ending	\$ 8,823,621	\$ 228,418	\$ 9,052,039

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	State Police Retirement Fund Trust	Judicial Retirement Benefits Trust	Judicial Retirement Fund Trust	Teachers' Survivors Benefit Plan	Defined Contribution Plan	FICA Alternative Retirement Program	Totals
Assets										
Cash and cash equivalents	\$ 12,765	\$ 899	\$ 64	\$ 2	\$ 548	\$ 68	\$ 94	\$	\$	\$ 14,440
Receivables										
Contributions	23,011	3,793					3			26,807
Due from State for teachers	19,482									19,482
Due from other plans	1,811	739					3			2,553
Other	1,024	209	3			33	11			1,280
Total receivables	<u>45,328</u>	<u>4,741</u>	<u>3</u>			<u>33</u>	<u>17</u>			<u>50,122</u>
Prepaid expenses	3,921	848	66		34		181			5,050
Investments, at fair value										
Equity in Pooled Trust	6,064,830	1,476,231	129,707	16,015	67,339	545	311,690			8,066,357
Other-Defined Contribution Plans								692,133	2,406	694,539
Total investments	<u>6,064,830</u>	<u>1,476,231</u>	<u>129,707</u>	<u>16,015</u>	<u>67,339</u>	<u>545</u>	<u>311,690</u>	<u>692,133</u>	<u>2,406</u>	<u>8,760,896</u>
Total assets	<u>6,126,844</u>	<u>1,482,719</u>	<u>129,840</u>	<u>16,017</u>	<u>67,921</u>	<u>646</u>	<u>311,982</u>	<u>692,133</u>	<u>2,406</u>	<u>8,830,508</u>
Liabilities										
Accounts payable	3,619	613	51	4	25		22			4,334
Due to other plans	739	1,813		1						2,553
Total liabilities	<u>4,358</u>	<u>2,426</u>	<u>51</u>	<u>5</u>	<u>25</u>		<u>22</u>			<u>6,887</u>
Net position held in trust for pension benefits										
	<u>\$ 6,122,486</u>	<u>\$ 1,480,293</u>	<u>\$ 129,789</u>	<u>\$ 16,012</u>	<u>\$ 67,896</u>	<u>\$ 646</u>	<u>\$ 311,960</u>	<u>\$ 692,133</u>	<u>\$ 2,406</u>	<u>\$ 8,823,621</u>

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	State Police Retirement Fund Trust	Judicial Retirement Benefits Trust	Judicial Retirement Fund Trust	Teachers' Survivors Benefit Plan	Defined Contribution Plan	FICA Alternative Retirement Program	Totals
Additions										
Contributions										
Member contributions	\$ 91,609	\$ 17,412	\$ 2,060	\$	\$ 1,119	\$ 117	\$ 590	\$ 89,202	\$ 408	\$ 202,517
Employer contributions	313,846	48,543	2,980	16,566	2,057	332	590	27,229		412,143
Supplemental employer contributions	445			15,000						15,445
State contributions for teachers	96,542									96,542
Interest on service credits purchased	152	44	4							200
Service credit transfers (net)	1,810	5,549								7,359
Total contributions	504,404	71,548	5,044	31,566	3,176	449	1,180	116,431	408	734,206
Investment income										
Net appreciation										
in fair value of investments	578,626	139,064	12,116	1,627	6,288	56	29,433	73,965		841,175
Interest	41,714	10,004	870	118	451	4	2,121			55,282
Dividends	35,829	8,616	751	106	390	3	1,824	959		48,478
Other investment income	13,084	3,141	274	35	142	1	666	1	258	17,602
	669,253	160,825	14,011	1,886	7,271	64	34,044	74,925	258	962,537
Less investment expense	15,040	3,623	316	48	164	1	767			19,959
Net investment income	654,213	157,202	13,695	1,838	7,107	63	33,277	74,925	258	942,578
Miscellaneous revenue	43	52						8		103
Total additions	1,158,660	228,802	18,739	33,404	10,283	512	34,457	191,364	666	1,676,887
Deductions										
Retirement benefits	819,930	96,076	5,079	17,392	2,740	399	8,406			950,022
Death benefits	2,432	778								3,210
Distributions								12,299	107	12,406
Refund of contributions	5,712	1,426	63				267			7,468
Administrative expense	6,394	1,485	125		65	1	309	1,178	40	9,597
Service credit transfers (net)	739	6,620								7,359
Total deductions	835,207	106,385	5,267	17,392	2,805	400	8,982	13,477	147	990,062
Net increase (decrease)	323,453	122,417	13,472	16,012	7,478	112	25,475	177,887	519	686,825
Net position held in trust for pension benefits:										
Net position - beginning	5,799,033	1,357,876	116,317		60,418	534	286,485	514,246	1,887	8,136,796
Net position - ending	\$ 6,122,486	\$ 1,480,293	\$ 129,789	\$ 16,012	\$ 67,896	\$ 646	\$ 311,960	\$ 692,133	\$ 2,406	\$ 8,823,621

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>State Employees</u>	<u>Teachers</u>	<u>Judicial</u>	<u>State Police</u>	<u>Legislators</u>	<u>Board of Education</u>	<u>Totals</u>
Assets							
Cash and cash equivalents	\$ 4,876	\$ 1,513	\$ 412	\$ 1,090	\$ 122	\$ 735	\$ 8,748
Advance held by claims processing agent	797						797
Receivables							
Due from other funds	340	24	8	35	8	10	425
Contributions receivable	1,123			167		123	1,413
Investments at fair value - equity in pooled trust	146,515	8,477	3,293	36,481	2,791	23,971	221,528
Total assets	153,651	10,014	3,713	37,773	2,921	24,839	232,911
Liabilities							
Accounts payable	369	46	6	54	8	24	507
Incurred but not reported claims	1,222	191	6	182	9	72	1,682
Other	2,304						2,304
Total liabilities	3,895	237	12	236	17	96	4,493
Net position held in trust for other postemployment benefits	\$ 149,756	\$ 9,777	\$ 3,701	\$ 37,537	\$ 2,904	\$ 24,743	\$ 228,418

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>State Employees</u>	<u>Teachers</u>	<u>Judicial</u>	<u>State Police</u>	<u>Legislators</u>	<u>Board of Education</u>	<u>Totals</u>
Additions							
Contributions							
Member contributions	\$	\$	\$	\$	\$	\$ 1,575	\$ 1,575
Employer contributions	42,732	2,321		7,702	27	3,933	56,715
Total contributions	<u>42,732</u>	<u>2,321</u>		<u>7,702</u>	<u>27</u>	<u>5,508</u>	<u>58,290</u>
Other income	<u>1,722</u>	<u>103</u>	<u>26</u>	<u>163</u>	<u>29</u>	<u>34</u>	<u>2,077</u>
Investment income							
Net appreciation in fair value of investments	13,207	795	309	3,227	262	2,115	19,915
Interest and dividends	1,171	74	28	285	23	187	1,768
	<u>14,378</u>	<u>869</u>	<u>337</u>	<u>3,512</u>	<u>285</u>	<u>2,302</u>	<u>21,683</u>
Less investment expense	<u>(87)</u>	<u>(5)</u>	<u>(2)</u>	<u>(21)</u>	<u>(2)</u>	<u>(14)</u>	<u>(131)</u>
Net investment income	<u>14,291</u>	<u>864</u>	<u>335</u>	<u>3,491</u>	<u>283</u>	<u>2,288</u>	<u>21,552</u>
Total additions	<u>58,745</u>	<u>3,288</u>	<u>361</u>	<u>11,356</u>	<u>339</u>	<u>7,830</u>	<u>81,919</u>
Deductions							
Benefits	26,815	1,610	(138)	3,129	36	2,091	33,543
Administrative expense	82	(7)		1		8	84
Total deductions	<u>26,897</u>	<u>1,603</u>	<u>(138)</u>	<u>3,130</u>	<u>36</u>	<u>2,099</u>	<u>33,627</u>
Net increase (decrease)	31,848	1,685	499	8,226	303	5,731	48,292
Net position held in trust for other postemployment benefits							
Net position - beginning	117,908	8,092	3,202	29,311	2,601	19,012	180,126
Net position - ending	<u>\$ 149,756</u>	<u>\$ 9,777</u>	<u>\$ 3,701</u>	<u>\$ 37,537</u>	<u>\$ 2,904</u>	<u>\$ 24,743</u>	<u>\$ 228,418</u>

