

State of Rhode Island Comprehensive Annual Financial Report

Fiscal year ended June 30, 2018



Gina M. Raimondo, Governor

Department of Administration

Michael DiBiase, Director of Administration

Office of Accounts and Control

Peter B. Keenan, CPA, State Controller

2018

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Introductory Section



State of Rhode Island
Comprehensive Annual Financial Report
Fiscal year ended June 30, 2018

2018



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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December 28, 2018

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, 2018.

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 and Cash Stabilization Account (the 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 general revenue deficit in any given fiscal year caused by a general revenue shortfall, such appropriations to be approved by a majority of each chamber of the General Assembly.

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 2018 was 3.8 percent. The rate has decreased by 40 basis points from the rate recorded in October 2017 and is 7.5 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 3.7 percent in October 2018.

In testimony to the November 2018 Revenue Estimating Conference, IHS Markit (IHS) noted that Rhode Island's economy is projected to grow briskly over the next eight quarters, with Rhode Island non-farm employment growth coming in at 1.4 percent for fiscal 2019 and 0.9 percent for fiscal 2020 before slowing considerably in fiscal 2021 and fiscal 2022 and contracting in fiscal 2023 and fiscal 2024. With respect to nominal personal income, growth is projected at 3.9 percent in fiscal 2019 with an acceleration to 4.4 percent in fiscal 2020 before slowing to the 3.8 percent to 4.0 percent range for fiscal 2021 through 2024.

The Rhode Island Department of Labor and Training (DLT) testified at the November 2018 Revenue Estimating Conference that Rhode Island lost 39,800 jobs during the Great Recession and as of September 2018 the State had recovered all of those lost jobs and added 6,900 new jobs. Among private sector industries, only the information services sector has shown a decline in jobs between July 2009 and September 2018, shedding 2,700 jobs with an average annual wage of \$70,621 in 2017. This compares to fifteen private sector industries which have added 50,100 jobs over this same period with 25 percent of these jobs being added in higher wage industries (industries with an average annual wage of \$60,000 and above).

The November 2018 Consensus Economic Forecast indicates that the State experienced its peak rate of growth in non-farm employment in fiscal 2014 and fiscal 2015 at 1.5 percent for each year. Over the fiscal year 2019 through fiscal year 2024 forecast period, Rhode Island non-farm employment growth is projected to decline from 1.4 percent in fiscal 2019, which is a slight increase from fiscal 2018, to -0.1 percent in fiscal 2024. Most of this decline in non-farm employment growth is attributable to an increasingly older working age population and slight population growth. Personal income growth is projected to peak in fiscal 2020 at 4.4 percent, slightly below fiscal 2018's growth rate of 4.5 percent, before decelerating to 3.8 percent in fiscal 2024. Wage and salary growth is forecasted to follow a similar pattern to nominal personal income growth, peaking in fiscal 2020 at 4.4 percent, a significantly stronger growth rate than the 3.5 percent recorded for fiscal 2018, before decelerating to a growth rate of 3.9 percent in fiscal 2024. Finally, the unemployment rate is expected to remain below 4.0 percent in fiscal 2019 and 2020 before rising to 5.0 percent in fiscal 2024.

Major Initiatives: The following section highlights several notable initiatives that will likely impact revenue and expenditure trends in fiscal 2019 and beyond.

Several changes were authorized in the 2019 budget that will impact future revenues, including:

- Authorization to establish Sports Betting at Rhode Island's two casinos. The November Revenue Estimating Conference estimated revenues of \$11.5 million in fiscal 2019 and \$27.3 million in fiscal 2020 from this gaming expansion.
- Restructuring the Division of Taxation and the creation of a new Collections Unit within the Department of Revenue is projected to generate increased revenue of \$14.8 million in fiscal 2019.
- Expanding the sales and use tax to include two new categories - software as a service and security services.
- Adding microbrewery kegs to the list of items exempt from the sales and use tax.

The fiscal 2019 Budget continues to finance several of the Governor's economic development initiatives under the control of the Secretary of Commerce, including the Rebuild RI tax credit, Wavemaker Fellowships, the I-195 Redevelopment Project Fund and the Air Service Development Fund. The enacted budget also repealed the Job Training Tax Credit as of January 1, 2018 and increased the amount of the Motion Picture Tax credit from 25.0 percent to 30.0 percent but did not change the overall cap of \$15.0 million on this program.

The fiscal 2019 Budget includes the eighth year of the implementation of the Education Funding Formula, which resulted in an overall increase in funding of \$44.3 million. Fiscal 2018 was the final year of the phase-in for those communities receiving an increased share of funding under the formula. However, the formula continues to be phased-in through fiscal 2021 for those communities that will see a declining share of the funding under the formula.

The fiscal 2019 Budget continues the phase-out of the ability of municipalities to tax motor vehicles that was enacted in the 2017 session of the General Assembly. The legislation phases out the local excise tax by lowering values, increasing the minimum exemption and lowering tax rates. The fiscal 2019 budget includes \$54.7 million to reimburse lost revenues to cities and towns. The cost of this reimbursement is projected to increase to \$224.4 million by fiscal 2024.

The State negotiated new contracts with employee unions that included a 2.0 percent cost of living adjustment (COLA) retroactive to January 2018 and additional COLAs in January 2019 (2.5 percent), July 2019 (2.0 percent) and January 2020 (1.0 percent). The newly negotiated contracts also included savings from changes to employee medical benefits that will offset a portion of the pay raises.

The fiscal 2019 Budget authorizes increases to home care rates of 10 percent for certified nursing assistance and personal care attendants and 20 percent for skilled nursing services. In addition, new federal funds will be used to provide rate increases, stipends and sick time payments to child care providers in accordance with recent contract negotiations. Rate increases for nursing homes were also authorized, including 1.5 percent on July 1, 2018 and 1.0 percent on October 1, 2018.

The fiscal 2019 Budget includes several savings initiatives in the human services function, including a redesign of the Rhody Health Options managed care program that provides services to individuals eligible for Medicare and Medicaid and provides home and community care services through the Community First Choice option. Changes in the eligibility process for nursing home care, including asset verification, were also enacted for fiscal 2019. Savings are also assumed from the re-procurement of the State's non-emergency transportation services contract and from reducing payments made for certain transportation services.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Rhode Island for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This is the seventh 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, 2018 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

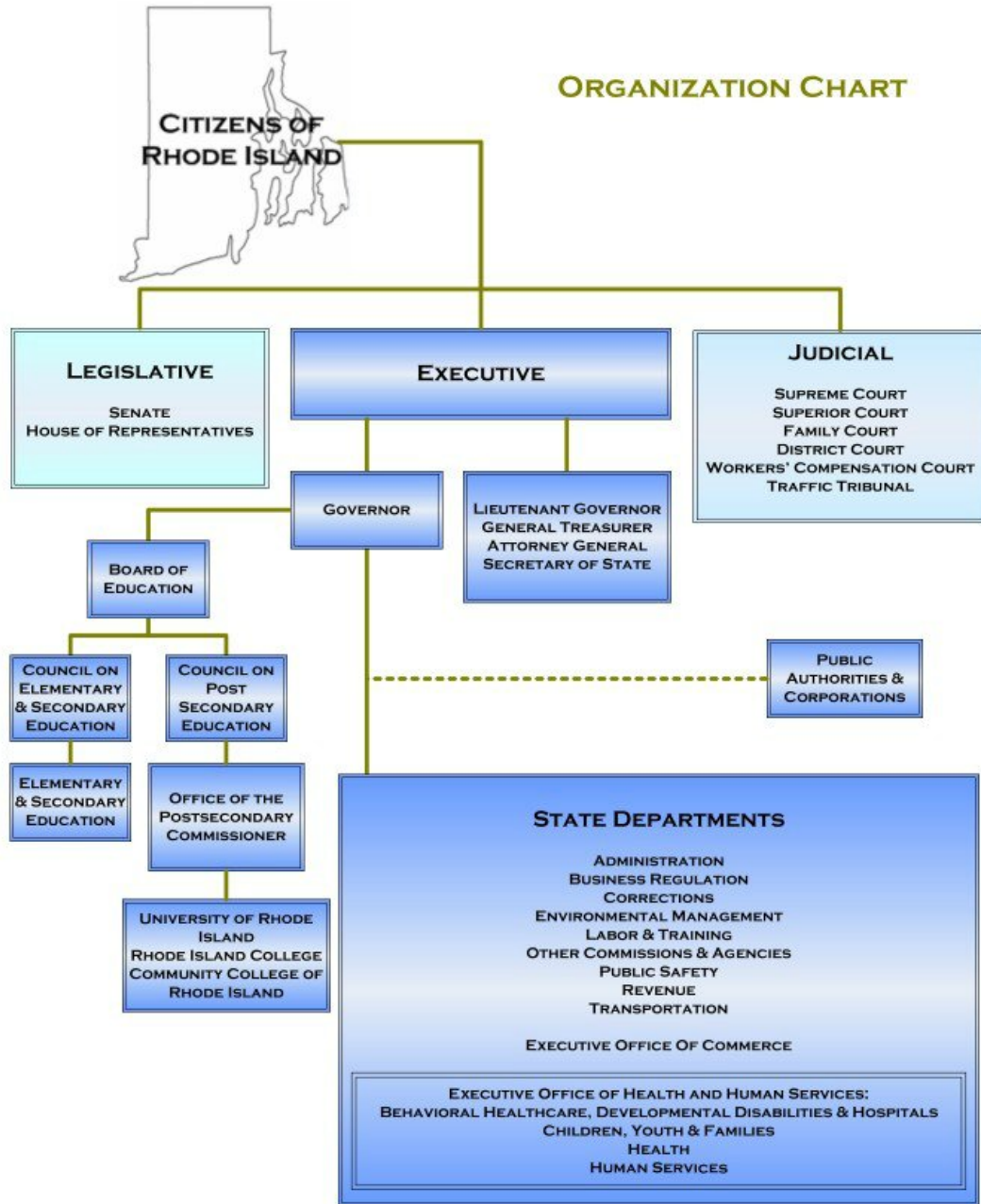
June 30, 2017

Christopher P. Morill

Executive Director/CEO

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

ORGANIZATION CHART



As of JUNE 30, 2018

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, 2018

2018



Office of the Auditor General

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

oag.ri.gov

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- the Tobacco Settlement Financing Corporation, a blended component unit which represents 1% of the assets and deferred outflows and 1% of the revenues of the governmental activities and 1% of the assets and 2% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 27% of the assets and deferred outflows and 3% 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 37% of the assets and 21% 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.

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

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Notes 1(T), 15, and 18(G) – the State implemented Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal 2018 which resulted in restatement of beginning net position of the governmental activities, business-type activities, Rhode Island Lottery (major fund) and discretely presented component units.

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 24% of the assets of the pension and other employee benefit trusts and 14% of the assets of the aggregate remaining fund information, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 18 through 42, the Budgetary Comparison Schedules on pages 189 through 193, and information about the State's pension plans and other postemployment benefit plans on pages 194 through 231 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

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

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

Other Information

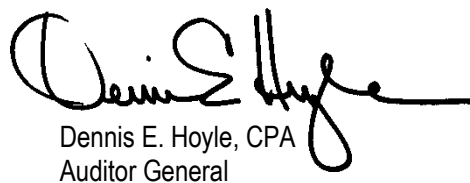
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as the combining and individual nonmajor fund financial statements on pages 233 through 260 which includes the budgetary comparison schedule for the Temporary Disability Insurance (TDI) Fund on page 236, and the other information, such as the introductory and statistical sections on pages 5 through 12 and pages 263 through 281, 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund 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

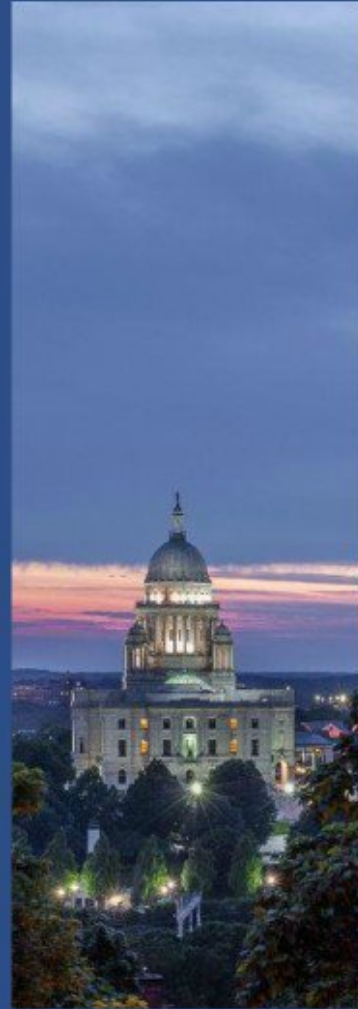
In accordance with *Government Auditing Standards*, we will issue our report dated December 28, 2018 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be included in the State's 2018 *Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Dennis E. Hoyle, CPA
Auditor General

December 28, 2018

Management's Discussion and Analysis



State of Rhode Island

Fiscal Year Ended

June 30, 2018



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, 2018. 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, 2018 by \$(374.2) million. This amount is presented as "net position (deficit)" on the Statement of Net Position for the Total Primary Government. Of this amount, \$(4.7) billion was reported as unrestricted net position (deficit), \$1.0 billion as restricted net position, and \$3.3 billion as net investment in capital assets.

Effective July 1, 2017 the State adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. As required by Statement No. 75, the State restated its beginning net position to record the Net OPEB Assets and Liabilities for the OPEB plans it has funding responsibility for. This restatement reduced the net position for governmental activities at July 1, 2017 by \$467 million and the net position for business-type activities by \$3.6 million. Please see the Notes to Basic Financial Statements for a complete discussion of the effect of Statement No. 75 and the disclosures required by the standard.

- **Changes in Net Position:** The net increase in the primary government's net position in fiscal year 2018 of \$221.2 million which reduced the overall net deficit reported by the State at June 30, 2018 was mostly attributable to the following factors:
 - Governmental activities experienced continued revenue growth in fiscal 2018. Tax revenue increased by \$166.0 million over fiscal 2017. This was primarily attributable to increases in personal income, general business and sales and use taxes as a result of the positive economic environment.
 - Total governmental activities expenses increased by \$175.6 million in fiscal 2018. Expenses increased in almost all functional categories. The most notable increases were in human services and education.
 - Human services expenditures increased primarily because of spending on the Unified Health Infrastructure Project (UHIP), the State's new human services eligibility system, which increased by almost \$25 million. Also, spending in the Medicaid program increased due to continued general growth in healthcare costs. Finally, in the human services category, new federal Medicaid funding for the Health Systems Transformation Project resulted in increased spending of \$13.6 million.
 - Expenditures in the Education category were higher primarily because of the continued transition to the Education Funding Formula, which required over \$44 million in additional funding in fiscal 2018.
 - Expenditures in the Public Safety category decreased primarily as a result of a pension expense credit of \$96.5 million relating to the measurement of the net pension liability for certain retired members of the State Police. This credit results from a change in actuarial

assumption attributable to the establishment of an advance funded trust that replaced the previous plan which was funded on a pay-as-you-go basis. According to GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you-go plans. Higher discount rates result in lower pension expense. The discount rate for the plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit in fiscal 2018. GASB standards require the immediate recognition of this change in the discount rate assumption since the plan is a closed plan that is comprised entirely of retired employees. See Note 14 for additional information about this plan.

- Business-type activities experienced an increase in net position of \$86.6 million during the fiscal year. This was mostly attributable to the Employment Security Fund operating at an \$86.6 million surplus in fiscal 2018. The Lottery also contributed approximately \$365.0 million in resources to fund governmental activities in fiscal year 2018, an increase of \$2.3 million over fiscal 2017.

Fund Financial Statements

Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$1,296.6 million, a decrease of \$71.7 million in comparison with the restated previous fiscal year. This is primarily a result of the decrease in the fund balance of the Intermodal Surface Transportation (IST) Fund of \$39.1 million, which was due to a significant increase in expenditures for transportation related projects as the pace of bridge and highway improvements being made under the State's RhodeWorks initiative picked up significantly this year.
- As of June 30, 2018, the State's General Fund reported an ending fund balance of \$358.7 million, a decrease of \$31.3 million as compared to the prior year.
- The most significant source of General Fund revenues, taxes, increased by \$158.6 million as compared to fiscal 2017. Personal income, sales and use and general business taxes all reflected healthy increases from the prior fiscal year due to a number of factors including the improving economic climate and greater number of Rhode Islanders employed.
- On the expenditure side, total general fund expenditures were \$159.0 million greater than in fiscal 2017 due to greater spending across a number of categories the most significant of which are discussed below.
- There was an increase of \$97.2 million in the Human Services function which was attributable to several factors. Spending on the Unified Health Infrastructure Project (UHIP), the State's new human services eligibility system, increased by almost \$25 million. Spending on the Medicaid program increased due to continued general growth in healthcare costs. Finally, new federal Medicaid funding for the Health System Transformation Project resulted in increased spending of \$13.6 million.
- Expenditures for Education rose by \$54.0 million as a result of the continued transition to the Education Funding Formula, which required almost \$44.3 million in additional funding in fiscal 2018 compared to fiscal 2017.
- The State fully funded its State Budget Reserve and Cash Stabilization Account (the Reserve) within the General Fund in the amount of \$198.5 million as required by Section 35-3 of the RI General Laws.

Proprietary Funds

- The Rhode Island State Lottery transferred \$365.0 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$2.3 million in comparison with the previous fiscal year. Sales of traditional lottery products were up 3.4% percent year-over-year. Changes to the Mega Millions® game, including an increase in ticket price, as well as the introduction of new high price point instant games significantly contributed to the overall increase in traditional lottery games revenue. This increase in the sales of traditional lottery products was offset by a decline in video lottery net terminal income revenues of 0.2% percent in fiscal 2018 due to increased competition from a nearby Massachusetts casino. Net revenues from the operation of table games at Twin River increased by 4.1% percent in fiscal 2018 due to the addition of 6 tables in July 2017 and continued targeted marketing efforts.
- The Employment Security Fund ended the fiscal year with a net position of \$470.0 million, an increase of \$86.6 million from the prior fiscal year. This favorable change is principally attributable to an excess of tax revenue over benefits paid due primarily to the improving employment level in the State.
- The Rhode Island Convention Center Authority ended the fiscal year with a net position deficiency of \$55.2 million, a deficit increase of \$437.0 thousand 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 postemployment benefits trusts, an external investment trust, private-purpose trusts and agency funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found in the supplementary information section of the State's CAFR.

Discretely Presented Component Units

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information, including information concerning the State's pension and other postemployment benefit obligations. This section also includes a budgetary comparison schedule for each of the State's major governmental funds that have a legally enacted budget.

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (deficit) (governmental and business-type activities) totaled \$(374.2) million at the end of fiscal 2018, compared to \$(595.4) million at the end of the prior fiscal year, as restated. Governmental activities reported unrestricted net position (deficit) of \$(4,702.4) 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, 2018 and 2017
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 2,365,680	\$ 2,484,486	\$ 550,828	418,353	\$ 2,916,508	\$ 2,902,839
Capital assets	4,298,377	4,191,448	134,409	137,724	4,432,786	4,329,172
Total assets	6,664,057	6,675,934	685,237	556,077	7,349,294	7,232,011
Deferred outflows of resources	855,400	582,620	11,606	7,094	867,006	589,714
Long-term liabilities outstanding	6,899,323	6,776,693	248,029	208,715	7,147,352	6,985,408
Other liabilities	1,205,941	1,231,220	54,053	46,714	1,259,994	1,277,934
Total liabilities	8,105,264	8,007,913	302,082	255,429	8,407,346	8,263,342
Deferred inflows of resources	182,217	153,304	935	511	183,152	153,815
Net position (deficit):						
Net investment in capital assets	3,356,040	3,212,380	(50,807)	(53,682)	3,305,233	3,158,698
Restricted	578,309	920,232	471,070	384,198	1,049,379	1,304,430
Unrestricted	(4,702,373)	(5,035,275)	(26,437)	(23,285)	(4,728,810)	(5,058,560)
Total net position (deficit)	\$ (768,024)	\$ (902,663)	\$ 393,826	\$ 307,231	\$ (374,198)	\$ (595,432)

*Restated.

As indicated above, the State reported a balance in unrestricted net position (deficit) of \$(4.7) billion as of June 30, 2018. 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. In addition, beginning in fiscal 2018 the State has recognized the net other postemployment benefit (OPEB) liability (asset) for the retiree health care plans that it has funding responsibility for. Recognition of these liabilities has had a significant adverse impact on unrestricted net position. At June 30, 2018 the net pension liability related to governmental activities was \$3.63 billion and the net pension liability related to business-type activities was \$16.9 million. In addition, the net OPEB liability related to governmental activities was \$511.6 million and the net OPEB liability related to business-type activities was \$3.9 million.

Another significant contributing factor creating the deficit in unrestricted net position is the State's use of general obligation bond proceeds (which are reported as debt of the primary government) for other than the primary government's direct capital purposes. In these instances, proceeds are transferred to municipalities, discretely presented component units and non-profit organizations within the State to fund specific projects.

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

- Certain transportation projects funded with bond proceeds that do not meet the State's criteria for capitalization as infrastructure;
- Construction of facilities at the State's university and colleges, which are 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, 2018 approximately \$642.0 million of principal and \$97.5 million of accreted interest are included in the State's debt.
- Historic Tax Credit Bonds - In fiscal 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, 2018, approximately \$52.0 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, 2018, approximately \$201.5 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 \$221.2 million during fiscal 2018. Total revenues of \$8,396.4 million increased by \$211.5 million compared to fiscal 2017. The favorable results were aided by increased general revenues due primarily to increases in tax revenues for broad-based taxes, as well as increases in operating grants.

The State's expenses, which cover a wide range of services, increased by \$182.5 million.

The most notable increases were in the human services and education categories. Human services expenditures increased primarily because of spending on the Unified Health Infrastructure Project (UHIP), the State's new eligibility system, which increased by almost \$25 million. Also, spending on the Medicaid program increased due to continued general growth in healthcare costs. Finally in the human services

category, new federal Medicaid funding for the Health System Transformation Project resulted in increased spending of \$13.6 million.

Expenditures in the Education category were higher primarily because of the continued transition to the Education Funding Formula, which required over \$44 million in additional funding in fiscal 2018. The increase in interest and other charges from fiscal 2017 to fiscal 2018 is the result of a restructuring of debt undertaken in fiscal 2016 that freed up resources to be invested in economic development programs, but deferred debt service costs to future years.

Expenditures in the Public Safety category decreased primarily as a result of a pension expense credit of \$96.5 million relating to a pension plan that covers certain retired members of the State Police. The plan does not cover any active officers. This credit results from a change in actuarial assumption attributable to the establishment of an advance funded trust that replaced the previous plan which was funded on a pay-as-you-go basis. According to GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you-go plans. Higher discount rates result in lower pension expense. The discount rate for the plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit in fiscal 2018. GASB standards require the immediate recognition of this change in the discount rate assumption since the plan is a closed plan that is comprised entirely of retired employees. See Note 14 for additional information about this plan.

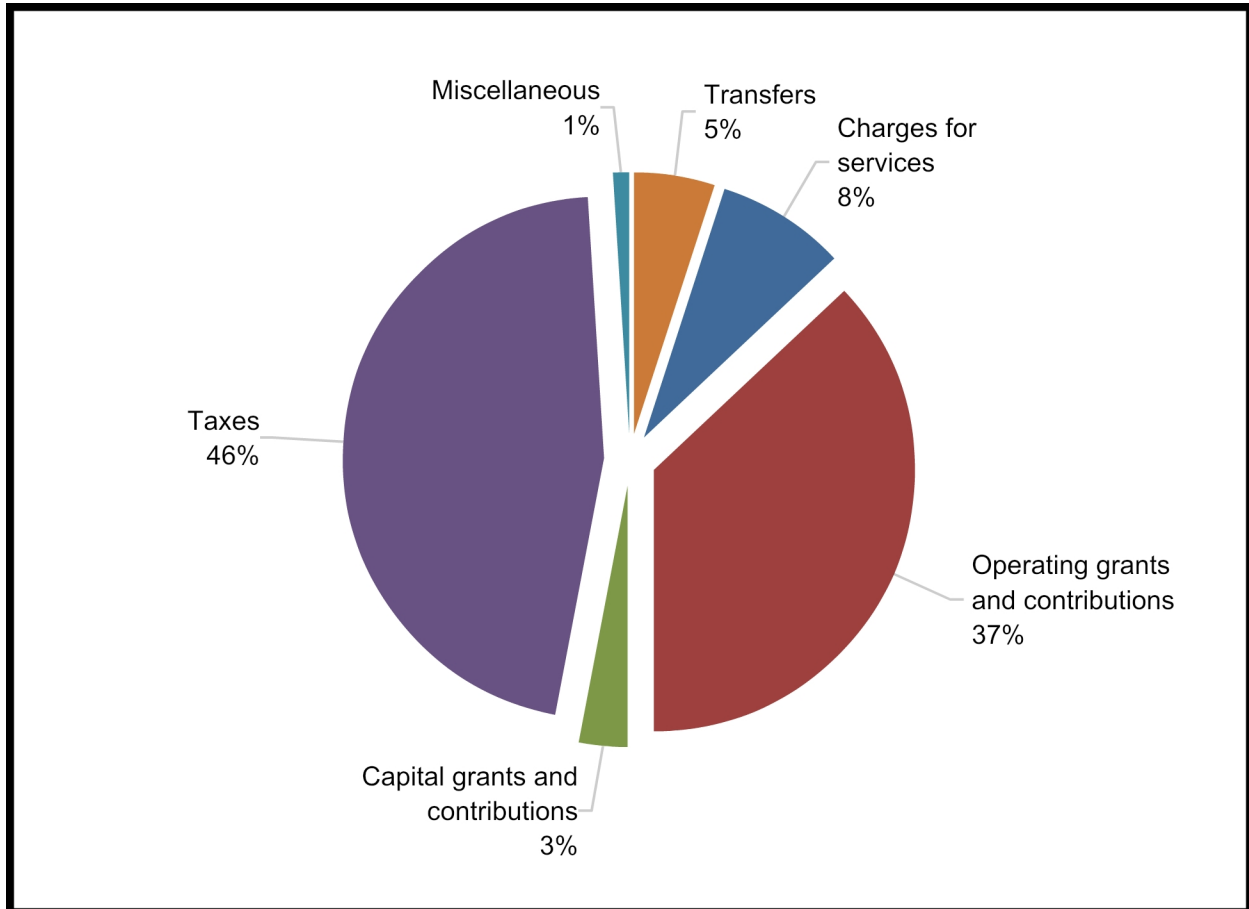
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island's Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 641,305	\$ 584,539	\$ 1,142,564	\$ 1,151,505	\$ 1,783,869	\$ 1,736,044
Operating grants and contributions	2,784,544	2,747,631	1,259	1,373	2,785,803	2,749,004
Capital grants and contributions	207,673	230,956	—	—	207,673	230,956
General revenues:						
Taxes	3,474,545	3,308,575	—	—	3,474,545	3,308,575
Interest and investment earnings	10,548	6,313	604	312	11,152	6,625
Miscellaneous	124,370	146,803	8,946	6,814	133,316	153,617
Total revenues	<u>7,242,985</u>	<u>7,024,817</u>	<u>1,153,373</u>	<u>1,160,004</u>	<u>8,396,358</u>	<u>8,184,821</u>
Program expenses:						
General government	751,362	753,011	—	—	751,362	753,011
Human services	3,965,185	3,802,311	—	—	3,965,185	3,802,311
Education	1,708,408	1,619,343	—	—	1,708,408	1,619,343
Public safety	433,815	551,000	—	—	433,815	551,000
Natural resources	97,253	90,082	—	—	97,253	90,082
Transportation	403,365	350,585	—	—	403,365	350,585
Interest and other charges	92,231	109,664	—	—	92,231	109,664
Lottery	—	—	521,594	510,302	521,594	510,302
Convention Center	—	—	52,684	50,658	52,684	50,658
Employment Security	—	—	149,227	155,672	149,227	155,672
Total expenses	<u>7,451,619</u>	<u>7,275,996</u>	<u>723,505</u>	<u>716,632</u>	<u>8,175,124</u>	<u>7,992,628</u>
Excess (deficiency) before transfers	(208,634)	(251,179)	429,868	443,372	221,234	192,193
Transfers	343,273	338,978	(343,273)	(338,978)	—	—
Change in net position	<u>134,639</u>	<u>87,799</u>	<u>86,595</u>	<u>104,394</u>	<u>221,234</u>	<u>192,193</u>
Net position (deficit) - Beginning	(448,902)	(536,701)	310,832	206,438	(138,070)	(330,263)
Cumulative effect of prior period adjustments	(453,761)	—	(3,601)	—	(457,362)	—
Net position (deficit) - Beginning, as restated	<u>(902,663)</u>	<u>(536,701)</u>	<u>307,231</u>	<u>206,438</u>	<u>(595,432)</u>	<u>(330,263)</u>
Net position (deficit) - Ending	<u>\$ (768,024)</u>	<u>\$ (448,902)</u>	<u>\$ 393,826</u>	<u>\$ 310,832</u>	<u>\$ (374,198)</u>	<u>\$ (138,070)</u>

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2018.

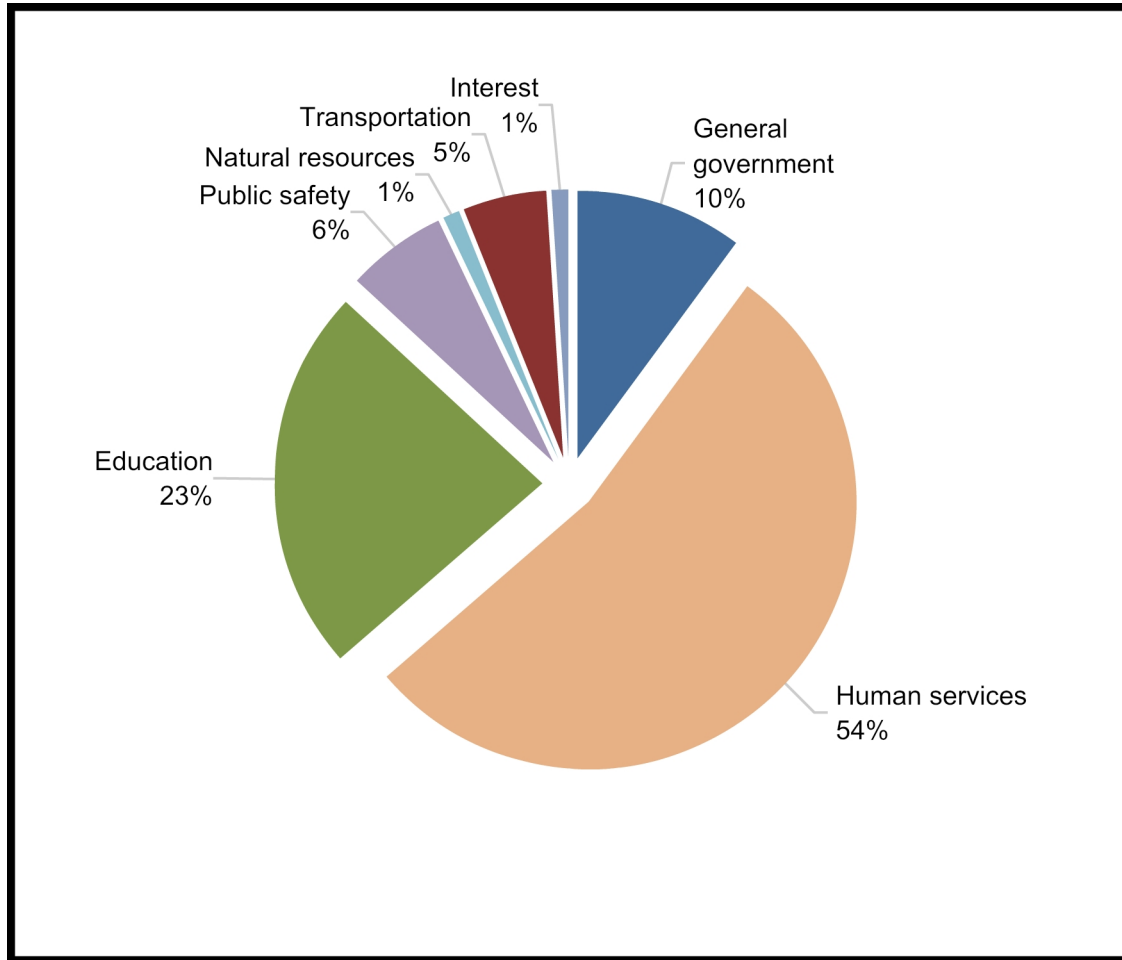
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly constant in fiscal 2018 versus the prior fiscal year. Taxes continued to represent the largest source of revenue at 46% of the total while operating grants and contributions represented 37% of the total in fiscal 2018.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2018.

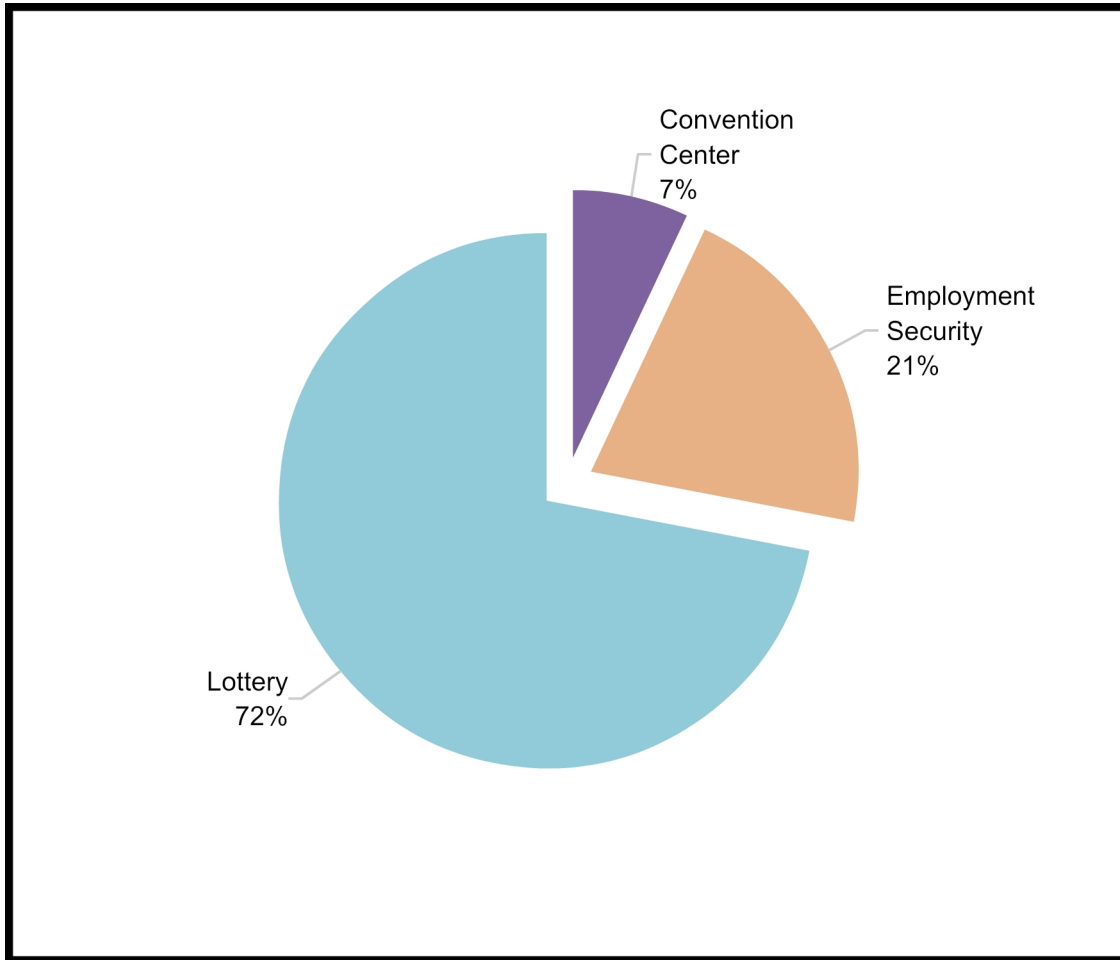
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal 2018 as in the prior fiscal year. There were slight increases in human services and education expenditures as a percent of total expenditures for the reasons discussed above.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2018.

Chart 3 - Program Expenses - Business Type Activities



The relative mix of expenses for business-type activities remained about the same as the prior fiscal year. Expenditures on employment security programs reflected a slight decline 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 \$1.297 billion, a decrease of \$71.7 million from June 30, 2017. A breakdown of the components follows (expressed in thousands):

	2018	2017	Increase (decrease) from 2017	
			Change	Percent
Governmental Funds				
Nonspendable	\$ 1,800	\$ 174	\$ 1,626	934.48%
Restricted	955,427	1,033,684	(78,257)	-7.57%
Unrestricted				
Committed	79,992	66,229	13,763	20.78%
Assigned	42,385	67,931	(25,546)	-37.61%
Unassigned	217,006	200,300	16,706	8.34%
Total	<u>\$ 1,296,610</u>	<u>\$ 1,368,318</u>	<u>\$ (71,708)</u>	<u>-5.24%</u>

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 decrease of \$78.3 million in the restricted portion of the fund balance is primarily related to spending of the proceeds from highway and bridge improvement bonds (GARVEE bonds) issued in prior years for projects being done under the RhodeWorks program.

- The net increase of \$13.8 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 \$25.5 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 2019 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):

	2018	2017	Increase (decrease) from 2017	
			Change	Percent
Nonspendable	\$ 1,626	\$ —	\$ 1,626	N/A
Restricted	93,318	117,668	(24,350)	-20.69%
Unrestricted				
Committed	3,210	2,556	654	25.59%
Assigned	42,385	67,931	(25,546)	-37.61%
Unassigned	218,136	201,818	16,318	8.09%
Total	<u>\$ 358,675</u>	<u>\$ 389,973</u>	<u>\$ (31,298)</u>	<u>-8.03%</u>

Revenues and other sources of the General Fund totaled \$7.0 billion in fiscal 2018, an increase of \$241 million or 3.6% 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):

	2018	2017	Increase (decrease) from 2017	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,339,798	\$ 1,235,991	\$ 103,807	8.40 %
Sales and use	1,244,806	1,184,326	60,480	5.11 %
General business	426,783	398,570	28,213	7.08 %
Other	65,325	99,181	(33,856)	(34.14)%
Subtotal	<u>3,076,712</u>	<u>2,918,068</u>	<u>158,644</u>	<u>5.44 %</u>
Federal grants	2,744,485	2,726,644	17,841	0.65 %
Restricted revenues	230,156	217,258	12,898	5.94 %
Licenses, fines, sales, and services	383,325	348,934	34,391	9.86 %
Other general revenues	81,439	56,435	25,004	44.31 %
Subtotal	<u>3,439,405</u>	<u>3,349,271</u>	<u>90,134</u>	<u>2.69 %</u>
Total revenues	<u>6,516,117</u>	<u>6,267,339</u>	<u>248,778</u>	<u>3.97 %</u>
Other sources				
Transfer from Lottery	364,974	362,697	2,277	0.63 %
Other transfers	73,354	70,656	2,698	3.82 %
Special Item	—	10,360	(10,360)	(100.00)%
Capital leases	—	2,500	(2,500)	(100.00)%
Total revenues and other sources	<u>\$ 6,954,445</u>	<u>\$ 6,713,552</u>	<u>\$ 240,893</u>	<u>3.59 %</u>

Fiscal 2018 personal income taxes rose from fiscal 2017 levels, increasing \$103.8 million or 8.4 percent. Final payments, payments made with a return and extension payments, increased by 17.9 percent while estimated payments rose a strong 11.9 percent. It is believed that both these increases were due in part to the passage of the federal Tax Cuts and Jobs Act at the end of 2017. Personal income tax withholding payments maintained the prior fiscal year's rate of growth at 4.6 percent in fiscal 2018. Personal income tax refunds and adjustments rose by 4.1 percent in fiscal 2018 vs. fiscal 2017, an increase of \$13.2 million.

The State's unemployment rate declined slightly, according to IHS Markit, from 4.7 percent in fiscal year 2017 to 4.5 percent in fiscal 2018, a decline of 0.2 percentage points. Nominal personal income growth rose sharply in fiscal 2018 to 4.5 percent from 2.5 percent in fiscal 2017. General sales and use tax revenues improved significantly with a gain of 5.1 percent in fiscal 2018 over fiscal 2017, likely enhanced by increased State efforts to capture sales tax from remote sellers and the prior fiscal year's strong housing market. Fiscal 2018 use tax payments paid at the time of registration of a new motor vehicle increased by 1.7 percent, down from the 2.9 percent rate of growth between fiscal 2016 and fiscal 2017. Sales taxes collected from the provision of prepared meals and beverages increased 9.7 percent in fiscal 2018, nearly four times the rate of growth recorded in fiscal 2017.