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Tuition Savings Program	Touro Jewish Synagogue	Totals
Assets			
Cash and Cash Equivalents	\$ 8,973	\$	\$ 8,973
Receivables			
Program investments sold	41,399		41,399
Investments, at fair value	6,430,705	2,770	6,433,475
Total assets	<u>6,481,077</u>	<u>2,770</u>	<u>6,483,847</u>
Liabilities			
Accounts payable	75,313		75,313
Total liabilities	<u>75,313</u>		<u>75,313</u>
Net position restricted for:			
Tuition Savings Program	6,405,764		6,405,764
Other		2,770	2,770
Total net position	<u>\$ 6,405,764</u>	<u>\$ 2,770</u>	<u>\$ 6,408,534</u>

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trusts
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Tuition Savings Program	Touro Jewish Synagogue	Totals
Additions			
Program participant subscriptions	\$ 309,272	\$	\$ 309,272
Investment income			
Net appreciation			
in fair value of investments	288,598	260	288,858
Dividends	102,256	42	102,298
Other investment income		38	38
Total additions	<u>700,126</u>	<u>340</u>	<u>700,466</u>
Deductions			
Program participant redemptions	946,411		946,411
Administrative expense	35,477	112	35,589
Total deductions	<u>981,888</u>	<u>112</u>	<u>982,000</u>
Change in net position restricted for:			
Tuition Savings Program	(281,762)		(281,762)
Other		228	228
Net position - beginning	6,687,526	2,542	6,690,068
Net position - ending	<u>\$ 6,405,764</u>	<u>\$ 2,770</u>	<u>\$ 6,408,534</u>

Agency Funds

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

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

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

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
HealthSource RI Trust				
Assets				
Cash and cash equivalents	\$ 2,528	\$ 89,144	\$ 89,272	\$ 2,400
Total assets	<u>\$ 2,528</u>	<u>\$ 89,144</u>	<u>\$ 89,272</u>	<u>\$ 2,400</u>
Liabilities				
Deposits held for others	\$ 2,492	\$ 88,551	\$ 88,666	\$ 2,377
Accounts payable	36	593	606	23
Total liabilities	<u>\$ 2,528</u>	<u>\$ 89,144</u>	<u>\$ 89,272</u>	<u>\$ 2,400</u>
RIPTA Health				
Assets				
Cash and cash equivalents	\$ 1,904	\$ 30,564	\$ 30,350	\$ 2,118
Receivables	2,939	4,132	3,687	3,384
Total assets	<u>\$ 4,843</u>	<u>\$ 34,696</u>	<u>\$ 34,037</u>	<u>\$ 5,502</u>
Liabilities				
Deposits held for others	\$ 1,741	\$ 777	\$	\$ 2,518
Accounts payable	3,102	17,550	17,668	2,984
Total liabilities	<u>\$ 4,843</u>	<u>\$ 18,327</u>	<u>\$ 17,668</u>	<u>\$ 5,502</u>
Statutory Deposits				
Assets				
Deposits held as security for entities doing business in the State	\$ 57,212	\$ 4,760	\$ 7,857	\$ 54,115
Total assets	<u>\$ 57,212</u>	<u>\$ 4,760</u>	<u>\$ 7,857</u>	<u>\$ 54,115</u>
Liabilities				
Deposits held for others	\$ 57,212	\$ 4,760	\$ 7,857	\$ 54,115
Total liabilities	<u>\$ 57,212</u>	<u>\$ 4,760</u>	<u>\$ 7,857</u>	<u>\$ 54,115</u>
Court Deposits				
Assets				
Cash and cash equivalents	\$ 10,450	\$ 10,958	\$ 10,138	\$ 11,270
Receivables	2,939	578	507	71
Total assets	<u>\$ 10,450</u>	<u>\$ 11,536</u>	<u>\$ 10,645</u>	<u>\$ 11,341</u>
Liabilities				
Deposits held for others	\$ 10,412	\$ 4,744	\$ 3,849	\$ 11,307
Accounts payable	38	3,982	3,986	34
Total liabilities	<u>\$ 10,450</u>	<u>\$ 8,726</u>	<u>\$ 7,835</u>	<u>\$ 11,341</u>
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 14,882	\$ 130,666	\$ 129,760	\$ 15,788
Deposits held as security for entities doing business in the State	57,212	4,760	7,857	54,115
Receivables	2,939	4,710	4,194	3,455
Total assets	<u>\$ 75,033</u>	<u>\$ 140,136</u>	<u>\$ 141,811</u>	<u>\$ 73,358</u>
Liabilities				
Deposits held for others	\$ 71,857	\$ 98,832	\$ 100,372	\$ 70,317
Accounts payable	3,176	22,125	22,260	3,041
Total liabilities	<u>\$ 75,033</u>	<u>\$ 120,957</u>	<u>\$ 122,632</u>	<u>\$ 73,358</u>

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2017
(Expressed in Thousands)

	<u>CFSD</u>	<u>The Met</u>	<u>DHEA</u>	<u>RIHMFC</u>	<u>RIIFC</u>	<u>RIIRBA</u>
Assets and deferred outflows of resources						
Current Assets:						
Cash and cash equivalents	\$ 1,468	\$ 11,578	\$	\$ 12,498	\$ 269	\$ 1,258
Investments			376			
Receivables (net)	570	965	489	1,164	18	3
Restricted assets:						
Cash and cash equivalents	1,567		34,411	243,698		
Investments				7,223		
Receivables (net)						
Other assets				40,244		
Due from primary government	2,333	1,055	547			
Due from other governments				534		
Due from other component units					85	
Inventories						
Other assets	948	3	337	43,718	2	5
Total current assets	<u>6,886</u>	<u>13,601</u>	<u>36,160</u>	<u>349,079</u>	<u>374</u>	<u>1,266</u>
Noncurrent Assets:						
Investments						
Receivables (net)				9,567		
Restricted assets:						
Cash and cash equivalents			632			
Investments				173,116		
Receivables (net)						
Other assets	4,256			1,417,780		
Capital assets - nondepreciable			194			
Capital assets - depreciable (net)	2,279	324	630			
Due from other component units						
Other assets, net of amortization				114,414		
Total noncurrent assets	<u>6,535</u>	<u>324</u>	<u>1,456</u>	<u>1,714,877</u>	<u></u>	<u></u>
Total assets	<u>13,421</u>	<u>13,925</u>	<u>37,616</u>	<u>2,063,956</u>	<u>374</u>	<u>1,266</u>
Deferred outflows of resources	<u>12,254</u>		<u>269</u>	<u>2,724</u>		
Liabilities and deferred inflows of resources						
Current liabilities:						
Accounts payable	3,516	1,545	3,663	910	2	
Due to other component units					18	100
Unearned revenue					3	
Other liabilities			46	205,082		700
Compensated absences	54					
Current portion of long-term debt	26			104,321		
Total current liabilities	<u>3,596</u>	<u>1,545</u>	<u>3,709</u>	<u>310,313</u>	<u>23</u>	<u>800</u>
Noncurrent liabilities:						
Unearned revenue	10				28	
Notes payable				100,019		
Loans payable						
Obligations under capital leases	40					
Net pension liability	36,442		1,966			
Net OPEB obligation	7,662			4,729		
Other liabilities			1,544	204,599		1,299
Compensated absences	767		108	1,451		
Bonds payable				1,132,198		
Total noncurrent liabilities	<u>44,921</u>		<u>3,618</u>	<u>1,442,996</u>	<u>28</u>	<u>1,299</u>
Total liabilities	<u>48,517</u>	<u>1,545</u>	<u>7,327</u>	<u>1,753,309</u>	<u>51</u>	<u>2,099</u>
Deferred inflows of resources	<u>4,466</u>		<u>1,184</u>			
Net position (deficit)						
Net investment in capital assets	2,214	324	825	9,298		
Restricted for:						
Debt				202,194		
Other	1,917	673	28,549	1,801		
Unrestricted	(31,439)	11,383		100,078	323	(833)
Net position (deficit)	<u>\$ (27,308)</u>	<u>\$ 12,380</u>	<u>\$ 29,374</u>	<u>\$ 313,371</u>	<u>\$ 323</u>	<u>\$ (833)</u>

(continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2017
(Expressed in Thousands)

	RIRRC	QDC	RIIB	RIHEBC	Totals
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 35,228	\$ 1,761	\$ 30,932	\$ 645	\$ 95,637
Investments				12,262	12,638
Receivables (net)	7,571	1,083	89,223	677	101,763
Restricted assets:					
Cash and cash equivalents		1,184	212,473	14,266	507,599
Investments			104,668		111,891
Receivables (net)					
Other assets					40,244
Due from primary government		373			4,308
Due from other governments					534
Due from other component units		235			320
Inventories	2,982				2,982
Other assets	462	104	1,169	47	46,795
Total current assets	46,243	4,740	438,465	27,897	924,711
Noncurrent Assets:					
Investments				160	160
Receivables (net)		101	1,211,991	2,585	1,224,244
Restricted assets:					
Cash and cash equivalents	2,484				3,116
Investments	94,676				267,792
Receivables (net)					
Other assets					1,422,036
Capital assets - nondepreciable	16,375	58,918			75,487
Capital assets - depreciable (net)	60,796	114,995	294	30	179,348
Due from other component units		1,197			1,197
Other assets, net of amortization	4,496				118,910
Total noncurrent assets	178,827	175,211	1,212,285	2,775	3,292,290
Total assets	225,070	179,951	1,650,750	30,672	4,217,001
Deferred outflows of resources					
		1,018	8,086		24,351
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	9,883	680	517	226	20,942
Due to other component units					118
Unearned revenue		1,525			1,528
Other liabilities	1,604		192,447	1,994	401,873
Compensated absences					54
Current portion of long-term debt	4,183	1,825	55,973		166,328
Total current liabilities	15,670	4,030	248,937	2,220	590,843
Noncurrent liabilities:					
Unearned revenue		190			228
Notes payable	2,643				102,662
Loans payable		3,240			3,240
Obligations under capital leases		320			360
Net pension liability		918			39,326
Net OPEB obligation	683				13,074
Other liabilities	95,285		851		303,578
Compensated absences					2,326
Bonds payable	21,385	3,209	795,709		1,952,501
Total noncurrent liabilities	119,996	7,877	796,560		2,417,295
Total liabilities	135,666	11,907	1,045,497	2,220	3,008,138
Deferred inflows of resources					
			996		6,646
Net position (deficit)					
Net investment in capital assets	60,045	165,319	294	30	238,349
Restricted for:					
Debt					202,194
Other	2,062		558,831	16,053	609,886
Unrestricted	27,297	3,743	53,218	12,369	176,139
Net position (deficit)	\$ 89,404	\$ 169,062	\$ 612,343	\$ 28,452	\$ 1,226,568

(concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA	RIRRC	QDC	RIIB	RIHEBC	Totals
Expenses	\$ 50,429	\$ 14,781	\$ 18,940	\$ 101,486	\$ 57	\$ 675	\$ 47,637	\$ 12,149	\$ 30,919	\$ 16,198	\$ 293,271
Program revenues:											
Charges for services	309	4,925	6,140	94,211	47	80	59,134	13,137	6,309	2,283	186,575
Operating grants and contributions	47,727	11,878	6,757	17,438					2,593	10,140	96,533
Capital grants and contributions								1,004	21,094		22,098
Total program revenues	<u>48,036</u>	<u>16,803</u>	<u>12,897</u>	<u>111,649</u>	<u>47</u>	<u>80</u>	<u>59,134</u>	<u>14,141</u>	<u>29,996</u>	<u>12,423</u>	<u>305,206</u>
Net (Expenses) Revenues	(2,393)	2,022	(6,043)	10,163	(10)	(595)	11,497	1,992	(923)	(3,775)	11,935
General revenues:											
Interest and investment earnings		42	60	2,607		11	122	9	25,489	140	28,480
Miscellaneous revenues	1,550	30					563	909			3,052
Total general revenues	<u>1,550</u>	<u>72</u>	<u>60</u>	<u>2,607</u>		<u>11</u>	<u>685</u>	<u>918</u>	<u>25,489</u>	<u>140</u>	<u>31,532</u>
Change in net position	(843)	2,094	(5,983)	12,770	(10)	(584)	12,182	2,910	24,566	(3,635)	43,467
Net position (deficit) - beginning	<u>(26,465)</u>	<u>10,286</u>	<u>35,357</u>	<u>300,601</u>	<u>333</u>	<u>(249)</u>	<u>77,222</u>	<u>166,152</u>	<u>587,777</u>	<u>32,087</u>	<u>1,183,101</u>
Net position (deficit) - ending	<u>\$ (27,308)</u>	<u>\$ 12,380</u>	<u>\$ 29,374</u>	<u>\$ 313,371</u>	<u>\$ 323</u>	<u>\$ (833)</u>	<u>\$ 89,404</u>	<u>\$ 169,062</u>	<u>\$ 612,343</u>	<u>\$ 28,452</u>	<u>\$ 1,226,568</u>

Statistical Section



State of Rhode Island
Comprehensive Annual Financial Report

Fiscal year ended June 30, 2017

2017

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>
Financial Trends Information	211
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
Revenue Capacity Information	217
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity Information	224
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
Demographic and Economic Information	226
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
Operating Information	228
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 3,212,380	\$ 3,063,627	\$ 2,934,439	\$ 2,706,209	\$ 2,486,783	\$ 2,302,368	\$ 2,115,001	\$ 2,064,231	\$ 1,958,718	\$ 1,877,872
Restricted *	920,232	741,971	841,777	799,274	775,758	696,743	553,421	538,104	507,999	496,630
Unrestricted *	(4,581,514)	(4,342,299)	(4,380,849)	(4,454,382)	(1,436,799)	(1,458,163)	(1,529,992)	(1,644,279)	(1,622,296)	(1,498,314)
Total governmental activities net position	<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>	<u>\$ 958,056</u>	<u>\$ 844,421</u>	<u>\$ 876,188</u>
Business-type activities										
Net investment in capital assets	\$ (53,682)	\$ (57,493)	\$ (61,956)	\$ (62,060)	\$ (67,394)	\$ (64,492)	\$ (63,156)	\$ (61,806)	\$ (59,453)	\$ (60,902)
Restricted	384,198	283,901	155,682	33,795	8,340	9,308	11,036	13,161	20,130	198,928
Unrestricted	(19,684)	(19,970)	(21,312)	(19,991)	(86,571)	(157,396)	(159,388)	(122,955)	(7,251)	(15,345)
Total business-type activities net position	<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>	<u>\$ (171,600)</u>	<u>\$ (46,574)</u>	<u>\$ 122,681</u>
Primary government										
Net investment in capital assets	\$ 3,158,698	\$ 3,006,134	\$ 2,872,483	\$ 2,644,149	\$ 2,419,389	\$ 2,237,876	\$ 2,051,845	\$ 2,002,425	\$ 1,899,265	\$ 1,816,970
Restricted *	1,304,430	1,025,872	997,459	833,069	784,098	706,051	473,787	497,092	440,345	626,516
Unrestricted *	(4,601,198)	(4,362,269)	(4,402,161)	(4,474,373)	(1,523,370)	(1,615,559)	(1,598,710)	(1,713,061)	(1,541,763)	(1,444,617)
Total primary government net position	<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>	<u>\$ 786,456</u>	<u>\$ 797,847</u>	<u>\$ 998,869</u>

* Reclassifications from fiscal years 2010 through 2015 were made to conform with current presentation.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 753,011	\$ 769,469	\$ 695,611	\$ 736,911	\$ 625,081	\$ 653,003	\$ 644,194	\$ 741,329	\$ 754,386	\$ 894,766
Human services	3,802,311	3,652,875	3,631,236	3,302,590	3,038,841	2,970,269	3,013,081	2,900,673	2,719,346	2,736,956
Education	1,619,343	1,595,289	1,472,786	1,399,347	1,364,575	1,334,355	1,332,453	1,273,985	1,278,391	1,361,310
Public safety	551,000	545,329	478,854	478,826	473,580	468,098	436,940	418,485	414,830	428,351
Natural resources	90,082	87,537	83,979	80,690	76,730	85,039	80,360	73,551	75,103	90,087
Transportation	350,585	343,270	283,085	298,626	300,639	268,523	300,366	305,460	324,007	240,644
Interest and other charges	109,664	83,899	121,845	129,421	129,714	145,964	148,850	142,924	136,737	133,298
Total governmental activities	<u>7,275,996</u>	<u>7,077,668</u>	<u>6,767,396</u>	<u>6,426,411</u>	<u>6,009,160</u>	<u>5,925,251</u>	<u>5,956,244</u>	<u>5,856,407</u>	<u>5,702,800</u>	<u>5,885,412</u>
Business-type activities:										
Lottery	510,302	507,199	484,293	462,153	397,625	399,421	368,870	358,127	356,046	365,333
Convention Center	50,658	48,905	48,628	49,255	48,437	49,439	32,986	50,732	48,764	41,007
Employment Security	155,672	157,018	167,527	257,145	396,909	559,440	645,979	783,878	573,288	259,246
Total business-type activities	<u>716,632</u>	<u>713,122</u>	<u>700,448</u>	<u>768,553</u>	<u>842,971</u>	<u>1,008,300</u>	<u>1,047,835</u>	<u>1,192,737</u>	<u>978,098</u>	<u>665,586</u>
Total primary government expenses	<u>\$ 7,992,628</u>	<u>\$ 7,790,790</u>	<u>\$ 7,467,844</u>	<u>\$ 7,194,964</u>	<u>\$ 6,852,131</u>	<u>\$ 6,933,551</u>	<u>\$ 7,004,079</u>	<u>\$ 7,049,144</u>	<u>\$ 6,680,898</u>	<u>\$ 6,550,998</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 224,704	\$ 229,659	\$ 209,005	\$ 212,275	\$ 220,376	\$ 212,750	\$ 185,918	\$ 179,646	\$ 168,210	\$ 178,590
Human services	252,678	266,091	246,604	229,047	227,158	204,287	210,905	198,555	187,973	167,241
Education	32,250	29,749	29,775	27,617	26,840	26,044	22,022	18,263	8,335	36,241
Public safety	22,070	45,245	39,709	44,192	47,075	37,339	34,389	35,272	32,770	36,194
Natural resources	28,980	28,655	29,258	27,259	28,975	26,060	29,046	29,746	31,385	31,753
Transportation	23,857	25,354	22,806	7,199	1,076	1,660	372	744	181	(207)
Operating grants and contributions	2,747,631	2,677,431	2,666,243	2,403,772	2,211,800	2,194,892	2,387,540	2,361,446	2,114,821	1,827,704
Capital grants and contributions	230,956	178,628	217,604	228,649	190,551	210,720	162,032	162,090	103,515	112,712
Total governmental activities program revenues	<u>3,563,126</u>	<u>3,480,812</u>	<u>3,461,004</u>	<u>3,180,010</u>	<u>2,953,851</u>	<u>2,913,752</u>	<u>3,032,224</u>	<u>2,985,762</u>	<u>2,647,190</u>	<u>2,390,228</u>
Business-type activities:										
Charges for services	1,151,505	1,177,083	1,163,752	1,127,206	1,055,070	1,056,285	985,556	947,825	913,333	923,694
Operating grants and contributions	1,373	1,558	839	53,146	166,164	278,671	358,932	418,270	194,857	3,285
Total business-type activities program revenues	<u>1,152,878</u>	<u>1,178,641</u>	<u>1,164,591</u>	<u>1,180,352</u>	<u>1,221,234</u>	<u>1,334,956</u>	<u>1,344,488</u>	<u>1,366,095</u>	<u>1,108,190</u>	<u>926,979</u>
Total primary government program revenues	<u>\$ 4,716,004</u>	<u>\$ 4,659,453</u>	<u>\$ 4,625,595</u>	<u>\$ 4,360,362</u>	<u>\$ 4,175,085</u>	<u>\$ 4,248,708</u>	<u>\$ 4,376,712</u>	<u>\$ 4,351,857</u>	<u>\$ 3,755,380</u>	<u>\$ 3,317,207</u>
Net (Expenses)/Revenues										
Governmental activities	\$ (3,712,870)	\$ (3,596,856)	\$ (3,306,392)	\$ (3,246,401)	\$ (3,055,309)	\$ (3,011,499)	\$ (2,924,020)	\$ (2,870,645)	\$ (3,055,610)	\$ (3,495,184)
Business-type activities	436,246	465,519	464,143	411,799	378,263	326,656	296,653	173,358	130,092	261,393
Total primary government net expenses	<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>	<u>\$ (2,697,287)</u>	<u>\$ (2,925,518)</u>	<u>\$ (3,233,791)</u>

(Continued)

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 3,308,575	\$ 3,266,347	\$ 3,206,935	\$ 2,980,387	\$ 2,870,969	\$ 2,824,368	\$ 2,665,169	\$ 2,577,519	\$ 2,588,417	\$ 2,820,709
Interest and investment earnings	6,313	3,134	3,212	4,852	4,893	4,304	5,561	4,309	9,435	32,466
Miscellaneous	146,205	90,836	107,382	108,398	143,240	118,506	102,478	91,110	95,758	121,273
Gain on sale of capital assets	598	4,693	993	953	3,757				1,656	3,026
Special items			(5,000)							
Transfers	338,978	335,765	345,190	332,824	333,804	344,386	331,186	318,772	315,408	324,928
Payments from component units								7,228	13,569	39,284
Total governmental activities	<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>	<u>2,998,938</u>	<u>3,024,243</u>	<u>3,341,686</u>
Business-type activities:										
Interest and investment earnings	312	164	186	109	117	94	79	164	4,279	9,531
Miscellaneous	6,814	4,106	1,531	31,208	24,490	16,564	(5,454)	20,224	11,782	8,341
Transfers	(338,978)	(335,765)	(345,190)	(332,824)	(333,804)	(344,386)	(331,186)	(318,772)	(315,408)	(324,928)
Total business-type activities	<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>	<u>(298,384)</u>	<u>(299,347)</u>	<u>(307,056)</u>
Total primary government	<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>	<u>2,700,554</u>	<u>2,724,896</u>	<u>3,034,630</u>
Changes in Net Position										
Governmental activities	87,799	103,919	352,320	181,013	301,354	280,065	180,374	128,293	(31,367)	(153,498)
Business-type activities	104,394	134,024	120,670	110,292	69,066	(1,072)	(39,908)	(125,026)	(169,255)	(45,663)
Total primary government	<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>	<u>\$ 3,267</u>	<u>\$ (200,622)</u>	<u>\$ (199,161)</u>