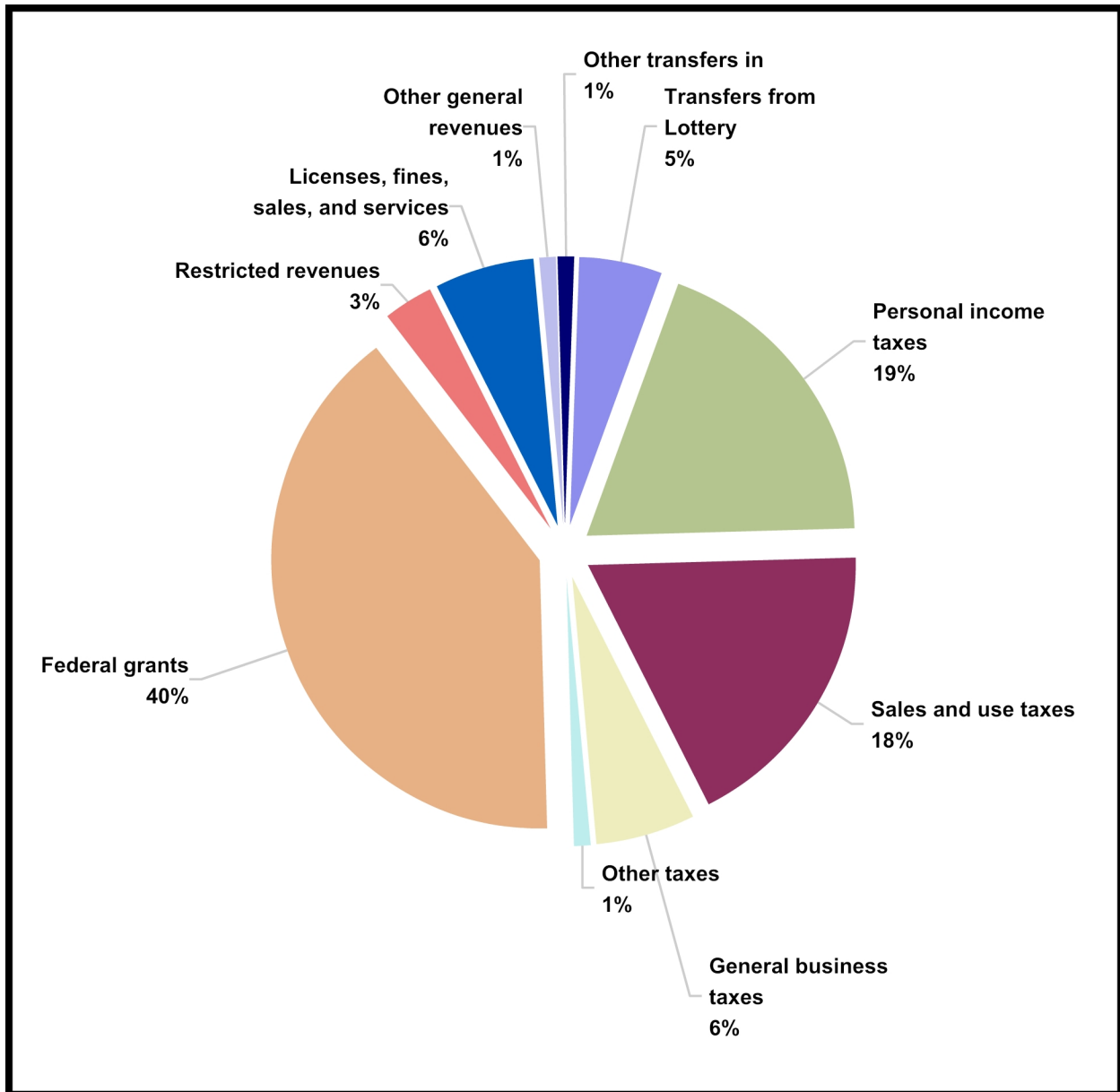
General business tax revenues increased by 7.1 percent in fiscal 2018, driven by outsized gains in public utilities gross earnings tax payments of 21.2 percent, and financial institutions tax revenues of 31.5 percent. These increases were buttressed by a gain in business corporation tax revenues of 7.0 percent.

Other taxes fell by 34.1 percent from fiscal 2017. Estate and transfer tax revenues declined by 39.8 percent from fiscal year 2017 levels, due to the receipt of large estate and transfer tax payment(s) in fiscal 2017 that did not repeat at the same levels in fiscal 2018. Realty transfer taxes rose 2.0 percent from fiscal 2017 levels, reflecting a cooling in the State's housing market as available inventory began to shrink.

Finally, the R.I. Lottery's transfer to the General Fund was flat at 0.6 percent growth in fiscal 2018 from fiscal 2017. Sales of traditional lottery products were up 3.4 percent year-over-year, reflective of changes to the Mega Millions® game, including an increase in ticket price, as well as the introduction of new high price point instant games. Video lottery net terminal income revenues decreased by 0.2 percent in fiscal 2018 due to increased competition from a nearby Massachusetts casino. Net revenues from the operation of table games at Twin River increased by 4.1 percent with the addition of 6 tables in July 2017 and continued targeted marketing efforts. The State's general fund share of net revenues from table games was \$18.6 million after netting out expenses incurred by the Lottery in the operation of table games.

Chart 4 depicts the General Fund's revenues and other sources for fiscal 2018.

Chart 4 - Revenues and Other Sources - General Fund



Expenditures and transfers out totaled \$6,985.7 million in fiscal 2018, an increase of \$161.5 million, or 2.37%, 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):

	2018	2017	Increase (decrease) from 2017	
			Amount	Percent
General government	\$ 510,206	\$ 553,479	\$ (43,273)	-7.82%
Human services	3,928,845	3,831,633	97,212	2.54%
Education	1,579,577	1,525,626	53,951	3.54%
Public safety	555,393	534,495	20,898	3.91%
Natural resources	80,820	77,556	3,264	4.21%
Debt Service:				
Principal	131,903	103,176	28,727	27.84%
Interest	59,409	61,208	(1,799)	-2.94%
Total expenditures	6,846,153	6,687,173	158,980	2.38%
Transfers out	139,590	137,092	2,498	1.82%
Total expenditures and transfers out	\$ 6,985,743	\$ 6,824,265	\$ 161,478	2.37%

The year-over-year decrease of approximately \$43.3 million in the General Government function is primarily attributable to a reduction in funding for various economic development programs within the Executive Office of Commerce. Fiscal 2016 and fiscal 2017 appropriations for certain economic development initiatives were financed with one-time resources from a debt restructuring in July 2015. In addition, as part of the fiscal 2018 final budget, new internal service funds were created for information technology, facilities management and human resources. Funding associated with these services was previously budgeted within the Department of Administration. A large portion of this funding was transferred into agency budgets in the final fiscal 2018 enacted appropriations, resulting in reduced spending in the General Government function and increased spending in other functional areas. Spending from the Regional Greenhouse Gas Initiatives account, which derives revenues from auctions of CO₂ allowances, continued to decline in fiscal 2018 by approximately \$2.5 million.

The year-over-year increase of \$97.2 million in the Human Services function is attributable to several factors: (1) Spending on the Unified Health Infrastructure Project (UHIP), the State's new human services eligibility system, increased by almost \$25 million. (2) Spending on the Medicaid program increased due to continued general growth in healthcare costs. (3) New federal Medicaid funding for the Health System Transformation Project resulted in increased spending of \$13.6 million.

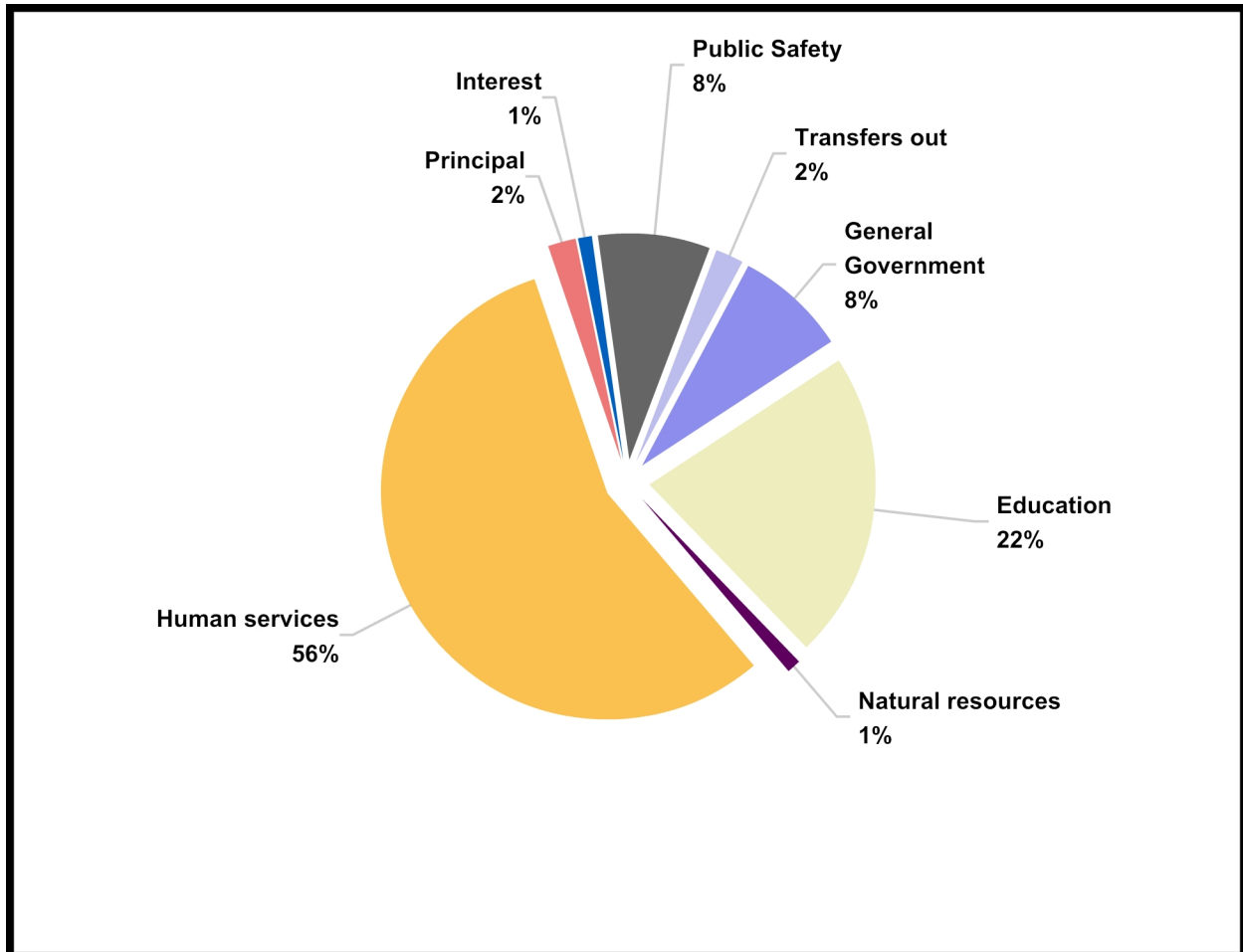
The primary driver of the increase in Education function expenditures of \$54.0 million is the continued transition to the Education Funding Formula, which required almost \$44.3 million in additional funding in fiscal 2018 compared to fiscal 2017. Also in this functional area, new funding was provided in fiscal year 2018 for lease costs associated with the new Nursing Education Center (\$3.4 million) and for the Governor's RI Promise scholarship program (\$3.0 million). Finally, additional State support of \$3.3 million was provided for the three institutions of higher education.

The year-over-year increase of \$20.9 million in Public Safety function expenditures is due to increased federal spending for capital projects under the National Guard; spending of federal forfeiture funds by the Attorney General's Office for the construction of a new building on the Pastore Campus in Cranston; and additional spending of \$18.5 million in the Department of Corrections primarily due to increased personnel costs from overtime and negotiated raises. Expenditures in the Department of Public Safety declined by approximately \$16.1 million primarily due to a one-time payment of \$15.0 million in fiscal 2017 from the State Police's Equitable Sharing Settlement Federal Forfeiture account for the establishment of a pension trust fund for retired State Troopers, previously covered under a pay-as-you-go pension program.

The increase in debt service of \$26.9 million from fiscal 2017 to fiscal 2018 is partially the result of a restructuring of debt in July 2015 that reduced expenditures in fiscal 2016 and to a lesser extent in fiscal 2017. In addition, new debt issuances for general obligation bonds and Certificates of Participation resulted in new debt service expenditures of \$8.3 million.

Chart 5 depicts the General Fund's expenditures and other uses for fiscal 2018.

Chart 5 - Expenditures and Other Uses - General Fund



Intermodal Surface Transportation Fund

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

	2018	2017	Increase (decrease) from 2017	
			Change	Percent
Restricted	\$ 339,836	\$ 392,441	\$ (52,605)	-13.40%
Unrestricted				
Committed	76,391	63,292	13,099	20.70%
Unassigned (deficit)	(1,130)	(1,518)	388	-25.56%
Total	<u>\$ 415,097</u>	<u>\$ 454,215</u>	<u>\$ (39,118)</u>	-8.61%

The net decrease of \$52.6 million in the restricted portion of the fund balance is primarily related to the expenditure of proceeds of bonds issued in prior years for significant bridge and road replacements and upgrades under the RhodeWorks program. The net increase of \$13.1 million in the committed portion of the unrestricted fund balance primarily resulted from an increase in the RI Highway Maintenance Account.

General Fund Budgetary Highlights - General Revenue Sources

According to the State's Constitution, general revenue appropriations in the general fund cannot exceed 97% of available general revenue sources. These sources consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. Excess revenue is transferred to the State Budget Reserve Account. 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 \$75.7 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$64.7 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights
General Revenue Sources
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,302,189	\$ 1,357,200	\$ 1,345,272	\$ (11,928)
General business	458,383	440,300	442,446	2,146
Sales and use	1,233,676	1,235,700	1,244,834	9,134
Other taxes	36,875	66,800	65,325	(1,475)
Departmental revenue	393,224	396,500	397,579	1,079
Other sources:				
Lottery transfer	362,500	364,613	364,974	361
Unclaimed property	10,900	10,900	10,902	2
Miscellaneous	36,978	38,450	37,054	(1,396)
Total revenues and other sources	<u>3,834,725</u>	<u>3,910,463</u>	<u>3,908,386</u>	<u>(2,077)</u>
Expenditures and other uses:				
General government	474,513	462,089	454,517	(7,572)
Human services	1,404,896	1,467,671	1,443,950	(23,721)
Education	1,386,002	1,386,239	1,386,183	(56)
Public safety	460,151	473,218	471,234	(1,984)
Natural resources	41,792	42,818	42,816	(2)
Total expenditures and other uses	<u>3,767,354</u>	<u>3,832,035</u>	<u>3,798,700</u>	<u>(33,335)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 67,371</u>	<u>\$ 78,428</u>	<u>\$ 109,686</u>	<u>\$ 31,258</u>

*See Note 1 on the General Fund Budgetary Comparison Schedule

The negative variance between the fiscal 2018 actual revenues and the fiscal 2018 final budget for personal income taxes was largely attributable to an increase in refunds and adjustments of \$9.6 million and a shortfall in estimated payments of \$8.8 million. Relative to the original enactment of the fiscal 2018 budget in August 2017, actual fiscal 2018 personal income tax revenues outperformed on three components with estimated payments \$16.7 million more, final payments \$27.8 million greater, and withholding payments \$13.5 million above original enacted. These overages were offset by an increase in refunds and adjustments payments of \$23.3 million.

Actual fiscal 2018 general business taxes came in slightly ahead of the final enacted budget but \$15.9 million less than the original budget due overwhelmingly to actual business corporation tax revenues coming in \$31.5 million lower than the estimated amount included in the original budget. This realized decrease was offset in part by higher than originally expected public utilities gross earnings and financial institutions tax revenues of \$11.8 million and \$9.0 million respectively.

Sales and use tax revenues received in fiscal 2018 were marginally less than estimated sales and use tax revenues included in the fiscal 2017 original budget by \$2.3 million with weaker sales and use tax revenues offset by higher motor vehicle license and registration fee revenues of \$10.5 million and higher cigarette and other tobacco products excise tax revenues of \$3.8 million when compared to the original budget. The increase in motor vehicle license and registration fees were due in large part to the General Assembly

increasing the percentage of these fees to be retained as general revenue from 20 percent in the original budget to 40 percent in the final budget.

Actual fiscal 2018 other tax revenues were substantively higher than in the original budget but slightly lower than the final budget. In the case of the former the difference was \$28.4 million while in the case of the latter the difference was \$(1.5 million). The large positive variance between actual fiscal 2018 and the original budget is due to the receipt of sharply higher estate and transfer tax payment(s) of \$28.2 million over the course of the fiscal year, payments, the receipt of which, are difficult to predict in number and amount. By the time the final budget was enacted, all payments such as these had been received and in fact more regular estate and transfer tax payments fell short of expectations by \$798,450. In addition, actual realty transfer tax revenues in fiscal 2018 ended up less than expected in the final budget by \$658,434 but marginally exceeded the amount included in the original budget.

Finally, the actual fiscal 2018 Lottery transfer to the General Fund was in-line with the revenue estimate contained in the final budget but was \$2.5 million above the estimated Lottery transfer to the General Fund contained in the fiscal 2018 original budget. The transfer of net terminal income from the video lottery terminals installed at Twin River and Newport Grand were slightly less than projected in the fiscal 2018 original budget but this shortfall was more than offset by the \$3.0 million increase in transfer revenues generated by traditional lottery products due to changes to the Mega Millions® game, including an increase in ticket price, as well as the introduction of new high price point instant games.

The positive expenditure variance in the General Government function of approximately \$7.6 million was primarily due to surpluses in two agencies, offset by a large deficit in one agency. Within the Department of Administration, most of the positive variance of \$3.0 million was in the Division of Capital Asset Management and Maintenance program due to lower than anticipated energy and repair costs. In the Legislature's budget, the positive variance was \$7.9 million, which under Rhode Island law is fully reappropriated to fiscal 2019. The Legislature has carried forward a similar sized reappropriation for several years. Offsetting these surpluses was an unfavorable variance of \$3.9 million in the Department of Labor and Training caused by reductions in federal unemployment insurance funding over the past two fiscal years that caused additional administrative expenditures to be funded by general revenue.

The positive variance in the Human Services function of approximately \$23.7 million was due to a positive variance of \$23.1 million in the Office of Health and Human Services (OHHS), offset by a deficit of \$7.7 million in the Department of Children, Youth and Families (DCYF). The OHHS positive variance was primarily in the managed care and nursing facilities portions of the Medicaid program. The DCYF deficit was due to higher caseloads of children under the Department's care than anticipated in the final enacted budget.

The positive variance of \$2.0 million in Public Safety function was primarily due to a positive variance of \$1.9 million in the Judicial Department. As with the General Assembly, under Rhode Island law it is fully reappropriated to fiscal 2019. The surplus in the Judiciary was largely in the Supreme Court, with smaller surpluses in the other courts, mostly due to personnel savings from vacant positions.

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, 2018 amounts to \$4,432.8 million, net of accumulated depreciation of \$3,255.7 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 2.39% of net book value. This increase is primarily related to investments for the construction and rehabilitation of highways and bridges as well as other infrastructure, new buildings and major software modernization initiatives.

Actual expenditures to purchase or construct capital assets were \$344.8 million for the year. Of this amount, \$209.0 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$242.8 million.

State of Rhode Island's Capital Assets as of June 30, 2018 and 2017 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital assets not being depreciated or amortized						
Land	\$ 391,854	\$ 393,291	\$ 46,808	\$ 46,808	\$ 438,662	\$ 440,099
Works of Art	4,340	3,449	—	—	4,340	3,449
Intangibles	177,770	173,393	—	—	177,770	173,393
Construction in progress	285,410	568,594	5,511	840	290,921	569,434
Total capital assets not being depreciated or amortized	859,374	1,138,727	52,319	47,648	911,693	1,186,375
Capital assets being depreciated or amortized						
Land improvements	8,380	4,665	—	—	8,380	4,665
Buildings	871,696	719,277	234,377	234,377	1,106,073	953,654
Building improvements	432,920	372,596	—	—	432,920	372,596
Equipment	348,416	326,981	33,034	31,379	381,450	358,360
Intangibles	341,951	256,390	175	175	342,126	256,565
Infrastructure	4,505,862	4,220,721	—	—	4,505,862	4,220,721
	6,509,225	5,900,630	267,586	265,931	6,776,811	6,166,561
Less: Accumulated depreciation or amortization	3,070,222	2,847,909	185,496	175,855	3,255,718	3,023,764
Total capital assets being depreciated or amortized	3,439,003	3,052,721	82,090	90,076	3,521,093	3,142,797
Total capital assets (net)	\$ 4,298,377	\$ 4,191,448	\$ 134,409	\$ 137,724	\$ 4,432,786	\$ 4,329,172

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 \$1,160.0 million is general obligation debt, \$563.2 million is special obligation debt and \$642.0 million is debt of the blended component units. Additionally, accreted interest of \$97.5 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 \$5.1 million during fiscal 2018. This increase consists of a \$68.6 million increase in general obligation debt, a decrease of \$43.1 in special obligation debt, and a decrease of \$20.5 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 \$1,250.7 million are supported by pledged revenue. These obligations are discussed in Notes 6 and 18 H.

In March 2018 the State issued \$149.4 million of general obligation bonds with interest rates ranging from 2.75% to 5.00%, maturing from 2019 through 2038. The premium paid on these bonds was \$8.7 million.

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

Bonds authorized by the voters that remain unissued as of June 30, 2018 amounted to \$246.2 million; other obligations that are authorized but unissued totaled \$175.3 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 2019 Budget

The first quarter report for fiscal 2019 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the first quarter, as well as caseload and Medical Assistance expenditure estimates and revenue estimates adopted at the November 2018 Caseload and Revenue Estimating Conferences. The fiscal 2019 balance, based upon these assumptions, is estimated to reflect a \$41.9 million general revenue deficit at year end in the General Fund.

In the first quarter report for fiscal 2019 a number of departments, primarily in the Human Service area as well as the Departments of Corrections projected deficits. All changes recommended by the Governor in the fiscal 2019 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations bill, which must be submitted to the General Assembly in early 2019.

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 \$5.4 million less than enacted for fiscal 2019. Taxes are expected to be \$16.9 million less than the enacted estimates, while departmental revenues and other sources are expected to be \$11.5 million more than enacted estimates. The November Revenue Estimating Conference estimates that revenues will be \$3,993.1 million as compared with the enacted estimate of \$3,998.5 million for fiscal 2019.

The November Caseload Estimating Conference estimates reflect, in comparison to the fiscal 2019 enacted budget, increased general revenue funding for fiscal 2019 of \$11.7 million. This is due to a number of factors including increased costs for the Medical program.

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 and the State's Health Insurance Exchange established pursuant to the ACA. The system implementation has resulted in challenges in determining and/or re-determining eligibility for the programs administered through the new system. Efforts to address the implementation issues continue and have resulted in improved system functionality at June 30, 2018 and subsequently. However, there are contingencies related to UHIP which are further discussed in Note 13, Contingencies.

Lottery Revenue

The General Fund derives more than 9% of general revenue from the Rhode Island Lottery.

The Lottery's gaming operations currently compete with casinos in nearby states. These neighboring states have already opened new casino facilities and are planning additional casino expansion which is likely to further 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 was recently opened 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 gaming operations from Newport Grand were 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.

Legislation approving betting on certain sporting events was approved by the General Assembly in the 2018 session. A sports betting facility opened at the Twin Rivers Casino in November 2018 and one opened at the Tiverton Casino in December 2018.

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.

With the implementation of GASB Statement No. 68, the accounting measures for 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 has been reflected in the determination of the net pension liability for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations. Funding valuations performed as of June 30, 2017 reflected the lower investment return assumption and will impact required employer contributions beginning in fiscal 2020.

Other Postemployment Benefits (OPEB)

The State's fiscal 2018 financial statements, as required by the implementation of GASB Statement No. 75, include the net OPEB liability or asset for the various OPEB plans covering State employees.

With the implementation of GASB Statement No. 75, the accounting measures of OPEB 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 OPEB liability or asset reflects the fair value of OPEB plan assets at June 30 whereas the funding measures use a four-year smoothed actuarial value of assets.

Future operations will continue to be affected by the amounts actuarially required to responsibly fund OPEB 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 OPEB benefits and the accounting measures reflecting the changes in those pension liabilities year to year.

Transportation Funding Initiative

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, a new initiative proposed by the Governor, called RhodeWorks, was enacted by the General Assembly in 2016. RhodeWorks calls for investing an additional \$1 billion above current plans in transportation infrastructure to fix more than 150 structurally deficient bridges and make repairs to another 500 bridges to prevent them from becoming structurally deficient. The plan also refocuses efforts to expand transit. The plan is financed by 1) user fees on large commercial trucks, 2) \$300 million of new GARVEE debt that will be repaid with federal funds, and 3) \$129 million of federal funds made available sooner by restructuring existing federally-funded debt. The plan is expected to save nearly \$1 billion over 10 years by addressing transportation infrastructure problems on a more proactive basis.

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 recommended 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 recommended 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. The voters of the State approved the November 2018 referendum authorizing the issuance of the first \$250 million in general obligation bonds.

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, 2018



State of Rhode Island and Providence Plantations
Statement of Net Position
June 30, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 722,682	\$ 25,685	\$ 748,367	\$ 361,223
Funds on deposit with fiscal agent	346,251	404,996	751,247	—
Investments	—	—	—	7,036
Receivables (net)	831,215	74,414	905,629	112,395
Restricted assets:	—	—	—	—
Cash and cash equivalents	51,768	42,686	94,454	664,216
Investments	—	—	—	228,940
Receivables (net)	—	—	—	85,298
Other assets	—	—	—	55,563
Due from primary government	—	—	—	27,903
Due from component units	5,710	—	5,710	2,457
Internal balances	197	(197)	—	—
Due from other governments and agencies	315,422	1,018	316,440	706
Inventories	2,133	1,455	3,588	8,425
Other assets	8,749	479	9,228	14,673
Total current assets	2,284,127	550,536	2,834,663	1,568,835
Noncurrent assets:				
Investments	—	—	—	216,513
Receivables (net)	14,548	—	14,548	1,241,228
Due from other governments and agencies	19,409	—	19,409	—
Restricted assets:	—	—	—	—
Cash and cash equivalents	—	—	—	70,216
Investments	—	—	—	217,131
Receivables (net)	—	—	—	2,230
Other assets	—	—	—	1,529,457
Due from component units	43,838	—	43,838	1,325
Net OPEB Asset	3,757	—	3,757	—
Capital assets - nondepreciable	859,374	52,319	911,693	277,020
Capital assets - depreciable (net)	3,439,003	82,090	3,521,093	1,880,986
Other assets	1	292	293	165,324
Total noncurrent assets	4,379,930	134,701	4,514,631	5,601,430
Total assets	6,664,057	685,237	7,349,294	7,170,265
Deferred outflows of resources	855,400	11,606	867,006	109,867

(Continued)

State of Rhode Island and Providence Plantations
Statement of Net Position
June 30, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
Liabilities and deferred inflows of resources				
Current Liabilities:				
Accounts payable	780,615	21,566	802,181	96,471
Due to primary government	—	—	—	5,710
Due to component units	27,902	—	27,902	2,457
Due to other governments and agencies	—	1,460	1,460	—
Accrued expenses	—	6,241	6,241	—
Unearned revenue	36,649	—	36,649	34,024
Other current liabilities	122,135	184	122,319	454,180
Current portion of long-term debt	238,640	15,435	254,075	235,135
Obligation for unpaid prize awards	—	9,167	9,167	—
Total current liabilities	1,205,941	54,053	1,259,994	827,977
Noncurrent Liabilities:				
Due to primary government	—	—	—	43,838
Net pension liability	2,267,701	16,869	2,284,570	305,356
Net pension liability-special funding situation	1,357,577	—	1,357,577	—
Net OPEB liability	511,649	3,864	515,513	188,906
Unearned revenue	—	3,109	3,109	8,553
Due to component units	—	—	—	1,325
Notes payable	—	—	—	140,255
Loans payable	—	—	—	9,094
Obligations under capital leases	174,746	—	174,746	3,342
Compensated absences	7,957	430	8,387	21,527
Bonds payable	2,537,150	223,757	2,760,907	2,659,479
Other liabilities	42,543	—	42,543	377,055
Total noncurrent liabilities	6,899,323	248,029	7,147,352	3,758,730
Total liabilities	8,105,264	302,082	8,407,346	4,586,707
Deferred inflows of resources	182,217	935	183,152	29,530
Net position (deficit)				
Net investment in capital assets	3,356,040	(50,807)	3,305,233	1,412,626
Restricted for:				
Capital Projects	114,470	—	114,470	—
Debt	90,679	1,117	91,796	298,501
Assistance to other entities	133,742	—	133,742	—
Employment security programs	153,882	469,953	623,835	—
Other	85,362	—	85,362	829,482
Nonexpendable	174	—	174	198,670
Unrestricted	(4,702,373)	(26,437)	(4,728,810)	(75,384)
Total net position (deficit)	\$ (768,024)	\$ 393,826	\$ (374,198)	\$ 2,663,895

(Concluded)

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, 2018
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 751,362	\$ 240,236	\$ 57,631	\$ 454	\$ (453,041)	\$ —	\$ (453,041)	—
Human services	3,965,185	274,115	2,397,295	11,981	(1,281,794)	—	(1,281,794)	—
Education	1,708,408	34,357	189,678	327	(1,484,046)	—	(1,484,046)	—
Public safety	433,815	38,239	40,150	27,275	(328,151)	—	(328,151)	—
Natural resources	97,253	28,429	18,786	5,656	(44,382)	—	(44,382)	—
Transportation	403,365	25,929	81,004	161,980	(134,452)	—	(134,452)	—
Interest and other charges	92,231	—	—	—	(92,231)	—	(92,231)	—
Total governmental activities	7,451,619	641,305	2,784,544	207,673	(3,818,097)	—	(3,818,097)	—
Business-type activities:								
State Lottery	521,594	885,574	—	—	—	363,980	363,980	—
Convention Center	52,684	30,504	—	—	—	(22,180)	(22,180)	—
Employment security	149,227	226,486	1,259	—	—	78,518	78,518	—
Total business-type activities	723,505	1,142,564	1,259	—	—	420,318	420,318	—
Total primary government	\$ 8,175,124	\$ 1,783,869	\$ 2,785,803	\$ 207,673	(3,818,097)	420,318	(3,397,779)	—
Component units:	\$ 1,477,380	\$ 807,827	\$ 583,339	\$ 177,830				91,616
General Revenues:								
Taxes:								
Personal income					1,342,256	—	1,342,256	—
General business					426,761	—	426,761	—
Sales and use					1,244,915	—	1,244,915	—
Gasoline					153,862	—	153,862	—
Other					306,751	—	306,751	—
Interest and investment earnings					10,548	604	11,152	61,571
Miscellaneous revenue					124,370	8,946	133,316	3,524
Transfers (net)					343,273	(343,273)	—	—
Total general revenues and transfers					3,952,736	(333,723)	3,619,013	65,095
Change in net position					134,639	86,595	221,234	156,711
Net position (deficit) - beginning as restated					(902,663)	307,231	(595,432)	2,507,184
Net position (deficit) - ending					\$ (768,024)	\$ 393,826	\$ (374,198)	\$ 2,663,895

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, 2018
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 270,723	\$ 102,382	\$ 314,061	\$ 687,166
Funds on deposit with fiscal agent	—	322,431	23,820	346,251
Restricted cash equivalents	—	—	51,768	51,768
Receivables (net)	744,548	16,018	71,940	832,506
Due from other funds	—	1,786	17	1,803
Due from component units	—	283	—	283
Due from other governments and agencies	285,815	38,143	—	323,958
Loans to other funds	8,857	—	113,208	122,065
Other assets	2,489	—	—	2,489
Total assets	<u>\$ 1,312,432</u>	<u>\$ 481,043</u>	<u>\$ 574,814</u>	<u>\$ 2,368,289</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	680,933	37,450	33,363	751,746
Due to other funds	11,218	—	6,507	17,725
Due to component units	8,880	9,876	8,922	27,678
Loans from other funds	113,208	—	3,008	116,216
Unearned revenue	36,380	—	—	36,380
Other liabilities	90,844	9,616	176	100,636
Total liabilities	<u>941,463</u>	<u>56,942</u>	<u>51,976</u>	<u>1,050,381</u>
Deferred inflows of resources	<u>12,294</u>	<u>9,004</u>	<u>—</u>	<u>21,298</u>
Fund Balances				
Nonspendable	1,626	—	174	1,800
Restricted	93,318	339,836	522,273	955,427
Unrestricted				
Committed	3,210	76,391	391	79,992
Assigned	42,385	—	—	42,385
Unassigned	218,136	(1,130)	—	217,006
Total fund balances	<u>358,675</u>	<u>415,097</u>	<u>522,838</u>	<u>1,296,610</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,312,432</u>	<u>\$ 481,043</u>	<u>\$ 574,814</u>	<u>\$ 2,368,289</u>

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, 2018
(Expressed in Thousands)

Fund balance - total governmental funds \$ 1,296,610

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

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

Capital assets	7,361,626	
Accumulated depreciation	(3,066,182)	
	4,295,444	4,295,444

Deferred outflows of resources 855,400

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

Compensated absences	(68,367)	
Bonds payable	(2,462,686)	
Net premium/discount	(218,134)	
Obligations under capital leases	(184,573)	
Premium	(16,905)	
Interest payable	(21,289)	
Net pension liabilities	(3,625,278)	
Net OPEB liability	(511,649)	
Other liabilities	(47,904)	
	(7,156,785)	(7,156,785)

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

Receivables	12,420	
Due from component units	49,042	
Net OPEB asset	3,757	
Unavailable revenue	21,298	
	86,517	86,517

Deferred inflows of resources (182,217)

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.	37,007
Net position - total governmental activities	\$ (768,024)

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, 2018
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,076,712	\$ 204,123	\$ 191,207	\$ 3,472,042
Licenses, fines, tolls, sales, and services	383,325	24,433	2,968	410,726
Departmental restricted revenue	230,156	1,468	—	231,624
Federal grants	2,744,485	241,670	—	2,986,155
Income from investments	2,098	3,939	3,746	9,783
Other revenues	79,341	4,803	46,237	130,381
Total revenues	6,516,117	480,436	244,158	7,240,711
Expenditures:				
Current:				
General government	510,206	—	197,747	707,953
Human services	3,928,845	—	—	3,928,845
Education	1,579,577	—	359	1,579,936
Public safety	555,393	—	—	555,393
Natural resources	80,820	—	—	80,820
Transportation	—	472,759	1,551	474,310
Capital outlays	—	—	203,687	203,687
Debt service:				
Principal	131,903	42	22,029	153,974
Interest and other charges	59,409	25,317	27,585	112,311
Total expenditures	6,846,153	498,118	452,958	7,797,229
Excess (deficiency) of revenues over (under) expenditures	(330,036)	(17,682)	(208,800)	(556,518)
Other financing sources (uses):				
Issuance of bonds and notes	—	—	149,375	149,375
Issuance of refunding bonds	—	35,020	—	35,020
Issuance of refunding certificates of participation	—	—	8,000	8,000
Proceeds from capital leases	—	1,328	—	1,328
Debt issuance premiums	—	5,665	9,228	14,893
Transfers in	438,328	39,363	116,124	593,815
Payment to advance refunded bonds escrow agent	—	(51,637)	(8,474)	(60,111)
Transfers out	(139,590)	(51,175)	(66,745)	(257,510)
Total other financing sources (uses)	298,738	(21,436)	207,508	484,810
Net change in fund balances	(31,298)	(39,118)	(1,292)	(71,708)
Fund balances - beginning	389,973	454,215	524,130	1,368,318
Fund balances - ending	\$ 358,675	\$ 415,097	\$ 522,838	\$ 1,296,610

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, 2018
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (71,708)

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	340,650	
Depreciation expense	(232,041)	
	108,609	108,609

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	153,974	
Debt redeemed and defeased in refunding	60,111	
Accrued interest and other charges	(568)	
Proceeds from sale of debt	(193,723)	
Deferral of premium/discount	(14,730)	
Amortization of premium/discount	36,389	
Accreted interest	(11,702)	
Deferral of refunding gains/losses	8,308	
Amortization of refunding gains/losses	(10,087)	
	27,972	27,972

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

Compensated absences	9,429	
Pension expenses, net of related deferred outflows	57,750	
OPEB expenses, net of related deferred outflows	6,667	
Program expenses	(1,739)	
Program and miscellaneous revenue	(5,477)	
Operating and capital grant revenue	(4,521)	
General revenue - taxes	2,504	
	64,613	64,613

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

Change in net position - total governmental activities	5,153
	\$ 134,639

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, 2018
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds			Governmental Activities	
	R.I.			Totals	Internal Service Funds
	R.I. State Lottery	Convention Center	Employment Security		
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	\$ 19,913	\$ 3,529	\$ 2,243	\$ 25,685	\$ 35,516
Restricted cash and cash equivalents	—	42,686	—	42,686	—
Funds on deposit with fiscal agent	—	—	404,996	404,996	—
Receivables (net)	8,291	1,377	64,746	74,414	11,756
Due from other funds	1,481	—	—	1,481	16,328
Due from other governments and agencies	—	—	1,018	1,018	25
Loans to other funds	—	—	—	—	2,777
Inventories	1,455	—	—	1,455	2,132
Other assets	43	436	—	479	6,281
Total current assets	<u>31,183</u>	<u>48,028</u>	<u>473,003</u>	<u>552,214</u>	<u>74,815</u>
Noncurrent assets:					
Capital assets - nondepreciable	—	52,319	—	52,319	—
Capital assets - depreciable (net)	314	81,776	—	82,090	2,532
Other assets	—	292	—	292	—
Total noncurrent assets	<u>314</u>	<u>134,387</u>	<u>—</u>	<u>134,701</u>	<u>2,532</u>
Total assets	<u>31,497</u>	<u>182,415</u>	<u>473,003</u>	<u>686,915</u>	<u>77,347</u>
Deferred outflows of resources	<u>3,849</u>	<u>7,757</u>	<u>—</u>	<u>11,606</u>	<u>—</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	15,170	6,396	—	21,566	23,197
Due to other funds	114	—	1,564	1,678	209
Due to other governments and agencies	—	—	1,460	1,460	—
Loans from other funds	—	—	—	—	8,626
Accrued expenses	6,241	—	—	6,241	—
Unearned revenue	625	3,761	—	4,386	—
Other current liabilities	172	—	12	184	8,308
Bonds payable	—	10,785	—	10,785	—
Compensated absences	264	—	—	264	—
Obligation for unpaid prize awards	9,167	—	—	9,167	—
Total current liabilities	<u>31,753</u>	<u>20,942</u>	<u>3,036</u>	<u>55,731</u>	<u>40,340</u>
Noncurrent liabilities:					
Net pension liability	16,869	—	—	16,869	—
Net OPEB liability	3,864	—	—	3,864	—
Unearned revenue	2,499	596	14	3,109	—
Bonds payable	—	223,757	—	223,757	—
Compensated absences	370	60	—	430	—
Total noncurrent liabilities	<u>23,602</u>	<u>224,413</u>	<u>14</u>	<u>248,029</u>	<u>—</u>
Total liabilities	<u>55,355</u>	<u>245,355</u>	<u>3,050</u>	<u>303,760</u>	<u>40,340</u>
Deferred inflows of resources	<u>935</u>	<u>—</u>	<u>—</u>	<u>935</u>	<u>—</u>
Net Position (Deficit)					
Net investment in capital assets	314	(51,121)	—	(50,807)	2,532
Restricted for:					
Debt	—	1,117	—	1,117	—
Employment insurance programs	—	—	469,953	469,953	—
Unrestricted	(21,258)	(5,179)	—	(26,437)	34,475
Total net position (deficit)	<u>\$ (20,944)</u>	<u>\$ (55,183)</u>	<u>\$ 469,953</u>	<u>\$ 393,826</u>	<u>\$ 37,007</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, 2018
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I.			Totals	Internal Service Funds
	R.I. State Lottery	Convention Center	Employment Security		
Operating revenues:					
Charges for services	\$ —	\$ 30,168	\$ 222,183	\$ 252,351	\$ 423,295
Lottery sales	258,370	—	—	258,370	—
Video lottery, net	481,373	—	—	481,373	—
Table games	145,831	—	—	145,831	—
Federal grants	—	—	1,259	1,259	—
Miscellaneous	—	336	4,303	4,639	—
Total operating revenues	885,574	30,504	227,745	1,143,823	423,295
Operating expenses:					
Personal services	10,359	17,196	—	27,555	59,087
Supplies, materials, and services	351,627	14,128	—	365,755	366,235
Prize awards, net of prize recoveries	159,476	—	—	159,476	—
Depreciation and amortization	132	10,466	—	10,598	153
Benefits paid	—	—	149,227	149,227	—
Total operating expenses	521,594	41,790	149,227	712,611	425,475
Operating income (loss)	363,980	(11,286)	78,518	431,212	(2,180)
Nonoperating revenues (expenses):					
Interest revenue	543	61	—	604	342
Other nonoperating revenue	902	—	8,044	8,946	25
Interest expense	—	(10,894)	—	(10,894)	—
Total nonoperating revenue (expenses)	1,445	(10,833)	8,044	(1,344)	367
Income (loss) before transfers	365,425	(22,119)	86,562	429,868	(1,813)
Transfers in	—	21,682	51	21,733	6,966
Transfers out	(364,974)	—	(32)	(365,006)	—
Change in net position	451	(437)	86,581	86,595	5,153
Net position (deficit) - beginning (as restated)	(21,395)	(54,746)	383,372	307,231	31,854
Net position (deficit) - ending	\$ (20,944)	\$ (55,183)	\$ 469,953	\$ 393,826	\$ 37,007