(Concluded)

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

	Fiscal Year							
	2017	2016	2015	2014	2013	2012	2011	2010
General Fund								
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$
* Restricted	117,668	133,193	134,231	120,898	110,178	78,940	67,592	49,624
Unrestricted								
Committed	2,556	3,975	2,561	4,770	4,035	22,793	5,956	4,285
Assigned	67,931	128,422	130,964	72,005	105,639	97,639	8,425	
* Unassigned	201,818	235,096	234,131	197,706	181,282	173,782	135,574	82,239
Total General Fund (as restated)	<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>	<u>\$ 185,450</u>
All Other Governmental Funds								
Nonspendable	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174
** Restricted	916,016	614,687	660,845	615,667	660,198	619,799	528,251	681,782
Unrestricted								
** Committed	63,673	39,175	10,727	4,118	163	1,742	1,448	3,366
** Assigned					255	318	284	19,704
Unassigned	(1,518)	(1,519)	(1,486)	(4,028)	(4,113)	(4,717)	(5,043)	(6,160)
Total All Other Governmental Funds	<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>	<u>\$ 698,866</u>

	Fiscal Year	
	2009	2008
General Fund		
Reserved	\$ 132,245	\$ 149,605
Unreserved	(62,286)	(42,950)
Total General Fund	<u>\$ 69,959</u>	<u>\$ 106,655</u>
All Other Governmental Funds		
Reserved	\$ 274,180	\$ 264,727
Unreserved, reported in:		
Special Revenue Funds	93,498	7,805
Permanent Funds	1,368	2,173
Capital Projects Funds	459,489	303,965
Total All Other Governmental Funds	<u>\$ 828,535</u>	<u>\$ 578,670</u>

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

* In fiscal year 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 and Providence Plantations
Schedule of Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	\$ 3,310,524	\$ 3,266,616	\$ 3,210,123	\$ 2,975,016	\$ 2,868,503	\$ 2,814,331	\$ 2,664,420	\$ 2,577,406	\$ 2,589,751	\$ 2,818,085
Licenses, fines, sales, and services	373,066	380,376	348,214	332,655	320,767	313,724	308,564	311,040	295,662	323,329
Departmental restricted revenue	218,618	244,754	229,492	223,314	222,027	194,279	174,563	150,357	134,029	125,883
Federal grants	2,966,335	2,865,006	2,889,963	2,630,678	2,402,444	2,411,262	2,541,335	2,518,048	2,218,816	1,936,610
Income from investments	6,138	3,017	3,156	4,809	4,840	4,280	5,537	4,207	9,014	31,522
Other revenues	137,832	100,356	106,872	115,804	147,090	121,202	100,164	93,687	104,665	122,723
Total operating revenues	7,012,513	6,860,125	6,787,820	6,282,276	5,965,671	5,859,078	5,794,583	5,654,745	5,351,937	5,358,152
Expenditures:										
Current:										
General government	749,616	764,066	697,289	656,826	634,010	635,554	620,110	714,861	755,366	803,561
Human services	3,831,633	3,694,123	3,661,964	3,325,538	3,042,705	2,969,166	3,009,097	2,884,419	2,711,167	2,727,534
Education	1,526,076	1,467,236	1,403,807	1,357,903	1,330,388	1,282,063	1,287,733	1,239,258	1,216,208	1,289,687
Public safety	534,495	504,217	490,981	478,108	463,734	459,114	428,687	394,860	401,976	410,605
Natural resources	77,680	78,307	79,941	76,127	70,202	75,156	71,818	67,435	68,941	72,984
Transportation	387,518	386,712	373,715	383,816	373,887	399,512	367,496	306,730	299,881	244,638
Capital outlays	194,955	185,361	171,469	139,848	130,415	111,044	138,843	250,653	215,600	264,713
Intergovernmental										
Debt service:										
Principal	141,378	103,310	190,784	176,885	176,970	164,245	154,475	163,063	157,817	143,368
Interest and other charges	125,060	99,802	140,728	122,663	126,852	135,806	138,066	139,723	132,813	131,575
Total operating expenditures	7,568,411	7,283,134	7,210,678	6,717,714	6,349,163	6,231,660	6,216,325	6,161,002	5,959,769	6,088,665
Excess (deficiency) of revenues over (under) expenditures	(555,898)	(423,009)	(422,858)	(435,438)	(383,492)	(372,582)	(421,742)	(506,257)	(607,832)	(730,513)

(Continued)

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Other financing sources (uses):										
Issuance of bonds and notes	336,925	72,000	121,125	53,150	81,400	145,035		155,665	427,180	131,755
Issuance of refundings and other escrow assets	91,560	459,235	830,139	78,700	88,175	146,730		78,960	12,445	46,570
Capital leases	25,932	5,021	49,495		26,690	31,980			54,610	59,185
Premium and accrued interest	87,513	73,516	82,553	14,719	27,507	45,437		9,839	8,100	7,241
Transfers in	577,435	572,569	622,520	566,076	592,804	581,679	545,229	586,025	622,212	724,428
Payments from component units								7,228	13,568	39,284
Payment to refunded bonds escrow agent	(109,895)	(532,780)	(866,168)	(91,991)	(101,172)	(172,094)		(84,769)	(12,697)	(111,253)
Discount on issuance of debt									(66)	(4)
Proceeds from termination of investment contracts			26,361							
Transfers out	(238,457)	(236,804)	(277,330)	(231,717)	(264,571)	(235,253)	(211,789)	(261,473)	(304,351)	(403,012)
Total other financing sources (uses)	771,013	412,757	588,695	388,937	450,833	543,514	333,440	491,475	821,001	494,194
Special items			(5,000)							
Net change in fund balances	\$ 215,115	\$ (10,252)	\$ 160,837	\$ (46,501)	\$ 67,341	\$ 170,932	\$ (88,302)	\$ (14,782)	\$ 213,169	\$ (236,319)
Debt Service as a Percentage of Noncapital Expenditures	3.9%	3.5%	4.8%	4.7%	5.0%	5.1%	5.0%	5.0%	4.9%	5.0%

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

Capital outlay	339,270	378,935	327,792	360,267	315,644	264,770	230,746	319,509	185,636	227,169
----------------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

A separate calculation has been done to obtain the interest expense.

Interest expense	138,220	138,220	138,220	124,498	125,457	131,793	137,768	138,285	126,935	127,987
------------------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

Certain prior year amounts have been reclassified to conform to the current year presentation.