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, 2018

	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	\$ 898,055	\$ —	\$ —	\$ 898,055	\$ —
Cash received from customers	—	30,990	227,940	258,930	413,657
Cash received from grants	—	—	1,259	1,259	—
Cash payments for gaming activities	(516,160)	—	—	(516,160)	—
Cash payments to suppliers	(5,819)	(14,035)	—	(19,854)	(364,559)
Cash payments to employees	(9,997)	(16,974)	—	(26,971)	(53,984)
Cash payments for benefits	—	—	(149,140)	(149,140)	—
Other operating revenue (expense)	—	—	4,575	4,575	23
Net cash provided by (used for) operating activities	366,079	(19)	84,634	450,694	(4,863)
Cash flows from noncapital financing activities:					
Loans from other funds	—	—	—	—	2,733
Loans to other funds	—	—	—	—	(1,800)
Repayment of loans to other funds	—	—	—	—	524
Repayment of loans from other funds	—	—	—	—	(6,438)
Transfers in	—	21,738	1,093	22,831	6,966
Transfers out	(368,366)	—	(76)	(368,442)	—
Net transfers from (to) fiscal agent	—	—	(84,449)	(84,449)	—
Net cash provided by (used for) noncapital financing activities	(368,366)	21,738	(83,432)	(430,060)	1,985
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	—	113,720	—	113,720	—
Principal paid on capital obligations	—	(9,765)	—	(9,765)	—
Refunded bond escrow agent	—	(68,295)	—	(68,295)	—
Interest paid on capital obligations	—	(10,814)	—	(10,814)	—
Acquisition of capital assets	(24)	(5,253)	—	(5,277)	(120)
Net cash provided by (used for) capital and related financing activities	(24)	19,593	—	19,569	(120)
Cash flows from investing activities:					
Interest on investments	543	61	—	604	342
Net cash provided by investing activities	543	61	—	604	342
Net increase (decrease) in cash and cash equivalents	(1,768)	41,373	1,202	40,807	(2,656)
Cash and cash equivalents, July 1	21,681	4,842	1,041	27,564	38,172
Cash and cash equivalents, June 30	\$ 19,913	\$ 46,215	\$ 2,243	\$ 68,371	\$ 35,516
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	363,980	(11,286)	78,518	431,212	(2,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	132	10,466	—	10,598	153
Other revenue (expense) and transfers in (out)	277	257	598	1,132	25
Net changes in assets and liabilities:					
Receivables, net	(2,679)	(225)	5,619	2,715	(9,575)
Inventory	(345)	—	—	(345)	135
Deferred outflows of resources	(811)	—	—	(811)	—
Prepaid items	(1)	391	—	390	(166)
Due to / due from transactions	(113)	—	(67)	(180)	—
Accounts and other payables	2,815	(89)	—	2,726	1,722
Accrued expenses	25	—	(2)	23	5,023
Net pension liability	608	—	—	608	—
Net OPEB liability	(47)	—	—	(47)	—
Deferred inflows of resources	424	—	—	424	—
Unearned revenue	(70)	467	(32)	365	—
Prize awards payable	1,884	—	—	1,884	—
Total adjustments	2,099	11,267	6,116	19,482	(2,683)
Net cash provided by (used for) operating activities	\$ 366,079	\$ (19)	\$ 84,634	\$ 450,694	\$ (4,863)

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, 2018
(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	\$ 13,888	\$ —	\$ 7,013	\$ 16,733
Deposits held as security for entities doing business in the State	—	—	—	53,015
Advance held by claims processing agent	811	—	—	—
Receivables				
Contributions	34,302	—	—	—
Due from State for teachers	19,303	—	—	—
Due from other plans	—	—	—	—
Other	1,812	—	—	—
Miscellaneous	1	8	556	3,684
Total receivables	55,418	8	556	3,684
Prepaid expenses	4,488	—	—	—
Due from other plans	2,076	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	16,390	—	—
Equity in pooled trusts	8,602,211	—	—	—
Other investments	858,877	—	6,045,364	—
Total investments	9,461,088	16,390	6,045,364	—
Total assets	9,537,769	16,398	6,052,933	73,432
Liabilities				
Accounts payable	3,405	11	17,468	3,140
Due to other plans	2,076	—	—	—
Incurred but not reported claims	1,586	—	—	—
Due to other funds	3,725	—	—	—
Deposits held for others	—	—	—	70,292
Total Liabilities	10,792	11	17,468	\$ 73,432
Net position				
Restricted for:				
Pension benefits	9,248,563	—	—	
Other postemployment benefits	278,414	—	—	
External investment pool participants	—	16,387	—	
Tuition savings program	—	—	6,032,519	
Other	—	—	2,946	
Total net position	\$ 9,526,977	\$ 16,387	\$ 6,035,465	

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, 2018
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts
Additions			
Contributions			
Member contributions	\$ 205,592	\$ —	\$ —
Employer contributions	470,403	—	—
Supplemental employer contributions	1,059	—	—
State contributions for teachers	98,121	—	—
Interest on service credits purchased	101	—	—
Service credit transfer payments	17,571	—	—
From program participants	—	87,084	293,495
Total contributions	<u>792,847</u>	<u>87,084</u>	<u>293,495</u>
Other income	<u>2,366</u>	<u>—</u>	<u>—</u>
Investment income			
Net appreciation in fair value of investments	691,011	—	81,418
Interest	65,552	253	—
Dividends	37,999	—	126,360
Other investment income	208	—	—
	<u>794,770</u>	<u>253</u>	<u>207,778</u>
Less: investment expense	79,171	22	—
Net investment income	<u>715,599</u>	<u>231</u>	<u>207,778</u>
Total additions	<u>1,510,812</u>	<u>87,315</u>	<u>501,273</u>
Deductions			
Retirement benefits	949,714	—	—
Death benefits	3,481	—	—
Distributions	16,262	87,125	—
Program participant redemptions	—	—	841,368
Refund of contributions	6,374	—	—
Administrative expense	9,909	—	32,974
Service credit transfers	17,571	—	—
OPEB benefits	32,563	—	—
Total deductions	<u>1,035,874</u>	<u>87,125</u>	<u>874,342</u>
Change in net position restricted for:			
Pension benefits	424,942	—	—
Other postemployment benefits	49,996	—	—
External investment pool participants	—	190	—
Tuition Savings Program	—	—	(373,245)
Other	—	—	176
Fiduciary net position - beginning	<u>9,052,039</u>	<u>16,197</u>	<u>6,408,534</u>
Fiduciary net position - ending	<u>\$ 9,526,977</u>	<u>\$ 16,387</u>	<u>\$ 6,035,465</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, 2018
(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	\$ 48,426	\$ 5,380	\$ 44	\$ 8,837	\$ 11,929
Investments	—	—	—	208	—
Receivables (net)	18,186	1,531	471	6,011	75
Restricted assets:					
Cash and cash equivalents	23,174	79,490	23,836	—	10,544
Investments	—	3,938	—	—	60,585
Receivables (net)	—	16	—	—	—
Other assets	—	—	—	—	891
Due from primary government	171	3,222	1,106	9,225	1,689
Due from other governments	—	—	15	—	—
Due from other component units	—	16	—	—	—
Inventories	—	—	—	1,628	36
Other assets	857	476	51	185	125
Total current assets	<u>90,814</u>	<u>94,069</u>	<u>25,523</u>	<u>26,094</u>	<u>85,874</u>
Noncurrent Assets:					
Investments	—	885	—	1,331	16,350
Receivables (net)	—	4,379	—	—	—
Restricted assets:					
Cash and cash equivalents	55,398	10,597	—	—	—
Investments	8,870	13,243	—	—	—
Receivables (net)	2,003	227	—	—	—
Other assets	—	—	—	—	—
Capital assets - nondepreciable	54,461	129	—	6,588	1,729
Capital assets - depreciable (net)	506,368	1,011	—	119,177	212,301
Due from other component units	—	—	—	—	—
Other assets, net of amortization	817	—	319	—	—
Total noncurrent assets	<u>627,917</u>	<u>30,471</u>	<u>319</u>	<u>127,096</u>	<u>230,380</u>
Total assets	<u>718,731</u>	<u>124,540</u>	<u>25,842</u>	<u>153,190</u>	<u>316,254</u>
Deferred outflows of resources	<u>1,053</u>	<u>804</u>	<u>—</u>	<u>21,280</u>	<u>—</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	2,496	719	284	15,169	1,978
Due to primary government	—	224	—	886	307
Due to other component units	615	—	—	—	—
Unearned revenue	845	2,496	133	41	5,057
Other liabilities	12,157	1,446	1,382	9,608	5,992
Current portion of long-term debt	17,312	2,991	1,420	—	4,225
Total current liabilities	<u>33,425</u>	<u>7,876</u>	<u>3,219</u>	<u>25,704</u>	<u>17,559</u>
Noncurrent liabilities:					
Due to primary government	180	—	—	11,177	—
Due to other component units	1,325	—	—	—	—
Unearned revenue	—	8,349	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Obligations under capital leases	2,103	—	—	—	—
Net pension liability	2,136	389	—	61,471	—
Net OPEB liability	437	68	—	72,119	—
Other liabilities	—	26,810	—	12,079	—
Compensated absences	—	—	—	225	—
Bonds payable	310,024	15,828	36,980	—	172,893
Total noncurrent liabilities	<u>316,205</u>	<u>51,444</u>	<u>36,980</u>	<u>157,071</u>	<u>172,893</u>
Total liabilities	<u>349,630</u>	<u>59,320</u>	<u>40,199</u>	<u>182,775</u>	<u>190,452</u>
Deferred inflows of resources	<u>239</u>	<u>595</u>	<u>—</u>	<u>1,995</u>	<u>—</u>
Net position (deficit)					
Net investment in capital assets	260,094	1,134	—	113,704	52,945
Restricted for:					
Debt	8,415	—	—	—	70,590
Other	47,167	—	23,950	—	—
Other nonexpendable	—	76,035	—	—	—
Unrestricted	54,239	(11,740)	(38,307)	(124,004)	2,267
Total net position (deficit)	<u>\$ 369,915</u>	<u>\$ 65,429</u>	<u>\$ (14,357)</u>	<u>\$ (10,300)</u>	<u>\$ 125,802</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, 2018
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 147,661	\$ 30,609	\$ 14,027	\$ 94,310	\$ 361,223
Investments	—	—	—	6,828	7,036
Receivables (net)	48,523	7,169	3,388	27,041	112,395
Restricted assets:					
Cash and cash equivalents	—	—	343	526,829	664,216
Investments	—	—	—	164,417	228,940
Receivables (net)	—	—	—	85,282	85,298
Other assets	—	—	—	54,672	55,563
Due from primary government	3,714	2,714	2,028	4,034	27,903
Due from other governments	—	—	—	691	706
Due from other component units	1,585	—	—	856	2,457
Inventories	3,275	—	836	2,650	8,425
Other assets	3,085	104	2,346	7,444	14,673
Total current assets	<u>207,843</u>	<u>40,596</u>	<u>22,968</u>	<u>975,054</u>	<u>1,568,835</u>
Noncurrent Assets:					
Investments	166,178	27,655	4,034	80	216,513
Receivables (net)	21,486	2,667	139	1,212,557	1,241,228
Restricted assets:					
Cash and cash equivalents	515	561	—	3,145	70,216
Investments	—	—	—	195,018	217,131
Receivables (net)	—	—	—	—	2,230
Other assets	103,678	1,056	—	1,424,723	1,529,457
Capital assets - nondepreciable	95,607	30,019	5,708	82,779	277,020
Capital assets - depreciable (net)	612,213	154,257	80,146	195,513	1,880,986
Due from other component units	—	—	—	1,325	1,325
Other assets, net of amortization	2,019	1	—	162,168	165,324
Total noncurrent assets	<u>1,001,696</u>	<u>216,216</u>	<u>90,027</u>	<u>3,277,308</u>	<u>5,601,430</u>
Total assets	<u>1,209,539</u>	<u>256,812</u>	<u>112,995</u>	<u>4,252,362</u>	<u>7,170,265</u>
Deferred outflows of resources					
	<u>40,601</u>	<u>12,699</u>	<u>9,573</u>	<u>23,857</u>	<u>109,867</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	36,897	9,621	6,528	22,779	96,471
Due to primary government	2,042	1,506	725	20	5,710
Due to other component units	1,585	—	—	257	2,457
Unearned revenue	13,778	2,408	2,850	6,416	34,024
Other liabilities	4,228	7,353	5,041	406,973	454,180
Current portion of long-term debt	12,427	1,041	282	195,437	235,135
Total current liabilities	<u>70,957</u>	<u>21,929</u>	<u>15,426</u>	<u>631,882</u>	<u>827,977</u>
Noncurrent liabilities:					
Due to primary government	14,743	16,213	1,525	—	43,838
Due to other component units	—	—	—	—	1,325
Unearned revenue	—	—	—	204	8,553
Notes payable	—	758	—	139,497	140,255
Loans payable	576	—	—	8,518	9,094
Obligations under capital leases	1,230	—	—	9	3,342
Net pension liability	127,133	43,866	32,467	37,894	305,356
Net OPEB liability	51,187	26,763	21,149	17,183	188,906
Other liabilities	10,689	3,160	3	324,314	377,055
Compensated absences	17,920	769	265	2,348	21,527
Bonds payable	282,497	14,820	1,526	1,824,911	2,659,479
Total noncurrent liabilities	<u>505,975</u>	<u>106,349</u>	<u>56,935</u>	<u>2,354,878</u>	<u>3,758,730</u>
Total liabilities	<u>576,932</u>	<u>128,278</u>	<u>72,361</u>	<u>2,986,760</u>	<u>4,586,707</u>
Deferred inflows of resources					
	<u>10,407</u>	<u>4,863</u>	<u>3,481</u>	<u>7,950</u>	<u>29,530</u>
Net position (deficit)					
Net investment in capital assets	492,868	149,941	81,796	260,144	1,412,626
Restricted for:					
Debt	—	—	—	219,496	298,501
Other	91,801	15,528	2,428	648,608	829,482
Other nonexpendable	100,867	19,278	2,490	—	198,670
Unrestricted	(22,735)	(48,377)	(39,988)	153,261	(75,384)
Total net position (deficit)	<u>\$ 662,801</u>	<u>\$ 136,370</u>	<u>\$ 46,726</u>	<u>\$ 1,281,509</u>	<u>\$ 2,663,895</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, 2018
(Expressed in Thousands)

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>Other Component Units</u>	<u>Totals</u>
Expenses	\$ 96,227	\$ 42,080	\$ 6,001	\$ 132,798	\$ 34,294	\$ 552,646	\$ 157,262	\$ 130,089	\$ 325,983	\$ 1,477,380
Program revenues:										
Charges for services	89,653	5,751	915	23,249	21,105	340,288	67,750	38,200	220,916	807,827
Operating grants and contributions	—	40,946	4,700	83,814	23	199,900	78,861	85,209	89,886	583,339
Capital grants and contributions	24,117	—	—	3,453	15,714	65,083	23,690	8,370	37,403	177,830
Total program revenues	<u>113,770</u>	<u>46,697</u>	<u>5,615</u>	<u>110,516</u>	<u>36,842</u>	<u>605,271</u>	<u>170,301</u>	<u>131,779</u>	<u>348,205</u>	<u>1,568,996</u>
Net (Expenses) Revenues	17,543	4,617	(386)	(22,282)	2,548	52,625	13,039	1,690	22,222	91,616
General revenues:										
Interest and investment earnings	1,536	8,919	131	13	756	12,393	3,464	504	33,855	61,571
Miscellaneous revenue	77	415	—	—	132	—	588	—	2,312	3,524
Total general revenue	<u>1,613</u>	<u>9,334</u>	<u>131</u>	<u>13</u>	<u>888</u>	<u>12,393</u>	<u>4,052</u>	<u>504</u>	<u>36,167</u>	<u>65,095</u>
Change in net position	19,156	13,951	(255)	(22,269)	3,436	65,018	17,091	2,194	58,389	156,711
Net position (deficit) - beginning as restated	<u>350,759</u>	<u>51,478</u>	<u>(14,102)</u>	<u>11,969</u>	<u>122,366</u>	<u>597,783</u>	<u>119,279</u>	<u>44,532</u>	<u>1,223,120</u>	<u>2,507,184</u>
Net position (deficit) - ending	<u>\$ 369,915</u>	<u>\$ 65,429</u>	<u>\$ (14,357)</u>	<u>\$ (10,300)</u>	<u>\$ 125,802</u>	<u>\$ 662,801</u>	<u>\$ 136,370</u>	<u>\$ 46,726</u>	<u>\$ 1,281,509</u>	<u>\$ 2,663,895</u>

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

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Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB 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, 705 Elmwood Avenue, 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. In addition, the Authority is responsible for the collection of toll revenue from the users of the Claiborne Pell Bridge and provides back office functions for the State's truck tolling initiative that began on June 11, 2018. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at www.ritba.org.

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.rihousing.com.

Rhode Island Industrial Facilities Corporation (RIIFC)

The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale by RIIFC of its projects. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and, accordingly, have not been reported in the accompanying financial statements. Certain obligations of RIIFC are secured by mortgages which are insured by the Rhode Island Industrial-Recreational Building Authority for which the State's full faith and credit is pledged. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at www.commerceri.com.

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 800 students statewide in grades 9-12. It is governed by a board of trustees that is appointed by the State's Board of Education. The Met is funded primarily through State appropriations and federal grant funds. In addition, it conducts its operations in facilities that are owned by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, The Metropolitan Regional Career and Technical Center, 325 Public Street, Providence, RI 02905.

Rhode Island Infrastructure Bank (RIIB)

This agency was established in 1989 as the R.I. Clean Water Finance Agency for the purpose of providing financial assistance in the form of loans to municipalities, businesses and homeowners in the State for the

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

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 www.rihebc.com.

Related Organizations

The Rhode Island Student Loan Authority and Narragansett Bay Commission are "related organizations" of the State under GAAP as defined by GASB. The State is responsible for appointing a voting majority of the members of each entity's board, however, the State's accountability does not extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the State and therefore are not included in these financial statements.

C. Financial Statement Presentation

Government-wide Financial Statements

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

The Statement of Net Position presents the reporting entity's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets – This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and the amount of outstanding bonds and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

Fund Financial Statements

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

The State reports the following fund types:

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

Pension and Other Employee Benefit Trust Funds

Pension Trust Funds - These funds account for the activities of the Employees' Retirement System, Municipal Employees' Retirement System, State Police Retirement Benefit Trust, Judicial Retirement Benefit Trust, Rhode Island Judicial Retirement Fund Trust, State Police Retirement Fund Trust, Teachers' Survivors Benefit Plan, FICA Alternative Retirement Income Security Program, and the defined contribution retirement plan, which all accumulate resources for pension benefit payments to eligible retirees.

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

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

Private Purpose Trust Funds

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

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

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

In accordance with GAAP for government as prescribed by the GASB, the focus in the fund financial statements is on major and nonmajor funds rather than on fund type. The general fund is a major fund. Other governmental funds and enterprise funds are evaluated on these criteria:

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

Major Funds

Governmental funds:

General Fund

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

Intermodal Surface Transportation Fund

This fund accounts for the collection of the gasoline tax, federal grants, bond proceeds, Rhode Island Capital Plan funds, tolls and certain motor vehicle registration and licensing surcharges, that are used in maintenance,

upgrading, and construction of the State's highway system. It also accounts for the proceeds from the Grant Anticipation Revenue Vehicle (GARVEE) bonds, the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, the Mission 360 Loan Program, RI Bridge Maintenance Fund tolls, and related expenditures. Management considers this a major fund regardless of the above criteria.

Proprietary funds:

Rhode Island Lottery

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

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. RICCA is responsible for the management and operations of the R.I. Convention Center, Dunkin' Donuts Center and the Veterans Memorial Auditorium Arts and Cultural Center located in Providence.

Employment Security Fund

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

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes, grants and donations are nonexchange transactions, in which the State receives value without directly giving equal value in exchange. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (i.e., earned and collected within the next 12 months) or soon enough thereafter to pay liabilities of the current period. Significant sources of tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and business corporation taxes), as sales are made (sales and use taxes) and as other taxable events occur (miscellaneous taxes), net of estimated tax refunds. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for principal and interest on long-term debt and compensated absences are recorded when payments come due. Expenditures and liabilities relating to other claims and judgments are recorded to the extent that such amounts are expected to be paid within the current period.

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

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

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

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

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

E. Cash and Cash Equivalents

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

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

F. Funds on Deposit with Fiscal Agent

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

G. Investments

Investments have a maturity of more than three months and are generally stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

H. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience. Within governmental funds, an allowance for unavailable amounts (amounts not expected to be collected in the next twelve months) is also reflected.

I. Due From Other Governments and Agencies

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

J. Interfund Activity

In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity, on the government-wide financial statements. However, in order to avoid distorting

the direct costs and program revenues of the applicable functions, interfund services provided and used between different functional categories have not been eliminated.

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

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

K. Inventories

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase. Inventories of the proprietary funds are stated at cost (first-in, first-out). Certain inventories of the University and Colleges are held for resale, and are stated at the lower of cost or market (retail inventory method). Other University and Colleges' inventory consists of supplies and are stated at cost (first in, first out). All inventories of the University and Colleges consist primarily of bookstore and dining, health and residential life services items. Inventories of all other component units are stated at cost.

L. Capital Assets

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

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

<u>Asset Category</u>	<u>Capitalization Thresholds</u>	<u>Estimated Useful Lives</u>
Capital Assets (Depreciable)		
Land improvements	\$1 million	20 years
Buildings	No minimum	20 - 50 years
Building Improvements	\$1 million	10 - 20 years
Furniture and equipment	\$5 thousand	3 - 10 years
Intangibles (including computer software)	\$2 million	5 - 10 years
Infrastructure	\$1 million	7 - 75 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of capital facilities is not capitalized, with the exception of the Convention Center Authority, an enterprise fund.

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

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

The State has recorded its investment in intangible assets, which includes certain land rights such as conservation and agricultural easements as well as certain rights of way obtained by the State. These easements tend to be of a perpetual nature and thus are not amortized. Intangible assets also include computer software, which is amortized over a 5-10 year period. The State has included its investment in intangible assets within Note 5, Capital Assets.

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 determined on the same basis as they are reported by the System. The primary government's proportionate share of pension amounts were further allocated to proprietary funds (the Lottery) based on the amount of employer contributions paid by each proprietary fund. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable and in accordance with the benefit terms. Investments are recorded at fair value.

As more fully explained in Note 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, 2017 measurement date, the State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, the provisions of GASB Statement No. 73 have been implemented which are largely consistent with the provisions of GASB Statement No. 68 regarding recognition of the pension liability, pension expense and deferred inflows/outflows except there is no fiduciary net position accumulated to offset the total pension liability, and no employer contributions are made other than the amount needed to provide benefits on a pay-as-you-go basis. See Note 14 for complete details of the State's reporting of this plan.

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

P. Postemployment Benefits Other Than Pensions (OPEB)

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

Q. Compensated Absences

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

R. Other Assets and Liabilities

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

S. Fund Balances

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

- Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by constitutional provisions, or (c) by law through enabling legislation enacted by the General Assembly.
- Committed – amounts that can only be used for specific purposes as established through the enactment of legislation by the General Assembly, and that remain binding unless modified or rescinded through subsequent legislative action. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- Assigned – amounts that are constrained by the State's intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor.

- Unassigned – the residual classification for the State’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

T. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2018, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 75, *Accounting, and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 85, *Omnibus*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statement No. 75 improves 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 required 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 recognized their proportionate share of the State’s Net OPEB liability. See note 18G for details.

The implementation of GASB Statements No. 85 and No. 86 had no material impact on the State’s financial Statements.

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for reporting 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. 87, *Leases*, will be effective for reporting 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for reporting periods beginning after June 15, 2018. The Statement improves the financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Additionally, the standard simplifies accounting for interest cost incurred before the end of a construction period.

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, 2018 pursuant to this statutory provision. However, the State Investment Commission has instituted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100%-102% of the balance of uninsured deposits. The percentage of collateral required is determined by the underlying classification of the collateral. Additionally, consistent with State Investment Commission guidelines, certain interest-bearing deposit accounts used as short-term investments require collateral ranging from 100%-102% of the outstanding balance. The percentage of collateral required is determined by the underlying classification of the collateral. The lone exception to the full collateralization requirement is the Ocean State Investment Pool Trust (OSIP or the Trust), which follows the 60 day time deposit rule, but otherwise does not require full collateralization. The investment objective of the OSIP's Cash Portfolio is to seek to obtain as high a level of current income as is generally consistent with the preservation of principal and liquidity within the OSIP's investment guidelines which are consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. While investment in the pool is not guaranteed or fully collateralized, certain investments within the pool are collateralized. At June 30, 2018, of the \$447.8 million invested, \$76.1 million were Collateralized Repurchase Agreements.

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

Cash Equivalents and Investments

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

The Ocean State Investment Pool Cash Portfolio (the Cash Portfolio) is a portfolio of the Ocean State Investment Pool Trust, which is an investment pool established by the General Treasurer of the State of Rhode Island under Declaration of Trust, dated January 25, 2012, under the Rhode Island Local Government

Investment Pool Act, G.L. 35-10.2, of the Rhode Island General Laws as amended, for the purpose of investing funds of, and funds under custody of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State of Rhode Island. The Cash Portfolio, which began operations on March 6, 2012, is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*.

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

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

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

Fair Value of Financial Instruments

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

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

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

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

Following is a description of the State's cash equivalents and investments (expressed in thousands) at June 30, 2018:

Pooled cash equivalents (at amortized cost)

Financial Company Commercial Paper	\$ 206,993
Other Commercial Paper	1,000
Asset Backed Commercial Paper	40,223
U.S. Government Agency Repurchase Agreement	43,123
U.S. Treasury repurchase agreement	27,000
Other Repurchase Agreements	6,000
U.S. Treasury Debt	14,950
U.S. Government Agency Debt	17,654
Certificates of Deposit	62,100
Non-Negotiable Time Deposit	22,800
Other Instruments	6,000
Total Investments	<u>447,843</u>
Less: other liabilities in excess of other assets	(89)
Total investment pool	<u>447,754</u>

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

Amounts held by fiduciary trust funds:	
Pension trusts	251
Amounts held by discretely presented component units:	
URI	42,837
RIIB	14,243
RIC	10,033
RIIRBA	739
RIHEBC	6,359
Amounts held for external parties	<u>16,387</u>

Primary government pooled cash equivalents \$ 356,905

Add: other primary government cash equivalents and investments

Money Market Mutual Funds	56,356
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Total primary government cash equivalents and investments \$ 413,261

Cash equivalents and investments	\$ 413,261
Cash deposits and interest bearing deposits	429,560
Total cash, cash equivalents and investments	<u>\$ 842,821</u>

Statement of Net Position

Cash and cash equivalents	\$ 748,367
Restricted cash and cash equivalents	94,454
Total cash, cash equivalents and investments	<u>\$ 842,821</u>

Of the State's restricted cash and cash equivalents totaling \$94.5 million, \$51.8 million is held by the Tobacco Settlement Financing Corporation and \$42.7 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, 2018, information about the State's exposure to interest rate risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Maturities (in days)

Investment Type	Fair Value	Amortized Cost	0-30	31-90	91-180	181-397
Financial Company Commercial Paper	\$207,015	\$ 206,993	\$ 39,054	\$109,969	\$ 33,970	\$ 24,000
Other Commercial Paper	1,000	1,000	1,000	—	—	—
Asset Backed Commercial Paper	40,223	40,223	7,996	32,227	—	—
U.S. Government Agency Repurchase Agreements	43,123	43,123	43,123	—	—	—
U.S. Treasury Repurchase Agreement	27,000	27,000	27,000	—	—	—
Other Repurchase Agreements	6,000	6,000	6,000	—	—	—
U.S. Treasury Debt	14,954	14,950	—	11,950	3,000	—
U.S. Government Agency Debt	17,654	17,654	9,987	7,667	—	—
Certificates of Deposit	62,102	62,100	57,100	5,000	—	—
Non-Negotiable Time Deposit	22,800	22,800	22,800	—	—	—
Other Instruments	6,000	6,000	6,000	—	—	—
	\$447,871	\$ 447,843	\$220,060	\$166,813	\$ 36,970	\$ 24,000

At June 30, 2018 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	At Fair Value	Total Amortized Cost	Quality Ratings (1)		
			A-1+	A-1	A-2
Financial Company Commercial Paper	\$ 207,015	\$ 206,993	\$ 47,279	\$ 159,714	\$ —
Other Commercial Paper	1,000	1,000	—	—	1,000
Asset Backed Commercial Paper	40,223	40,223	—	40,223	—
U.S. Government Agency Repurchase Agreements	43,123	43,123	30,123	13,000	—
U.S. Treasury Repurchase Agreements	27,000	27,000	18,000	9,000	—
Other Repurchase Agreements	6,000	6,000	—	6,000	—
U.S. Treasury Debt	14,954	14,950	14,950	—	—
U.S. Government Agency Debt	17,654	17,654	17,654	—	—
Certificates of Deposit	62,102	62,100	47,100	15,000	—
Non-Negotiable Time Deposit	22,800	22,800	—	22,800	—
Other Instruments	6,000	6,000	6,000	—	—
	<u>\$ 447,871</u>	<u>\$ 447,843</u>	<u>\$ 181,106</u>	<u>\$ 265,737</u>	<u>\$ 1,000</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, 2018, information about the State's exposure to interest rate risk and credit risk for non-pooled cash equivalents and investments (expressed in thousands) is as follows:

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

Issuer	Fair Value (in thousands)	Type of Investment	Moody's Rating	Average Maturities in Days
Money Market Mutual Funds				
Fidelity Institutional Money Market Government Portfolio Class III	\$ 1,117	Money Market	Aaa-mf	26
BlackRock Federal Fund Institutional Shares	3,212	Money Market	Aaa-mf	34
GS Financial Square Treasury Instruments Fund	52,027	Money Market	Aaa-mf	35
	<u>\$ 56,356</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, 2018 and the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years
U.S. Government Agencies	\$ 157,842	\$ 123,873	\$ 33,969
Money Market Funds	89,918	89,918	—
Commercial Paper	46,855	46,855	—
Negotiable Certificates of Deposit	48,896	48,896	—
Investment Contracts	2,682	2,682	—
	<u>\$ 346,193</u>	<u>\$ 312,224</u>	<u>\$ 33,969</u>
Cash	58		
Funds on Deposit with fiscal agent	<u>\$ 346,251</u>		

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

Issuer	Fair Value	Moody's Rating	Maturities in Days
U.S. Government Agency Securities	\$ 157,842	Aaa	see detail above
Money Market Funds			
BlackRock Federal Fund Institutional Shares	107	Aaa-mf	34
Dreyfus Government Cash Management Fund	51,542	Aaa-mf	17
Dreyfus Treasury & Agency Cash Management	5,950	Aaa-mf	29
Fidelity Investments Money Market Government Portfolio - Class III	8,942	Aaa-mf	26
First American Government Obligations Fund Class D	22,123	Aaa-mf	20
Invesco Government & Agency Portfolio - Short-Term	1,254	Aaa-mf	23
Commercial Paper			
American Honda Finance Corporation	4,978	P-1	72
Bank of Montreal Chicago	8,976	P-1	44
Credit Agricole CIB	6,982	P-1	44
BNP Paribas New York	4,978	P-1	72
BNP Paribas New York	1,995	P-1	44
MUFG Bank New York	4,978	P-1	72
MUFG Bank New York	1,995	P-1	44
Toyota Motor Corporation	11,973	P-1	41
Certificates of Deposit			
Sumitomo Mitsui Banking Corporation	7,000	P-1	44
Svenska Handelsbanken AB, New York	3,998	P-1	13
Toronto-Dominion Bank	11,999	P-1	44
Canadian Imperial Bank of Commerce	8,000	P-1	73
Credit Suisse AG, New York Branch	1,349	P-1	46
Lloyds Bank	7,501	P-1	2
Nordea Bank AB	4,049	P-1	24
Societe Generale	5,000	P-1	44
Investment Contracts			
FSA Capital Management GIC	2,682	N/A	N/A
	<u>\$ 346,193</u>		

The following (expressed in thousands) represents the fair value of investments by type held at June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs	
	(Level 1)		(Level 2)	
Investments at Fair Value				
Debt Securities				
U.S. Government Agencies	\$ 157,842	\$ —	\$ 157,842	
Commercial Paper	46,855	—	46,855	
Negotiable Certificates of Deposit	48,896	—	48,896	
Total investments by fair value level	\$ 253,593	\$ —	\$ 253,593	
Investments Measured at Net Asset Value (NAV)				
Money Market Mutual Funds	89,918			
Investments not Subject to Leveling Requirements				
Guaranteed Investment Contract	2,682			
Total Funds on Deposit with Fiscal Agent	\$ 346,193			

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 \$405 million held by the Federal Unemployment Insurance Trust Fund within the Business-Type Activities-Employment Security Fund.

B. Concentration of Credit Risk

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

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

Type	Issuer	Amount	Percentage
U.S. Government Agencies	Federal National Mortgage Association	\$ 72,498	9.55%
U.S. Government Agencies	Federal Home Loan Bank	\$ 39,218	5.16%
U.S. Government Agencies	Federal Home Loan Mortgage Corporation	\$ 46,125	6.07%
Money Market Funds	Dreyfus Government Cash Management Fund	\$ 51,542	6.79%
Money Market Funds	GS Financial Square Treasury Instruments Fund	\$ 52,027	6.85%

C. Pension Trusts

Summary of Significant Accounting Policies

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

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Commingled funds 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.

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

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

Other investments that are not traded on a national security exchange (primarily private equity, real estate, hedge funds, infrastructure investments, 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 6.5%, 8.0%, 7.1%, 1.8%, and 3.6% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2018.

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

The System changed its method of reporting investment expenses in fiscal 2018 from reporting certain investment income and related expenses on a net of fees basis to reporting all material investment expenses on a gross fee basis to enhance transparency of all investment related expenses. The change had no effect on net position of the defined benefit plans participating in the pooled investment trust.

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

At June 30, 2018, the carrying amount of pension trust cash deposits was approximately \$4.6 million and the bank balance was approximately \$4.7 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, 2018 (excluding the collateralized interest-bearing deposits). However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance. Unless FHLB letters of credit are used as collateral, in which case those are required at 100%.

Investments

(a). General

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

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

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

The following was the SIC's adopted asset allocation policy targets as of June 30, 2018:

Asset Class	Target Asset Allocation
<i>GROWTH</i>	
Global Equity	40.0%
Private Growth	15.0%
<i>INCOME</i>	
	8.0%
<i>STABILITY</i>	
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 Investment Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Investment Trust for the defined benefit plans at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>
Cash and Cash Equivalents:	
US Cash	\$ 4,559
Commercial Paper	39,954
Repurchase Agreements	21,300
Non-US Cash	6,830
Money Market Mutual Funds	109,460
US Government Securities	897,273
US Government Agency Securities	274,246
Non-US Government Securities	4,162
Collateralized Mortgage Obligations	11,311
Corporate Bonds	496,935
Term Loans	286,239
Commingled Funds - Domestic Equity	1,307,512
Commingled Funds - International Equity	1,300,806
Domestic Equity Securities	707,265
International Equity Securities	498,526
Private Equity	664,803
Real Estate	593,001
Hedge Funds	540,854
Crisis Protection Class - Trend Following - Limited partnerships	302,006
Infrastructure	304,028
Derivatives:	
Futures	458
Credit Default Swaps	231
Investments at Fair Value	\$ 8,371,759
Investment receivable	885,055
Investment payable	(926,356)
Total Pooled Investment Trust	\$ 8,330,458

Repurchase agreements included as cash equivalent investments are collateralized with U.S. Government Securities equal to or exceeding 102% of the agreement amount. Such collateral is held by a third-party agent.

(b) Fair value hierarchy

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

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

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

Level 3 includes unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investments and Derivative Instruments Measured at Fair Value

Investments at Fair Value	Fair Value June 30, 2018	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<u>Equity Investments</u>				
Global Equity	\$ 1,205,791	\$ 1,205,791	\$ —	\$ —
Infrastructure-publicly traded	154,003	154,003	—	—
	<u>\$ 1,359,794</u>	<u>\$ 1,359,794</u>	<u>\$ —</u>	<u>\$ —</u>
<u>Fixed Income</u>				
US Government Securities	\$ 897,273	\$ 897,273	\$ —	\$ —
US Government Agency Securities	274,246	—	274,246	—
Non - US Government Securities	4,162	—	—	4,162
Corporate Bonds	496,935	—	496,935	—
Collateralized Mortgage Obligations	11,311	—	11,311	—
Term loans	286,239	—	—	286,239
	<u>\$ 1,970,166</u>	<u>\$ 897,273</u>	<u>\$ 782,492</u>	<u>\$ 290,401</u>
<u>Derivative Investments</u>				
Equity and Fixed Income Index Futures	\$ 458	\$ 458	\$ —	\$ —
Other Derivatives	231	—	231	—
	<u>\$ 689</u>	<u>\$ 458</u>	<u>\$ 231</u>	<u>\$ —</u>
Repurchase Agreements	<u>\$ 21,300</u>	<u>\$ —</u>	<u>\$ 21,300</u>	<u>\$ —</u>
Commercial Paper	<u>\$ 39,954</u>	<u>\$ —</u>	<u>\$ 39,954</u>	<u>\$ —</u>
Total Investment at Fair Value Level	<u>\$ 3,391,903</u>	<u>\$ 2,257,525</u>	<u>\$ 843,977</u>	<u>\$ 290,401</u>
<u>Investments Measured at Net Asset Value (NAV)</u>				
Money Market Mutual Funds	\$ 109,460			
Commingled Funds - Domestic Equity	1,307,512			
Commingled Funds - International Equity	1,300,806			
Hedge Funds	540,854			
Private Equity	664,803			
Real Estate	593,001			
Private Infrastructure	150,025			
Crisis Protection Class - Trend Following	302,006			
	<u>\$ 4,968,467</u>			
<u>Cash and Cash Equivalents</u>				
US Cash	\$ 4,559			
Non US Cash	6,830			
	<u>\$ 11,389</u>			
Net Investment Payable	<u>(41,301)</u>			
Total Pooled Investment Trust	<u>\$ 8,330,458</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Term loans classified in Level 3 are valued using consensus pricing.

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

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

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Money Market Mutual Funds(1)	\$ 109,460	—	daily	none
Commingled Funds - Domestic Equity (2)	1,307,512	—	daily	none
Commingled Funds - International Equity (2)	1,300,806	—	bi-monthly	see note below
Hedge Funds (3)	540,854	—	see note below	see note below
Private Equity (4)	664,803	552,784	see note below	see note below
Real Estate (5)	593,001	63,506	see note below	see note below
Infrastructure Investments (6)	150,025	98,109	see note below	see note below
Crisis Protection Class - Trend Following (7)	302,006	—	see note below	see note below
	<u>\$ 4,968,467</u>	<u>\$ 714,399</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 9 (7 active and 2 in liquidation) limited partnerships divided into two sub-categories: global equity and absolute return. Global equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018. Of the underlying holdings within the hedge funds approximately 69% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

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, 2018, investments totaling approximately \$1.5 million 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 75 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, \$236 million was received during fiscal 2018 from the System's liquidation of certain hedge funds. At June 30, 2018, approximately \$1.5 million is pending and expected to be received during fiscal 2019. Cash will be distributed as investments are sold.

- (4) **Private equity** - these 86 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, 2018.

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 16 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, 2018.

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, 2018.

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 three funds were created as limited liability companies with the Employees' Retirement System of the State of Rhode Island as the sole member. The investment managers' principal investment objectives for the companies include:

- providing diversified exposure to market trends across asset classes, geographies and time horizons to generate sizable profits during the periods when growth-risk exposed assets decline significantly;
- generating significant medium-term capital growth independent of overall movements in traditional stock and bond markets within a rigorous risk management framework; and
- outperforming the Credit Suisse Liquid Alternative Beta Managed Futures Index (CLABT18 Index) over a 5-year period.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018. 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.

(c) Rate of Return

For the year ended June 30, 2018, 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, 2018	7.85%	7.85%	7.87%	7.83%	7.76%	6.45%	6.91%

(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 State Investment Commission has adopted a Defined Benefit Investment Policy Statement which includes specific asset allocation targets and asset class policies. While the policy statement includes guidelines governing interest rate risk for certain asset classes, fixed income managers are given specific guidelines regarding duration and investment maturity based on their specific investment objective. These guidelines reflect the manager's strategy and the System's overall asset allocation targets and related objectives.

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
- Liquid Credit Custom BM: 50% BofA US High Yield Index + 50% Credit Suisse Leveraged Loan Index
- Long Duration BM: Barclays Long Duration US Treasury Index

At June 30, 2018, no fixed income manager was outside of their policy guidelines.

The following table shows the System's fixed income investments by type, fair value and the effective duration at June 30, 2018:

Investment Type	Fair Value (in thousands)	Effective Duration
US Government Securities	\$ 897,273	8.91
US Government Agency Securities	274,246	5.06
Non-US Government Securities	4,162	0.11
Collateralized Mortgage Obligations	11,311	1.54
Corporate Bonds	496,935	4.35
Term Loans	286,239	0.25
Total Fixed Income	<u>\$ 1,970,166</u>	5.65

The System had investments at June 30, 2018 totaling \$109 million in money market mutual funds including \$251 thousand in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer.

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

The System's remaining money market mutual fund investments consisted of a short-term money market mutual fund that is not rated and held investments with a weighted average maturity of 73 days at June 30, 2018. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

The System's investment in commercial paper totaling \$39,954,074 at June 30, 2018 had maturities ranging from 6 to 202 days.

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

The System may invest in interest-only and principal-only strips in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

(e) Credit Risk

The State Investment Commission has adopted a Defined Benefit Investment Policy Statement which includes specific asset allocation targets and asset class policies. While the policy statement includes guidelines governing credit risk for certain asset classes, fixed income managers are given specific

guidelines regarding credit quality based on their specific investment objective. These guidelines reflect the manager's strategy and the System's overall asset allocation targets and related objectives.

The System manages exposure to credit risk generally by instructing fixed income managers to adhere to an overall target weighted average credit quality for their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities. The System's exposure to credit risk as of June 30, 2018 is as follows:

Rating	Collateralized	US Government		Non-US	
	Mortgage Obligations	Agency Obligations	Corporate Bonds	Government Obligations	Term Loans
Aaa	\$ 10,021	\$ 271,692	\$ 16,200	—	\$ 20,779
Aa	—	—	38,668	—	4,785
A	—	—	127,271	—	5,308
Baa	—	2,554	227,934	—	11,206
Ba	—	—	46,262	—	92,509
B	—	—	25,190	—	109,846
Caa	—	—	7,248	—	5,918
Ca	—	—	—	—	—
C	—	—	—	—	—
D	—	—	—	—	—
Not Rated	1,290	—	8,162	4,162	35,888
Fair Value	<u>\$ 11,311</u>	<u>\$ 274,246</u>	<u>\$ 496,935</u>	<u>\$ 4,162</u>	<u>\$ 286,239</u>

Investments in commercial paper totaling \$39,954,074 at June 30, 2018 were all rated P1.

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, 2018, 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, 2018, was as follows:

Currency	Comingled Funds	Equities	Private Equity	Foreign Cash	Derivatives	Term Loans	Corporate Bonds	Total
Australian Dollar	\$ 54,022	\$ 30,103	\$ —	\$ 457	\$ (3)	\$ —	\$ —	\$ 84,579
Brazilian Real	25,120	—	—	—	—	—	—	25,120
Canadian Dollar	94,979	47,740	3,474	307	(4)	—	—	146,496
Chilean Peso	4,544	—	—	—	—	—	—	4,544
Chinese Yuan	185	—	—	—	—	—	—	185
Colombian Peso	2,181	—	—	—	—	—	—	2,181
Czech Republic Koruna	786	—	—	—	—	—	—	786
Danish Krone	11,945	3,935	—	85	—	—	—	15,965
Egyptian Pound	541	—	—	—	—	—	—	541
Euro Currency	251,053	130,558	44,453	2,777	33	748	220	429,842
Great Britain Pound	139,320	84,976	—	1,014	5	—	—	225,315
Hong Kong Dollar	125,135	11,671	—	361	—	—	—	137,167
Hungarian Forint	1,207	—	—	—	—	—	—	1,207
Indian Rupee	37,482	—	—	—	—	—	—	37,482
Indonesia Rupiah	8,141	—	—	—	—	—	—	8,141
Israeli Shekel	2,076	—	—	50	—	—	—	2,126
Japanese Yen	186,561	116,475	—	1,022	32	—	—	304,090
Malaysian Ringgit	10,178	—	—	—	—	—	—	10,178
Mexican Peso	12,567	—	—	—	—	—	—	12,567
New Taiwan Dollar	49,839	—	—	—	—	—	—	49,839
New Zealand Dollar	1,647	1,410	—	57	—	—	—	3,114
Norwegian Krone	5,700	11,131	—	151	—	—	—	16,982
Pakistani Rupee	290	—	—	—	—	—	—	290
Peruvian Nouveau Sol	—	—	—	—	—	—	—	—
Philippine Peso	3,968	—	—	—	—	—	—	3,968
Polish Zloty	4,712	—	—	—	—	—	—	4,712
Qatari Real	3,476	—	—	—	—	—	—	3,476
Russian Ruble	10,248	—	—	—	—	—	—	10,248
Singapore Dollar	10,550	11,704	—	232	—	—	—	22,486
Swedish Krona	19,765	13,080	—	212	—	—	—	33,057
Swiss Franc	57,945	35,743	—	105	—	—	—	93,793
South African Rand	29,352	—	—	—	—	—	—	29,352
South Korean Won	62,890	—	—	—	—	—	—	62,890
Thailand Baht	9,272	—	—	—	—	—	—	9,272
Turkish Lira	2,943	—	—	—	—	—	—	2,943
United Arab Emirates Dirham	2,420	—	—	—	—	—	—	2,420
Total	\$ 1,243,040	\$ 498,526	\$ 47,927	\$ 6,830	\$ 63	\$ 748	\$ 220	\$ 1,797,354
United States Dollar	<u>57,766</u>							
Grand Total	<u>\$ 1,300,806</u>							

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

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

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

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

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

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 Note 5(d) *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 summarizes the System's exposure to specific derivative investments at June 30, 2018.

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2018	Notional Amount
Fixed income futures - long	\$ 666	\$ 561	\$ 48,046
Fixed income futures -short	(78)	(78)	(11,362)
Equity index futures - long	(211)	(365)	13,209
Equity index futures - short	128	340	(14,776)
Credit default swaps	(460)	231	
Total	\$ 45	\$ 689	
Foreign currency forward contracts:			
Pending payable (liability)		\$ 139	
Pending receivable (asset)		(54)	
		\$ 85	

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, 2018 was \$85,468. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

The System executes (through its investment managers) derivative instruments with various counterparties. The credit ratings of these counterparties were 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.

Investment Type	Fair Value	% of Total	Duration (years)
Annuities			
TIA A Stable Value	\$ 10,996,695	1.28%	
TIA A Real Estate - variable annuity	—	0.00%	
Total	\$ 10,996,695	1.28%	
Fixed Income Funds			
Pimco Real Return Institutional Class	\$ 5,495,982	0.64%	7.07
Vanguard Total Bond Market Index Admiral	5,906,180	0.69%	6.10
Total	\$ 11,402,162	1.33%	
Target Retirement Funds			
Vanguard Target Retirement 2015 Trust I	\$ 40,105,064	4.69%	
Vanguard Target Retirement 2020 Trust I	94,343,182	11.02%	
Vanguard Target Retirement 2025 Trust I	115,103,002	13.45%	
Vanguard Target Retirement 2030 Trust I	123,509,242	14.43%	
Vanguard Target Retirement 2035 Trust I	133,929,914	15.65%	
Vanguard Target Retirement 2040 Trust I	108,074,778	12.63%	
Vanguard Target Retirement 2045 Trust I	81,326,678	9.50%	
Vanguard Target Retirement 2050 Trust I	47,542,338	5.55%	
Vanguard Target Retirement 2055 Trust I	18,336,625	2.14%	
Vanguard Target Retirement 2060 Trust I	2,319,254	0.27%	
Vanguard Target Retirement 2065 Trust I	79,693	0.01%	
Vanguard Target Retirement Income Trust I	11,223,427	1.31%	
Total	\$ 775,893,197	90.65%	
Equity Mutual Funds			
Vanguard Social Index Inv	\$ 1,899,129	0.22%	
Schwab International Index Fund	6,280,718	0.73%	
Vanguard Institutional Index Fund	24,827,213	2.90%	
Vanguard Emerging Markets Stock Index Fund Admiral	4,678,051	0.55%	
Vanguard Mid-Cap Index Institutional	9,976,759	1.17%	
Vanguard Small Cap Index Institutional	10,055,943	1.17%	
Total	\$ 57,717,813	6.74%	
Total	\$ 856,009,867	100.00%	

The majority (99%) of investments held by participants in the defined contribution plan are target date retirement funds and equity index or fixed income mutual funds. The target retirement date funds provide for diversified portfolios of equities and bonds that become progressively more conservative as the fund's associated target retirement date approaches. Equity index mutual funds replicate the price and yield performance of a particular index.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2018, all assets and securities were registered in the name of TIAA-CREF as the Defined Contribution Plan's record keeper for the benefit of plan members and were held in the possession of TIAA-CREF's custodian, J.P. Morgan Bank.

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

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

D. OPEB Trust Funds

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

Summary of Significant Accounting Policies

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

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Investment expenses - Investment management expenses are presented separately as a component of net investment income and include investment consultants, custodial fees and direct investment expenses allocated by managers. In some instances, investment related costs are not readily separable from investment income and consequently investment income is recorded net of related expenses.

Cash Deposits and Cash Equivalents

At June 30, 2018, the carrying amount of the OPEB System's cash deposits was approximately \$9.3 million and the bank balance was \$9.3 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 amounts ranging from 100% - 102% of the uninsured deposit amounts. The percentage of collateral required is determined by the underlying

classification of the collateral. At June 30, 2018, the OPEB System's cash deposits were either federally insured or collateralized.

Investments

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

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

Consistent with a target asset allocation model adopted by the State Investment Commission, the OPEB System maintains a diversified portfolio by sector, credit rating and issuer using the prudent person standard, which is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds. The SIC's adopted asset allocation policy targets of Domestic Equity and Fixed Income of 65% and 35%, respectively, for fiscal year 2018.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2018 (expressed in thousands):

Investments at Fair Value	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Government Securities	\$ 34,508	\$ 34,508	\$ —	\$ —
US Government Agency Securities	26,719	—	26,719	—
Corporate Bonds	31,258	—	31,258	—
Collateralized Mortgage Obligations	806	—	806	—
Total investments by fair value level	<u>\$ 93,291</u>	<u>\$ 34,508</u>	<u>\$ 58,783</u>	<u>\$ —</u>
Investments measured at the net asset value (NAV)				
Commingled Funds	\$ 176,553			
Money Market Mutual Funds	12,773			
	<u>\$ 189,326</u>			
Net investment payable	<u>(10,862)</u>			
Total Pooled Investment Trust	<u>\$ 271,755</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, 2018 (expressed in thousands):

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Effective Duration</u>
US Government Securities	\$ 34,508	5.41
US Government Agency Securities	26,719	4.98
Corporate Bonds	31,258	7.42
Collateralized Mortgage Obligations	806	3.46
Total Fixed Income	<u>\$ 93,291</u>	5.22

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, 2018.

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, 2018 is as follows (expressed in thousands):

<u>Quality Rating (1)</u>	<u>US Government Agency Securities</u>	<u>Corporate Bonds</u>	<u>Collateralized Mortgage Obligations</u>
Aaa	\$ 26,719	\$ 1,700	\$ 806
Aa	—	1,673	—
A	—	9,488	—
Baa	—	16,373	—
Ba	—	1,414	—
Not rated	—	610	—
Fair Value	<u>\$ 26,719</u>	<u>\$ 31,258</u>	<u>\$ 806</u>

(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, 2018, 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 \$6.0 billion in a number of mutual funds and other investment vehicles as of June 30, 2018. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$1.1 billion which are reported at contract value and therefore not subject to the fair value hierarchy. The Touro Jewish Synagogue Fund had investments of approximately \$2.9 million in the Fidelity Balanced Fund as of June 30, 2018. These investments are categorized in Level 1 of the fair value hierarchy.

F. Agency Funds

As of June 30, 2018, 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, 2018 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Gross Receivables	Less: Allowance for Uncollectibles	Total Receivables, Net	Due from Other Governments and Agencies
Governmental receivables	\$ 546,417	\$ 478,293	\$ 4,541	\$ 1,029,251	\$ (183,488)	\$ 845,763	\$ 334,831
Less current portion	539,854	471,004	3,480	1,014,338	(183,123)	831,215	315,422
Noncurrent Portion	\$ 6,563	\$ 7,289	\$ 1,061	\$ 14,913	\$ (365)	\$ 14,548	\$ 19,409
Business-type activities	\$ 66,010	\$ 28,042	\$ —	\$ 94,052	\$ (19,638)	\$ 74,414	\$ 1,018
Less current portion	66,010	28,042	—	94,052	(19,638)	74,414	1,018
Noncurrent portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2018 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	\$ —	\$ 11,218	Operating expenses
Intermodal Surface Transportation	1,786	—	Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance	—	1,239	Operating expenses
Permanent School	17	—	
Bond Capital	—	524	Project funding
RI Capital Plan	—	4,744	Primarily for transportation State match
Total Non-Major Funds	<u>17</u>	<u>6,507</u>	
Total Governmental Funds	<u>1,803</u>	<u>17,725</u>	
Proprietary Funds			
Enterprise			
RI Lottery	1,367	—	Net income owed to General Fund
Employment Security Trust	—	1,564	Benefit payments
Total Enterprise Funds	<u>1,367</u>	<u>1,564</u>	
Internal Service	16,328	209	Settlement of services rendered
Total primary government	<u>\$ 19,498</u>	<u>\$ 19,498</u>	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2018 consists of the following (expressed in thousands):

Primary Government

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 393,291	\$ 859	\$ (2,296)	\$ 391,854
Works of Art	3,449	891	—	4,340
Intangibles	173,393	4,377	—	177,770
Construction in progress	568,594	332,712	(615,896)	285,410
Total capital assets not being depreciated or amortized	<u>1,138,727</u>	<u>338,839</u>	<u>(618,192)</u>	<u>859,374</u>
Capital assets being depreciated or amortized:				
Land improvements	4,665	3,715	—	8,380
Buildings	719,277	152,419	—	871,696
Building Improvements	372,596	60,324	—	432,920
Furniture and equipment	326,981	31,575	(10,140)	348,416
Intangibles**	256,390	85,561	—	341,951
Infrastructure	4,220,721	285,141	—	4,505,862
Total capital assets being depreciated or amortized	<u>5,900,630</u>	<u>618,735</u>	<u>(10,140)</u>	<u>6,509,225</u>
Less accumulated depreciation or amortization for:				
Land improvements	3,623	166	—	3,789
Buildings	293,276	37,746	—	331,022
Building Improvements	202,597	2,566	—	205,163
Furniture and equipment	258,446	24,173	(9,881)	272,738
Intangibles**	26,160	28,512	—	54,672
Infrastructure	2,063,807	139,031	—	2,202,838
Total accumulated depreciation or amortization	<u>2,847,909</u>	<u>232,194</u>	<u>(9,881)</u>	<u>3,070,222</u>
Total capital assets being depreciated or amortized, net	<u>3,052,721</u>	<u>386,541</u>	<u>(259)</u>	<u>3,439,003</u>
Governmental activities capital assets, net	<u>\$ 4,191,448</u>	<u>\$ 725,380</u>	<u>\$ (618,451)</u>	<u>\$ 4,298,377</u>

**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	\$ 22,303
Human services	35,937
Education	7,242
Public safety	19,921
Natural resources	5,902
Transportation	140,889
Total depreciation or amortization expense - governmental activities	<u>\$ 232,194</u>

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	840	4,795	(124)	5,511
Total capital assets not being depreciated	47,648	4,795	(124)	52,319
Capital assets being depreciated:				
Buildings	234,377	—	—	234,377
Machinery and equipment	31,379	2,625	(970)	33,034
Intangibles	175	—	—	175
Total capital assets being depreciated	265,931	2,625	(970)	267,586
Less accumulated depreciation for:				
Buildings	150,193	8,180	—	158,373
Machinery and equipment	25,547	2,394	(958)	26,983
Intangibles	115	25	—	140
Total accumulated depreciation	175,855	10,599	(958)	185,496
Total capital assets being depreciated, net	90,076	(7,974)	(12)	82,090
Business-type activities capital assets, net	<u>\$ 137,724</u>	<u>\$ (3,179)</u>	<u>\$ (136)</u>	<u>\$ 134,409</u>
Discretely Presented Component Units	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 125,977	\$ 971	\$ (1,473)	\$ 125,475
Construction in progress	106,779	138,650	(94,134)	151,295
Other	250	—	—	250
Total capital assets not being depreciated or amortized	233,006	139,621	(95,607)	277,020
Capital assets being depreciated or amortized:				
Buildings	2,333,028	101,149	2,358	2,436,535
Land Improvements *	260,964	15,329	113	276,406
Leasehold Improvements *	90	607	—	697
Machinery and equipment	481,231	15,333	(6,070)	490,494
Infrastructure	277,847	21,006	—	298,853
Total capital assets being depreciated or amortized	3,353,160	153,424	(3,599)	3,502,985
Less accumulated depreciation or amortization for:				
Buildings	945,487	76,700	(5,047)	1,017,140
Land Improvements *	148,767	11,483	—	160,250
Leasehold Improvements *	29	5	—	34
Machinery and equipment	312,406	33,841	(5,470)	340,777
Infrastructure	92,302	11,496	—	103,798
Total accumulated depreciation or amortization	1,498,991	133,525	(10,517)	1,621,999
Total capital assets being depreciated or amortized, net	1,854,169	19,899	6,918	1,880,986
Total capital assets, net	<u>\$ 2,087,175</u>	<u>\$ 159,520</u>	<u>\$ (88,689)</u>	<u>\$ 2,158,006</u>

* Beginning balances have been reclassified.

Note 6. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018 are presented in the following table:

	Long-term Liabilities (Expressed in Thousands)					
	Beginning Balance*	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
<i>Bonds Payable</i>						
General Obligation bonds (see section B)	\$ 1,091,385	\$ 149,375	\$ (80,765)	\$ 1,159,995	\$ 87,420	\$ 1,072,575
RICC Grant Anticipation Revenue bonds	476,205	—	—	476,205	33,975	442,230
RICC Rhode Island Motor Fuel Tax Revenue bonds	49,765	35,020	(49,765)	35,020	3,605	31,415
Tobacco Settlement asset-backed bonds	662,538	—	(20,535)	642,003	10,580	631,423
Accreted interest on TSFC bonds	85,766	11,702	—	97,468	—	97,468
RICC Historic Tax Credit bonds	80,225	—	(28,230)	51,995	8,090	43,905
Net unamortized premium/discount	236,135	14,163	(32,164)	218,134	—	218,134
Bonds payable, net	<u>2,682,019</u>	<u>210,260</u>	<u>(211,459)</u>	<u>2,680,820</u>	<u>143,670</u>	<u>2,537,150</u>
Obligation under capital leases (see section E)	207,968	9,408	(32,803)	184,573	26,732	157,841
Net unamortized premium/discount	20,563	566	(4,224)	16,905	—	16,905
Obligation under capital leases, net	<u>228,531</u>	<u>9,974</u>	<u>(37,027)</u>	<u>201,478</u>	<u>26,732</u>	<u>174,746</u>
Net pension liability (see note 14) **	2,263,502	4,199	—	2,267,701	—	2,267,701
Net pension liability-special funding (see note 14)**	1,212,754	144,823	—	1,357,577	—	1,357,577
Net OPEB liability as restated (see note 15 C) **	536,152	—	(24,503)	511,649	—	511,649
Job Creation Guaranty Program obligation (see section H)	15,173	9	—	15,182	—	15,182
Compensated absences (see section J)**	80,401	73,696	(79,516)	74,581	66,624	7,957
Pollution remediation (see section I)	3,391	2,448	(3,714)	2,125	414	1,711
Other (see section M)	24,694	16,954	(14,798)	26,850	1,200	25,650
Total Governmental Long-term Liabilities	<u>\$ 7,046,617</u>	<u>\$ 462,363</u>	<u>\$ (371,017)</u>	<u>\$ 7,137,963</u>	<u>\$ 238,640</u>	<u>\$ 6,899,323</u>
Business-type Activities						
Revenue bonds (see section B)	\$ 192,440	\$ 113,720	\$ (74,565)	\$ 231,595	\$ 10,785	\$ 220,810
Net unamortized premium/discount	3,332	—	(385)	2,947	—	2,947
Revenue bonds, net	<u>195,772</u>	<u>113,720</u>	<u>(74,950)</u>	<u>234,542</u>	<u>10,785</u>	<u>223,757</u>
Net pension liability **	16,260	609	—	16,869	—	16,869
Net OPEB liability **	3,910	(46)	—	3,864	—	3,864
Unearned Revenue	7,686	434	(625)	7,495	4,386	3,109
Compensated absences (see section J)**	572	499	(377)	694	264	430
Total Business-type Long-term Liabilities	<u>\$ 224,200</u>	<u>\$ 115,216</u>	<u>\$ (75,952)</u>	<u>\$ 263,464</u>	<u>\$ 15,435</u>	<u>\$ 248,029</u>
Component Units						
Bonds payable (see section B)	\$ 2,749,089	\$ 260,677	\$ (313,191)	\$ 2,696,575	\$ 152,360	\$ 2,544,215
Net unamortized premium/discount	125,143	14,596	(13,434)	126,305	11,041	115,264
Bonds payable, net	<u>2,874,232</u>	<u>275,273</u>	<u>(326,625)</u>	<u>2,822,880</u>	<u>163,401</u>	<u>2,659,479</u>
Notes payable (see section C)	170,445	360,640	(322,453)	208,632	68,377	140,255
Loans payable (see section D)	5,264	10,065	(4,484)	10,845	1,751	9,094
Obligations under capital leases	6,833	—	(1,885)	4,948	1,606	3,342
Net pension liability**	304,154	7,620	(6,418)	305,356	—	305,356
Net OPEB liability**	185,605	6,151	(2,850)	188,906	—	188,906
Compensated absences (see section J)**	31,747	2,398	(2,219)	31,926	10,399	21,527
Due to primary government (see section L)	54,783	553	(5,788)	49,548	5,710	43,838
Unearned revenue	18,614	36,500	(12,537)	42,577	34,024	8,553
Due to component units	1,550	2,485	(253)	3,782	2,457	1,325
Other Long-term liabilities						
Arbitrage rebate (see section K)	1,995	424	(1,121)	1,298	132	1,166
Pollution remediation (see section I)	22,177	—	(3,774)	18,403	936	17,467
Other liabilities (see section M)	342,092	26,791	(8,036)	360,847	2,425	358,422
Total Component Units Long-term Liabilities	<u>\$ 4,019,491</u>	<u>\$ 728,900</u>	<u>\$ (698,443)</u>	<u>\$ 4,049,948</u>	<u>\$ 291,218</u>	<u>\$ 3,758,730</u>

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

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

B. Bonds Payable

At June 30, 2018, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government					
	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 143,670	\$ 103,784	\$ 10,785	\$ 10,667	\$ 152,360	\$ 100,317
2020	152,775	97,746	14,570	9,864	159,960	95,697
2021	152,410	90,850	16,695	9,229	151,028	89,393
2022	154,655	83,771	17,465	8,453	147,953	83,839
2023	154,465	76,443	16,160	7,627	135,746	78,442
2024 - 2028	668,640	277,169	85,975	27,514	589,042	316,132
2029 - 2033	398,970	140,911	35,070	14,589	518,113	200,493
2034 - 2038	164,855	80,666	23,970	4,974	386,847	115,253
2039 - 2043	61,940	54,679	10,905	1,194	270,220	52,067
2044 - 2048	85,820	38,006	—	—	121,502	21,283
2049 - 2053	227,018	1,423,835 *	—	—	57,733	4,613
2054 - 2058	—	—	—	—	6,069	429
	<u>\$ 2,365,218</u>	<u>\$ 2,467,860</u>	<u>\$ 231,595</u>	<u>\$ 94,111</u>	<u>\$ 2,696,573</u>	<u>\$ 1,157,958</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 March 2018 the State issued \$149.4 million of general obligation bonds with interest rates of 2.75% - 5.00%, maturing from 2019 through 2038. The premium paid on these bonds was \$8.7 million.

At June 30, 2018, general obligation bonds authorized by the voters and unissued amounted to approximately \$246.2 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 - \$11.6 million (2) Providence River Dredging - \$ 10.5 million and (3) Eleanor Slater Hospital - \$22.0 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 November 2017, the Rhode Island Commerce Corporation, on behalf of the RI Department of Transportation, issued \$35.0 million of Motor Fuel Tax Revenue Refunding Bonds. The bonds mature in 2019 to 2027 and have an interest rate of 5.00%. The bonds were issued to refund \$49.8 million of outstanding Rhode Island Economic Development Motor Fuel Tax Revenue Bonds Series 2003A, 2006A and the 2009A. Those bonds had interest rates ranging from 4%-6% and maturities from 2018-2027. The economic gain as a result of this transaction was approximately \$5.3 million. A deferred loss on the refunding of approximately \$8.2 million was recorded.

Pledged revenues were sufficient to fund fiscal 2018 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 2027 and 2031, respectively.

Tobacco Settlement Asset-Back Bonds and Accreted Interest - On June 27, 2002 the Corporation issued \$685,390,000 of Tobacco Settlement Asset-Backed Bonds (2002 Series). The bond proceeds were used to purchase the State's future rights in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the MSA). The bonds accrued interest at rates ranging from 5.920% to 6.250% and matured in varying amounts through June 1, 2042. The bonds were subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. The 2002 Series bonds were fully redeemed on March 19, 2015.

On June 27, 2007 the Corporation issued \$197,005,742 of additional Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual Tobacco Settlement Revenues which were not purchased under the 2002 purchase agreement. The bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accreting to full value at maturity in the year 2052. At maturity, the bond redemption values represent accreted yields ranging from 6.000% to 6.750%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. A portion of the 2007 Series Bonds were redeemed in March 2015 and June 2017.

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

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

The proceeds of the issuance of the Series 2015 bonds, along with the release of debt service funds related to the bonds retired, and the proceeds from the early termination of investment contracts, were used to fully redeem the remaining balance of the 2002 Series bonds, and to repurchase and retire the principal amount of \$76,220,155 of the 2007 Series bonds as well as pay accreted interest of \$13,600,495 on the retired 2007 Series bonds.

A deferred gain on refunding of debt in the aggregate amount of \$31,549,000 on the Series 2002 and Series 2007 bonds, net of \$680,000 amortization, is reflected as a deferred inflow of resources in the accompanying Statement of Net Position.

A reserve account in the amount of \$26,700,250 was established for the Series 2015A bonds. The Corporation is required to maintain this reserve account to the extent of available funds. Amounts on deposit

with the trustee in the reserve account are available to pay (i) the principal of sinking fund installments of, and interest on, the Series 2015A bonds to the extent revenues are insufficient for such purpose and (ii) upon the occurrence of an event of default, extraordinary prepayments. Unless an event of default has occurred, amounts withdrawn from the reserve account will be replenished from revenues.

In addition, a reserve account in the amount of \$12,175,975 was established for the Series 2015B bonds. The Corporation is required to maintain this reserve account to the extent of available funds. Amounts on deposit with the trustee in the reserve account are available to pay (i) the principal of sinking fund installments of, and interest on, the Series 2015B bonds to the extent revenues are insufficient for such purpose and (ii) upon the occurrence of an event of default, extraordinary prepayments. Unless an event of default has occurred, amounts withdrawn from the reserve account will be replenished from revenues.

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

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, 2018, outstanding bond indebtedness totaled \$231.6 million.

In November 2017, the 2009 Series A Bonds outstanding in the amount of \$64.8 million were advance refunded via the Authority's issuance of Revenue Refunding Bonds, 2017 Series A (federally taxable) (2017 Series A Bonds).

Concurrent with the issuance of the 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corporation (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 terminated with the advance refunding of the 2009 Series A Bonds.

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 2013 Series A, 2015 Series A and 2017 Series A are no longer outstanding. In May 2018, AGM was rated by Moody's as A2. In June 2018, AGM was rated by S&P as AA.

During November 2017, the Authority issued its 2017 Series A Bonds, in an aggregate amount of approximately \$68.7 million for the purpose of refunding the Authority's outstanding 2009 Series A and to pay costs of issuance. The net proceeds of \$68.3 million (after payment of \$0.4 million) in underwriter's fees and other issuance costs) were deposited in an irrevocable trust fund under an agreement dated December 20, 2017 between the Escrow Agent and the Authority. The proceeds were used to buy a portfolio of direct obligations of or obligations guaranteed by the United States. All investment income on and the maturing principal of the escrow securities held in the escrow deposit fund will be irrevocably deposited by the Authority for payment of the refunded bonds. The Authority refunded the above bonds to reduce total debt service payments over the next ten years by approximately \$6.9 million and to obtain an economic gain of approximately \$5.7 million. The refunded bonds are considered defeased. As of June 30 2018, the amount of defeased debt outstanding but removed from the statement of net position is \$63.5 million and the escrow balance is \$65.4 million.

In March 2018, The Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds), in an aggregate amount of \$45.0 million for the purpose of (i) financing the acquisition, construction, equipping and improvement of the parking facility adjacent to the

Garrahy Courthouse, (ii) pay the cost of issuance, and (iii) paying capitalized interest on the 2018 Series A Bonds. The bonds mature between 2019 and 2042.

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

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

Each of the bond resolutions contains certain restrictive covenants. During the year ended June 30, 2018, RICCA was unable to fund the Operating Reserve requirement of the restrictive covenants for the R.I. Convention Center and the DDC pursuant to the indentures.

RICCA and the R.I. Department of Administration have entered into agreements that provide for total appropriations from the RI Capital Plan (RICAP) for various purposes, including funding the Renewal and Replacement requirement of the restrictive covenant for the DDC. Detailed information regarding these agreements is in RICCA's financial statements for the fiscal year ended June 30, 2018.

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, 2018, 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, 2018 revenue bonds outstanding were approximately as follows: URI - \$267.9 million, RIC - \$14.7 million, and CCRI - \$1.7 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 \$236.0 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 \$51.0 million for the year ended June 30, 2018. Principal and interest payments for the year ended June 30, 2018 were approximately \$24.3 million.

In June 2006, the R.I. Airport Corporation (RIAC), R.I. Commerce Corporation (RICC), and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42 million with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement was to reimburse RICC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink Facility Project. RIAC was permitted under the Agreement to make requisition of funds for eligible project costs through fiscal 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, 2018, RIAC had approximately \$41.1 million in borrowings under this agreement.

I-195 Redevelopment District Commission

In April 2013, RICC issued Economic Development Revenue Bonds 2013 Series A, and Economic Development Bonds 2013 Series B (federally taxable) in the aggregate principal amounts of \$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) (1.9825% at June 30, 2018) 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, 2018, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2018, the 2013 Series A Bonds bore interest at 2.9825%.

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 (1.9825% at June 30, 2018) plus the lesser of the two long-term bond ratings of the State from Moody's and S&P in the following table:

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

Based on the State's most recent bond ratings, the 2013 Series B bonds bore interest at 3.1325% at June 30, 2018.

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 (1.9825% at June 30, 2018), 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, 2018, the fair value of the 2013 Series A and B Rate Cap Agreements was \$31,244 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, 2018 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	\$ 886
R.I. Resource Recovery Corporation note payable to the host municipality with an interest rate of 1.4%, payable in equal in equal installments over the next 12 years	2,643
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0.00% to 6.25% interest, payable through 2058	205,103
	<u>208,632</u>
Less: current portion	68,377
	<u>\$ 140,255</u>

D. Loans Payable

Discretely Presented Component Units

This balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately \$764 thousand and \$10.1 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, 2018 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, 2018:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2019	\$ 31,723	\$ 2,935	\$ 34,658
2020	33,232	2,937	36,169
2021	30,982	2,937	33,919
2022	25,501	943	26,444
2023	25,589	812	26,401
2024 - 2028	53,676	314	53,990
2029 - 2033	7,064	—	7,064
Total future minimum lease payments	<u>207,767</u>	<u>10,878</u>	<u>218,645</u>
Amount representing interest	(33,931)	(141)	(34,072)
Present value of future minimum lease payments	<u>\$ 173,836</u>	<u>\$ 10,737</u>	<u>\$ 184,573</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 April 2018, the State financed the acquisition of tractors in the amount of approximately \$1.3 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, 2018 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583	\$ 57,905	\$ 157,678
Building Improvement	92,361	29,687	62,674
Computer Systems	70,186	11,159	59,027
Infrastructure	26,754	7,759	18,995
Equipment	1,576	79	1,497
	<u>\$ 406,460</u>	<u>\$ 106,589</u>	<u>\$ 299,871</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, 2018, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	\$ 176,110
R.I. Convention Center Authority	63,455
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	48,915
R.I. Infrastructure Bank	123,200
R.I. Airport Corporation	43,340

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, 2018 was \$3.2 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, 2018 was \$41.1 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.

The Rhode Island Infrastructure Bank (RIIB) has issued conduit bonds for the express purpose of providing capital financing for a specific third party. RIIB has no obligation for the conduit debt beyond resources provided by a loan with the third party on whose behalf the conduit bonds were issued. As of June 30, 2018, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of approximately \$73.7 million.

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 assets to be liquidated through the state court in Rhode Island.

The total remaining debt service on the bonds as of June 30, 2018 is approximately \$37.0 million. The maturity dates on the bonds range from 2018 to 2020 with maximum annual debt service of approximately \$12.7 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 sought repayment of compensatory and punitive damages associated with the various counts identified in the lawsuit.

Various settlements were reached with the defendants between August 2014 and October 2016 resulting in net recoveries after payments of fees, costs and expenses totaling \$36.6 million were paid to the trustee for the benefit of the bondholders.

The General Assembly has appropriated deficiencies in the Capital Reserve Fund in prior fiscal years. Due to amounts received from the settlements described above, amounts available in the Capital Reserve Fund were sufficient to fund required debt service in fiscal 2018.

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, 2018. This amount represents the current estimate of the amount of probable loss by the State and reflects amounts available resulting from the litigation recoveries 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.

For additional disclosures regarding the Job Creation Guaranty Program, see the separately issued financial statement of the RI Commerce Corporation.

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 Statement No. 49 requires the reporting entity to reasonably estimate and report a remediation liability when one of the following obligating events has occurred:

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

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

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

The remediation obligation estimates presented are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes in laws or regulations, and other factors that could result in revision to the estimates. Recoveries from responsible parties may reduce the State's obligation. As of June 30, 2018, 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.

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 \$578.3 million of restricted net position, of which \$378.15 million is restricted by enabling legislation, including \$131.00 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:				
General Fund	\$ 1,626	\$ —	\$ —	\$ 1,626
Permanent Fund Principal	—	—	174	174
Restricted for:				
Purposes specified by enabling legislation	93,318	—	—	93,318
RI Capital Plan	—	—	130,953	130,953
Debt Service	—	15,366	75,313	90,679
Capital Projects	—	—	134,119	134,119
Temporary Disability Insurance	—	—	153,882	153,882
Historic Tax Credit Redemption	—	—	25,801	25,801
Transportation-Infrastructure	—	322,623	—	322,623
Mission 360 Loan Program	—	1,847	—	1,847
Education	—	—	1,665	1,665
Other	—	—	540	540
Committed to:				
Transportation-Maintenance	—	76,391	—	76,391
Other	3,210	—	391	3,601
Assigned to:				
Subsequent Years Expenditures	32,328	—	—	32,328
Statutory Reappropriations	10,057	—	—	10,057
Unassigned:				
Budget Reserve and Cash Stabilization	198,502	—	—	198,502
Other	19,634	(1,130)	—	18,504
Totals	<u>\$ 358,675</u>	<u>\$ 415,097</u>	<u>\$ 522,838</u>	<u>\$ 1,296,610</u>

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (the Reserve) within the State’s General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For fiscal year 2018, 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
General Fund		
Personal Income	\$ 1,339,798	\$ 1,342,256
General Business Taxes:		
Business Corporations	127,170	127,145
Public Utilities Gross Earnings	109,594	109,680
Financial Institutions	29,176	29,336
Insurance Companies	115,101	114,943
Bank Deposits	1,642	1,553
Health Care Provider Assessment	44,100	44,104
Sub-total - General Business Taxes	<u>426,783</u>	<u>426,761</u>
Sales and Use Taxes:		
Sales and Use	1,057,177	1,057,197
Motor Vehicle	20,822	20,832
Cigarettes	146,879	146,958
Alcoholic Beverages	19,928	19,928
Sub-total - Sales and Use Taxes	<u>1,244,806</u>	<u>1,244,915</u>
Other Taxes:		
Inheritance and Gift	51,402	51,359
Racing and Athletics	1,081	1,081
Realty Transfer	12,842	12,843
Sub-total - Other Taxes	<u>65,325</u>	<u>65,283</u>
Total - General Fund	<u>3,076,712</u>	<u>3,079,215</u>
Intermodal Surface Transportation Fund		
Gasoline	153,862	153,862
RI Highway Maintenance	50,261	50,261
Other Governmental Funds	191,207	191,207
Total Taxes	<u>\$ 3,472,042</u>	<u>\$ 3,474,545</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, 2018, 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 newly created economic development programs with tax abatement provisions, the General Assembly appropriated funds which were paid to the Rhode Island Commerce Corporation (RICC) to fund these programs. Upon notification by the Division of Taxation, the RICC transfers funds to reimburse the State for the amount of foregone tax revenue.

The State has issued Historic Tax Credit Preservation Bonds to fund historic tax preservation credits presented for redemption or as credits to taxes owed to the State. Approximately \$25.8 million is available in the Historic Tax Credit Fund at June 30, 2018.

The following is a summary of taxes abated during fiscal 2018 by tax type (expressed in thousands):

Tax Abatement Program	Personal Income	Business Corporation	Insurance Companies	Financial Institutions	Non-Profit Redemption*	Total
Job Development Act	\$ —	\$ 1,485	\$ —	\$ 6,449	\$ —	\$ 7,934
Motion Picture Production Tax Credits	2,216	—	1,561	—	—	3,777
Historic Preservation Tax Credits	5,475	504	15,161	—	4,049	25,189
Job Training Tax Credits	—	1,405	24	—	—	1,429
Tax Credit for Contributions to Qualified Scholarship Organizations	1,371	—	45	9	—	1,425
Wavemaker Fellowship**	62	—	—	—	—	62
Total	\$ 9,124	\$ 3,394	\$ 16,791	\$ 6,458	\$ 4,049	\$ 39,816

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

**Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2018 direct payments made to fellows totaled approximately \$643 thousand.

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 include a provision that the entity or individual, as applicable, may redeem the tax credit for 100% of its value upon fulfilling its responsibilities under the agreement. 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 following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2018.

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

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

<u>Program Name:</u>	<u>Tax Increment Financing</u>	<u>Anchor Institution Tax Credit</u>
Program purpose:	Stimulate business development; retain and attract new business and industry to RI; create good-paying jobs for RI residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	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.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income
Authority under which abatements are entered into:	Rhode Island Tax Increment Financing Act of 2015 (RIGL 42-64.21)	Anchor Institution Tax Credit Act (RIGL 42-64.30)
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Project must be located in a qualifying TIF Area; (2) project must have a financing gap; (3) project must be either a new facility and not a replacement or relocation of an existing facility already located in the State, an expansion of an existing facility that will increase the number of full-time employees in the State, or necessary to retain one or more At Risk Businesses; (4) must be approved by the RICC Board of Directors; (5) must perform in accordance with an executed incentive agreement.	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.
How taxes are reduced:	Eligible taxes are reimbursed to the developer.	As a credit to the amount of taxes owed.
How abatement is determined:	Up to 75% of the projected annual incremental revenues may be allocated under a TIF agreement. Total incentive may not exceed 30% of project costs or the amount needed to close the financing gap. RICC may exempt public infrastructure, a preexisting municipally-owned stadium of 10,000 seats or greater, or utilities from the 30% cap.	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.
Recapture provisions:	Tax Credits may be denied or revoked if Applicant's certification or information is found to be willfully false; if the Applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.	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.