(Concluded)

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

Taxable Sales By Industry:	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Grocery, Food Stores, Delis, Bakeries	\$ 1,265.26	\$ 1,193.72	\$ 1,162.49	\$ 1,188.56	\$ 1,097.36	\$ 1,091.81	\$ 1,093.34	\$ 1,084.78	\$ 1,080.13	\$ 1,073.75
Restaurants and Bars	2,594.15	2,472.30	2,310.88	2,198.74	2,113.00	1,983.05	1,939.09	1,874.93	1,860.96	1,912.54
Room Rentals - Motels, Hotels	591.97	652.16	503.30	429.10	530.74	388.82	407.15	491.30	587.55	574.25
Utilities - Telephone, Electric, Gas, Water	255.14	591.87	673.23	600.82	617.53	583.28	588.48	589.94	641.09	636.72
Total	\$ 4,706.52	\$ 4,910.05	\$ 4,649.90	\$ 4,417.22	\$ 4,358.63	\$ 4,046.96	\$ 4,028.06	\$ 4,040.95	\$ 4,169.73	\$ 4,197.26
Direct sales tax rate	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

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

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

	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Farm Earnings	\$ 17	\$ 23	\$ 21	\$ 16	\$ 15	\$ 15	\$ 14	\$ 17	\$ 17	\$ 17
<u>Private Earnings</u>										
Forestry, Fishing and Other	(D)	(D)	(D)	47	46	(D)	(D)	(D)	40	41
Mining	(D)	(D)	(D)	18	17	(D)	(D)	(D)	13	18
Utilities	156	172	158	143	150	165	165	160	149	161
Construction	2,026	1,837	1,747	1,739	1,650	1,575	1,558	1,523	1,565	1,705
Manufacturing	3,065	3,116	3,046	2,835	2,750	2,822	2,797	2,769	2,683	3,062
Wholesale Trade	1,698	1,531	1,510	1,529	1,473	1,394	1,378	1,346	1,309	1,396
Retail Trade	2,259	2,063	1,977	1,861	1,847	1,786	1,811	1,799	1,727	1,804
Transportation and warehousing	685	605	591	596	598	558	562	521	500	519
Information	759	1,377	1,383	995	1,050	1,087	1,089	998	953	927
Finance and Insurance	2,971	3,027	2,975	2,819	2,657	2,702	2,560	2,549	2,262	2,194
Real Estate and Rental and Leasing	593	578	544	478	456	380	430	369	350	353
Professional, scientific, technical services	2,725	2,783	2,621	2,533	2,387	2,305	2,300	2,192	2,201	2,344
Management of companies and enterprises	1,899	1,844	1,602	1,602	1,426	1,247	1,256	1,198	1,054	1,189
Administrative and waste services	1,355	1,335	1,259	1,233	1,122	1,046	1,064	1,015	951	988
Educational services	1,429	1,404	1,344	1,293	1,235	1,239	1,264	1,244	1,196	1,138
Health care and social assistance	5,094	5,181	5,056	5,039	4,850	4,594	4,742	4,723	4,523	4,362
Arts, entertainment, and recreation	492	406	374	333	302	296	291	285	277	286
Accommodation and food services	1,356	1,277	1,197	1,126	1,072	995	1,001	945	903	949
Other services, except public administration	1,309	1,229	1,189	1,177	1,135	1,060	1,100	1,084	1,063	1,089
<u>Government and Government Enterprises</u>										
Federal/Civilian	1,233	1,226	1,160	1,117	1,132	1,200	1,114	1,103	1,031	976
Military	451	470	472	520	509	636	508	513	494	475
State and Local	4,449	4,225	4,169	4,199	4,162	3,931	4,149	4,140	3,956	4,048
Total Personal Income by Industry*	\$ 36,021	\$ 35,709	\$ 34,395	\$ 33,248	\$ 32,040	\$ 31,033	\$ 31,153	\$ 30,491	\$ 29,218	\$ 30,038

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

Source: US Bureau of Economic Analysis

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

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Revenue as a Percent of Personal Income
Prior Ten Fiscal Years
(expressed in millions)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Personal Income Tax (PIT) Revenue	\$ 1,217	\$ 1,228	\$ 1,116	\$ 1,086	\$ 1,060	\$ 1,021	\$ 898	\$ 941	\$ 1,074	\$ 1,065
Personal Income	53,000	52,006	49,683	49,434	48,184	46,881	45,268	43,471	44,144	43,126
PIT Revenue as a Percent of Personal Income	2.30%	2.36%	2.25%	2.20%	2.20%	2.18%	1.98%	2.16%	2.43%	2.47%

Source: Office of Revenue Analysis
*Includes wages, interest, dividends, rents,
pensions and transfer payments.*

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

		Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 2016 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$60,550	\$60,550 - \$137,650	over \$137,650		
Tax Year 2015 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$60,550	\$60,550 - \$137,650	over \$137,650		
Tax Year 2014 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$59,600	\$59,600 - \$133,500	over \$133,500		
Tax Year 2013 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$8,600	\$58,600 - \$133,250	over \$133,250		
Tax Year 2012 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$7,150	\$57,150 - \$129,900	over \$129,900		
Tax Year 2011 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$5,000	\$55,000 - \$125,000	over \$125,000		
Tax Year 2010 Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$34,000	\$34,000 - \$82,400	\$82,400 - \$171,850	\$171,850 - \$373,650	over \$ 373,650
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$6,800	\$ 56,800 - \$137,300	\$ 137,300 - \$209,250	\$ 209,250 - \$373,650	over \$ 373,650
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$28,400	\$ 28,400 - \$68,650	\$ 68,650 - \$104,625	\$104,625 - \$186,825	over \$ 186,825
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$45,550	\$ 45,550 - \$117,650	\$ 117,650 - \$190,550	\$190,550 - \$373,650	over \$373,650
Tax Year 2009 Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$33,950	\$ 33,950 - \$82,250	\$ 82,250 - \$171,550	\$ 171,550 - \$372,950	over \$ 372,950
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$6,700	\$ 56,700 - \$137,050	\$ 137,050 - \$208,850	\$ 208,850 - \$372,950	over \$ 372,950
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$28,350	\$ 28,350 - \$68,525	\$ 68,525 - \$104,425	\$104,425 - \$186,475	over \$ 186,475
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$45,500	\$ 45,500 - \$117,450	\$ 117,450 - \$190,200	\$190,200 - \$372,950	over \$372,950
Tax Year 2008 Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$32,550	\$32,550 - \$78,850	\$ 78,850 - \$164,550	\$ 164,550 - \$357,700	over \$ 357,700
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$4,400	\$ 54,400 - \$131,450	\$ 131,450 - \$200,300	\$ 200,300 - \$357,700	over \$ 357,700
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$27,200	\$ 27,200 - \$65,725	\$ 65,725 - \$100,150	\$100,150 - \$178,850	over \$ 178,850
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - \$43,650	\$ 43,650 - \$112,650	\$ 112,650 - \$182,400	\$182,400 - \$357,700	over \$357,700

(Continued)

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

Tax Year 2007						
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 31,850	\$31,850 - 77,100	\$ 77,100 - 160,850	\$ 160,850 - 349,700	over \$ 349,700
Married Filing Joint Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 53,150	\$ 53,150 - 128,500	\$ 128,500 - 195,850	\$ 195,850 - 349,700	over \$ 349,700
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 26,575	\$ 26,575 - 64,250	\$ 64,250 - 97,925	\$ 97,925 - 174,850	over \$ 174,850
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	\$ 0 - 42,650	\$ 42,650 - 110,100	\$ 110,100 - 178,350	\$ 178,350 - 349,700	over \$ 349,700

Source: *Department of Revenue - Division of Taxation*

(Concluded)

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2006 through 2015

<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	37.55%	\$ 14,665,246	1.34%
\$25,001 - \$50,000	114,881	23.21%	82,902,886	7.56%
\$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>\$ 1,095,392,607</u>	<u>100.00%</u>

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

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

<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	38.94%	\$ 16,926,831	1.75%
\$25,001 - \$50,000	113,669	23.64%	85,575,958	8.82%
\$50,001 - \$75,000	67,075	13.95%	108,935,845	11.23%
\$75,001 - \$100,000	42,991	8.94%	109,489,374	11.29%
\$100,001 - \$200,000	56,062	11.66%	270,444,262	27.88%
\$200,001 - \$500,000	11,501	2.39%	171,575,565	17.69%
\$500,001 - \$1,000,000	1,582	0.33%	61,270,009	6.32%
\$1,000,001 and greater	714	0.15%	145,706,695	15.02%
	<u>480,788</u>	<u>100.00%</u>	<u>\$ 969,924,538</u>	<u>100.00%</u>

(Continued)

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2006 through 2015

<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%
	<u>465,434</u>	<u>100.00%</u>	<u>\$ 894,193,156</u>	<u>100.00%</u>