<u>Program Name:</u>	<u>Wavemaker Fellowship</u>	<u>Motion Picture Production Tax Credits</u>
Program purpose:	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.	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.
Taxes being abated:	Personal Income	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income
Authority under which abatements are entered into:	Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26)	RIGL 44-31.2
Criteria to be eligible to receive abatements and commitment of the taxpayer:	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.	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.
How taxes are reduced:	As a credit to the amount of taxes owed. Wavemaker fellows may also request payment for the value of the credit awarded.	As a credit to the amount of taxes owed
How abatement is determined:	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.	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.
Recapture provisions:	Tax Credits may be denied or revoked if Applicant's certification or information is found to be willfully false; if the Applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.	N/A

<u>Program Name:</u>	<u>Historic Preservation Tax Credits</u>	<u>Job Training Tax Credits</u>
Program purpose:	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.	To encourage employers to invest in retraining or upgrading the skills of their employees.
Taxes being abated:	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO.	Business Corporation, Public Service Corporation, Bank Tax, Insurance Company
Authority under which abatements are entered into:	RIGL 44-33.6	RIGL 42-64.6
Criteria to be eligible to receive abatements and commitment of the taxpayer:	A certified historic structure is to be substantially rehabilitated.	An employer must meet criteria provided by the Human Resources Investment Council (HRIC). Said employer cannot be a physician or anyone whose principal business is providing legal, accounting, engineering, architectural, or other similar professional services.
How taxes are reduced:	As a credit to the amount of taxes owed. Non-profit entities without tax liabilities may request payment for the value of the credit awarded.	As a credit to the amount of taxes owed.
How abatement is determined:	The Division of Taxation issues a certificate in the amount of the qualifying credit for which the rehabilitation qualifies, up to 20% of qualified rehabilitation expenditures, or 25% if a specified portion of the structure will be made available for a trade or business. The maximum credit allowed for any one project is \$5,000,000.	The HRIC notifies the applicant whether or not the application is approved. The tax credit is calculated by the employer and claimed on the appropriate tax return, up to 50% of actual training expenses for new and current employees. Tax credit is for up to \$5,000 per employee over a three-year period.
Recapture provisions:	N/A	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>Program Name:</u>	<u>Employer's Apprenticeship Tax Credits</u>	<u>Tax Credit for Contributions to Qualified Scholarship Organizations</u>
Program purpose:	To encourage the creation of machine tool, metal trade, and plastic process technician apprenticeships.	To enhance the educational opportunities available to all students in Rhode Island.
Taxes being abated:	Business Corporation	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits, Insurance Company, Personal Income Tax.
Authority under which abatements are entered into:	RIGL 44-11-41	RIGL 44-62-2
Criteria to be eligible to receive abatements and commitment of the taxpayer:	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.	A business entity is approved by the Division of Taxation if the dollar amount of the tax credit is no greater than \$100,000 in any tax year and if the scholarship organization qualified under RIGL 44-62-2. Approvals are available on a first-come-first-served basis, with the total aggregate amount of all tax credits approved not to exceed \$1,500,000 in a fiscal year.
How taxes are reduced:	As a credit to the amount of taxes owed.	The Division of Taxation issues a certificate for the amount of credit to be granted.
How abatement is determined:	Based on 50% of actual wages paid to a qualifying apprentice or \$4,800, whichever is less.	Unless a two-year contribution plan is in place, the credit is computed at 75% of the total voluntary contribution made. In general, if a two-year contribution plan is in place, the credit for each year shall be 90% of the total voluntary contribution made.
Recapture provisions:	N/A	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, 2018 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 49,641	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	978	Administrative cost
Historic Tax Credit	21,140	Tax credits claimed
Bond Capital	1,503	Interest earnings transfer
RI Capital Plan	60	Capital expenditures
Proprietary Funds		
Lottery	364,974	Net income transfer
Employment Security	32	Administrative cost
Total General	<u>438,328</u>	
Intermodal Surface Transportation		
RI Capital Plan	39,363	Infrastructure funding
Total Intermodal Surface Transportation	<u>39,363</u>	
Nonmajor Funds		
RI Capital Plan		
General	113,208	Transfer statutory excess in budget reserve
Bond Capital	1,382	Premium on new bonds
RI Public Rail Corporation		
Intermodal Surface Transportation	1,534	Operating assistance
Total Nonmajor Funds	<u>116,124</u>	
Total Governmental Funds	<u>593,815</u>	
Proprietary Funds		
Convention Center		
General	19,364	Debt service
RI Capital Plan	2,318	Capital improvement
Employment Security	51	JDF tax revenue
Total Proprietary Funds	<u>21,733</u>	
Total Transfers Primary Government	<u>\$ 615,548</u>	

The State transitioned during fiscal 2018 to an internal service fund model for allocating certain costs for human resources administration, information technology, and property management to various functions and activities. The residual balances remaining at June 30, 2017 from the prior allocation methodology approximating \$7 million were transferred to the newly created internal service funds.

Note 11. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$16.1 million for the fiscal year ended June 30, 2018. 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, 2018:

Fiscal Year Ending June 30	
2019	\$ 15,451
2020	10,546
2021	9,559
2022	8,691
2023	8,392
2024 - 2028	25,322
2029 - 2033	8,806
Total	<u>\$ 86,767</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, 2018 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, 2018, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$879 million, and contract commitments for the design, construction and renovation of buildings of approximately \$67 million. At June 30, 2018 the primary government had software development and implementation contract commitments of approximately \$17 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2018. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

The RI Public Rail Corporation (RIPRC), a special revenue fund, has obtained a letter of credit in the amount of \$7.5 million in favor of AMTRAK to secure RIPRC's performance of its obligations arising under any South County Rail Service agreements. RIPRC has been designated as the entity responsible for indemnifying AMTRAK and MBTA, and securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, the MBTA, and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service with policy limits of \$295 million, per federal law, subject to a self-insured retention of \$7.5 million.

The State entered into a Settlement Agreement and Consent Decree with the United States Department of Justice in 2013 and 2014, respectively. The agreements address findings that the State violated the Americans with Disabilities Act by failing to serve individuals with intellectual and developmental disabilities in integrated settings, and by placing youth with intellectual and developmental disabilities at serious risk of segregation. Under the terms of these agreements, the State is committed to transform its service system over a 10-year

period of time. The State is required to achieve certain goals each year. The ultimate goal is to provide integrated employment and day services for Rhode Islanders living with developmental disabilities.

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, 2018, \$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 \$3.1 million of the debt on the related economic development revenue bonds in fiscal year 2018. The State has commitments relating to this debt through fiscal year 2027. In addition, RICC has committed to funding various economic development initiatives that are further described in Note 9, Tax Abatements.

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 (\$3.1 million at June 30, 2018).

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, 2017, the Lottery entered into a Seventh Amendment to the Master Contract with IGT. Under this agreement, IGT shall deploy premium IGT video lottery terminals based on a premium tier and rate table, and receive \$500,000 per marketing year for each level of promotional points up to 12.5% of facility net terminal income for the prior marketing year plus \$750,000; and also up to 15% of facility net terminal income for the prior marketing year plus \$750,000. The maximum amount of promotional points legislatively authorized under the program is 20% of facility net terminal income for the prior marketing year plus \$750,000, subject to approval from the Lottery Director. The payments are prorated based on the number of days the premium video lottery terminals are deployed during the fiscal year. In return, IGT waives all rights, remedies, claims and cause of action against the Division in connection with the promotional points program for the facilities redeemed up to 15% of the facility prior year net terminal income plus \$750,000. For the first marketing year in which the Division commences operating video lottery terminals at Twin River-Tiverton, the amount of promotional points program is the sum of 50% of the Newport Grand and 50% of the Twin River -Lincoln net terminal income for the prior marketing year.

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 2018, Twin River was authorized and issued approximately \$56.2 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.

The Lottery is also required by contract 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 (60.85% for 2018). The Lottery reimbursed UTGR for \$5,476,500 in marketing expenses for fiscal 2018.

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.

On February 6, 2018, the Lottery entered into the Seventh Amendment to the Master Contract with UTGR, Inc. (UTGR) requiring make whole provisions pursuant to the promotional points program for promotional points redeemed. In accordance with the provisions of section 2.1 of the IGT Seventh Amendment to its Master Contract, Twin River - Lincoln facility and for the Twin River - Tiverton facility shall make whole, through the Division, for IGT premium game video lottery terminals at each level of promotional points up to 12.5% and 15% of net terminal income of each facility based on that percentage specified of net terminal income for the prior state fiscal year plus \$750,000; or for Tiverton, during its first year of operation, based on the sum of 50% of the Newport Grand and 50% of the Twin River - Lincoln net terminal income for the prior fiscal year. Any further redemption of promotional points above the 15% of prior year net terminal income calculated as indicated above, as approved by the Lottery Director, requires agreement among the Division, IGT and UTGR and Twin River - Tiverton.

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 for two five year terms commencing on November 23, 2010 and November 23, 2015. There were requirements for Newport's compliance with full-time employment mandates specified in the 2010 law. The contract, as amended, entitled Newport Grand to compensation equal in percentage of net terminal income to that of Twin River. In addition, Newport Grand was entitled to an increased percentage of net terminal income of 1.9% to be used for approved marketing expenses at Newport Grand.

The Master Contract was amended in recent years to reflect the statutory authorization of a promotional points program at Newport Grand. In fiscal year 2018, Newport Grand was authorized and issued approximately \$6.6 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.

The Master Contract has also been amended to reflect the statutory requirement that the Lottery reimburse Newport Grand for certain 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 (61.46% for 2018). The

Lottery reimbursed Premier Entertainment II, LLC for \$516,264 in marketing expenses for fiscal 2018. Additionally, recent legislation authorizes an additional reimbursement of 1.9% of current year net terminal income. This resulted in an additional \$884,155 paid to Newport Grand. This payment sunsets with the opening of Twin River-Tiverton casino.

On August 28, 2018, Newport Grand ceased operations and the State's license was transferred to the Twin River-Tiverton facility. Marketing expense reimbursements will be prorated based on the number of days each facility is operating in fiscal year 2019. Promotional points thresholds authorized for Twin River - Tiverton will be based on the sum of 50% of net terminal income of Newport Grand for the prior fiscal year plus 50% of net terminal income of Twin River - Lincoln for the prior fiscal year.

Discretely Presented Component Units

R.I. Resource Recovery Corporation

Landfill closure and post-closure:

The Environmental Protection Agency (EPA) established closure and post-closure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. The landfill operated by RIRRC has been segregated into six distinct phases. Phases I, II 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 \$91.1 million as of June 30, 2018 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2018
Phase I	\$ 450,904
Phase II and III	16,371,235
Phase IV	18,231,132
Phase V	43,457,071
Phase VI	12,033,067
Other	590,146
	<u>\$ 91,133,555</u>

As of June 30, 2018, 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	\$ 2,844,606	93.86%	6 months
Phase VI	\$ 81,642,629	12.85%	17.1 years

As of June 30, 2018 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$13.0 million increase of the corresponding liability from \$95.9 million at June 30, 2017 to \$108.9 million at June 30, 2018.

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 restricted component of net position at June 30, 2018 is \$55.4 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, 2018 is as follows:

Balance, June 30, 2017	Additions	Reductions	Balance, June 30, 2018	Current Portion
\$ 22,177,638	—	\$ (3,774,469)	\$ 18,403,169	\$ 935,840

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 \$43.6 million as of June 30, 2018.

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 \$18.4 million as of June 30, 2018.

R.I. Turnpike and Bridge Authority

The R.I. Turnpike and Bridge Authority has entered into contracts totaling \$28.1 million for bridge and highway repairs on the Mount Hope, Claiborne Pell, Jamestown and Sakonnet River Bridges and on Route 138, which is expected to take over a year to complete. As of June 30, 2018, remaining commitments on these contracts total \$8.3 million.

R.I. Public Transit Authority

The R.I. Public Transit Authority is committed under various contracts in the amount of \$7.7 million at June 30, 2018.

I-195 Redevelopment District Commission

On September 21, 2017, the Commission sold Lot 1 (formerly part of Parcels 22 and 25) to Providence Innovation District Phase I Owner, LLC, an entity of Wexford Science and Technology, for \$1.00 as part of a three-phase development. Wexford broke ground on an approximately 200,000-SF commercial building on the site shortly thereafter. The project will be supported by incentives from the I-195 Project Fund totaling \$18.8 million.

Rhode Island Convention Center Authority

Through June 30, 2018, the Authority's remaining commitment under contracts entered into with vendors associated with the construction project involving the parking facility adjacent to the Garrahy Courthouse totaled approximately \$36.1 million.

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

Challenges to Pension Reforms

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

In September 2014, a case challenging pension reforms was commenced by the Rhode Island Troopers Association in Superior Court. The State has answered the complaint in that action, which remains pending. In August 2018, the Plaintiffs filed a motion to amend their Complaint. A hearing on that motion has not been set. There is no trial date set. The State intends to vigorously defend this lawsuit.

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

The American Trucking Associations and four trucking companies have sued the State in U.S. District Court challenging, on commerce clause grounds, the "RhodeWorks" program that implements a system of tolls on trucks in Rhode Island. While this matter is presently in federal court, the State of Rhode Island has filed a motion to dismiss this lawsuit from federal court and if it is dismissed, the Plaintiffs will refile in state court. If plaintiffs prevail, restitution could be ordered for all tractor-trailer operators who paid a toll. Through five months of toll collections (with two toll gantries) this amount is approximately \$3.7 million; once all gantries are operational expected revenue (and thus potential restitution) is estimated to be \$45-50 million per year. This amount of potential restitution is an estimate subject to change based on actual toll collections.

Andrew C. (Previously Cassie M.) v. Raimondo, Executive Office of Health & Human Services (EOHHS) and Department of Children, Youth & Families (DCYF)

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 reached a mediated settlement which was approved by the U.S. District Court after a fairness hearing in May 2018. As part of the settlement, negotiated attorneys fees were paid. 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 and the Court will have continuing enforcement jurisdiction to ensure compliance with the agreement. The State will need to provide resources to DCYF to carry out the terms of the settlement agreement and meet its benchmarks. If DCYF does not meet the benchmarks, the State may be liable for costs and attorneys' fees from future litigation for contempt and/or enforcement of the settlement. DCYF management believes they can comply with the requirements of the settlement with current staffing levels, but if it is determined that requirements of the settlement are not being met, DCYF will seek additional positions and associated funding.

Provorse, Neil et al v. State et al

A family sued DCYF for "wrongful adoption," alleging that DCYF failed to disclose the adopted child's severe disabilities. The child also brought separate claims against DCYF in connection with a sexual assault that

allegedly occurred while she was in DCYF's care. The Superior Court issued a decision denying the State's motion to dismiss based on the statute of limitations. The State has filed a petition for certiorari with the Rhode Island Supreme Court on the issue. The family also filed a motion for partial summary judgment on issues related to the public duty doctrine and tort cap, which motion has been continued pending a ruling from the Supreme Court on the State's petition. The family is seeking over \$2.0 million in damages, and there may be exposure for pre-trial interest exceeding that amount. The case is not likely to be resolved in the near future.

R. I. Department of Transportation (RIDOT) Consent Decree with the EPA

RIDOT has entered into a Consent Decree with the EPA concerning violations of the Clean Water Act by failing to comply with the conditions in the General Permit – Rhode Island Pollutant Discharge Elimination System Storm Water Discharge from Small Municipal Separate Storm Sewer Systems. The Consent Decree was lodged with the U.S. District Court on October 15, 2015 and it was finalized on December 22, 2015. The Consent Decree requires RIDOT to implement remedial actions necessary in order to address discharges to impaired waters, illicit discharge detection and elimination, street sweeping pollution prevention and catch basin and other drainage system component inspection and maintenance. In addition to the remedial measures that must be implemented by RIDOT, RIDOT has paid a civil penalty in the amount of \$315 thousand and completed two supplemental environmental projects that require the transfer of certain parcels of land for conservation purposes which have a value of \$77 thousand and \$158 thousand respectively. The Consent Decree also incorporates stipulated penalties for RIDOT's failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree.

Tobacco Master Settlement Agreement - Tobacco Settlement Financing Corporation

The Tobacco Master Settlement Agreement (the "MSA") is an agreement entered into between a number of states, including Rhode Island, and major tobacco companies (the Participating Tobacco Manufacturers, or "PMs") in settlement of certain litigation. 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 ("DPA") 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 maintained and continues to maintain that it diligently enforces its applicable statutes against the NPMs.

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) and subsequently resolved 2015, receiving 75% of the disputed monies for that year with the April 2018 disbursement. 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 Settlement, the PMs agreed not to dispute payments through the years of settlement. At present, for Rhode Island, that is through 2015. It is possible that the PMs could dispute the MSA amounts beginning with the 2016 NPM Adjustment, which could result in the Tobacco Settlement Financing Corporation receiving less revenue than assumed in out-year projections, thereby impacting its ability to service its debt obligations. 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 the State/the Corporation 50% of the NPM Adjustment that otherwise would have been deposited in the DPA. Thus, the State will receive certain DPA monies for future potential disputes that it otherwise would not have received until or unless there were to be a diligence determination at a later date.

Under the Settlement Term Sheet, the PMs also would not place into the DPA 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 DPA and not paid to the MSA States if the MSA States did not join the Settlement Term Sheet.

The Settlement authorized the States and the PMs to split disputed payments 72% state/28% PMs for 2016 and 2017 and 50%/50% in future years. Without this settlement, 100% of the monies for each respective unresolved year would be held in the DPA. The State received \$4,915,407 in additional funds in April 2017 and \$4,632,611 in April 2018. This represents 72% of the disputed payment amounts for 2016 and 2017, respectively.

The State will continue to vigorously enforce the MSA and related statutes. Although a Settling State that diligently enforces its Qualifying Statute is not subject to the NPM Adjustment, many procedural uncertainties, as described above, remain regarding the NPM Adjustment. Future NPM Adjustment claims for Settling States remain possible for calendar years 2016 and all future years. As discussed above, one of the benefits of the Settlement is that the signatory states and the PMs split disputed payments for future years 50%/50%. When the dispute over a particular year is finally resolved, the prevailing party will receive the other party's 50% as a credit to that year's payment.

Should the PMs be determined with finality to be entitled to a full NPM Adjustment in a future year, thereby requiring the State to return the 50% of a disputed payment it previously received, this could have a material adverse effect on the amounts of Tobacco Settlement Revenues (TSRs) available to the Corporation to make turbo redemptions and other debt service payments on its debt obligations.

Prior to the Settlement Agreement, 100% of a state's MSA Payment in a given year was at risk until the disputed payment issue was resolved. If a state was found non-diligent, the state could lose up to 100% of its MSA Payment for a given year. The Settlement Agreement allows for a reduction in the form of a reduced reimbursement percentage for those states found non-diligent, so the State would retain a portion of its MSA Payment even if found non-diligent for non-settled years. The reimbursement percentages are specific to the year being settled and are also impacted by the number of states found to be non-diligent; thus it is unknown how much of Rhode Island's MSA revenues would be at risk in a given year. However, any finding of non-diligence on the part of the State in future arbitrations could have a material adverse effect on receipt of TSRs. Also, any failure on the part of the PMs to perform their obligations under the MSA and/or the Settlement Agreement could also have a material adverse effect on receipt of future TSRs. A reduction in the amount of TSR's received could affect the Corporation's ability to make turbo redemptions and other debt service payments on its debt obligations.

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 to prevent 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.

For additional information about these matters, please refer to the separately issued Tobacco Settlement Financing Corporation financial statements for the year ended June 30, 2018.

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.

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, 2018 will be issued in March 2019. 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 2018 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 and the State's Health Insurance Exchange established pursuant to the ACA. The system was initially implemented in October 2013 to administer the State's Health Insurance Exchange Marketplace and determined eligibility for some categories of Medicaid and CHIP (Children's Health Insurance Program) program participants. In September 2016, additional functionality was implemented to determine eligibility for the remaining categories of Medicaid participants and to determine eligibility and pay benefits for the federal Supplemental Nutrition Assistance (SNAP), Temporary Assistance to Needy Families (TANF), and Child Care programs.

The system implementation has resulted in challenges in determining and/or re-determining eligibility for the programs administered through the new system. This has resulted in application backlogs, delays in delivering timely benefits, and advances to providers impacted by delays in eligibility which prevented claims processing. Control deficiencies relating to the ineffective eligibility system have also resulted in known duplicate capitation payments for Medicaid managed care enrollees, continued Medicaid eligibility for deceased individuals, and extended backlogs for establishing eligibility for newborns.

System development has largely been funded with federal grants and because of the implementation challenges, there has been increased oversight from the federal grantor agencies and requests for immediate corrective actions.

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 oversight of the special master continued at June 30, 2018 and subsequently.

The Single Audit Report for the fiscal year ended June 30, 2017 highlighted material noncompliance with federal program compliance provisions for the Medicaid, SNAP, TANF, and CCAP program. Resolution of the audit findings identifying material noncompliance remains pending.

The State has negotiated with the system developer, Deloitte, to recoup some of the system costs expended to date and to receive additional services at no charge to address system deficiencies. Through June 30, 2018, credits totaling approximately \$87 million have been applied to cover Deloitte's ongoing costs of implementation and operation. Deloitte is additionally required to reimburse the State for any fines that may be levied on the State by the Food and Nutrition Services (FNS) related to the SNAP program for noncompliance caused by the system implementation.

Efforts to address the implementation issues continue and have resulted in improved system functionality at June 30, 2018 and subsequently. However, various contingencies remain which 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 \$29.2 million outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to \$4.4 million on June 30, 2018. 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, 2018 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 \$15.2 million at June 30, 2018.

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, 2018, 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, 2018 are \$12.3 million.

RIIRBA insures a bond issued by RIIFC on behalf of a private sector entity. During the year ended June 30, 2012 the private sector entity defaulted on its payments to the bond holder and RIIRBA assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a pending case in the Providence Superior Court was entered into, subject to the formal vote of approval by the board of the Authority. This settlement upon final approval will result in a payment of \$1,500,000 to the Rhode Island Industrial Recreational Authority replenishing existing available financial resources. Bond payments will continue to be made by first exhausting RIIRBA's available financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount. At June 30, 2018 RIIRBA has determined that it is likely that it will incur an estimated loss under the insured commitment of \$2.2 million. Accordingly, RIIRBA has revised the accrued insured commitment payable of \$2.0 million recorded at June 30, 2017 to \$2.2 million as of June 30, 2018. No request has been made to the General Assembly at June 30, 2018 for appropriations to satisfy any liability under the insurance guarantee.

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

As of June 30, 2018, RIHMFC may borrow up to a maximum of \$110 million under various revolving loan agreements expiring between August 2018 and November 2019. Borrowings under the lines of credit are payable on demand and are unsecured.

RIHMFC is party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose RIHMFC to credit risk in excess of the amounts recognized in the accompanying statement of net position. RIHMFC's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. Total credit exposure as a result of loan commitments at June 30, 2018 is \$113.6 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.

University of Rhode Island

On May 31, 2018, a State of Rhode Island Superior court jury awarded the plaintiff a judgment in the amount of \$32.15 million from injuries sustained at the Alton Jones Campus of the University of Rhode Island in

2014. The judgment includes interest that accrues annually at 12%. The University is insured through United Educators Insurance with a \$1 million underlying policy and a \$25 million excess liability policy. An appeal has been filed by the University and its insurance carrier with the Rhode Island Supreme Court. The University and United Educators Insurance intend to seek reversal of the judgment based on well-established precedents under Rhode Island Law. Mandatory mediation has been conducted and an agreement in principle has been reached for a settlement that is expected to be within the policy limits. The impact of this matter, if any, cannot presently be determined, therefore, no liability in these financial statements has been recognized for this contingency.

On January 15, 2018, a suit was filed against the University of Rhode Island, the Council for Postsecondary Education and the Board of Education in the death of an individual, who died as a result of injuries suffered at the hands of an University employee after the employee left work. Discovery is ongoing. No settlement demands or offers have been made as of this date, which is not unusual since the case is relatively new. The impact of this matter, if any, cannot presently be determined.

Other Component Units

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

Note 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 2018 pension expense (credit)*	Net pension liability at June 30, 2017 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	\$183,452,000	\$2,010,955,000
			Business-type activities	\$1,533,000	\$16,869,000
			Special funding – teachers - state share (see Note Section 14-E)	\$129,755,000	\$1,357,577,000
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$4,895,000	\$24,485,000
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	\$2,531,000	\$7,733,000
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	\$115,000	\$19,795,000
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	(\$96,504,000)	\$159,944,000
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	(\$664,000)	\$44,789,000
	Totals			\$225,113,000	\$3,642,147,000
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	\$4,800,000	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
* Pension credits result principally from the immediate recognition of assumption changes for closed plans comprised of retired employees.					

Employer pension expense and related liabilities and deferred inflows of resources/deferred outflows of resources for defined benefit plans A-E as identified above are recognized in the financial statements based on the provisions of GASB Statement No. 68.

Employer pension expense and related liabilities and deferred inflows/outflows for defined benefit plan F as identified above are recognized in the financial statements consistent with the provisions of GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. The State provides these benefits on a pay-as-you-go basis rather than through an advance funding arrangement and a qualifying trust.

The LIUNA sponsored, cost-sharing, multiple-employer pension plan (plan G) is not a state or local government pension plan. As there is no required employer contribution for covered employees, no employer pension expense is reflected in these financial statements. Consistent with the requirements of GASB Statement No. 78, there is no recognition of an employer proportionate net pension liability, if any.

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

Plan membership, based on the June 30, 2016 actuarial valuations (with the exception of JNCRP which has a June 30, 2017 valuation date), is summarized in the table below:

	Retirees and beneficiaries	Terminated plan members entitled to but not yet receiving benefits	Active Vested	Active Non-vested	Total by Plan
ERS-State Employees	11,058	3,071	8,501	2,582	25,212
JRBT	20	—	14	38	72
RIJRFT	2	—	5	—	7
SPRBT	56	47	39	207	349
SPRFT	269	—	—	—	269
JNCRP	53	—	—	—	53

B. Defined Benefit Plan Descriptions – Advance Funded Plans

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

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

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

Plan vesting provisions – after five years of service.

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

Schedule	Schedule Criteria	Retirement eligibility	Benefit accrual rates	Maximum benefit
(A)	Completed 10 years of service on or before July 1, 2005 and eligible to retire as of September 30, 2009	Age 60 with 10 years of service or after 28 years of service at any age	Effective until June 30, 2012: 1.7% for each of first ten years 1.9% for each of next ten years 3.0% for each of next fourteen years 2% for the 35 th year Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015: for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (3 consecutive highest years)
(AB)	Completed 10 years of service on or before July 1, 2005 but ineligible to retire as of September 30, 2009	Minimum retirement age of 62 and ten years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Effective until June 30, 2012: Same accrual rates as (A) above to September 30, 2009 and then Schedule B rates (below) thereafter Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015, for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (5 consecutive highest years)
(B)	Less than 10 years of service before July 1, 2005 and eligible to retire as of September 30, 2009	Age 65 with 10 years of service or after 29 years of service and age 59	Effective until June 30, 2012: 1.6% for each of first ten years 1.8% for each of next ten years 2.0% for each of next five years 2.25% for each of next five years 2.5% for each of next seven years 2.25% for the 38 th year Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years)
(B1)	Less than 10 years of service before July 1, 2005 and ineligible to retire as of September 30, 2009	Age 65 with ten years of service, or age 62 with at least 29 years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Same as Schedule B	75% of final average earnings (5 consecutive highest years)
(B2)	Less than 5 years of service as of July 1, 2012	Social Security Retirement Age and 5 years of contributory service	1.6% for each of first ten years Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years)

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

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

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

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

Joint and survivor options are available to members. For members with 10 years of service as of July 1, 2005, the Service Retirement Allowance (SRA) Plus option provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefits payable at age sixty-two (62).

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

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

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$26,291 (indexed as of January 1, 2018) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$26,291 is replaced with \$31,549 (indexed as of January 1, 2018) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds eighty percent (80%). At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,291).

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

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

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

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

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

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

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

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$26,291 (indexed as of January 1, 2018) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$26,291 is replaced with \$31,549 (indexed as of January 1, 2018) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds eighty percent (80%). At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,291).

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

Plan members – The plan covers seven (7) judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 that do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for 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 or the District Court, for 20 years (or a combination of service in various courts) and has reached the age of 65 years, or has served 15 years, and reached the age of 70 years. These members may retire from regular service and receive a benefit equal to the annual salary the member was receiving at the time of their retirement. Members of the Traffic Tribunal who served as a justice for 20 years, or has served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. However, any Traffic Tribunal judge who has served 20 years and has reached age 65 years, or has served for 15 years and has reached age 70 years may retire from active service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement.

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30,

2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$26,291 (indexed as of January 1, 2018) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$26,291 is replaced with \$31,549 (indexed as of January 1, 2018) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds eighty percent (80%). At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,291).

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

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

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

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

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

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

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$26,291 (indexed as of January 1, 2018) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement

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

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$26,291 is replaced with \$31,549 (indexed as of January 1, 2018) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds eighty percent (80%). At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,291).

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

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

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

Retirement eligibility and plan benefits - The plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, members that retired after July 1, 1972 could earn an additional 3.0% of final salary times service in excess of 20 years through 25 years to a maximum of 65% of final salary. Such benefits are available to members after 20 years of service regardless of age.

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$26,291 (indexed as of January 1, 2018) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$26,291 is replaced with \$31,549 (indexed as of January 1, 2018) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds eighty percent (80%). At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,291).

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

The Fiduciary Net Position presented for defined benefit plans which are advance funded and accounted for in a trust has been determined on a basis consistent with that used by the respective plans in preparing their financial statements. ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

The plans' basis of accounting and accounting policies, including those related to benefit payments and valuation of plan investments is summarized below.

Basis of Accounting

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

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

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

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

Pension benefits paid under the JNCRP are generally determined based on years of service at retirement and are payable to the retiree or their beneficiary. JNCRP members, in general, are eligible for full retirement benefits equal to their final annual compensation at age 65, if the member has served for 20 years, or at age 70 with 15 years of service. The plan has provisions that allow survivors, upon the death of the participant, to continue to receive a portion of the participant's benefit.

E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute 40% of the cost of providing retirement benefits for teachers covered by the Employees' Retirement System. Under GASB Statement No. 68, for teachers, the State is considered to be a non-employer contributing entity under a special funding situation. The total net pension liability for teachers covered by the Employees' Retirement System measured as of June 30, 2017 is approximately \$3.1 billion and the State's share of the net pension liability is approximately \$1.4 billion. The State's share of the net pension liability for teachers has been allocated based upon the statutory contribution percentage and is reflected in the Statement of Net Position as of June 30, 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 43.05% percent, an increase of 2.40% 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. With the exception of the RIJRFT, employers are required by statute to contribute at an actuarially determined rate for the respective defined benefit plans.

The fiscal year 2018 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, 2015. The Rhode Island Judicial Retirement Fund Trust is not currently funded. Employees make contributions to the plan; however the State is not making full actuarially determined contributions. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization over 17 years from June 30, 2013. The Rhode Island State Police Retirement Fund Trust is a closed group of individuals and the annual contributions into the Trust have

been calculated on a level-dollar amortization over 18 years from June 30, 2016. The non-contributory judges (JNCRP) plan is financed on a pay-as-you-go basis.

A summary of the contribution rates by both the participating employers and members and the State's annual pension plan contributions (expressed in thousands) for the fiscal year ended June 30, 2018 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP
Contribution rate:						
State	24.87%	21.13%	\$1,322	12.22%	\$16,387	—
Plan members	3.75% and 11.00%	8.75% and 12.00%	8.75% and 12.00%	8.75%	—	—
State contribution for teachers	9.89%	—	—	—	—	—
Contributions made for state employees	\$157,404	\$2,064	\$399	\$2,802	\$16,387	\$5,486
Contribution made for teachers	\$98,121	—	—	—	—	—

* 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 following actuarial valuation to be performed. For fiscal year 2018, the contribution to the System required in accordance with this provision of the General Laws was \$598,086.

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 \$461 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 43.05%. 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 2017. The State's proportion for the ERS Plan for State employees was 89.19 percent, an increase of 0.26 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, 2017 (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	\$		2,254,756
<i>Less portion attributable to other entities:</i>			
Enterprise Fund - Rhode Island Lottery	\$		(16,869)
Discretely Presented Component Units			
University of Rhode Island	\$	127,133	
Rhode Island College		43,866	
Community College of RI		32,467	
RI Division of Higher Education Assistance		1,648	
RI Commerce Corporation		305	
RI Airport Corporation		2,136	
			(207,555)
Related organization - Narragansett Bay Commission			(19,377)
ERS - Net Pension Liability - Governmental Activities	\$		<u>2,010,955</u>
Net Pension Liability - Single Employer Defined Benefit Pension Plans			
JRBT			7,733
RIJRFT			19,795
SPRBT			24,485
SPRFT			159,944
JNCRP			44,789
Total Net Pension Liability	\$		<u><u>2,267,701</u></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, 2017 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 75,628	\$ 20,442	\$ 154,274	\$ 175,957
Plan fiduciary net position	67,895	647	129,789	16,013
Net pension liability	\$ 7,733	\$ 19,795	\$ 24,485	\$ 159,944
Plan fiduciary net position as a percentage of total pension liability	89.8%	3.2%	84.1%	9.1%

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to the June 30, 2017 measurement date, using the following actuarial assumptions, applied to all periods included in the measurement.

	ERS						
	State Employees	Teachers	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP
Valuation Date	6/30/2016 rolled forward to 6/30/2017	6/30/2016 rolled forward to 6/30/2017	6/30/2016 rolled forward to 6/30/2017	6/30/2016 rolled forward to 6/30/2017	6/30/2016 rolled forward to 6/30/2017	6/30/2016 rolled forward to 6/30/2017	6/30/2017
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
<u>Assumptions</u>							
Investment Rate of Return	7.00%	7.00%	7.00%	3.56%	7.00%	7.00%	3.56%
Projected Salary increases	3.25% to 6.5%	3.0% to 13.5%	3.50%	3.50%	3.75% to 11.75%	N/A	N/A
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality	Male employees: RP-2014 Combined Healthy For Males with Blue Collar adjustments, projected with Scale Ultimate MP16. Female employees: RP-2014 Combined Healthy For Females, projected with Scale Ultimate MP16. Male Teachers: RP-2014 Combined Healthy for Males with White Collar adjustments, projected with Scale Ultimate MP16. Female Teachers: RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Scale Ultimate MP16.						
COLA	Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017. As of June 30, 2017, it is assumed that the COLAs will be suspended for 10 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.50%.						

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2017 measurement date were consistent with the 2017 Actuarial Experience Investigation Study for the six year period ended June 30, 2016 and as approved by the System's Board on May 15, 2017.

Factors affecting trends for amounts related to the net pension liability

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, updated to the ultimate rates of the MP-2016 projection scale.

For RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability instead of the plan's assumed investment rate of return of 4%.

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, 2017 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-term Target allocation	Long-term expected arithmetic real rate of return
Global Equity		
U.S. Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%
	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 7.0 percent for all plans but the RIJRFT and JNCRP plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the RIJRFT and JNCRP plans, the State has not opted to make actuarially determined employer contributions and based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Consequently, for those plans, the municipal bond index rate, based on fixed-income mutual bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the employers calculated using the discount rate of 7.0% (for all plans except the RIJRFT and JNCRP), as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT and JNCRP plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members and consequently the municipal bond index rate of 3.56% at June 30, 2017 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 (6.00%)	Current Discount Rate (7.0%)	1.00% Increase (8.00%)
ERS - State employees	\$ 2,504,147	\$ 2,010,955	\$ 1,643,602
ERS - Teachers (State share)	\$ 1,706,150	\$ 1,357,577	\$ 1,097,946
JRBT	\$ 16,358	\$ 7,733	\$ 1,311
SPRBT	\$ 42,019	\$ 24,485	\$ 11,432
SPRFT	\$ 181,290	\$ 159,944	\$ 144,039

	1.00% Decrease (2.56%)	Municipal Bond Index Rate (3.56%)	1.00% Increase (4.56%)
RIJRFT	\$ 22,075	\$ 19,795	\$ 18,099
JNCRP	\$ 48,006	\$ 44,789	\$ 41,957

Business-type Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Rhode Island Lottery:			
ERS Plan - State Employees	\$ 21,006	\$ 16,869	\$ 13,787

H. Changes in the Net Pension Liability

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

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP*
Total Pension Liability					
Service cost	\$ 3,001	\$ 350	\$ 4,498	\$ —	\$ —
Interest	5,031	586	9,393	7,990	1,380
Benefit changes					
Differences between expected and actual experience	(1,789)	—	10,694	(181)	182
Changes of assumptions	5,173	(666)	9,274	(103,520)	(2,291)
Benefit payments	(2,739)	(399)	(5,142)	(17,392)	(5,763)
Net change in Total Pension Liability	8,677	(129)	28,717	(113,103)	(6,492)
Total Pension Liability - beginning	66,951	20,571	125,557	289,060	51,281
Total Pension Liability - ending	\$ 75,628	\$ 20,442	\$ 154,274	\$ 175,957	\$ 44,789
Plan Fiduciary Net Position					
Employer contributions	\$ 2,057	\$ 332	\$ 2,980	\$ 31,566	\$ —
Employee contributions	1,118	117	2,060	—	—
Net investment income	7,107	64	13,694	1,839	—
Benefit payments	(2,740)	(399)	(5,142)	(17,392)	—
Administrative expenses	(65)	(1)	(125)	—	—
Other	—	—	5	—	—
Net change in Fiduciary Net Position	\$ 7,477	\$ 113	\$ 13,472	\$ 16,013	\$ —
Plan Fiduciary Net Position - beginning	60,418	534	116,317	—	—
Plan Fiduciary Net Position - ending	\$ 67,895	\$ 647	\$ 129,789	\$ 16,013	\$ —
Net Pension Liability	\$ 7,733	\$ 19,795	\$ 24,485	\$ 159,944	\$ 44,789

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

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

Employees' Retirement System of Rhode Island

For the fiscal year ended June 30, 2018 the State recognized net pension expense of \$95.4 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 \$129.8 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, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the ERS from the following sources (expressed in thousands):

Governmental Activities:

	<u>State Employees</u>	<u>Teachers</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 156,083	\$ 98,121	\$ 254,204
Net difference between projected and actual earnings on pension plan investments	45,189	34,293	79,482
Changes of assumptions	169,503	118,565	288,068
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,212	59,040	63,252
Totals	<u>\$ 374,987</u>	<u>\$ 310,019</u>	<u>\$ 685,006</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 41,021	\$ 32,185	\$ 73,206
Changes of assumptions	5,466	21,393	26,859
Changes in proportion and differences between employer contributions and proportionate share of contributions	541	1,484	2,025
Totals	<u>\$ 47,028</u>	<u>\$ 55,062</u>	<u>\$ 102,090</u>

The \$156.1 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, 2019. In addition, the \$98.1 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, 2019. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

	<u>State Employees</u>	<u>Teachers</u>
Year ended June 30:		
2019	\$ 29,878	\$ 22,833
2020	62,763	45,435
2021	48,025	28,707
2022	23,930	4,845
2023	7,280	22,625
Thereafter	—	32,391
	<u>\$ 171,876</u>	<u>\$ 156,836</u>

Business-type Activities:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	1,321
Net difference between projected and actual earnings on pension plan investments		379
Changes of assumptions		1,422
Changes in proportion and differences between employer contributions and proportionate share of contributions		178
Totals	<u>\$</u>	<u>3,300</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$	344
Changes of assumptions		46
Changes in proportion and differences between employer contributions and proportionate share of contributions		297
Totals	<u>\$</u>	<u>687</u>

The \$1.3 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

Year ended June 30:		
2019	\$	249
2020		524
2021		351
2022		121
2023		47
Thereafter		—
	<u>\$</u>	<u>1,292</u>

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2018 the table below provides information about pension expense (credit) recognized for each of the State's five single employer plans (expressed in thousands):

<u>Plan</u>	<u>Annual Pension Expense (Credit)</u>
JRBT	\$ 2,531
RIJRFT	115
SPRBT	4,895
SPRFT	(96,504)
JNCRP	(664)
Total	<u>\$ (89,627)</u>

The June 30, 2017 measurement date information includes a pension credit of \$96.5 million for the SPRFT plan which results from a change in assumption attributable to the establishment of an advance funded trust (effective July 1, 2016) that replaced the previous plan which was funded on a pay-as-you-go basis. As allowed by GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you-go plans. Higher discount rates result in lower pension expense. The discount rate for the SPRFT plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit. GASB standards require the immediate recognition of this change in the discount rate assumption since the SPRFT plan is a closed plan that is comprised entirely of retired employees.

A pension credit of \$664 thousand for the JNCRP plan results from an increase in the discount rate from 2.85% to 3.56%. GASB standards require the immediate recognition of this change in the discount rate assumption since the JNCRP plan is a closed plan that is comprised entirely of retired employees. Accordingly, the effect of this change in assumption has been recorded in fiscal 2018 and is reflected in the pension credit total of \$664 thousand.

At June 30, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,058	\$ 399	\$ 2,797	\$ 16,387	\$ 5,486	\$ 27,127
Net difference between projected and actual earnings on pension plan investments	1,074	5	2,032	—	—	3,111
Differences between expected and actual experience	—	—	9,629	—	—	9,629
Change of Assumptions	4,168	—	8,351	—	—	12,519
Totals	\$ 7,300	\$ 404	\$ 22,809	\$ 16,387	\$ 5,486	\$ 52,386
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ —	\$ —	\$ 1,046	\$ —	\$ 1,046
Differences between expected and actual experience	3,663	—	5,867	—	—	9,530
Change of assumptions	215	—	224	—	—	439
Totals	\$ 3,878	\$ —	\$ 6,091	\$ 1,046	\$ —	\$ 11,015

The amount of \$27.1 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, 2019. Other amounts reported as deferred outflows(inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

Year ending June 30	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
2019	\$ 97	\$ 3	\$ 1,660	\$ (262)	\$ —	\$ 1,498
2020	835	4	3,078	(262)	—	3,655
2021	352	2	1,945	(261)	—	2,038
2022	(15)	(4)	223	(261)	—	(57)
2023	95	—	1,219	—	—	1,314
Thereafter	—	—	5,796	—	—	5,796
	\$ 1,364	\$ 5	\$ 13,921	\$ (1,046)	\$ —	\$ 14,244

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, 2018, 844 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 2018. 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 \$4.8 million for the fiscal year ended June 30, 2018, 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 70½ or terminates employment, if later.