<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%
	<u>467,439</u>	<u>100.00%</u>	<u>\$ 844,486,431</u>	<u>100.00%</u>

<u>Tax Year 2008</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	183,393	38.55%	\$ 21,961,360	2.34%
\$25,001 - \$50,000	115,125	24.20%	90,541,402	9.63%
\$50,001 - \$75,000	68,636	14.43%	114,674,809	12.20%
\$75,001 - \$100,000	43,504	9.14%	113,195,561	12.05%
\$100,001 - \$200,000	52,290	10.99%	265,674,573	28.28%
\$200,001 - \$500,000	10,588	2.23%	160,823,729	17.11%
\$500,001 - \$1,000,000	1,541	0.32%	63,650,231	6.77%
\$1,000,001 and greater	682	0.14%	109,196,985	11.62%
	<u>475,759</u>	<u>100.00%</u>	<u>\$ 939,718,650</u>	<u>100.00%</u>

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

<u>Tax Year 2006</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	186,777	39.30%	\$ 24,824,956	2.41%
\$25,001 - \$50,000	117,943	24.81%	95,815,612	9.30%
\$50,001 - \$75,000	68,647	14.44%	115,882,393	11.25%
\$75,001 - \$100,000	42,285	8.90%	112,897,362	10.96%
\$100,001 - \$200,000	46,714	9.83%	242,469,428	23.54%
\$200,001 - \$500,000	10,339	2.17%	163,620,232	15.89%
\$500,001 - \$1,000,000	1,735	0.36%	77,989,258	7.57%
\$1,000,001 and greater	917	0.19%	196,466,444	19.08%
	<u>475,357</u>	<u>100.00%</u>	<u>\$ 1,029,965,685</u>	<u>100.00%</u>

Source: Department of Revenue - Division of Taxation

(Concluded)

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
General obligation bonds	\$ 1,327,520	\$ 1,238,951	\$ 1,162,764	\$ 1,137,468	\$ 1,146,789	\$ 1,153,616	\$ 1,064,891	\$ 1,139,438	\$ 1,064,684	\$ 1,028,519
Revenue bonds (blended component units)	748,304	780,270	789,580	846,475	848,212	846,327	846,871	845,100	827,305	852,314
Capital leases	228,531	231,090	255,581	224,206	245,150	237,464	227,896	249,363	274,693	242,161
Special purpose bonds	606,195	391,240	435,600	415,955	468,730	519,060	567,190	613,355	680,797	376,678
Total governmental activities	<u>2,910,550</u>	<u>2,641,551</u>	<u>2,643,525</u>	<u>2,624,104</u>	<u>2,708,881</u>	<u>2,756,467</u>	<u>2,706,848</u>	<u>2,847,256</u>	<u>2,847,479</u>	<u>2,499,672</u>
Business-type Activities										
Revenue bonds	195,772	208,627	221,775	230,838	234,321	241,535	249,669	257,294	263,704	268,325
Total primary government	<u>\$ 3,106,322</u>	<u>\$ 2,850,178</u>	<u>\$ 2,865,300</u>	<u>\$ 2,854,942</u>	<u>\$ 2,943,202</u>	<u>\$ 2,998,002</u>	<u>\$ 2,956,517</u>	<u>\$ 3,104,550</u>	<u>\$ 3,111,183</u>	<u>\$ 2,767,997</u>
Debt as a Percentage of Personal Income	5.8%	5.8%	5.8%	6.0%	6.8%	7.5%	7.4%	8.2%	8.4%	8.1%
Amount of Debt Per Capita	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3

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

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue Bonds-Tobacco Settlement Financing Corporation(TSFC)										
Revenue:										
Tobacco settlement revenue, cash basis	\$ 31,057	\$ 47,432	\$ 45,295	\$ 51,757	\$ 46,692	\$ 49,944	\$ 50,166	\$ 48,620	\$ 58,039	\$ 53,247
Investment income	212	50	1,436	3,300	3,376	3,234	4,354	3,410	3,995	4,123
Total revenue	31,268	47,482	46,731	55,057	50,068	53,178	54,520	52,030	62,034	57,370
Less: operating expenses	84	141	126	62	33	74	74	69	99	33
Net available revenue	\$ 31,184	\$ 47,341	\$ 46,605	\$ 54,995	\$ 50,035	\$ 53,104	\$ 54,446	\$ 51,961	\$ 61,935	\$ 57,337
Debt service										
Interest and required principal payments (c)	\$ 37,996	\$ 38,139	\$ 35,633	\$ 35,229	\$ 36,085	\$ 37,029	\$ 37,783	\$ 38,614	\$ 40,918	\$ 40,918
Covered ratio before turbo principal payment	82%	124%	131%	156%	139%	143%	144%	135%	151%	140%
Turbo principal payments (b)	6,275	10,005	25,520	20,340	14,265	15,735	12,570	14,710	16,620	16,620
Total debt service	\$ 44,271	\$ 48,144	\$ 61,153	\$ 55,569	\$ 50,350	\$ 52,764	\$ 50,353	\$ 53,324	\$ 57,538	\$ 57,538
Coverage ratio after turbo principal payments (a)	70%	98%	76%	99%	99%	101%	108%	97%	108%	100%
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - FHWA participation	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391	\$ 43,646	\$ 44,147
Net available revenue	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391	\$ 43,646	\$ 44,147
Debt service (d)										
Principal	\$ 0	\$ 0	\$ 34,160	\$ 32,615	\$ 31,075	\$ 29,590	\$ 28,205	\$ 26,910	\$ 28,315	\$ 28,315
Interest	19,116	6,254	14,196	15,772	17,308	18,792	20,184	21,481	15,895	15,895
Coverage (a)	100%	100%	100%	100%	100%	100%	100%	100%	99%	100%
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579	\$ 8,656	\$ 9,028
Net available revenue	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579	\$ 8,656	\$ 9,028
Debt service										
Principal	\$ 4,200	\$ 4,375	\$ 4,185	\$ 3,985	\$ 3,840	\$ 3,710	\$ 3,585	\$ 3,480	\$ 3,730	\$ 3,730
Interest	2,661	2,839	3,006	3,162	3,304	3,439	3,561	3,667	3,241	3,241
Coverage (a)	129%	124%	122%	119%	116%	118%	118%	120%	124%	130%

(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 year 2016 occurred because the bonds were refunded.

Source: Department of Administration

State of Rhode Island and Providence Plantations

**Schedule of Nominal Personal Income and Per Capita Personal Income
Prior Ten Calendar Years**

**Resident Population
Prior Ten Calendar Years**

	Personal Income				Per Capita Personal Income				Population			
	<i>(in billions)</i>				<i>(in dollars)</i>				<i>(in thousands)</i>			
	United States		Rhode Island		United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Population	Percent Change	Population	Percent Change
2016	\$ 15,912.8	2.3%	\$ 53.3	1.4%	\$ 49,246	1.6%	\$ 50,427	1.3%	323,128	0.7%	1,056	0.1%
2015	15,324.1	4.4%	52.9	3.7%	47,669	3.5%	50,080	3.6%	321,467	0.8%	1,056	0.1%
2014	14,683.1	4.4%	51.0	5.0%	46,049	3.6%	48,359	4.8%	318,857	0.7%	1,055	0.2%
2013	14,081.2	2.6%	49.4	2.6%	44,543	2.7%	47,012	2.5%	316,129	0.7%	1,052	0.1%
2012	13,729.1	4.2%	48.2	2.8%	43,375	2.5%	45,877	2.8%	313,914	0.7%	1,050	0.0%
2011	13,179.6	6.1%	46.9	3.6%	42,298	5.3%	44,621	3.8%	311,588	0.7%	1,051	-0.2%
2010	12,423.3	2.9%	45.3	4.1%	40,163	2.0%	42,999	4.2%	309,326	0.8%	1,053	-0.1%
2009	12,073.7	-2.9%	43.5	-1.5%	39,357	-3.7%	41,257	-1.4%	306,772	0.9%	1,054	-0.1%
2008	12,429.3	3.7%	44.1	2.4%	40,873	2.7%	41,842	2.6%	304,094	1.0%	1,055	-0.2%
2007	11,990.2	5.4%	43.1	4.5%	39,804	4.4%	40,788	5.1%	301,231	1.0%	1,057	-0.5%