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

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

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

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

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

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

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

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

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

Retirement benefits – Benefits may be paid to a member after termination from employment, death, total disability, or upon attaining age 59½. In the case of termination, a 10% IRS penalty upon withdrawal will apply if the member is younger than 55 years of age. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ 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 \$19.1 million during the year ended June 30, 2018

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 provides retirement, disability and death benefits to plan members and beneficiaries. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of 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 \$61.5 million. Accordingly, a net pension liability of that

amount has been recorded as of June 30, 2018. For the fiscal year ended June 30, 2018 pension expense of \$10.6 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 and 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 \$83.2 thousand. Accordingly, a net pension liability in that amount has been recorded as of June 30, 2018. For the fiscal year ended June 30, 2018 pension expense of \$229 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.commercercor.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 Postemployment Benefit Plans

A. Summary of Employer Plans

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

	Plan	Plan Type	Covered employees	FY 2018 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2017 measurement date
A	State Employees	Cost-sharing multiple-employer plan – advance funded through a trust	State employees excluding state police, legislators and judges		
			Governmental activities	\$ 34,549	\$ 463,597
			Business-type activities	\$ 288	\$ 3,864
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ 1,781	\$ 3,055
C	Judges	Single-employer plan - advance funded through a trust	Judges and magistrates	\$ (92)	\$ (2,378)
D	State Police	Single-employer plan - advance funded through a trust	State police officers	\$ 5,044	\$ 44,886
E	Legislators	Single-employer plan - advance funded through a trust	Retired and former members of the General Assembly	\$ (43)	\$ (1,379)
F	Board of Education (BOE)	Cost-sharing multiple-employer plan – advance funded through a trust	Certain employees of the Board of Education inclusive of URI, RIC, CCRI and the Office of Higher Education	\$ 8	\$ 111
	Totals			\$ 41,535	\$ 511,756

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

The System is administered by the State of Rhode Island OPEB Board and was authorized, created and established under Chapter 36-12.1 of RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

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

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

The OPEB Trust Funds are reported using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability

is incurred. Employer contributions are recorded in the accounting period in which they are earned or become measurable.

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

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

Plan membership, based on the June 30, 2017 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	6,730	11,169	17,899
Teachers	146	N/A	146
Judges	47	61	108
State Police	173	233	406
Legislators	18	111	129
Board of Education (BOE)	862	1,859	2,721

Terminated employees are not included in the valuation.

B. Benefit Plan Descriptions

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

Membership and Benefit Provisions

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

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

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

A summary of the principal provisions of the plans follow:

State Employees

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

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

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

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

Teachers

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

Judges

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

State Police

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

Legislators

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

Board of Education

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

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

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

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

Active employees covered by the BOE plan contribute .9% of their salary. The contribution of employees covered under the BOE plan can be changed by the Board of Education.

C. Contributions and Funding Policy

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

Beginning in fiscal year 2011, the State and other participating employers were required by law to fund the plans on an actuarially determined basis. For the fiscal year ended June 30, 2018, the State and other participating employers paid \$58 million into the plans.

The fiscal year 2018 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2015.

A summary of the contribution rates by both the participating employers and members and the State's annual plan contributions (expressed in thousands) for the fiscal year ended June 30, 2018 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	5.98%	\$ 2,321 *	—% **	34.89%	0.81%	4.36%
Plan members	—	—	—	—	—	0.9%
Contributions made	\$ 38,204	\$ 2,321	\$ —	\$ 7,919	\$ 14	\$ 18

* Actuarially determined amount not expressed as rate

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

D. Net OPEB Liability (Asset)

The net OPEB liability of the State and other participating employers in the State Employees Plan and the Board of Education Plan, which are multiple employer cost-sharing plans, has been apportioned based on the percentage share of total contributions made by each participating employer in fiscal year 2017. The State's proportion for the State Employees Plan for State employees was 89.2%.

Following is a summary of the net OPEB liability of the State and other employers participating in the State Employees Plan, the net OPEB liability of the State's share of the Board of Education Plan and the State's liability (asset) related to the four single employer defined benefit plans it sponsors, all measured as of June 30, 2017 (expressed in thousands):

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

Total Net OPEB Liability - State Employees Plan	\$	519,444
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery	\$	(3,864)
Discretely Presented Component Units		
University of Rhode Island	\$	29,240
Rhode Island College		10,135
Community College of RI		7,463
RI Division of Higher Education Assistance		375
RI Commerce Corporation		68
RI Airport Corporation		437
		<u>(47,718)</u>
Related organization - Narragansett Bay Commission		<u>(4,265)</u>
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities	\$	463,597
Board of Education Plan - State's share of Net OPEB Liability - Governmental Activities		<u>111</u>
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities	\$	<u>463,708</u>
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities	\$	<u>3,864</u>
Total State's share of Net OPEB Liability - Multiple Employer Cost-sharing Plans	\$	<u>467,572</u>
Net OPEB Liability (Asset) - Single Employer Plans:		
Net OPEB Liability - Single Employer OPEB Plans		
Teachers	\$	3,055
State Police		44,886
Total Net OPEB Liability	\$	<u>47,941</u>
Net OPEB Liability - All Plans	\$	<u>515,513</u>
Net OPEB (Asset) - Single Employer OPEB Plans		
Judges		(2,378)
Legislators		(1,379)
Total Net OPEB (Asset)	\$	<u>(3,757)</u>

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	\$ 511,649	\$ 3,864	\$ 515,513
Net OPEB (Asset)	\$ (3,757)	\$ —	\$ (3,757)

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer trustee OPEB plans (expressed in thousands) which was measured as of June 30, 2017 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 12,832	\$ 1,322	\$ 82,423	\$ 1,525
Plan fiduciary net position	9,777	3,700	37,537	2,904
Net OPEB liability (asset)	\$ 3,055	\$ (2,378)	\$ 44,886	\$ (1,379)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	76.2%	279.9%	45.5%	190.4%

a. Actuarial assumptions used in determining total OPEB liability

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Methods and Assumptions used in the June 30, 2017 Valuation						
	Plan					
	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Individual Entry Age					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
Valuation Health Care Cost Trend Rate	9% in 2018, grading to 3.5% in 2031					
Mortality Rates	Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female State Employees and Police: RP- 2014 Combined Healthy for females, projected with the MP 2016 ultimate rates.					
Excise Tax Under the Patient Protection and Affordable Care Act	The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.					
Note: The actuarial assumptions do not include a separate general inflation rate assumption.						

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

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan expense and inflation) for each major asset class, based on a collective summary of capital market expectation from 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	5.58%
Fixed Income	35%	0.52%

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

b. Discount rate

The discount rate used to measure the total OPEB liability of the plans was 5%. The projection of cash flows used to determine the discount rate assumed that the contributions, if any, from the plan members will be made at the current contribution rate and that the contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the net OPEB liability (asset) of the employers calculated using the discount rate of 5.0 percent, as well what the employers' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (expressed in thousands).

Governmental Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
State employees	\$ 540,956	\$ 463,597	\$ 399,184
Teachers	\$ 4,282	\$ 3,055	\$ 2,006
Judges	\$ (2,313)	\$ (2,378)	\$ (2,438)
State Police	\$ 51,772	\$ 44,886	\$ 38,661
Legislators	\$ (1,270)	\$ (1,379)	\$ (1,478)
BOE	\$ 136	\$ 111	\$ 90

Business-type Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 4,508	\$ 3,864	\$ 3,327

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

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

Governmental Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
State employees	\$ 390,149	\$ 463,597	\$ 554,874
Teachers	\$ 2,059	\$ 3,055	\$ 4,196
Judges	\$ (2,389)	\$ (2,378)	\$ (2,366)
State Police	\$ 37,405	\$ 44,886	\$ 53,532
Legislators	\$ (1,479)	\$ (1,379)	\$ (1,267)
BOE	\$ 87	\$ 111	\$ 140

Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 3,251	\$ 3,864	\$ 4,624

E. Changes in the Net OPEB Liability (Asset)

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

	Teachers	Judges	State Police	Legislators
Total OPEB Liability				
Service cost	\$ —	\$ 20	\$ 3,836	\$ 63
Interest	562	50	4,202	66
Differences between expected and actual experience	1,625	(306)	(174)	168
Changes of assumptions	217	503	(6,005)	(45)
Benefit payments, net of retiree contributions	(1,610)	138	(3,130)	(36)
Net change in Total OPEB Liability	<u>794</u>	<u>405</u>	<u>(1,271)</u>	<u>216</u>
Total OPEB Liability - beginning	<u>12,038</u>	<u>917</u>	<u>83,694</u>	<u>1,309</u>
Total OPEB Liability - ending	<u>\$ 12,832</u>	<u>\$ 1,322</u>	<u>\$ 82,423</u>	<u>\$ 1,525</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 2,321	\$ —	\$ 7,702	\$ 27
Net investment income	864	334	3,491	283
Benefit payments	(1,610)	138	(3,130)	(36)
Administrative expenses	7	—	(1)	—
Other	103	26	163	29
Net change in Fiduciary Net Position	<u>\$ 1,685</u>	<u>\$ 498</u>	<u>\$ 8,225</u>	<u>\$ 303</u>
Plan Fiduciary Net Position - beginning	<u>8,092</u>	<u>3,202</u>	<u>29,312</u>	<u>2,601</u>
Plan Fiduciary Net Position - ending	<u>\$ 9,777</u>	<u>\$ 3,700</u>	<u>\$ 37,537</u>	<u>\$ 2,904</u>
Net OPEB Liability (Asset)	<u>\$ 3,055</u>	<u>\$ (2,378)</u>	<u>\$ 44,886</u>	<u>\$ (1,379)</u>

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

Cost-Sharing Multiple Employer OPEB Plans

For the fiscal year ended June 30, 2018 the State recognized OPEB expense of \$34.8 million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the System from the following sources (expressed in thousands):

Governmental Activities:

	<u>State Employees</u>	<u>BOE</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 37,887	\$ 18	\$ 37,905
Changes of assumptions	27,819	10	27,829
Totals	<u>\$ 65,706</u>	<u>\$ 28</u>	<u>\$ 65,734</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 24,172	\$ 13	\$ 24,185
Net difference between projected and actual investment earnings	5,681	2	5,683
Totals	<u>\$ 29,853</u>	<u>\$ 15</u>	<u>\$ 29,868</u>

The \$37.9 million reported as deferred outflows of resources related to OPEB resulting from State contributions to the plans subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	<u>State Employees</u>	<u>BOE</u>
Year ended June 30:		
2019	\$ (848)	\$ (1)
2020	(848)	(1)
2021	(848)	(1)
2022	(848)	(1)
2023	573	(1)
Thereafter	785	—
	<u>\$ (2,034)</u>	<u>\$ (5)</u>

Business-type Activities:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	317
Changes of assumptions		232
Totals	\$	<u>549</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$	201
Net difference between projected and actual investment earnings		47
Totals	\$	<u>248</u>

The \$317 thousand reported as deferred outflows of resources related to OPEB resulting from contributions to the plan subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

Year ended June 30:		
2019	\$	(7)
2020		(7)
2021		(7)
2022		(7)
2023		5
Thereafter		7
	\$	<u>(16)</u>

Other Single Employer OPEB Plans

For the fiscal year ended June 30, 2018 the table below provides information about OPEB expense recognized for each of the State's four single employer plans (expressed in thousands):

Plan	Annual OPEB Expense (Credit)
Teachers	\$ 1,781
Judges	(92)
State Police	5,044
Legislators	(43)
Total	<u>\$ 6,690</u>

At June 30, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	Teachers	Judges	State Police	Legislators	Totals
<u>Deferred Outflows of Resources</u>					
Employer contributions subsequent to the measurement date	\$ 2,321	\$ —	\$ 7,919	\$ 14	\$ 10,254
Differences between expected and actual experience	—	—	—	144	144
Change of Assumptions	—	343	—	—	343
Totals	<u>\$ 2,321</u>	<u>\$ 343</u>	<u>\$ 7,919</u>	<u>\$ 158</u>	<u>\$ 10,741</u>
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 209	\$ 150	\$ —	\$ 359
Change of assumptions	—	—	5,162	39	5,201
Net difference between projected and actual investment earnings	351	136	1,526	122	2,135
Totals	<u>\$ 351</u>	<u>\$ 345</u>	<u>\$ 6,838</u>	<u>\$ 161</u>	<u>\$ 7,695</u>

The amount of \$10.3 million reported as deferred outflows of resources, related to OPEB resulting from State contributions to the single employer plans after the measurement date, will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	Teachers	Judges	State Police	Legislators
Year ended June 30:				
2019	\$ (88)	\$ 29	\$ (1,249)	\$ (13)
2020	(88)	29	(1,249)	(13)
2021	(88)	(26)	(1,249)	(13)
2022	(87)	(34)	(1,249)	(13)
2023	—	—	(867)	16
Thereafter	—	—	(975)	19
	<u>\$ (351)</u>	<u>\$ (2)</u>	<u>\$ (6,838)</u>	<u>\$ (17)</u>

G. Component Unit Postemployment Benefit Plan

Rhode Island Public Transit Authority

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

At June 30, 2018 the plan's total OPEB liability totaled \$72 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2018. For the fiscal year ended June 30, 2018 OPEB expense of \$6 million was recorded related to the plan. Other information about the plan can be found in the audited financial statements of RIPTA which are available at www.ripta.com.

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

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

At June 30, 2018 each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$	51,187
Rhode Island College		26,763
Community College of Rhode Island		21,149
Total	\$	<u>99,099</u>

The net OPEB liabilities in the table above were measured as of June 30, 2017, the measurement date, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined for each plan by a separate actuarial valuation as of June 30, 2017. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2018 each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	\$	3,783
Rhode Island College		1,970
Community College of Rhode Island		1,556
Total	\$	<u>7,309</u>

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

-
- University of Rhode Island - www.uri.edu
 - Rhode Island College - www.ric.edu
 - Community College of Rhode Island - www.ccri.edu

Other Component Units

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

Note 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 without penalty 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 2018, 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, 2018 and June 30, 2017 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1, 2017</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2018</u>
Health Insurance Internal Service Fund Unpaid claims	\$ 18,305	\$ 233,960	\$ 235,004	\$ 17,261
	<u>Liability at July 1, 2016</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2017</u>
Health Insurance Internal Service Fund Unpaid claims	\$ 19,042	\$ 237,511	\$ 238,248	\$ 18,305

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. The State's known estimated risk (loss) or gain share amounts related to these contracts have been included in the financial statements.

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	\$ 1,803	\$ 16,328	\$ 18,131	\$ (17,934)	\$ 197
Loans to other funds	122,065	2,777	124,842	(124,842)	—
Total assets	<u>\$ 123,868</u>	<u>\$ 19,105</u>	<u>\$ 142,973</u>	<u>\$ (142,776)</u>	<u>\$ 197</u>
Liabilities					
Due to other funds	\$ 17,725	\$ 209	\$ 17,934	\$ (17,934)	\$ —
Loans from other funds	116,216	8,626	124,842	(124,842)	—
Total liabilities	<u>\$ 133,941</u>	<u>\$ 8,835</u>	<u>\$ 142,776</u>	<u>\$ (142,776)</u>	<u>\$ —</u>
Program revenue					
General government	\$ —	\$ 411,213	\$ 411,213	\$ (411,213)	\$ —
Public safety	—	12,082	12,082	(12,082)	—
Expenses					
General government	—	(411,319)	(411,319)	411,319	—
Public safety	—	(11,976)	(11,976)	11,976	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 593,815	\$ 6,966	\$ 600,781	\$ (257,508)	\$ 343,273
Transfers out	(257,510)	—	(257,510)	257,510	—
Net transfers	<u>\$ 336,305</u>	<u>\$ 6,966</u>	<u>\$ 343,271</u>	<u>\$ 2</u>	<u>\$ 343,273</u>

	Total Business-type Activities		Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 1,481	\$ —	\$ 1,481	\$ (1,678)	\$ (197)
Total assets	<u>\$ 1,481</u>	<u>\$ —</u>	<u>\$ 1,481</u>	<u>\$ (1,678)</u>	<u>\$ (197)</u>
Liabilities					
Due to other funds	\$ 1,678	\$ —	\$ 1,678	\$ (1,678)	\$ —
Total liabilities	<u>\$ 1,678</u>	<u>\$ —</u>	<u>\$ 1,678</u>	<u>\$ (1,678)</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 21,733	\$ —	\$ 21,733	\$ (21,733)	\$ —
Transfers out	(365,006)	—	(365,006)	21,733	(343,273)
Net transfers	<u>\$ (343,273)</u>	<u>\$ —</u>	<u>\$ (343,273)</u>	<u>\$ —</u>	<u>\$ (343,273)</u>

B. Related Party Transactions

The State has transferred custody, control and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks \$0.035 per gallon of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges. In addition, the Authority has been selected to provide administrative and operational functions for the RoadWorks truck tolling initiative commencing June 11, 2018.

The R.I. Industrial-Recreational Building Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC) on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

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, 2018, the amount owed was approximately \$180,000. 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 associated with the former Interstate 195 highway in Providence Rhode Island to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land, which the commission intends to develop, was reported in the State's financial statements as a capital contribution at the historical cost of \$343 per acre, for a total of \$7,203. Improvements to the land are being funded by the State to complete redevelopment of the land for sale. In April 2013, the R.I. Commerce Corporation (RICC) issued conduit debt obligations on behalf of the I-195 RDC totaling \$38.4 million. The State has appropriated \$27 million to I-195 RDC to facilitate the sale of land within the District.

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 Savings Recordkeeping Services, LLC, the program manager for CollegeBound Saver 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 Saver 529. This administrative fee supports the administration of CollegeBound Saver 529 and the establishment and marketing of education activities and scholarship funds in the state of Rhode Island. These administrative fees provided \$1.2 million to the State in support of the administration of CollegeBound Saver 529 and \$6.7 million to the R.I. Division of Higher Education Assistance to support student financial assistance activities of the Division for the year ended June 30, 2018.

During fiscal 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. An appropriation of \$10 million was made to RIHEBC during the fiscal year ended June 30, 2018, to fund the program. Funding is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings and other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies.

The Municipal Road and Bridge Revolving Fund was created within the Rhode Island Infrastructure Bank (RIIB) to provide municipalities with low-cost financial assistance for road and bridge projects. In accordance with certain bond statutes, premium received from the issuance of bonds totaling \$6.5M was transferred to RIIB for this fund during fiscal 2018. 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 \$38 million during fiscal 2018 to fund various economic development initiatives on behalf of the State. The corporation reported approximately \$70 million reserved for economic development initiatives at June 30, 2018 relating to State appropriations received in recent years.

The University of Rhode Island, Rhode Island College, Community College of Rhode Island, Central Falls School District, RI I-195 Redevelopment Commission, Rhode Island Commerce Corporation, and Rhode Island Public Transit Authority receive significant financial support from the State of Rhode Island. See Note 18D, Significant Transactions with Component Units for further details.

C. Budgeting, Budgetary Control, and Legal Compliance

Budget Preparation

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

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.0 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	\$ 78,351	Operating assistance
Rhode Island College	48,103	Operating assistance
Community College of Rhode Island	50,298	Operating assistance
Central Falls School District	47,881	Operating assistance
The Met	10,975	Operating assistance
I-195 District Commission	2,761	Operating assistance
R.I. Commerce Corporation	33,469	Operating and capital assistance
R.I. Division of Higher Education Assistance	6,647	Operating assistance
R.I. Public Transit Authority	3,371	Operating assistance
R.I. Health and Educational Building Corporation	60,758	School Building Authority Capital Fund/debt service
IST		
R.I. Public Transit Authority	51,001	Operating assistance
R.I. Turnpike and Bridge Authority	16,388	Infrastructure improvements
Bond Capital		
University of Rhode Island	42,152	Construction, improvement or purchase of assets
Rhode Island College	16,860	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	8,324	Infrastructure improvements and bond proceeds
R. I. Capital Plan		
University of Rhode Island	9,987	Construction, improvement or purchase of assets
Rhode Island College	7,879	Construction, improvement or purchase of assets
Community College of Rhode Island	7,870	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 503,075</u>	

In addition, following is a summary of transfers made by the component units (expressed in thousands) to the primary government during the fiscal year ended June 30, 2018:

Component Unit	Amount Transferred to Primary Government
R.I. Infrastructure Bank	\$ 3,500
R.I. Health and Educational Building Corporation	6,000
Quonset Development Corporation	1,000
R.I. Housing and Mortgage Finance Corporation	1,000
Total	<u>\$ 11,500</u>

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2018:

- Central Utilities (\$11 thousand)
- State Telecommunications (\$387 thousand)
- Records Center (\$150 thousand)
- Capitol Police (\$17 thousand)
- Human Resources (\$625 thousand)
- Assessed Fringe Benefits (\$1.1 million)

The deficits will be eliminated through charges for services in fiscal year 2019.

F. 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, 2018 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	\$ 41,533	\$ 7,757	\$ 49,290	\$ 14,317
Deferred pension costs - ERS	685,006	3,300	688,306	47,993
Deferred pension costs - single employer plans and other	52,386	—	52,386	25,386
Deferred OPEB costs - multiple employer plans	65,734	549	66,283	17,987
Deferred OPEB costs - single employer plans	10,741	—	10,741	—
Derivatives	—	—	—	4,184
Total deferred outflows of resources	<u>\$ 855,400</u>	<u>\$ 11,606</u>	<u>\$ 867,006</u>	<u>\$ 109,867</u>
Deferred inflows of resources:				
Deferred pension credit - ERS	\$ 102,091	\$ 686	\$ 102,777	\$ 13,612
Deferred pension credit - single employer plans and other	11,014	—	11,014	3,668
Deferred OPEB credit - multiple employer plans	29,868	249	30,117	11,534
Deferred OPEB credit - single employer plans	7,695	—	7,695	—
Deferred gain on refunding of debt	31,549	—	31,549	716
Total deferred inflows of resources	<u>\$ 182,217</u>	<u>\$ 935</u>	<u>\$ 183,152</u>	<u>\$ 29,530</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2018 are as follows (expressed in thousands):

	General Fund	IST Fund	Total Governmental Funds
Deferred inflows of resources:			
Taxes	\$ 6,563	\$ —	\$ 6,563
Other General Revenue	5,731	—	5,731
Federal Revenue	—	9,004	9,004
Total deferred inflows of resources	\$ 12,294	\$ 9,004	\$ 21,298

G. Restatements – Net Position

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

	Governmental Activities	Business-Type Activities	R.I. State Lottery	Discretely Presented Component Units
Net position previously reported at June 30, 2017	\$ (448,902)	\$ 310,832	\$ (17,794)	\$ 2,614,323
Restatement due to:				
1) Eliminate prior net OPEB obligation	8,486	—	—	72,127
2) Restatement due to the recording of net OPEB liability (asset) and deferred outflows of resources in accordance with GASB Statement No. 75	(475,894)	(3,601)	(3,601)	(179,315)
3) Restatement to correct error	—	—	—	49
4) Restatement for long-term receivable previously written off that is now deemed collectible	13,647	—	—	—
Net position at June 30, 2017 as restated	\$ (902,663)	\$ 307,231	\$ (21,395)	\$ 2,507,184

H. 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)	\$	45,916	
Investment income		540	
Total revenue		<u>46,456</u>	
General and administrative expenses		52	
Net revenue available for debt service	\$	<u>46,404</u>	
Required debt service payments	\$	36,287	
Covered ratio before turbo principal payments (b)			127.88%
Turbo redemptions - principal (c)		10,315	
Total annual debt service	\$	<u>46,602</u>	
Covered ratio after turbo principal payments (d)			99.58%
Term of commitment - through June 2052			

Revenue Bonds-GARVEE (Federal Highway)

Revenue - FHWA participation	\$	23,555	
Less: operating expenses		—	
Net available revenue	\$	<u>23,555</u>	
Debt service			
Principal	\$	—	
Interest		23,560	
Total debt service	\$	<u>23,560</u>	
Coverage (b)			99.98%
Term of commitment - through June 2021			

Revenue Bonds-GARVEE (Gas Tax)

Revenue - 2 cents per gallon of the gasoline tax	\$	8,976	
Less: operating expenses		—	
Net available revenue	\$	<u>8,976</u>	
Debt service			
Principal (e)	\$	—	
Interest		948	
Total debt service	\$	<u>948</u>	
Coverage (b)			946.84%
Term of commitment - through June 2027			

- (a) Included for fiscal 2018 are certain one-time revenue items totaling \$7,522,982. A total of \$4,632,611 was received under the Settlement Agreement, which was 72% of the 2017 disputed payment, and \$2,890,371 was received from the settlement of the 2015 disputed payment. See Note 13 for additional information about the settlement.
- (b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.
- (c) "Turbo" redemptions whereby the Corporation is required to apply collections that are in excess of current funding requirements to the early redemption of the bonds are discussed in Note 3 of the Notes to the Financial Statements of the Tobacco Settlement Financing Corporation.
- (d) Coverage ratio equals net revenue available for debt service divided by total annual debt service.
- (e) No principal payments were made in fiscal 2018 due to a refunding that occurred during the fiscal year.

Note 19. Subsequent Events

Primary Government

In November 2018 the voters of the State approved referenda to authorize the following general obligation bonds: (1) \$250.0 million to provide state assistance for the construction of new public schools and renovation of existing public school buildings, (2) \$70.0 million for higher education facilities, including \$45.0 million for the University of Rhode Island Narragansett Bay Campus and \$25.0 million for Rhode Island College School of Education and Human Development, and (3) \$47.3 million for various environmental and recreational projects.

On November 1, 2018 the State of Rhode Island issued the following Lease Participation Certificates:

- URI Energy Conservation Project, 2018 Series A with a par amount of \$10,195,000 for the purchase and rental of certain energy conservation equipment and systems and related improvements to real property to accommodate such energy conservation infrastructure at the University of Rhode Island.
- Eleanor Slater Hospital Project, 2018 Series B with a par amount of \$20,100,000 for improvements to certain buildings situated in Cranston, Rhode Island.

Rhode Island Lottery

On August 28, 2018 Newport Grand ceased operations with the gaming license transferred to the Twin River-Tiverton Casino. The Twin River-Tiverton Casino officially opened on September 1, 2018.

On August 20, 2018, the RI Lottery agreed to terms with IGT, a wholly owned subsidiary of International Game Technology PLC and commercial partner William Hill U.S. to be the end-to-end sports betting service provider at the State's licensed video lottery and table games establishments, Twin River Casino and Twin River-Tiverton Casino. The initial term of the contract is for a period of five years from the date that the first sports wager is placed at either venue, and may be extended by mutual consent for two successive five year term. Sports betting operations began at Twin River Casino on November 26, 2018 and Twin River-Tiverton Casino on December 3, 2018.

Twin River Worldwide Holdings, Inc., the parent Company of UTGR, Inc (the owners of Twin River Casino and Twin River-Tiverton Casino), and Dover Downs Gaming & Entertainment, Inc. (NYSE:DDE) entered into a definitive merger agreement that was announced on July 22, 2018. The proposed transaction will transform Twin River into a publicly traded company with strategically placed gaming and entertainment holdings throughout the United States.

Discretely Presented Component Units

On July 1, 2018, the Rhode Island Division of Higher Education Assistance (the Division) assigned its entire Federal Family Education Loan Program portfolio to the U.S. Department of Education. The assignment of

the portfolio requires the Division to return the fiduciary funds balance to the Federal government. The Division anticipates transferring approximately \$12.2 million from its Federal Fund.

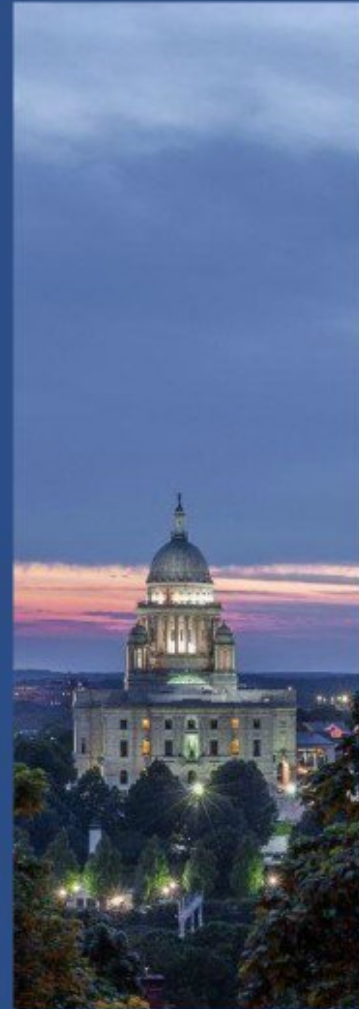
On November 29, 2018 the Rhode Island Infrastructure Bank issued Efficient Buildings Fund Revenue Bonds, Series 2018 A (Green Bonds) with a par amount of \$18,310,000 for the purposes of refunding previous revenue bonds and funding a loan to a local government unit to finance, refinance or reimburse the cost of certain energy efficiency and renewable energy upgrades to public buildings and infrastructure. The following previously issued bonds were retired in conjunction with this bond issuance:

- Efficient Buildings Fund Revenue Bond Anticipation Notes, 2016 Series A with an original par amount of \$17,345,000.
- Efficient Buildings Fund Revenue Bond Anticipation Notes, 2017 Series A with an original par amount of \$6,000,000.

On December 12, 2018 the Rhode Island Health and Educational Building Corporation issued:

- Higher Education Facility Revenue Bonds, University of Rhode Island Educational and General Revenue Issue, Series 2018 A with a par amount of \$17,500,000 for the repavement and reconstruction of major parking facilities, internal roadways, walkways and associated infrastructure at multiple University campuses.
- Higher Education Facility Revenue Bonds, University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2018 B with a par amount of \$2,300,000 for fire safety and protection in auxiliary enterprise buildings.

**Required
Supplementary
Information**



State of Rhode Island

Fiscal Year Ended

June 30, 2018



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, 2018
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,302,189	\$ 1,357,200	\$ 1,345,272	\$ (11,928)
General Business Taxes:				
Business Corporations	159,125	139,500	127,674	(11,826)
Public Utilities Gross Earnings	97,833	100,000	109,594	9,594
Financial Institutions	20,135	21,700	29,177	7,477
Insurance Companies	134,641	132,000	130,262	(1,738)
Bank Deposits	2,500	2,700	1,639	(1,061)
Health Care Provider Assessment	44,149	44,400	44,100	(300)
Sales and Use Taxes:				
Sales and Use	1,059,447	1,051,500	1,057,205	5,705
Motor Vehicle	10,308	20,800	20,822	22
Cigarettes	143,121	143,100	146,878	3,778
Alcohol	20,800	20,300	19,929	(371)
Other Taxes:				
Inheritance and Gift	23,175	52,200	51,402	(798)
Racing and Athletics	1,100	1,100	1,081	(19)
Realty Transfer Tax	12,600	13,500	12,842	(658)
<i>Total Taxes (1)</i>	<u>3,031,123</u>	<u>3,100,000</u>	<u>3,097,877</u>	<u>(2,123)</u>
Departmental Revenue	393,224	396,500	397,579	1,079
Total Taxes and Departmental Revenue	<u>3,424,347</u>	<u>3,496,500</u>	<u>3,495,456</u>	<u>(1,044)</u>
Other Sources:				
Lottery	362,500	364,613	364,974	361
Unclaimed Property	10,900	10,900	10,902	2
Other Miscellaneous	36,978	38,450	37,054	(1,396)
Total Other Sources	<u>410,378</u>	<u>413,963</u>	<u>412,930</u>	<u>(1,033)</u>
Total General Revenues	<u>3,834,725</u>	<u>3,910,463</u>	<u>3,908,386</u>	<u>(2,077)</u>
Federal Revenues	2,838,528	2,937,883	2,744,485	(193,398)
Restricted Revenues	258,236	273,851	230,155	(43,696)
Other Revenues	81,534	69,419	71,419	2,000
<i>Total Revenues (2)</i>	<u>7,013,023</u>	<u>7,191,616</u>	<u>6,954,445</u>	<u>(237,171)</u>
Expenditures (4):				
General government	723,871	717,354	676,287	41,067
Human services	3,926,175	4,065,968	3,928,845	137,123
Education	1,638,623	1,645,481	1,617,075	28,406
Public safety	559,037	581,479	555,893	25,586
Natural resources	97,945	102,903	80,820	22,083
<i>Total Expenditures (2)</i>	<u>6,945,651</u>	<u>7,113,185</u>	<u>6,858,920</u>	<u>\$ 254,265</u>
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	113,208	
Transfer of residual balances to new internal service funds	—	—	6,966	
Transfer of scholarship revenue to RI Division of Higher Education	—	—	6,649	
Total Expenditures and Transfers	<u>\$ 6,945,651</u>	<u>\$ 7,113,185</u>	<u>6,985,743</u>	
Change in Fund Balance			(31,298)	
Fund balance - beginning			389,973	
Fund balance - ending			<u>\$ 358,675</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, 2018
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures by Source:				
General Revenues	\$ 3,767,353	\$ 3,832,034	\$ 3,798,700	\$ 33,334
Federal Funds	2,838,528	2,937,881	2,741,268	196,613
Restricted Receipts	258,236	273,851	255,358	18,493
Other Funds	81,534	69,419	63,594	5,825
	<u>\$ 6,945,651</u>	<u>\$ 7,113,185</u>	<u>\$ 6,858,920</u>	<u>\$ 254,265</u>

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

Budgeted Surplus:

Total Revenue - Final Budget	\$ 7,191,616	
Total Expenditures - Final Budget	<u>7,113,185</u>	
Final Budget - Projected Surplus (3)		\$ 78,431

Final Budget and Actual - Results

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (237,171)	
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>254,265</u>	
Surplus resulting from operations compared to final budget		\$ 17,094
Total General Fund Surplus - Fiscal Year Ended June 30, 2018		<u>\$ 95,525</u>
Transfer of residual balances to new internal service funds (5)		(6,966)
Transfer to RI Division of Higher Education Assistance (6)		(6,649)
Transfer of Excess Budget Reserve to RICAP Fund		<u>(113,208)</u>

Net Change in General Fund - Fund Balance

Fund Balance, Beginning	389,973
Fund Balance, Ending	<u>\$ 358,675</u>

Notes:

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

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

Historical Tax Credit Fund Transfers to the General Fund in Fiscal 2018 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Budgetary Comparison Total
Personal Income	\$ 1,339,798	\$ 5,475	\$ 1,345,273
Business Corporations	127,170	504	127,674
Insurance Corporations	115,101	15,161	130,262

(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, 2018.

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

General Government	\$ 153,315
Education	37,497
Public Safety	500
	<u>\$ 191,312</u>

(5) The State transitioned during fiscal 2018 to an internal service fund model for allocating certain costs for human resources administration, information technology, and property management to various functions and activities. The residual balances remaining at June 30, 2017 from the prior allocation methodology were transferred to the newly created internal service funds. These transfers were non-budgeted items.

(6) Amounts are provided for scholarships by the administrator of the Rhode Island Higher Education Savings Trust. For financial reporting purposes such amounts are recorded as restricted revenue and a transfer to the Rhode Island Division of Higher Education Assistance which administers the scholarship program. These amounts are non-budgeted items.

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, 2018
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

	<u>Budgetary Perspective</u>		
	<u>Fund Balance Reported in the Financial Statements</u>	<u>Fund Balance Not Available for Appropriation in Fiscal 2019</u>	<u>Fund Balance Available for Appropriation in Fiscal 2019</u>
Nonspendable	\$ 1,626	\$ —	\$ 1,626 (d)
Restricted	93,318	93,318	—
Committed	3,210	3,210	—
Assigned	42,385	11,120 (a)	31,265 (b)
Unassigned	218,136	198,502 (c)	19,634 (d)
	<u>358,675</u>	<u>306,150</u>	<u>52,525</u>
Total Fund Balance	<u>\$ 358,675</u>	<u>\$ 306,150</u>	<u>\$ 52,525</u>

(a) Assigned fund balance not available for appropriation in fiscal 2019 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.

(b) Assigned fund balance available for appropriation in fiscal 2019 represents fiscal 2018 ending surplus appropriated as a resource in the 2019 enacted budget.

(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)

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, 2018
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 141,711	\$ 141,711	\$ 204,123	\$ 62,412
Licenses, fines, sales, and services	74,433	141,971	24,433	(117,538)
Departmental restricted revenue	3,168	3,086	1,468	(1,618)
Federal grants	285,390	283,412	241,670	(41,742)
Other revenues	2,823	2,781	5,617	2,836
Total revenues	<u>507,525</u>	<u>572,961</u>	<u>477,311</u>	<u>(95,650)</u>
Revenues and other Financing Sources (unbudgeted):				
Miscellaneous revenue			3,124	
Total revenues			<u>480,435</u>	
Other Financing Sources:				
Transfers from RI Capital Plan and Bond Capital Funds (State FHWA Match)			39,363	
Proceeds from refunding			35,020	
Proceeds from capital lease			1,328	
Premium on issuance of GARVEE Bonds			5,665	
Total Other Financing Sources			<u>81,376</u>	
Total Revenues and Other Financing Sources			<u>561,811</u>	
Expenditures (budgeted):				
Central Management				
Federal Funds	6,756	8,062	4,622	3,440
Gasoline Tax	4,800	4,800	4,595	206
Total - Central Management	<u>11,556</u>	<u>12,862</u>	<u>9,217</u>	<u>3,646</u>
Management and Budget				
Gasoline Tax	2,942	5,637	1,124	4,513
Total - Management and Budget	<u>2,942</u>	<u>5,637</u>	<u>1,124</u>	<u>4,513</u>
Infrastructure-Engineering-GARVEE/Motor Fuel Tax Bonds				
Federal Funds	274,247	270,343	236,915	33,428
Federal Funds-Stimulus	4,387	5,008	226	4,782
Restricted Receipts	3,168	3,086	1,620	1,466
Gasoline Tax	76,171	75,660	76,572	(912)
Motor Fuel Tax Residuals	2,673	2,631	264	2,367
Total - Infrastructure - Engineering	<u>360,646</u>	<u>356,728</u>	<u>315,597</u>	<u>41,131</u>
Infrastructure - Maintenance				
Gasoline Tax	20,613	16,360	17,062	(702)
Non-Land Surplus Property	50	50	—	50
Outdoor Advertising	100	100	—	100
Rhode Island Highway Maintenance Account	74,433	141,971	69,942	72,029
Total - Infrastructure - Maintenance	<u>95,196</u>	<u>158,481</u>	<u>87,004</u>	<u>71,477</u>
Total Expenditures (budgeted)	<u>\$ 470,340</u>	<u>\$ 533,708</u>	<u>\$ 412,942</u>	<u>\$ 120,767</u>
Expenditures and Other Financing Uses (unbudgeted):				
Infrastructure Expenditures - State Match funded by RI Capital Plan and Bond Capital Funds			48,908	
Payments to escrow agent			51,637	
Infrastructure expenditures - GARVEE			29,984	
I-195 Redevelopment District project			10,151	
Capital lease offset			1,328	
Transfers to general fund - Gas Tax			45,979	
Total Expenditures and Other Financing Uses (unbudgeted)			<u>187,987</u>	
Total Expenditures and Other Financing Uses			<u>600,929</u>	
Net change in fund balance			<u>(39,118)</u>	
Fund balance, beginning			454,215	
Fund balance, ending			<u>\$ 415,097</u>	

See Notes to Required Supplementary Information.

Budget and Actual

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

The budget to actual comparison for the General Fund on the preceding pages is summarized and does not present budget and actual amounts detailed at the legal level of budgetary control. The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Examples of line items under "Administration" are "Central Management" and "Purchasing." Management cannot reallocate any appropriations without special approval from the legislative branch. A separate schedule presenting such amounts at the detailed legal level of budgetary control is labeled "Annual Budgetary Comparison Schedules" and is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>. General fund original and final budgeted revenues reflect annual amounts adopted during the State's revenue estimating conferences which meet biannually in November and May.

The comprehensive annual budget includes transportation function expenditures, the majority of which are reflected in the IST Fund for financial reporting purposes. The IST Fund major fund financial statements include transportation related activity of the various transportation funding sources including gas tax revenues, certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles, tolls, federal funds, GARVEE and Motor Fuel Bonds, and the proceeds of bonds issued by the I-195 Redevelopment District which were transferred to the IST fund to be utilized for infrastructure projects. The budget to actual comparison schedule for the IST fund on the preceding page is presented at the legal level of budgetary control consistent with the legally adopted budget. Not all the activity reported within the IST fund financial statements is budgeted. Unbudgeted activity has been separately identified in the budget to actual comparison schedule to facilitate reconciliation to the IST fund financial statements. By statute, the IST fund receives a percentage of certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles which are dedicated to the Rhode Island Highway Maintenance Account within the IST Fund. These revenues are not specifically budgeted through the revenue estimating process. Annual budgeted expenditures from the Highway Maintenance Account reflect amounts available in the account.

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

**State of Rhode Island 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 2018 reflect a June 30, 2017 measurement date.

Additional information for the ERS plan is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

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

- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Governmental Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Business-Type Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - Teachers**
- **ERS - Schedule of State Contributions - State Employees - Governmental Activities**
- **ERS - Schedule of State Contributions - State Employees - Business-Type Activities**
- **ERS - Schedule of State Contributions - Teachers**

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 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 Four Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	89.2%	88.9%	89.0%	89.0%
State's proportionate share of the net pension liability	\$ 2,010,955	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647
State's covered payroll	\$ 609,622	\$ 597,074	\$ 595,832	\$ 581,589
State's proportionate share of the net pension liability as a percentage of its covered payroll	329.9%	316.1%	296.6%	272.6%
Plan fiduciary net position as a percentage of the total pension liability	51.8%	51.9%	55.0%	58.6%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Employees' Retirement System-State Employees - Business-Type Activities

Rhode Island Lottery

Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Lottery's proportion of the net pension liability	0.7%	0.8%	0.8%	0.7%
Lottery's proportionate share of the net pension liability	\$ 16,869	\$ 16,260	\$ 15,074	\$ 13,315
Lottery's covered payroll	\$ 5,186	\$ 5,156	\$ 5,071	\$ 4,891
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	325.3%	315.4%	297.3%	272.2%
Plan fiduciary net position as a percentage of the total pension liability	51.8%	51.9%	55.0%	58.6%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

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

Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	43.1%	40.7%	40.6%	40.7%
State's proportionate share of the net pension liability	\$ 1,357,577	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	54.0%	54.1%	57.6%	61.4%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Four Fiscal Years Ended June 30
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

	2018	2017	2016	2015
Actuarially determined contribution	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466
Contributions as a percentage of covered payroll	24.9%	25.3%	23.6%	23.3%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Four Fiscal Years Ended June 30
(Expressed in Thousands)

Employees' Retirement System-State Employees - Business-Type Activities

Rhode Island Lottery

	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contributions in relation to the actuarially determined contribution	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071
Contributions as a percentage of covered payroll	24.9%	25.3%	23.6%	23.3%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Four Fiscal Years Ended June 30
(Expressed in Thousands)

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

	2018	2017	2016	2015
Statutorily required contribution	\$ 98,121	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	98,121	96,542	87,998	84,944
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island 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)
- State Police Retirement Fund Trust (SPRFT)

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

The amounts included in these schedules for fiscal 2018 reflect a June 30, 2017 measurement date.