Source: United States Bureau of Economic Analysis

**Schedule of Economic Indicators
Prior Ten Calendar Years**

	Civilian Labor Force		Existing Single Family Home Sales	
	<i>(in thousands)</i>			
	Number in Labor Force	Percent Change	Number of Sales	Percent Change
2016	552	-0.3%	14,580	6.3%
2015	555	0.0%	8,673	-0.9%
2014	555	-0.5%	8,749	-0.3%
2013	556	-0.6%	10,310	14.4%
2012	559	-0.7%	9,012	-6.7%
2011	563	-1.7%	9,662	-2.9%
2010	572	1.1%	9,954	-10.6%
2009	566	-1.0%	11,128	14.5%
2008	572	-0.4%	9,716	-17.9%
2007	574	0.2%	11,837	-11.8%

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

**State of Rhode Island and Providence Plantations
Principal Employers
2016 and 2007**

2016				2007			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	12,050	2.18%	1	Lifespan	11,694	2.03%
2	Care New England	8,500	1.54%	2	Care New England	6,561	1.14%
3	CVS Health Corp.	7,800	1.41%	3	CVS Corporation	5,780	1.00%
4	Citizens Bank	5,318	0.96%	4	Citizen's Financial Group (Royal Bank of Scotland)	5,500	0.95%
5	General Dynamics Corp	5,068	0.92%	5	Bank of America	4,500	0.78%
6	Brown University	4,000	0.72%	6	Brown University	4,443	0.77%
7	Fidelity Investments	4,000	0.72%	7	Stop & Shop Supermarket Co	4,385	0.76%
8	Roman Catholic Diocese of Providence	3,500	0.63%	8	Fidelity Investments	2,200	0.38%
9	Charter Care Health Partners	3,002	0.54%	9	General Dynamics Corp	2,143	0.37%
10	Naval Undersea Warfare Center	2,963	0.54%	10	The Jan Company	2,115	0.37%
	Total employment	552,106	10.16%			576,000	8.55%

Source: RI Department of Labor and Training.

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

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Full-time Employees</u>										
General Government	2,496	2,428	2,364	2,384	2,414	2,337	2,561	2,533	2,474	2,508
Human Services	3,196	3,190	3,273	3,353	3,273	3,118	3,247	3,125	3,164	3,671
Education	352	353	340	359	370	354	358	352	343	365
Public Safety	3,031	3,007	3,029	3,057	3,023	3,002	2,685	2,693	2,684	2,865
Natural Resources	860	843	879	904	898	887	865	863	890	905
Transportation	741	705	735	771	781	797	802	763	708	719
State Total	10,676	10,526	10,620	10,828	10,759	10,495	10,518	10,329	10,263	11,033

Source: Department of Administration

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>General Government</u>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,788,256	\$2,732,982	\$2,630,196	\$2,479,404	\$2,422,640	\$2,330,068	\$2,242,867	\$2,135,981	\$2,049,159	\$2,047,671
Number of business transactions processed electronically	1,219,895	1,042,129	1,026,097	1,160,506	988,669	970,394	917,982	857,553	782,659	767,971
Personal Income Tax returns filed electronically - Tax Year	555,142	531,354	505,137	490,000	463,900	451,406	442,383	379,495	349,211	289,346
Department of Labor and Training										
Labor force total (expressed in thousands)	553	555	553	554	560	566	569	567	568	577
Unemployment rate (percentage)	5.6%	6.7%	7.7%	8.9%	11.1%	11.4%	11.6%	11.2%	7.8%	5.0%
<u>Human Services</u>										
Department of Children, Youth and Families										
Average Number of Children in Out of Home Placement	2,535	2,484	2,306	2,141	2,116	2,249	2,201	2,410	2,729	2,436
Number of births (expressed in thousands)	12	12	11	11	12	12	12	12	13	14
<u>Education</u>										
Office of Postsecondary Commissioner										
Enrollment - Higher Education	41,030	43,335	42,765	42,786	44,504	43,254	43,224	43,409	42,601	41,503
Number of certificates and degrees awarded - Higher Education	7,888	7,675	7,400	7,256	6,804	6,500	6,516	6,255	5,754	5,518
<u>Public Safety</u>										
Department of Corrections										
Incarcerated offenders (male)	3,068	3,047	3,060	2,988	3,022	3,084	3,154	3,499	3,567	3,542
Incarcerated offenders (female)	125	136	154	173	169	189	187	190	204	231
<u>Natural Resources</u>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	143	141	145	138	131	114	119	136	148	140
Park visitations (expressed in thousands)	7,884	6,393	1,904	1,302	3,449	5,213	5,386	5,374	5,174	5,928
Recreational registrations (boats)	40,178	38,463	38,950	39,012	38,583	40,525	41,158	42,301	42,999	44,000
<u>Transportation</u>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	7,927	7,832	7,677	7,775	7,786	7,901	8,280	8,279	8,188	8,679

Source: Various Agencies

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>General Government</u>										
Buildings	17	17	16	16	16	16	15	14	14	15
Vehicles	126	161	163	272	257	251	258	260	271	263
<u>Human Services</u>										
Buildings	188	188	205	199	199	196	197	201	200	199
Vehicles	273	281	280	291	286	304	337	339	365	360
<u>Education</u>										
Buildings	12	13	12	12	9	10	10	9	10	12
Vehicles	18	18	17	16	13	14	19	20	20	20
<u>Public Safety</u>										
Buildings	66	66	65	65	64	62	59	53	52	52
Vehicles	669	656	646	635	643	561	604	586	614	644
<u>Natural Resources</u>										
Buildings	80	81	78	80	80	67	49	47	45	44
Vehicles	424	443	416	431	419	426	428	420	423	414
Number of state parks, beaches, bike paths	34	25	26	21	21	21	21	21	21	21
Area of state parks, beaches (acres)	8,052	8,038	8,052	8,052	8,052	8,052	8,052	8,052	8,052	8,052
<u>Transportation</u>										
Buildings	21	19	33	23	23	21	19	19	19	19
Vehicles	693	606	652	558	547	555	621	611	628	635
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

Cover – Watch Hill – Westerly



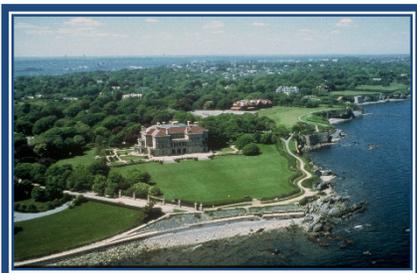
Photographer:

Zachary Turner

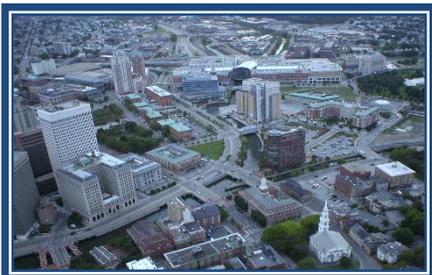
Introductory Section – Newport Bridge



Financial Section – Aerial view of Newport showing the Breakers Mansion and Cliff Walk



Statistical Section – Aerial view of Downtown Providence



The Rhode Island Division of Planning Archival Photography assisted in providing photographs for the State of Rhode Island's 2017 Comprehensive Annual Financial Report