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

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

- **Schedule of State Contributions**
 - SPRBT
 - JRBT
 - RIJRFT
 - SPRFT

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 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 Four Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Retirement Benefits Trust

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	9,393	9,058	8,540	7,768
Benefit Changes	—	—	1,170	—
Differences between expected and actual experience	10,694	(4,139)	(3,522)	—
Changes of assumptions	9,274	—	—	(364)
Benefit payments	(5,142)	(4,585)	(2,497)	(1,767)
Net Change in Total Pension Liability	28,717	4,650	7,889	10,759
Total Pension Liability-Beginning	125,557	120,907	113,018	102,259
Total Pension Liability-Ending	\$ 154,274	\$ 125,557	\$ 120,907	\$ 113,018
Plan Fiduciary Net Position				
Employer contributions	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,060	2,035	1,732	2,034
Net investment income	13,694	58	2,656	14,124
Benefit payments	(5,142)	(4,585)	(2,497)	(1,767)
Administrative expenses	(125)	(103)	(100)	(83)
Other	5	1	4	5
Net Change in Plan Fiduciary Net Position	\$ 13,472	\$ 1,411	\$ 5,227	\$ 17,644
Plan Fiduciary Net Position-Beginning	116,317	114,906	109,679	92,035
Plan Fiduciary Net Position-Ending	\$ 129,789	\$ 116,317	\$ 114,906	\$ 109,679
Net Pension Liability	\$ 24,485	\$ 9,240	\$ 6,001	\$ 3,339
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Covered Payroll	84.1%	92.6%	95.0%	97.0%
	\$ 22,728	\$ 20,985	\$ 19,701	\$ 23,051
Net Pension Liability as a Percentage of Covered Payroll	107.7%	44.0%	30.5%	14.5%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Judicial Retirement Benefits Trust

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	5,031	4,744	4,540	4,134
Benefit Changes	—	—	253	—
Differences between expected and actual experience	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	5,173	—	—	(672)
Benefit payments	(2,740)	(2,531)	(1,809)	(1,631)
Net Change in Total Pension Liability	8,677	3,866	3,151	4,833
Total Pension Liability-Beginning	66,951	63,085	59,934	55,101
Total Pension Liability-Ending	\$ 75,628	\$ 66,951	\$ 63,085	\$ 59,934
Plan Fiduciary Net Position				
Employer contributions	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,118	1,053	1,121	1,093
Net investment income	7,107	29	1,368	7,221
Benefit payments	(2,740)	(2,531)	(1,809)	(1,631)
Administrative expenses	(65)	(53)	(51)	(43)
Other	—	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 7,477	\$ 908	\$ 3,338	\$ 9,183
Plan Fiduciary Net Position-Beginning	60,418	59,510	56,172	46,989
Plan Fiduciary Net Position-Ending	\$ 67,895	\$ 60,418	\$ 59,510	\$ 56,172
Net Pension Liability	\$ 7,733	\$ 6,533	\$ 3,575	\$ 3,762
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.8%	90.2%	94.3%	93.7%
Covered Payroll	\$ 9,532	\$ 8,981	\$ 9,570	\$ 9,314
Net Pension Liability as a Percentage of Covered Payroll	81.1%	72.7%	37.4%	40.4%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Rhode Island Judicial Retirement Fund Trust	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 350	\$ 466	\$ 416	\$ 498
Interest	586	719	673	710
Benefit Changes	—	—	—	—
Differences between expected and actual experience	—	(1,060)	(642)	1,617
Changes of assumptions	(666)	1,865	859	(1,160)
Benefit payments	(399)	(231)	—	—
Net Change in Total Pension Liability	(129)	1,759	1,306	1,665
Total Pension Liability-Beginning	20,571	18,812	17,506	15,841
Total Pension Liability-Ending	\$ 20,442	\$ 20,571	\$ 18,812	\$ 17,506
Plan Fiduciary Net Position				
Employer contributions	\$ 332	\$ 140	\$ —	\$ —
Employee contributions	117	135	159	153
Net investment income	64	4	9	12
Benefit payments	(399)	(231)	—	—
Administrative expenses	(1)	—	—	—
Other	—	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 113	\$ 48	\$ 168	\$ 165
Plan Fiduciary Net Position-Beginning	534	486	318	153
Plan Fiduciary Net Position-Ending	\$ 647	\$ 534	\$ 486	\$ 318
Net Pension Liability	\$ 19,795	\$ 20,037	\$ 18,326	\$ 17,188
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	3.2%	2.5%	2.6%	1.8%
Covered Payroll	\$ 988	\$ 963	\$ 1,321	\$ 1,276
Net Pension Liability as a Percentage of Covered Payroll	2003.3%	2189.2%	1387.4%	1346.8%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net Pension Liability
and Related Ratios
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

State Police Retirement Fund Trust

Total Pension Liability	
Service cost	\$ —
Interest	12,589
Benefit Changes	—
Differences between expected and actual experience	—
Changes of assumptions	4,214
Benefit payments	(17,392)
Net Change in Total Pension Liability	<u>(589)</u>
Total Pension Liability-Beginning	<u>176,546</u>
Total Pension Liability-Ending	<u><u>\$ 175,957</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 31,566
Employee contributions	—
Net investment income	1,839
Benefit payments	(17,392)
Administrative expenses	—
Other	—
Net Change in Plan Fiduciary Net Position	<u>\$ 16,013</u>
Plan Fiduciary Net Position-Beginning	<u>—</u>
Plan Fiduciary Net Position-Ending	<u><u>\$ 16,013</u></u>
Net Pension Liability	<u><u>\$ 159,944</u></u>
Plan Fiduciary Net Position as a Percentage of the Total	
Pension Liability	9.1%
Covered Payroll	\$ —
Net Pension Liability as a Percentage of Covered Payroll	—%

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there is only one year of activity to report as the Trust began operations in fiscal 2018.

See Notes to Required Supplementary Information.

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

State Police Retirement Benefits Trust

	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,802	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 22,930	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered payroll	12.2%	13.4%	17.2%	17.2%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Four Fiscal Years Ended June 30
(Expressed in Thousands)

Judicial Retirement Benefits Trust

	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,064	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 9,768	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered payroll	21.1%	21.6%	26.8%	28.3%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplemental Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Last Four Fiscal Years Ended June 30
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,322	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	399	332	140	—
Contribution deficiency (excess)	<u>\$ 923</u>	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered payroll	\$ 973	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	41.0%	33.6%	14.5%	—%

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be required prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

State Police Retirement Fund Trust

Actuarially determined contribution	\$	16,387
Contributions in relation to the actuarially determined contribution		16,387
Contribution deficiency (excess)	\$	—

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there is only one year of activity to report as the Trust began operations in fiscal 2018.

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 Plan

Certain retired state employees are covered by the Judicial Non-Contributory Retirement Plan, a single-employer plan, which is separate from the plans previously described, and is not part of the Employees' Retirement System of Rhode Island.

The State funds this plan on a pay-as-you-go basis and no actuarially determined advance employer contribution is made nor are assets accumulated in a trust to pay future benefits. A separate actuarial valuation is performed to provide an accounting measure of the total pension liability for the plan.

A Schedule of Changes in Total Pension Liability is presented for this plan. The amounts included in this schedule for fiscal 2018 reflect a June 30, 2017 measurement date. The Schedule of Changes in Total Pension Liability is intended to show information for 10 years - additional years will be displayed as information becomes available. A Schedule of State Contributions is not presented as the plan operates on a pay-as-you-go basis and there is no covered payroll because there are no active members of the plan.

Note 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 Total Pension Liability
Last Four Fiscal Years Ended June 30
(Expressed in Thousands)

Judicial Non-Contributory Retirement Plan

Total Pension Liability	2018	2017	2016	2015
Service cost	\$ —	\$ —	\$ —	\$ —
Interest	1,380	1,860	2,172	2,334
Benefit changes	—	—	—	—
Differences between expected and actual experience	182	—	328	—
Changes of assumptions	(2,291)	3,510	1,885	—
Benefit payments	(5,763)	(6,107)	(6,020)	(6,173)
Net Change in Total Pension Liability	(6,492)	(737)	(1,635)	(3,839)
Total Pension Liability-Beginning	51,281	52,018	53,653	57,492
Total Pension Liability-Ending	\$ 44,789	\$ 51,281	\$ 52,018	\$ 53,653

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

Required Supplementary Information - Pensions

Significant Methods and Assumptions used in calculating the actuarially determined contributions

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 2018 were determined based on valuations performed as of June 30, 2015. Significant methods and assumptions are summarized for each plan in the table below:

	ERS		SPRBT	JRBT	RIJRFT	SPRFT
	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	Level Dollar
Equivalent single remaining amortization period	20 years				16 years	15 years
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%	7.00%
Projected Salary Increases	3.50% to 6.50%	3.50% to 13.5%	3.75% to 11.75%	3.50%	3.00%	N/A
Mortality	<p>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.</p> <p>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.</p> <p>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.</p>					
Inflation	2.75%					

Cost of Living Adjustments

A COLA of of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. COLA provisions were modified with the enactment of the new RISA provisions in July 2015 - these provisions are effective in the actuarial valuations prepared for funding purposes beginning June 30, 2015.

Factors affecting trends for amounts related to the net pension liability

June 30, 2017 measurement date - As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

For RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

The June 30, 2017 measurement date information includes a pension credit of \$96.5 million for the SPRFT plan which results from a change in assumption attributable to the establishment of an advance funded trust (effective July 1, 2016) that replaced the previous plan which was funded on a pay-as-you-go basis. As allowed by GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you-go plans. Higher discount rates result in lower pension expense. The discount rate for the SPRFT plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit. GASB standards require the immediate recognition of this change in the discount rate assumption since the SPRFT plan is a closed plan that is comprised entirely of retired employees.

A pension credit of \$664 thousand for the JNCRP plan results from an increase in the discount rate from 2.85% to 3.56%. GASB standards require the immediate recognition of this change in the discount rate assumption since the JNCRP plan is a closed plan that is comprised entirely of retired employees. Accordingly, the effect of this change in assumption has been recorded in fiscal 2018 and is reflected in the pension credit total of \$664 thousand.

June 30, 2016 measurement date -- There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumption for the RIJRFT plan due to use of the municipal bond index rate of 2.85%.

June 30, 2015 measurement date -- There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date except for the changes in assumption for the RIJRFT plan due to use of the municipal bond index rate of 3.8% compared to 4.29% used in the June 30, 2014 valuation.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 - service credit accruals will increase from 1% to 2% per year.

-
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
 - The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return - 7.5%, with a maximum of 4%) and 50% is calculated using the previous year's CPI-U (maximum of 3%) for a total maximum COLA of 3.5%. The COLA is calculated on the first \$25,855, effective 01/01/2016, and indexed as of that date as well.
 - Other changes included providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to the first \$25,000), two \$500 stipends, and minor adjustments.

State of Rhode Island and Providence Plantations
OPEB Information
Multiple-Employer Cost-Sharing Plans

The Rhode Island State Employees' and Electing Teachers OPEB System administers two multiple-employer cost-sharing OPEB plans covering state employees; the State Employees plan and the Board of Education plan. Separate actuarial valuations are performed for each plan but not for individual employers within each plan. The net OPEB liability and other OPEB related amounts are apportioned based on proportionate employer contributions to the plan.

The amounts included in these schedules for fiscal 2018 reflect a June 30, 2017 measurement date.

Additional information for these plans is available in the separately issued audited financial statements of Rhode Island State Employees' and Electing Teachers OPEB System and an additional report prepared to provide the GASB Statement No. 75 related information for participating employers.

The following schedules are presented for these multiple-employer cost-sharing plans:

- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Governmental Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Business-Type Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - Board of Education Plan**
- **Schedule of State Contributions - State Employees Plan - Governmental Activities**
- **Schedule of State Contributions - State Employees Plan - Business-Type Activities**
- **Schedule of State Contributions - Board of Education Plan**

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 15 to the financial statements contains detailed information concerning OPEB 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 OPEB Liability
Year Ended June 30, 2018
Measurement Date June 30, 2017
(Expressed in Thousands)

State Employees-Governmental Activities

State's proportion of the net OPEB liability	89.2%
State's proportionate share of the net OPEB liability	\$ 463,597
State's covered payroll	\$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.3%
Plan fiduciary net position as a percentage of the total OPEB liability	22.4%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State's Proportionate Share
of the Net OPEB Liability
Year Ended June 30, 2018
Measurement Date June 30, 2017
(Expressed in Thousands)

State Employees-Business-Type Activities

Rhode Island Lottery

Lottery's proportion of the net OPEB liability	0.74%
Lottery's proportionate share of the net OPEB liability	\$ 3,864
Lottery's covered payroll	\$ 5,308
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.8%
Plan fiduciary net position as a percentage of the total OPEB liability	22.4%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State's Proportionate Share
of the Board of Education Plan Net OPEB Liability
Year Ended June 30, 2018
Measurement Date June 30, 2017
(Expressed in Thousands)

State's Share of Board of Education Plan

State's proportion of the net OPEB liability	0.2%
State's proportionate share of the net OPEB liability	\$ 111
State's covered payroll	\$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	42.0%
Plan fiduciary net position as a percentage of the total OPEB liability	32.1%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

State Employees-Governmental Activities

Actuarially determined contribution	\$ 37,887
Contributions in relation to the actuarially determined contribution	<u>37,887</u>
Contribution deficiency (excess)	<u><u>\$ —</u></u>
Covered payroll	\$ 633,562
Contributions as a percentage of covered payroll	6.0%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

State Employees-Business-Type Activities

Rhode Island Lottery

Actuarially determined contribution	\$ 317
Contributions in relation to the actuarially determined contribution	317
Contribution deficiency (excess)	\$ —
Covered payroll	\$ 5,308
Contributions as a percentage of covered payroll	6.0%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions to Board of Education Plan
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

State's Share of Board of Education Plan

Actuarially determined contribution	\$	18
Contributions in relation to the actuarially determined contribution		18
Contribution deficiency (excess)	\$	—
Covered payroll	\$	411
Contributions as a percentage of covered payroll		4.4%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
OPEB Information
Single-Employer Plans

Certain state employees are covered by the following single-employer plans, which are separate from the State Employees and Board of Education multiple-employer cost-sharing plans, that cover most state employees.

- Teachers Plan
- Judges Plan
- State Police Plan
- Legislators Plan

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

The amounts included in these schedules for fiscal 2018 reflect a June 30, 2017 measurement date.

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

- **Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios**
 - Teachers Plan
 - Judges Plan
 - State Police Plan
 - Legislators Plan

- **Schedule of State Contributions**
 - Teachers Plan
 - Judges Plan
 - State Police Plan
 - Legislators Plan

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 15 to the financial statements contains detailed information concerning OPEB plans.

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net OPEB Liability
and Related Ratios
For the Year Ended June 30, 2018
(Expressed in Thousands)**

Teachers Plan

Total OPEB Liability

Service cost	\$ —
Interest	562
Benefit Changes	—
Differences between expected and actual experience	1,625
Changes of assumptions	217
Benefit payments	<u>(1,610)</u>
Net Change in Total OPEB Liability	794
Total OPEB Liability-Beginning	<u>12,038</u>
Total OPEB Liability-Ending	<u>\$ 12,832</u>

Plan Fiduciary Net Position

Employer contributions	\$ 2,321
Net investment income	864
Benefit payments	(1,610)
Administrative expenses	7
Other	<u>103</u>
Net Change in Plan Fiduciary Net Position	\$ 1,685

Plan Fiduciary Net Position-Beginning

	<u>8,092</u>
--	--------------

Plan Fiduciary Net Position-Ending

	<u>\$ 9,777</u>
--	------------------------

Net OPEB Liability

	<u>\$ 3,055</u>
--	------------------------

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability 76.2%

Covered Payroll \$ —

Net OPEB Liability as a Percentage of Covered Payroll N/A

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net OPEB Asset
and Related Ratios
For the Year Ended June 30, 2018
(Expressed in Thousands)**

Judges Plan

Total OPEB Liability

Service cost	\$ 20
Interest	50
Benefit Changes	—
Differences between expected and actual experience	(306)
Changes of assumptions	503
Benefit payments	138
Net Change in Total OPEB Liability	<u>405</u>
Total OPEB Liability-Beginning	<u>917</u>
Total OPEB Liability-Ending	<u><u>\$ 1,322</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ —
Net investment income	334
Benefit payments	138
Administrative expenses	—
Other	26
Net Change in Plan Fiduciary Net Position	<u>\$ 498</u>

Plan Fiduciary Net Position-Beginning

3,202

Plan Fiduciary Net Position-Ending

\$ 3,700

Net OPEB Liability (Asset)

\$ (2,378)

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability

279.9 %

Covered Payroll

\$ 10,746

Net OPEB Asset as a Percentage of Covered Payroll

(22.1)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net OPEB Liability
and Related Ratios
For the Year Ended June 30, 2018
(Expressed in Thousands)**

State Police Plan

Total OPEB Liability

Service cost	\$ 3,836
Interest	4,202
Benefit Changes	—
Differences between expected and actual experience	(174)
Changes of assumptions	(6,005)
Benefit payments	(3,130)
Net Change in Total OPEB Liability	<u>(1,271)</u>
Total OPEB Liability-Beginning	<u>83,694</u>
Total OPEB Liability-Ending	<u><u>\$ 82,423</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 7,702
Net investment income	3,491
Benefit payments	(3,130)
Administrative expenses	(1)
Other	163
Net Change in Plan Fiduciary Net Position	<u>\$ 8,225</u>

Plan Fiduciary Net Position-Beginning

29,312

Plan Fiduciary Net Position-Ending

\$ 37,537

Net OPEB Liability

\$ 44,886

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability

45.5%

Covered Payroll

\$ 21,334

Net OPEB Liability as a Percentage of Covered Payroll

210.4%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of Changes in Net OPEB Asset
and Related Ratios
For the Year Ended June 30, 2018
(Expressed in Thousands)**

Legislators Plan

Total OPEB Liability	
Service cost	\$ 63
Interest	66
Benefit Changes	—
Differences between expected and actual experience	168
Changes of assumptions	(45)
Benefit payments	(36)
Net Change in Total OPEB Liability	<u>216</u>
Total OPEB Liability-Beginning	<u>1,309</u>
Total OPEB Liability-Ending	<u><u>\$ 1,525</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 27
Net investment income	283
Benefit payments	(36)
Administrative expenses	—
Other	29
Net Change in Plan Fiduciary Net Position	<u>\$ 303</u>
Plan Fiduciary Net Position-Beginning	<u>2,601</u>
Plan Fiduciary Net Position-Ending	<u><u>\$ 2,904</u></u>
Net OPEB Liability (Asset)	<u><u>\$ (1,379)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	190.4 %
Covered Payroll	\$ 1,719
Net OPEB Asset as a Percentage of Covered Payroll	(80.2)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Teachers Plan

Actuarially determined contribution	\$	2,321
Contributions in relation to the actuarially determined contribution		2,321
Contribution deficiency (excess)	\$	—
Covered payroll		N/A
Contributions as a percentage of covered payroll		N/A

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Judges Plan

Actuarially determined contribution	\$	—
Contributions in relation to the actuarially determined contribution		—
		<hr/>
Contribution deficiency (excess)	\$	—
		<hr/> <hr/>
Covered payroll	\$	10,746
Contributions as a percentage of covered payroll		—%

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

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

State Police Plan

Actuarially determined contribution	\$ 7,919
Contributions in relation to the actuarially determined contribution	7,919
Contribution deficiency (excess)	\$ —
Covered payroll	\$ 22,698
Contributions as a percentage of covered payroll	34.9%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedule of State Contributions
Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Legislators Plan

Actuarially determined contribution	\$	14
Contributions in relation to the actuarially determined contribution		14
Contribution deficiency (excess)	\$	—
Covered payroll	\$	1,728
Contributions as a percentage of covered payroll		0.8%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

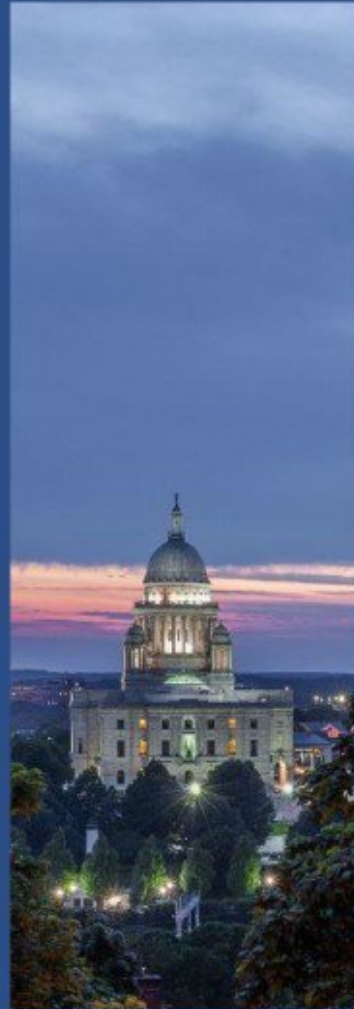
Required Supplementary Information - OPEB

Significant Methods and Assumptions used in calculating the actuarially determined contributions

The OPEB Board's current policy is that the contribution rates determined by a given actuarial valuation become effective two years after the valuation date. The actuarially determined contribution rates for fiscal 2018 were determined based on valuations performed as of June 30, 2015. Significant methods and assumptions are summarized for each plan in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Entry Age Normal					
Amortization Method	Level Percent of Pay	Level Dollar	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
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	4 Year smoothed market; 20% corridor					
Actuarial Assumptions						
Investment Rate of Return	5%, net of OPEB plan expenses, including inflation					
Projected Salary Increases	3.50% to 6.50%	N/A	3.50%	3.75% to 11.75%	3.50% to 6.50%	3.50% to 6.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.					
Mortality	Post-Retirement Mortality					
	Fully Generational Mortality					
	Healthy Males (with the exception of teachers): 115% of RP-2000 Combined Health for Males with white-collar adjustments, projected with Scale AA from 2000.					
	Healthy Females (with the exception of teachers): 95% of RP-2000 Combined Health for Females with white-collar adjustments, projected with Scale AA from 2000.					
	Healthy Male Teachers: 97% of rates in a GRS table based on male teacher experience, projected with Scale AA from 2000.					
	Healthy Female Teachers: 92% of rates in a GRS table based on female teacher experience, projected with Scale AA from 2000.					
Mortality	Disabled Mortality					
	Disabled Males: 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits. Disabled Females: 60% of the PBGC Table Va for disabled females eligible for Social Security disability benefits.					
Mortality	Pre-Retirement Mortality					
	The mortality tables used to project the pre-termination mortality experience of plan members are the RP-2000 Combined tables with white-collar adjustments for males and females as the base table, and then to apply a 75% multiplier for state employees and a 50% multiplier for teachers.					
Health Care Trend Rates	Based on the Getzen Model, with trend starting at 9.00% and gradually decreasing to an ultimate trend of 3.5%.					
Aging Factors	The tables used in developing the retiree only premium are based on a recent Society of Actuaries study of health costs.					
Inflation	Not explicitly used, consistent with 2.75% assumption.					
Expenses	Investment expenses are net of the investment returns. Administrative expenses are also net of the investment returns.					

Combining Financial Statements



State of Rhode Island
Fiscal Year Ended
June 30, 2018



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, 2018
(Expressed in Thousands)

	Special Revenue					Capital Project					Debt Service	Permanent	
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corp	Total Special Revenue Funds	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environ- mental Trust	Certificates of Participation	Total Capital Project Funds	Tobacco Settlement Financing Corporation	Permanent School	Total Nonmajor Governmental Funds
Assets													
Cash and cash equivalents	\$ 540	\$ 106,939	\$ 10,833	\$ 132	\$ 118,444	\$144,241	\$ 43,974	\$ 5,067	\$ —	\$193,282	\$ 259	\$ 2,076	\$ 314,061
Funds on deposit with fiscal agent	—	—	14,968	—	14,968	—	—	—	8,852	8,852	—	—	23,820
Restricted cash equivalents	—	—	—	—	—	—	—	—	—	—	51,768	—	51,768
Receivables (net)	—	48,395	—	—	48,395	—	—	—	—	—	23,545	—	71,940
Due from other funds	—	—	—	—	—	—	—	—	—	—	—	17	17
Loans to other funds	—	—	—	—	—	—	113,208	—	—	113,208	—	—	113,208
Total assets	\$ 540	\$ 155,334	\$ 25,801	\$ 132	\$ 181,807	\$144,241	\$157,182	\$ 5,067	\$ 8,852	\$315,342	\$ 75,572	\$ 2,093	\$ 574,814
Liabilities and Fund Balances													
Liabilities													
Accounts payable	—	71	—	—	71	16,296	15,361	18	1,363	33,038	—	254	33,363
Due to other funds	—	1,239	—	—	1,239	524	4,744	—	—	5,268	—	—	6,507
Due to component units	—	—	—	—	—	—	6,090	—	2,832	8,922	—	—	8,922
Loans from other funds	—	—	—	—	—	3,000	—	—	8	3,008	—	—	3,008
Other liabilities	—	142	—	—	142	—	34	—	—	34	—	—	176
Total liabilities	—	1,452	—	—	1,452	19,820	26,229	18	4,203	50,270	—	254	51,976
Fund balances													
Nonspendable	—	—	—	—	—	—	—	—	—	—	—	174	174
Restricted	540	153,882	25,801	—	180,223	124,421	130,953	5,049	4,649	265,072	75,313	1,665	522,273
Unrestricted	—	—	—	—	—	—	—	—	—	—	—	—	—
Committed	—	—	—	132	132	—	—	—	—	—	259	—	391
Total fund balances	540	153,882	25,801	132	180,355	124,421	130,953	5,049	4,649	265,072	75,572	1,839	522,838
Total liabilities and fund balances	\$ 540	\$ 155,334	\$ 25,801	\$ 132	\$ 181,807	\$144,241	\$157,182	\$ 5,067	\$ 8,852	\$315,342	\$ 75,572	\$ 2,093	\$ 574,814

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, 2018
(Expressed in Thousands)

	Special Revenue					Capital Projects					Debt Service	Permanent	Total Nonmajor Governmental Funds
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corp	Total Special Revenue Funds	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	Certificates of Participation	Total Capital Project Funds	Tobacco Settlement Financing Corporation	Permanent School	
Revenues:													
Taxes	\$ —	\$ 191,207	\$ —	\$ —	\$ 191,207	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 191,207
Licenses, fines, sales, and services	—	—	2,775	28	2,803	—	—	—	—	—	—	165	2,968
Income from investments	—	1,073	368	1	1,442	1,291	195	68	181	1,735	540	29	3,746
Other revenues	—	—	—	—	—	—	—	—	—	—	46,237	—	46,237
Total revenues	—	192,280	3,143	29	195,452	1,291	195	68	181	1,735	46,777	194	244,158
Expenditures:													
General government	—	193,646	4,049	—	197,695	—	—	—	—	—	52	—	197,747
Education	—	—	—	—	—	—	—	—	—	—	—	359	359
Transportation	—	—	—	1,551	1,551	—	—	—	—	—	—	—	1,551
Capital outlays	—	—	—	—	—	106,977	92,453	116	4,141	203,687	—	—	203,687
Debt service:													
Principal	—	—	—	—	—	—	1,494	—	—	1,494	20,535	—	22,029
Interest and other charges	—	—	—	—	—	1,049	—	—	435	1,484	26,101	—	27,585
Total expenditures	—	193,646	4,049	1,551	199,246	108,026	93,947	116	4,576	206,665	46,688	359	452,958
Excess (deficiency) of revenues over (under) expenditures	—	(1,366)	(906)	(1,522)	(3,794)	(106,735)	(93,752)	(48)	(4,395)	(204,930)	89	(165)	(208,800)
Other financing sources (uses)													
Issuance of bonds and notes	—	—	—	—	—	149,375	—	—	—	149,375	—	—	149,375
Issuance of refunding certificates of participation	—	—	—	—	—	—	—	—	8,000	8,000	—	—	8,000
Premium	—	—	—	—	—	8,663	—	—	565	9,228	—	—	9,228
Transfers in	—	—	—	1,534	1,534	—	114,590	—	—	114,590	—	—	116,124
Payment to refunded bonds escrow agent	—	—	—	—	—	—	—	—	(8,474)	(8,474)	—	—	(8,474)
Transfers out	—	(978)	(21,140)	—	(22,118)	(2,886)	(41,741)	—	—	(44,627)	—	—	(66,745)
Total other financing sources (uses)	—	(978)	(21,140)	1,534	(20,584)	155,152	72,849	—	91	228,092	—	—	207,508
Net change in fund balances	—	(2,344)	(22,046)	12	(24,378)	48,417	(20,903)	(48)	(4,304)	23,162	89	(165)	(1,292)
Fund balances - beginning	540	156,226	47,847	120	204,733	76,004	151,856	5,097	8,953	241,910	75,483	2,004	524,130
Fund balances - ending	\$ 540	\$ 153,882	\$ 25,801	\$ 132	\$ 180,355	\$ 124,421	\$ 130,953	\$ 5,049	\$ 4,649	\$ 265,072	\$ 75,572	\$ 1,839	\$ 522,838

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, 2018
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* Revenues:				
Taxes	\$ 191,207	\$ 191,207	\$ 191,207	—
Other Revenues	1,073	1,073	1,073	—
Total Revenues	<u>192,280</u>	<u>192,280</u>	<u>192,280</u>	<u>—</u>
Expenditures:				
Department of Labor and Training	197,567	198,371	194,406	3,965
Treasury Department	227	272	218	54
Total Expenditures	<u>\$ 197,794</u>	<u>\$ 198,643</u>	<u>\$ 194,624</u>	<u>\$ 4,019</u>
Net change in fund balance			<u>(2,344)</u>	
Fund balance - beginning			<u>\$ 156,226</u>	
Fund balance - ending			<u><u>\$ 153,882</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.

Human Resources - accounts for costs of human resource services provided to State agencies (newly created in fiscal year 2018).

DCAMM Facilities - accounts for costs of property management and maintenance services provided to State agencies (newly created in fiscal year 2018).

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

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

Information Technology - accounts for costs of information technology provided to State agencies (newly created in fiscal year 2018).

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

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

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

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

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

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

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

Health Insurance Active - pays active employee health benefits.

State Fleet Replacement Revolving Loan - used to finance the acquisition of new vehicles by various State agencies, and functions as a revolving loan fund.

Capitol Police - provides security for certain State buildings.

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Internal Service Funds
June 30, 2018
(Expressed in Thousands)

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
Assets:								
Current assets:								
Cash and cash equivalents	\$ —	\$ 295	\$ 898	\$ 777	\$ —	\$ —	\$ —	\$ 1,191
Receivables (net)	—	—	892	—	70	456	143	981
Due from other funds	1,375	4,803	—	—	8,052	1	31	—
Loans to other funds	—	—	—	—	—	—	—	—
Due from other governments	—	—	—	—	25	—	—	—
Inventories	—	—	—	—	—	243	—	302
Other assets	—	—	—	—	—	—	—	—
Total current assets	1,375	5,098	1,790	777	8,147	700	174	2,474
Noncurrent assets:								
Capital assets (net)	—	—	2	—	—	4	—	5
Total noncurrent assets	—	—	2	—	—	4	—	5
Total assets	1,375	5,098	1,792	777	8,147	704	174	2,479
Liabilities:								
Current liabilities:								
Accounts payable	58	2,928	174	—	320	367	117	940
Due to other funds	—	—	201	—	—	—	—	8
Loans from other funds	600	—	1,000	788	2,378	143	350	1,000
Other liabilities	1,342	995	1,472	—	3,147	184	94	56
Total current liabilities	2,000	3,923	2,847	788	5,845	694	561	2,004
Net Position (Deficit):								
Net investment in capital assets	—	—	2	—	—	4	—	5
Unrestricted	(625)	1,175	(1,057)	(11)	2,302	6	(387)	470
Total net position (deficit)	\$ (625)	\$ 1,175	\$ (1,055)	\$ (11)	\$ 2,302	\$ 10	\$ (387)	\$ 475

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Internal Service Funds
June 30, 2018
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
Assets:								
Current assets:								
Cash and cash equivalents	\$ —	\$ 1,628	\$ 177	\$ 62	\$ 28,796	\$ 1,692	\$ —	35,516
Receivables (net)	12	1,626	32	—	4,020	3,524	—	11,756
Due from other funds	262	32	24	—	33	1,715	—	16,328
Loans to other funds	2,777	—	—	—	—	—	—	2,777
Due from other governments	—	—	—	—	—	—	—	25
Inventories	645	942	—	—	—	—	—	2,132
Other assets	—	—	—	—	6,281	—	—	6,281
Total current assets	3,696	4,228	233	62	39,130	6,931	—	74,815
Noncurrent assets:								
Capital assets (net)	2,271	250	—	—	—	—	—	2,532
Total noncurrent assets	2,271	250	—	—	—	—	—	2,532
Total assets	5,967	4,478	233	62	39,130	6,931	—	77,347
Liabilities:								
Current liabilities:								
Accounts payable	286	707	39	—	17,261	—	—	23,197
Due to other funds	—	—	—	—	—	—	—	209
Loans from other funds	—	2,050	300	—	—	—	17	8,626
Other liabilities	94	296	44	—	584	—	—	8,308
Total current liabilities	380	3,053	383	—	17,845	—	17	40,340
Net Position (Deficit):								
Net investment in capital assets	2,271	250	—	—	—	—	—	2,532
Unrestricted	3,316	1,175	(150)	62	21,285	6,931	(17)	34,475
Total net position (deficit)	\$ 5,587	\$ 1,425	\$ (150)	\$ 62	\$ 21,285	\$ 6,931	\$ (17)	\$ 37,007

(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, 2018
(Expressed in Thousands)

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
Operating revenues:								
Charges for services	\$ 12,372	\$ 35,361	\$ 41,081	\$ 25,587	\$ 30,960	\$ 6,029	\$ 3,240	\$ 11,862
Total operating revenues	12,372	35,361	41,081	25,587	30,960	6,029	3,240	11,862
Operating expenses:								
Personal services	11,601	11,763	1,637	—	26,729	1,064	951	605
Supplies, materials, and services	1,586	24,515	46,776	25,587	6,613	4,947	2,234	10,965
Depreciation	—	—	5	—	—	2	—	9
Total operating expenses	13,187	36,278	48,418	25,587	33,342	6,013	3,185	11,579
Operating income (loss)	(815)	(917)	(7,337)	—	(2,382)	16	55	283
Nonoperating revenues (expenses):								
Interest revenue	—	—	17	—	—	—	—	—
Interest expense	—	—	—	—	—	—	—	—
Transfers in	190	2,092	—	—	4,684	—	—	—
Other nonoperating revenues (expenses)	—	—	23	—	—	—	—	2
Change in net position	(625)	1,175	(7,297)	—	2,302	16	55	285
Net position (deficit) - beginning	—	—	6,242	(11)	—	(6)	(442)	190
Net position (deficit) - ending	\$ (625)	\$ 1,175	\$ (1,055)	\$ (11)	\$ 2,302	\$ 10	\$ (387)	\$ 475

(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, 2018
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
Operating revenues:								
Charges for services	\$ 4,930	\$ 6,287	\$ 788	\$ —	\$ 243,876	\$ 57	\$ 865	\$ 423,295
Total operating revenues	4,930	6,287	788	—	243,876	57	865	423,295
Operating expenses:								
Personal services	795	1,649	383	—	1,045	—	865	59,087
Supplies, materials, and services	3,856	4,736	459	2	233,959	—	—	366,235
Depreciation	101	36	—	—	—	—	—	153
Total operating expenses	4,752	6,421	842	2	235,004	—	865	425,475
Operating income (loss)	178	(134)	(54)	(2)	8,872	57	—	(2,180)
Nonoperating revenues (expenses):								
Interest revenue	—	—	—	—	302	23	—	342
Interest expense	—	—	—	—	—	—	—	—
Transfers in	—	—	—	—	—	—	—	6,966
Other nonoperating revenues (expenses)	—	—	—	—	—	—	—	25
Change in net position	178	(134)	(54)	(2)	9,174	80	—	5,153
Net position (deficit) - beginning	5,409	1,559	(96)	64	12,111	6,851	(17)	31,854
Net position (deficit) - ending	\$ 5,587	\$ 1,425	\$ (150)	\$ 62	\$ 21,285	\$ 6,931	\$ (17)	\$ 37,007

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
Cash flows from operating activities:								
Cash received from customers	\$ 10,996	\$ 30,559	\$ 43,842	\$ 27,518	\$ 22,525	\$ 5,955	\$ 3,159	\$ 11,584
Cash payments to suppliers for goods and services	(1,528)	(21,587)	(46,696)	(26,399)	(6,005)	(4,158)	(2,173)	(11,085)
Cash payments to employees	(10,258)	(10,769)	(2,241)	—	(23,582)	(1,047)	(937)	(595)
Other operating revenue (expense)	—	—	23	—	—	—	—	—
Net cash provided by (used for) operating activities	(790)	(1,797)	(5,072)	1,119	(7,062)	750	49	(96)
Cash flows from noncapital financing activities:								
Loans from other funds	600	—	350	—	2,378	—	—	—
Loans to other funds	—	—	—	—	—	—	—	—
Repayment of loans to other funds	—	—	—	—	—	—	—	—
Repayment of loans from other funds	—	—	—	(2,862)	—	(750)	(49)	—
Transfers in	190	2,092	—	—	4,684	—	—	—
Net cash provided by (used for) noncapital financing activities	790	2,092	350	(2,862)	7,062	(750)	(49)	—
Cash flows from capital and related financing activities:								
Acquisition of capital assets	—	—	—	—	—	—	—	—
Net cash provided by (used for) capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Interest on investments	—	—	17	—	—	—	—	—
Net cash provided by (used for) investing activities	—	—	17	—	—	—	—	—
Net increase (decrease) in cash and cash equivalents	—	295	(4,705)	(1,743)	—	—	—	(96)
Cash and cash equivalents - July 1	—	—	5,603	2,520	—	—	—	1,287
Cash and cash equivalents - June 30	\$ —	\$ 295	\$ 898	\$ 777	\$ —	\$ —	\$ —	\$ 1,191

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ (815)	\$ (917)	\$ (7,337)	\$ —	\$ (2,382)	\$ 16	\$ 55	\$ 283
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation	—	—	5	—	—	2	—	9
Other (revenue) expense	—	—	23	—	—	—	—	2
(Increase) decrease in assets:								
Receivables	(1,375)	(4,803)	2,560	1,930	(8,435)	(74)	(20)	(73)
Inventory	—	—	—	—	—	467	—	(105)
Prepaid items	—	—	—	—	—	—	—	—
Increase (decrease) in liabilities:								
Accounts payable	58	2,928	363	(811)	608	322	1	(222)
Accrued expenses	1,342	995	(686)	—	3,147	17	13	10
Total adjustments	25	(880)	2,265	1,119	(4,680)	734	(6)	(379)
Net cash provided by (used for) operating activities	\$ (790)	\$ (1,797)	\$ (5,072)	\$ 1,119	\$ (7,062)	\$ 750	\$ 49	\$ (96)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
Cash flows from operating activities:								
Cash received from customers	\$ 4,821	\$ 8,007	\$ 783	\$ —	\$ 242,986	\$ 57	\$ 865	\$ 413,657
Cash payments to suppliers for goods and services	(3,945)	(5,230)	(452)	(2)	(235,299)	—	—	(364,559)
Cash payments to employees	(770)	(1,632)	(381)	—	(907)	—	(865)	(53,984)
Other operating revenue (expense)	—	—	—	—	—	—	—	23
Net cash provided by (used for) operating activities	106	1,145	(50)	(2)	6,780	57	—	(4,863)
Cash flows from noncapital financing activities:								
Loans from other funds	—	—	—	—	—	(595)	—	2,733
Loans to other funds	—	—	—	—	—	(1,800)	—	(1,800)
Repayment of loans to other funds	—	—	—	—	—	524	—	524
Repayment of loans from other funds	(2,777)	—	—	—	—	—	—	(6,438)
Transfers in	—	—	—	—	—	—	—	6,966
Net cash provided by (used for) noncapital financing activities	(2,777)	—	—	—	—	(1,871)	—	1,985
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(16)	(104)	—	—	—	—	—	(120)
Net cash provided by (used for) capital and related financing activities	(16)	(104)	—	—	—	—	—	(120)
Cash flows from investing activities:								
Interest on investments	—	—	—	—	302	23	—	342
Net cash provided by (used for) investing activities	—	—	—	—	302	23	—	342
Net increase (decrease) in cash and cash equivalents	(2,687)	1,041	(50)	(2)	7,082	(1,791)	—	(2,656)
Cash and cash equivalents - July 1	2,687	587	227	64	21,714	3,483	—	38,172
Cash and cash equivalents - June 30	\$ —	\$ 1,628	\$ 177	\$ 62	\$ 28,796	\$ 1,692	\$ —	\$ 35,516

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ 178	\$ (134)	\$ (54)	\$ (2)	8,872	\$ 57	\$ —	\$ (2,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation	101	36	—	—	—	—	—	153
Other (revenue) expense and transfers (in) out	—	—	—	—	—	—	—	25
(Increase) decrease in assets:								
Receivables	(110)	1,720	(4)	—	(891)	—	—	(9,575)
Inventory	4	(231)	—	—	—	—	—	135
Prepaid items	—	—	—	—	(166)	—	—	(166)
Increase (decrease) in liabilities:								
Accounts payable	(92)	(263)	5	—	(1,175)	—	—	1,722
Accrued expenses	25	17	3	—	140	—	—	5,023
Total adjustments	(72)	1,279	4	—	(2,092)	—	—	(2,683)
Net cash provided by (used for) operating activities	\$ 106	\$ 1,145	\$ (50)	\$ (2)	6,780	\$ 57	\$ —	\$ (4,863)

(Concluded)

Trust Funds

Pension Trust Funds

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

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

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

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

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

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

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

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

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

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

Other Employee Benefit Trust Funds

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

State Employees – covers State employees and certain employees of the Narragansett Bay Commission, RI Airport Corporation, and RI Commerce Corporation.

Teachers – covers certified public school teachers electing to participate.

Judicial – covers judges and magistrates.

State Police – covers retired State police officers.

Trust Funds

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

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

Private Purpose Trust Funds

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

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

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2018
(Expressed in Thousands)

	Pension Trust	Other Employee Benefits Trust	Totals
Assets			
Cash and cash equivalents	\$ 4,557	\$ 9,331	\$ 13,888
Advance held by claims processing agent	—	811	811
Receivables			
Contributions	32,199	2,103	34,302
Due from State for teachers	19,303	—	19,303
Other	1,812	—	1,812
Miscellaneous	—	1	1
Total receivables	53,314	2,104	55,418
Prepaid expenses	4,488	—	4,488
Due from other plans	2,076	—	2,076
Investments, at fair value			
Equity in pooled trust	8,330,457	271,754	8,602,211
Other investments	858,877	—	858,877
Total investments	9,189,334	271,754	9,461,088
Total assets	9,253,769	284,000	9,537,769
Liabilities			
Accounts payable	3,130	275	3,405
Due to other plans	2,076	—	2,076
Incurred but not reported claims	—	1,586	1,586
Other	—	3,725	3,725
Total liabilities	5,206	5,586	10,792
Net position restricted for pension and other postemployment benefits	\$ 9,248,563	\$ 278,414	\$ 9,526,977

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, 2018
(Expressed in Thousands)

	Pension Trust	Other Employee Benefits Trust	Totals
Additions			
Contributions			
Member contributions	\$ 204,021	\$ 1,571	\$ 205,592
Employer contributions	412,394	58,009	470,403
Supplemental employer contributions	1,059	—	1,059
State contributions for teachers	98,121	—	98,121
Interest on service credits purchased	101	—	101
Service credit transfer payments	17,571	—	17,571
Total contributions	<u>733,267</u>	<u>59,580</u>	<u>792,847</u>
Other income	34	2,332	2,366
Investment income			
Net appreciation in fair value of investments	672,582	18,429	691,011
Interest	63,102	2,450	65,552
Dividends	37,999	—	37,999
Other investment income	208	—	208
	<u>773,891</u>	<u>20,879</u>	<u>794,770</u>
Less investment expense	79,052	119	79,171
Net investment income	<u>694,839</u>	<u>20,760</u>	<u>715,599</u>
Total additions	<u>1,428,140</u>	<u>82,672</u>	<u>1,510,812</u>
Deductions			
Retirement benefits	949,714	—	949,714
Death benefits	3,481	—	3,481
Distributions	16,262	—	16,262
Refund of contributions	6,374	—	6,374
Administrative expense	9,796	113	9,909
Service credit transfers	17,571	—	17,571
OPEB benefits	—	32,563	32,563
Total deductions	<u>1,003,198</u>	<u>32,676</u>	<u>1,035,874</u>
Change in net position	424,942	49,996	474,938
Net position restricted for pension and other postemployment benefits			
Net position - beginning	8,823,621	228,418	9,052,039
Net position - ending	<u>\$ 9,248,563</u>	<u>\$ 278,414</u>	<u>\$ 9,526,977</u>

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2018
(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	\$ 1,511	\$ 1,049	\$ 54	\$ 101	\$ 687	\$ 185	\$ 970	\$ —	\$ —	\$ 4,557
Receivables										
Contributions	28,290	3,817	49	—	28	—	15	—	—	32,199
Due from State for teachers	19,303	—	—	—	—	—	—	—	—	19,303
Other	1,528	245	3	—	—	33	3	—	—	1,812
Total receivables	49,121	4,062	52	—	28	33	18	—	—	53,314
Prepaid expenses	3,489	745	57	9	29	—	159	—	—	4,488
Due from other plans	1,522	554	—	—	—	—	—	—	—	2,076
Investments, at fair value										
Equity in Pooled Trust	6,219,835	1,555,947	138,602	16,152	72,715	588	326,618	—	—	8,330,457
Other-Defined Contribution Plan	—	—	—	—	—	—	—	856,010	2,867	858,877
Total investments	6,219,835	1,555,947	138,602	16,152	72,715	588	326,618	856,010	2,867	9,189,334
Total assets	6,275,478	1,562,357	138,765	16,262	73,459	806	327,765	856,010	2,867	9,253,769
Liabilities										
Accounts payable	2,730	378	31	4	15	—	(28)	—	—	3,130
Due to other plans	554	1,522	—	—	—	—	—	—	—	2,076
Total liabilities	3,284	1,900	31	4	15	—	(28)	—	—	5,206
Net position restricted for pension benefits	\$ 6,272,194	\$ 1,560,457	\$ 138,734	\$ 16,258	\$ 73,444	\$ 806	\$ 327,793	\$ 856,010	\$ 2,867	\$ 9,248,563

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, 2018
(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	\$ 89,903	\$ 17,709	\$ 2,008	\$ —	\$ 1,142	\$ 117	\$ 744	\$ 92,019	379	\$ 204,021
Employer contributions	315,176	47,004	2,797	16,387	2,058	399	744	27,829	—	412,394
Supplemental employer contributions	1,059	—	—	—	—	—	—	—	—	1,059
State contributions for teachers	98,121	—	—	—	—	—	—	—	—	98,121
Interest on service credits purchased	81	16	2	2	—	—	—	—	—	101
Service credit transfers (net)	14,457	3,114	—	—	—	—	—	—	—	17,571
Total contributions	518,797	67,843	4,807	16,389	3,200	516	1,488	119,848	379	733,267
Investment income										
Net appreciation (depreciation) in fair value of investments	459,223	112,986	9,973	1,101	5,208	42	23,756	60,293	—	672,582
Interest	47,258	11,687	1,031	127	539	4	2,456	—	—	63,102
Dividends	27,606	6,828	604	70	316	3	1,434	1,138	—	37,999
Other investment income	—	—	—	—	—	—	—	—	208	208
	534,087	131,501	11,608	1,298	6,063	49	27,646	61,431	208	773,891
Less investment expense	59,059	14,735	1,310	162	686	6	3,094	—	—	79,052
Net investment income	475,028	116,766	10,298	1,136	5,377	43	24,552	61,431	208	694,839
Miscellaneous revenue	22	—	—	—	—	—	—	12	—	34
Total additions	993,847	184,609	15,105	17,525	8,577	559	26,040	181,291	587	1,428,140
Deductions										
Retirement benefits	816,851	96,822	5,934	17,273	2,833	399	9,602	—	—	949,714
Death benefits	2,779	702	—	—	—	—	—	—	—	3,481
Distributions	—	—	—	—	—	—	—	16,182	80	16,262
Refund of contributions	4,678	1,208	90	—	123	—	275	—	—	6,374
Administrative expense	6,407	1,566	136	6	73	—	330	1,232	46	9,796
Service credit transfers (net)	13,424	4,147	—	—	—	—	—	—	—	17,571
Total deductions	844,139	104,445	6,160	17,279	3,029	399	10,207	17,414	126	1,003,198
Net increase (decrease)	149,708	80,164	8,945	246	5,548	160	15,833	163,877	461	424,942
Net position restricted for pension benefits										
Net position - beginning	6,122,486	1,480,293	129,789	16,012	67,896	646	311,960	692,133	2,406	8,823,621
Net position - ending	\$ 6,272,194	\$ 1,560,457	\$ 138,734	\$ 16,258	\$ 73,444	\$ 806	\$ 327,793	\$ 856,010	\$ 2,867	\$ 9,248,563

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Other Employee Benefit Trust Funds
June 30, 2018
(Expressed in Thousands)

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education	Totals
Assets							
Cash and cash equivalents	\$ 4,158	\$ 2,773	\$ 548	\$ 988	\$ 161	\$ 703	9,331
Advance held by claims processing agent	811	—	—	—	—	—	811
Receivables							
Due from other funds	1	—	—	—	—	—	1
Contributions Receivable	1,751	—	—	202	—	150	2,103
Investments at fair value - equity in pooled trust	179,728	9,231	3,585	45,242	2,909	31,059	271,754
Total assets	186,449	12,004	4,133	46,432	3,070	31,912	284,000
Liabilities							
Accounts payable	181	42	4	33	3	12	275
Incurred but not reported claims	1,145	149	9	179	19	85	1,586
Due to other funds	151	8	3	36	3	24	225
Other	3,500	—	—	—	—	—	3,500
Total liabilities	4,977	199	16	248	25	121	5,586
Net position restricted for other postemployment benefits	\$ 181,472	\$ 11,805	\$ 4,117	\$ 46,184	\$ 3,045	\$ 31,791	\$ 278,414

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, 2018
(Expressed in Thousands)

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education	Totals
Additions							
Contributions							
Member contributions	\$ —	\$ —	\$ —	\$ —	\$ —	1,571	\$ 1,571
Employer contributions	42,265	2,321	—	7,919	14	5,490	58,009
Total contributions	42,265	2,321	—	7,919	14	7,061	59,580
Other income	1,848	136	54	197	42	55	2,332
Investment income							
Net appreciation in fair value of investments	12,208	672	261	3,034	221	2,033	18,429
Interest and dividends	1,608	112	34	399	28	269	2,450
	13,816	784	295	3,433	249	2,302	20,879
Less investment expense	79	4	2	20	1	13	119
Net investment income	13,737	780	293	3,413	248	2,289	20,760
Total additions	57,850	3,237	347	11,529	304	9,405	82,672
Deductions							
Benefits	26,077	1,202	(72)	2,849	161	2,346	32,563
Administrative expense	57	7	3	33	2	11	113
Total deductions	26,134	1,209	(69)	2,882	163	2,357	32,676
Net increase	31,716	2,028	416	8,647	141	7,048	49,996
Net position restricted for other postemployment benefits							
Net position - beginning	149,756	9,777	3,701	37,537	2,904	24,743	228,418
Net position - ending	\$ 181,472	\$ 11,805	\$ 4,117	\$ 46,184	\$ 3,045	\$ 31,791	\$ 278,414

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2018
(Expressed in Thousands)

	Tuition Savings Program	Touro Jewish Synagogue	Totals
Assets			
Cash and cash equivalents	\$ 7,013	\$ —	\$ 7,013
Receivables			
Program investments sold	556	—	556
Investments, at fair value	6,042,418	2,946	6,045,364
Total assets	6,049,987	2,946	6,052,933
Liabilities			
Accounts payable	17,468	—	17,468
Total liabilities	17,468	—	17,468
Net position			
Restricted for:			
Tuition Savings Program	6,032,519	—	6,032,519
Other	—	2,946	2,946
Total net position	\$ 6,032,519	\$ 2,946	\$ 6,035,465

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Tuition Savings Program	Touro Jewish Synagogue	Totals
Additions			
Program participant subscriptions	\$ 293,495	\$ —	\$ 293,495
Investment income			
Net appreciation (depreciation) in fair value of investments	81,164	254	81,418
Dividends and interest	126,317	43	126,360
Total additions	<u>500,976</u>	<u>297</u>	<u>501,273</u>
Deductions			
Program participant redemptions	841,368	—	841,368
Administrative expense	32,853	121	32,974
Total deductions	<u>874,221</u>	<u>121</u>	<u>874,342</u>
Change in net position restricted for:			
Tuition Savings Program	(373,245)	—	(373,245)
Other	—	176	176
Net position - beginning	6,405,764	2,770	6,408,534
Net position - ending	<u>\$ 6,032,519</u>	<u>\$ 2,946</u>	<u>\$ 6,035,465</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, 2018
(Expressed in Thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
HealthSource RI Trust				
Assets				
Cash and cash equivalents	\$ 2,400	\$ 92,608	\$ 91,388	\$ 3,620
Receivables	—	—	—	—
Total assets	\$ 2,400	\$ 92,608	\$ 91,388	\$ 3,620
Liabilities				
Deposits held for others	\$ 2,377	\$ 91,963	\$ 90,729	\$ 3,611
Accounts payable	23	684	698	9
Total liabilities	\$ 2,400	\$ 92,647	\$ 91,427	\$ 3,620
RIPTA Health Fund				
Assets				
Cash and cash equivalents	\$ 2,118	\$ 42,995	\$ 42,252	\$ 2,861
Receivables	3,384	4,665	4,440	3,609
Total assets	\$ 5,502	\$ 47,660	\$ 46,692	\$ 6,470
Liabilities				
Deposits held for others	\$ 2,518	\$ 891	\$ —	\$ 3,409
Accounts payable	2,984	18,510	18,433	3,061
Total liabilities	\$ 5,502	\$ 19,401	\$ 18,433	\$ 6,470
Statutory Deposits				
Assets				
Deposits held as security for entities doing business in the State	\$ 54,115	\$ 3,013	\$ 4,113	\$ 53,015
Total assets	\$ 54,115	\$ 3,013	\$ 4,113	\$ 53,015
Liabilities				
Deposits held for others	\$ 54,115	\$ 3,013	\$ 4,113	\$ 53,015
Total liabilities	\$ 54,115	\$ 3,013	\$ 4,113	\$ 53,015
Court Deposits				
Assets				
Cash and cash equivalents	\$ 11,270	\$ 7,326	\$ 8,344	\$ 10,252
Receivables	71	770	766	75
Total assets	\$ 11,341	\$ 8,096	\$ 9,110	\$ 10,327
Liabilities				
Deposits held for others	11,307	2,890	3,940	10,257
Accounts payable	34	3,806	3,770	70
Total liabilities	\$ 11,341	\$ 6,696	\$ 7,710	\$ 10,327
Total - All Agencies				
Assets				
Cash and cash equivalents	\$ 15,788	\$ 142,929	\$ 141,984	\$ 16,733
Deposits held as security for entities doing business in the State	54,115	3,013	4,113	53,015
Receivables	3,455	5,435	5,206	3,684
Total assets	\$ 73,358	\$ 151,377	\$ 151,303	\$ 73,432
Liabilities				
Deposits held for others	\$ 70,317	\$ 98,757	\$ 98,782	\$ 70,292
Accounts payable	3,041	23,000	22,901	3,140
Total liabilities	\$ 73,358	\$ 121,757	\$ 121,683	\$ 73,432

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2018
(Expressed in Thousands)

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA
Assets and deferred outflows of resources						
Current Assets:						
Cash and cash equivalents	\$ 2,475	\$ 13,032	\$ —	\$ 5,204	\$ 113	\$ 809
Investments	—	—	389	—	—	—
Receivables (net)	25	921	286	1,062	—	3
Restricted assets:						
Cash and cash equivalents	700	—	27,161	220,423	—	—
Investments	—	—	—	88,522	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	—	—	—	53,302	—	—
Due from primary government	2,216	1,091	512	—	—	—
Due from other governments	196	—	—	495	—	—
Due from other component units	—	—	—	—	241	—
Inventories	—	—	—	—	—	—
Other assets	472	3	84	5,521	2	5
Total current assets	6,084	15,047	28,432	374,529	356	817
Noncurrent Assets:						
Investments	—	—	—	—	—	—
Receivables (net)	—	—	—	9,135	—	—
Restricted assets:						
Cash and cash equivalents	—	—	633	—	—	—
Investments	—	—	—	95,979	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	3,367	—	—	1,421,356	—	—
Capital assets - nondepreciable	—	—	194	—	—	—
Capital assets - depreciable (net)	1,931	260	142	—	—	—
Due from other component units	—	—	—	—	—	—
Other assets, net of amortization	—	—	—	157,672	—	—
Total noncurrent assets	5,298	260	969	1,684,142	—	—
Total assets	11,382	15,307	29,401	2,058,671	356	817
Deferred outflows of resources						
	11,658	—	385	4,279	—	—
Liabilities and deferred inflows of resources						
Current liabilities:						
Accounts payable	3,415	1,608	1,729	396	21	—
Due to primary government	—	—	20	—	—	—
Due to other component units	—	—	—	—	7	250
Unearned revenue	10	150	—	—	3	—
Other liabilities	—	—	39	218,885	—	452
Compensated absences	54	—	—	—	—	—
Current portion of long-term debt	31	—	—	125,872	—	—
Total current liabilities	3,510	1,758	1,788	345,153	31	702
Noncurrent liabilities:						
Unearned revenue	—	—	—	—	25	—
Notes payable	—	—	—	137,104	—	—
Loans payable	—	—	—	—	—	—
Obligations under capital leases	9	—	—	—	—	—
Net pension liability	36,125	—	1,648	—	—	—
Net OPEB liability	9,746	—	462	6,329	—	—
Other liabilities	—	—	451	212,446	—	1,762
Compensated absences	772	—	94	1,482	—	—
Bonds payable	—	—	—	1,034,968	—	—
Total noncurrent liabilities	46,652	—	2,655	1,392,329	25	1,762
Total liabilities	50,162	1,758	4,443	1,737,482	56	2,464
Deferred inflows of resources						
	4,529	—	1,208	687	—	—
Net position (deficit)						
Net investment in capital assets	1,891	260	336	9,337	—	—
Restricted for:						
Debt	—	—	—	219,496	—	—
Other	2,195	836	23,799	2,040	—	—
Other nonexpendable	—	—	—	—	—	—
Unrestricted	(35,737)	12,453	—	93,908	300	(1,647)
Net position (deficit)	\$ (31,651)	\$ 13,549	\$ 24,135	\$ 324,781	\$ 300	\$ (1,647)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2018
(Expressed in Thousands)

	RIRRC	QDC	RIIB	RIHEBC	Totals
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 41,914	\$ 3,633	\$ 26,873	\$ 257	\$ 94,310
Investments	—	—	—	6,439	6,828
Receivables (net)	7,142	4,835	12,368	399	27,041
Restricted assets:					
Cash and cash equivalents	—	1,463	263,219	13,863	526,829
Investments	—	—	75,895	—	164,417
Receivables (net)	—	—	85,282	—	85,282
Other assets	—	—	1,370	—	54,672
Due from primary government	—	215	—	—	4,034
Due from other governments	—	—	—	—	691
Due from other component units	—	615	—	—	856
Inventories	2,650	—	—	—	2,650
Other assets	1,160	141	—	56	7,444
Total current assets	<u>52,866</u>	<u>10,902</u>	<u>465,007</u>	<u>21,014</u>	<u>975,054</u>
Noncurrent Assets:					
Investments	—	—	—	80	80
Receivables (net)	—	97	1,200,806	2,519	1,212,557
Restricted assets:					
Cash and cash equivalents	2,512	—	—	—	3,145
Investments	99,039	—	—	—	195,018
Receivables (net)	—	—	—	—	—
Other assets	—	—	—	—	1,424,723
Capital assets - nondepreciable	19,641	62,944	—	—	82,779
Capital assets - depreciable (net)	61,878	130,895	385	22	195,513
Due from other component units	—	1,325	—	—	1,325
Other assets, net of amortization	4,496	—	—	—	162,168
Total noncurrent assets	<u>187,566</u>	<u>195,261</u>	<u>1,201,191</u>	<u>2,621</u>	<u>3,277,308</u>
Total assets	<u>240,432</u>	<u>206,163</u>	<u>1,666,198</u>	<u>23,635</u>	<u>4,252,362</u>
Deferred outflows of resources					
	<u>—</u>	<u>1,046</u>	<u>6,489</u>	<u>—</u>	<u>23,857</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	13,633	1,258	719	—	22,779
Due to primary government	—	—	—	—	20
Due to other component units	—	—	—	—	257
Unearned revenue	—	6,253	—	—	6,416
Other liabilities	970	—	183,355	2,729	406,430
Compensated absences	489	—	—	—	543
Current portion of long-term debt	4,293	2,295	62,946	—	195,437
Total current liabilities	<u>19,385</u>	<u>9,806</u>	<u>247,020</u>	<u>2,729</u>	<u>631,882</u>
Noncurrent liabilities:					
Unearned revenue	—	179	—	—	204
Notes payable	2,393	—	—	—	139,497
Loans payable	—	8,518	—	—	8,518
Obligations under capital leases	—	—	—	—	9
Net pension liability	—	121	—	—	37,894
Net OPEB liability	646	—	—	—	17,183
Other liabilities	108,566	—	1,089	—	324,314
Compensated absences	—	—	—	—	2,348
Bonds payable	17,341	2,477	770,125	—	1,824,911
Total noncurrent liabilities	<u>128,946</u>	<u>11,295</u>	<u>771,214</u>	<u>—</u>	<u>2,354,878</u>
Total liabilities	<u>148,331</u>	<u>21,101</u>	<u>1,018,234</u>	<u>2,729</u>	<u>2,986,760</u>
Deferred inflows of resources					
	<u>10</u>	<u>800</u>	<u>716</u>	<u>—</u>	<u>7,950</u>
Net position (deficit)					
Net investment in capital assets	67,365	180,548	385	22	260,144
Restricted for:					
Debt	—	—	—	—	219,496
Other	2,512	—	603,541	13,685	648,608
Other nonexpendable	—	—	—	—	—
Unrestricted	22,214	4,760	49,811	7,199	153,261
Net position (deficit)	<u>\$ 92,091</u>	<u>\$ 185,308</u>	<u>\$ 653,737</u>	<u>\$ 20,906</u>	<u>\$ 1,281,509</u>

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA	RIRRC	QDC	RIIB	RIHEBC	Totals
Expenses	\$ 52,862	\$ 15,120	\$ 18,007	\$ 108,331	\$ 59	\$ 918	\$ 61,186	\$ 13,795	\$ 35,059	\$ 20,646	\$ 325,983
Program revenues:											
Charges for services	298	4,675	6,483	108,591	36	92	62,089	29,914	6,287	2,451	220,916
Operating grants and contributions	48,983	11,531	6,647	9,890	—	—	—	—	2,471	10,364	89,886
Capital grants and contributions	—	—	—	—	—	—	—	118	37,285	—	37,403
Total program revenues	49,281	16,206	13,130	118,481	36	92	62,089	30,032	46,043	12,815	348,205
Net (Expenses) Revenues	(3,581)	1,086	(4,877)	10,150	(23)	(826)	903	16,237	10,984	(7,831)	22,222
General revenues:											
Interest and investment earnings	—	69	70	2,801	—	12	289	9	30,410	195	33,855
Miscellaneous revenues	777	14	—	—	—	—	1,431	—	—	90	2,312
Total general revenues	777	83	70	2,801	—	12	1,720	9	30,410	285	36,167
Change in net position	(2,804)	1,169	(4,807)	12,951	(23)	(814)	2,623	16,246	41,394	(7,546)	58,389
Net position (deficit) - beginning (as restated)	(28,847)	12,380	28,942	311,830	323	(833)	89,468	169,062	612,343	28,452	1,223,120
Net position (deficit) - ending	\$ (31,651)	\$ 13,549	\$ 24,135	\$ 324,781	\$ 300	\$ (1,647)	\$ 92,091	\$ 185,308	\$ 653,737	\$ 20,906	\$ 1,281,509

Statistical Section



State of Rhode Island **Comprehensive Annual Financial Report**

Fiscal year ended June 30, 2018

2018

Statistical Section

Index

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

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Financial Trends Information	263
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	269
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
Debt Capacity Information	275
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	277
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	279
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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 3,356,040	\$ 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
Restricted *	578,309	920,232	741,971	841,777	799,274	775,758	696,743	553,421	538,104	507,999
Unrestricted *	(4,702,373)	(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)
Total governmental activities net position	\$ (768,024)	\$ (448,902)	\$ (536,701)	\$ (604,633)	\$ (948,899)	\$ 1,825,742	\$ 1,540,948	\$ 1,138,430	\$ 958,056	\$ 844,421
Business-type activities										
Net investment in capital assets	\$ (50,807)	\$ (53,682)	\$ (57,493)	\$ (61,956)	\$ (62,060)	\$ (67,394)	\$ (64,492)	\$ (63,156)	\$ (61,806)	\$ (59,453)
Restricted	471,070	384,198	283,901	155,682	33,795	8,340	9,308	11,036	13,161	20,130
Unrestricted	(26,437)	(19,684)	(19,970)	(21,312)	(19,991)	(86,571)	(157,396)	(159,388)	(122,955)	(7,251)
Total business-type activities net position	\$ 393,826	\$ 310,832	\$ 206,438	\$ 72,414	\$ (48,256)	\$ (145,625)	\$ (212,580)	\$ (211,508)	\$ (171,600)	\$ (46,574)
Primary government										
Net investment in capital assets	\$ 3,305,233	\$ 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
Restricted *	1,049,379	1,304,430	1,025,872	997,459	833,069	784,098	706,051	473,787	497,092	440,345
Unrestricted *	(4,728,810)	(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)
Total primary government net position	\$ (374,198)	\$ (138,070)	\$ (330,263)	\$ (532,219)	\$ (997,155)	\$ 1,680,117	\$ 1,328,368	\$ 926,922	\$ 786,456	\$ 797,847

* 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 751,362	\$ 753,011	\$ 769,469	\$ 695,611	\$ 736,911	\$ 625,081	\$ 653,003	\$ 644,194	\$ 741,329	\$ 754,386
Human services	3,965,185	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
Education	1,708,408	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
Public safety	433,815	551,000	545,329	478,854	478,826	473,580	468,098	436,940	418,485	414,830
Natural resources	97,253	90,082	87,537	83,979	80,690	76,730	85,039	80,360	73,551	75,103
Transportation	403,365	350,585	343,270	283,085	298,626	300,639	268,523	300,366	305,460	324,007
Interest and other charges	92,231	109,664	83,899	121,845	129,421	129,714	145,964	148,850	142,924	136,737
Total governmental activities	7,451,619	7,275,996	7,077,668	6,767,396	6,426,411	6,009,160	5,925,251	5,956,244	5,856,407	5,702,800
Business-type activities:										
Lottery	521,594	510,302	507,199	484,293	462,153	397,625	399,421	368,870	358,127	356,046
Convention Center	52,684	50,658	48,905	48,628	49,255	48,437	49,439	32,986	50,732	48,764
Employment Security	149,227	155,672	157,018	167,527	257,145	396,909	559,440	645,979	783,878	573,288
Total business-type activities	723,505	716,632	713,122	700,448	768,553	842,971	1,008,300	1,047,835	1,192,737	978,098
Total primary government expenses	\$ 8,175,124	\$ 7,992,628	\$ 7,790,790	\$ 7,467,844	\$ 7,194,964	\$ 6,852,131	\$ 6,933,551	\$ 7,004,079	\$ 7,049,144	\$ 6,680,898
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 240,236	\$ 224,704	\$ 229,659	\$ 209,005	\$ 212,275	\$ 220,376	\$ 212,750	\$ 185,918	\$ 179,646	\$ 168,210
Human services	274,115	252,678	266,091	246,604	229,047	227,158	204,287	210,905	198,555	187,973
Education	34,357	32,250	29,749	29,775	27,617	26,840	26,044	22,022	18,263	8,335
Public safety	38,239	22,070	45,245	39,709	44,192	47,075	37,339	34,389	35,272	32,770
Natural resources	28,429	28,980	28,655	29,258	27,259	28,975	26,060	29,046	29,746	31,385
Transportation	25,929	23,857	25,354	22,806	7,199	1,076	1,660	372	744	181
Operating grants and contributions	2,784,544	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
Capital grants and contributions	207,673	230,956	178,628	217,604	228,649	190,551	210,720	162,032	162,090	103,515
Total governmental activities program revenues	3,633,522	3,563,126	3,480,812	3,461,004	3,180,010	2,953,851	2,913,752	3,032,224	2,985,762	2,647,190
Business-type activities:										
Charges for services	1,142,564	1,151,505	1,177,083	1,163,752	1,127,206	1,055,070	1,056,285	985,556	947,825	913,333
Operating grants and contributions	1,259	1,373	1,558	839	53,146	166,164	278,671	358,932	418,270	194,857
Total business-type activities program revenues	1,143,823	1,152,878	1,178,641	1,164,591	1,180,352	1,221,234	1,334,956	1,344,488	1,366,095	1,108,190
Total primary government program revenues	\$ 4,777,345	\$ 4,716,004	\$ 4,659,453	\$ 4,625,595	\$ 4,360,362	\$ 4,175,085	\$ 4,248,708	\$ 4,376,712	\$ 4,351,857	\$ 3,755,380

(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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expenses)/Revenues										
Governmental activities	\$ (3,818,097)	\$ (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)
Business-type activities	420,318	436,246	465,519	464,143	411,799	378,263	326,656	296,653	173,358	130,092
Total primary government net expenses	<u>\$ (3,397,779)</u>	<u>\$ (3,276,624)</u>	<u>\$ (3,131,337)</u>	<u>\$ (2,842,249)</u>	<u>\$ (2,834,602)</u>	<u>\$ (2,677,046)</u>	<u>\$ (2,684,843)</u>	<u>\$ (2,627,367)</u>	<u>\$ (2,697,287)</u>	<u>\$ (2,925,518)</u>
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 3,474,545	\$ 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
Interest and investment earnings	10,548	6,313	3,134	3,212	4,852	4,893	4,304	5,561	4,309	9,435
Miscellaneous	124,370	146,205	90,836	107,382	108,398	143,240	118,506	102,478	91,110	95,758
Gain on sale of capital assets	—	598	4,693	993	953	3,757	—	—	—	1,656
Special items	—	—	—	(5,000)	—	—	—	—	—	—
Transfers	343,273	338,978	335,765	345,190	332,824	333,804	344,386	331,186	318,772	315,408
Payments from component units	—	—	—	—	—	—	—	—	7,228	13,569
Total governmental activities	<u>3,952,736</u>	<u>3,800,669</u>	<u>3,700,775</u>	<u>3,658,712</u>	<u>3,427,414</u>	<u>3,356,663</u>	<u>3,291,564</u>	<u>3,104,394</u>	<u>2,998,938</u>	<u>3,024,243</u>
Business-type activities:										
Interest and investment earnings	604	312	164	186	109	117	94	79	164	4,279
Miscellaneous	8,946	6,814	4,106	1,531	31,208	24,490	16,564	(5,454)	20,224	11,782
Transfers	(343,273)	(338,978)	(335,765)	(345,190)	(332,824)	(333,804)	(344,386)	(331,186)	(318,772)	(315,408)
Total business-type activities	<u>(333,723)</u>	<u>(331,852)</u>	<u>(331,495)</u>	<u>(343,473)</u>	<u>(301,507)</u>	<u>(309,197)</u>	<u>(327,728)</u>	<u>(336,561)</u>	<u>(298,384)</u>	<u>(299,347)</u>
Total primary government	<u>3,619,013</u>	<u>3,468,817</u>	<u>3,369,280</u>	<u>3,315,239</u>	<u>3,125,907</u>	<u>3,047,466</u>	<u>2,963,836</u>	<u>2,767,833</u>	<u>2,700,554</u>	<u>2,724,896</u>
Changes in Net Position										
Governmental activities	134,639	87,799	103,919	352,320	181,013	301,354	280,065	180,374	128,293	(31,367)
Business-type activities	86,595	104,394	134,024	120,670	110,292	69,066	(1,072)	(39,908)	(125,026)	(169,255)
Total primary government	<u>\$ 221,234</u>	<u>\$ 192,193</u>	<u>\$ 237,943</u>	<u>\$ 472,990</u>	<u>\$ 291,305</u>	<u>\$ 370,420</u>	<u>\$ 278,993</u>	<u>\$ 140,466</u>	<u>\$ 3,267</u>	<u>\$ (200,622)</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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	
General Fund										
Nonspendable	\$ 1,626	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 53,353	\$ 49,302	
* Restricted	93,318	117,668	133,193	134,231	120,898	110,178	78,940	67,592	49,624	
Unrestricted										
Committed	3,210	2,556	3,975	2,561	4,770	4,035	22,793	5,956	4,285	
Assigned	42,385	67,931	128,422	130,964	72,005	105,639	97,639	8,425	—	
* Unassigned	218,136	201,818	235,096	234,131	197,706	181,282	173,782	135,574	82,239	
Total General Fund (as restated)	<u>\$ 358,675</u>	<u>\$ 389,973</u>	<u>\$ 500,686</u>	<u>\$ 501,887</u>	<u>\$ 395,379</u>	<u>\$ 401,134</u>	<u>\$ 373,154</u>	<u>\$ 270,900</u>	<u>\$ 185,450</u>	
All Other Governmental Funds										
Nonspendable	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	\$ 174	
** Restricted	862,109	916,016	614,687	660,845	615,667	660,198	619,799	528,251	681,782	
Unrestricted										
** Committed	76,782	63,673	39,175	10,727	4,118	163	1,742	1,448	3,366	
** Assigned	—	—	—	—	—	255	318	284	19,704	
Unassigned	(1,130)	(1,518)	(1,519)	(1,486)	(4,028)	(4,113)	(4,717)	(5,043)	(6,160)	
Total All Other Governmental Funds	<u>\$ 937,935</u>	<u>\$ 978,345</u>	<u>\$ 652,517</u>	<u>\$ 670,260</u>	<u>\$ 615,931</u>	<u>\$ 656,677</u>	<u>\$ 617,316</u>	<u>\$ 525,114</u>	<u>\$ 698,866</u>	

	Fiscal Year
	2009
General Fund	
Reserved	\$ 132,245
Unreserved	(62,286)
Total General Fund	<u>\$ 69,959</u>
All Other Governmental Funds	
Reserved	\$ 274,180
Unreserved, reported in:	
Special Revenue Funds	93,498
Permanent Funds	1,368
Capital Projects Funds	459,489
Total All Other Governmental Funds	<u>\$ 828,535</u>

Beginning in fiscal year 2010, the fund balance categories were reclassified due to the implementation of GASB Statement No. 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes	\$ 3,472,042	\$ 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
Licenses, fines, sales, and services	410,726	373,066	380,376	348,214	332,655	320,767	313,724	308,564	311,040	295,662
Departmental restricted revenue	231,624	218,618	244,754	229,492	223,314	222,027	194,279	174,563	150,357	134,029
Federal grants	2,986,155	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
Income from investments	9,783	6,138	3,017	3,156	4,809	4,840	4,280	5,537	4,207	9,014
Other revenues	130,381	137,832	100,356	106,872	115,804	147,090	121,202	100,164	93,687	104,665
Total operating revenues	7,240,711	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
Expenditures:										
Current:										
General government	707,953	749,616	764,066	697,289	656,826	634,010	635,554	620,110	714,861	755,366
Human services	3,928,845	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
Education	1,579,936	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
Public safety	555,393	534,495	504,217	490,981	478,108	463,734	459,114	428,687	394,860	401,976
Natural resources	80,820	77,680	78,307	79,941	76,127	70,202	75,156	71,818	67,435	68,941
Transportation	474,310	387,518	386,712	373,715	383,816	373,887	399,512	367,496	306,730	299,881
Capital outlays	203,687	194,955	185,361	171,469	139,848	130,415	111,044	138,843	250,653	215,600
Intergovernmental										
Debt service:										
Principal	153,974	141,378	103,310	190,784	176,885	176,970	164,245	154,475	163,063	157,817
Interest and other charges	112,311	125,060	99,802	140,728	122,663	126,852	135,806	138,066	139,723	132,813
Total operating expenditures	7,797,229	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
Excess (deficiency) of revenues over (under) expenditures	(556,518)	(555,898)	(423,009)	(422,858)	(435,438)	(383,492)	(372,582)	(421,742)	(506,257)	(607,832)

(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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Other financing sources (uses):										
Issuance of bonds and notes	149,375	336,925	72,000	121,125	53,150	81,400	145,035	—	155,665	427,180
Issuance of refundings and other escrow assets	43,020	91,560	459,235	830,139	78,700	88,175	146,730	—	78,960	12,445
Capital leases	1,328	25,932	5,021	49,495	—	26,690	31,980	—	—	54,610
Premium and accrued interest	14,893	87,513	73,516	82,553	14,719	27,507	45,437	—	9,839	8,100
Transfers in	593,815	577,435	572,569	622,520	566,076	592,804	581,679	545,229	586,025	622,212
Payments from component units	—	—	—	—	—	—	—	—	7,228	13,568
Payment to refunded bonds escrow agent	(60,111)	(109,895)	(532,780)	(866,168)	(91,991)	(101,172)	(172,094)	—	(84,769)	(12,697)
Discount on issuance of debt	—	—	—	—	—	—	—	—	—	(66)
Proceeds from termination of investment contracts	—	—	—	26,361	—	—	—	—	—	—
Transfers out	(257,510)	(238,457)	(236,804)	(277,330)	(231,717)	(264,571)	(235,253)	(211,789)	(261,473)	(304,351)
Total other financing sources (uses)	484,810	771,013	412,757	588,695	388,937	450,833	543,514	333,440	491,475	821,001
Special items	—	—	—	(5,000)	—	—	—	—	—	—
Net change in fund balances	\$ (71,708)	\$ 215,115	\$ (10,252)	\$ 160,837	\$ (46,501)	\$ 67,341	\$ 170,932	\$ (88,302)	\$ (14,782)	\$ 213,169
Total operating expenditures	7,797,229	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
Capital outlays	340,650	339,270	378,935	327,792	360,267	315,644	264,770	230,746	319,509	185,636
Total noncapital expenditures	7,456,579	7,229,141	6,904,199	6,882,886	6,357,447	6,033,519	5,966,890	5,985,579	5,841,493	5,774,133
Debt service as a percentage of noncapital expenditures	3.6%	3.9%	3.5%	4.8%	4.7%	5.0%	5.1%	5.0%	5.0%	4.9%

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Grocery, Food Stores, Delis, Bakeries	\$ 1,203.02	\$ 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
Restaurants and Bars	2,773.30	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
Room Rentals - Motels, Hotels	618.54	591.97	652.16	503.30	429.10	530.74	388.82	407.15	491.30	587.55
Utilities - Telephone, Electric, Gas, Water	266.24	255.14	591.87	673.23	600.82	617.53	583.28	588.48	589.94	641.09
Total	\$ 4,861.10	\$ 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
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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Farm Earnings	\$ 22	\$ 17	\$ 23	\$ 21	\$ 16	\$ 15	\$ 15	\$ 14	\$ 17	\$ 17
<u>Private Earnings</u>										
Forestry, Fishing and Other	(D)	(D)	(D)	(D)	47	46	(D)	(D)	(D)	40
Mining	(D)	(D)	(D)	(D)	18	17	(D)	(D)	(D)	13
Utilities	164	156	172	158	143	150	165	165	160	149
Construction	(D)	2,026	1,837	1,747	1,739	1,650	1,575	1,558	1,523	1,565
Manufacturing	3,118	3,065	3,116	3,046	2,835	2,750	2,822	2,797	2,769	2,683
Wholesale Trade	1,698	1,698	1,531	1,510	1,529	1,473	1,394	1,378	1,346	1,309
Retail Trade	2,206	2,259	2,063	1,977	1,861	1,847	1,786	1,811	1,799	1,727
Transportation and warehousing	726	685	605	591	596	598	558	562	521	500
Information	577	759	1,377	1,383	995	1,050	1,087	1,089	998	953
Finance and Insurance	3,188	2,971	3,027	2,975	2,819	2,657	2,702	2,560	2,549	2,262
Real Estate and Rental and Leasing	688	593	578	544	478	456	380	430	369	350
Professional, scientific, technical services	3,038	2,725	2,783	2,621	2,533	2,387	2,305	2,300	2,192	2,201
Management of companies and enterprises	1,952	1,899	1,844	1,602	1,602	1,426	1,247	1,256	1,198	1,054
Administrative and waste services	1,496	1,355	1,335	1,259	1,233	1,122	1,046	1,064	1,015	951
Educational services	1,458	1,429	1,404	1,344	1,293	1,235	1,239	1,264	1,244	1,196
Health care and social assistance	5,099	5,094	5,181	5,056	5,039	4,850	4,594	4,742	4,723	4,523
Arts, entertainment, and recreation	534	492	406	374	333	302	296	291	285	277
Accommodation and food services	1,394	1,356	1,277	1,197	1,126	1,072	995	1,001	945	903
Other services, except public administration	1,354	1,309	1,229	1,189	1,177	1,135	1,060	1,100	1,084	1,063
<u>Government and Government Enterprises</u>										
Federal/Civilian	1,319	1,233	1,226	1,160	1,117	1,132	1,200	1,114	1,103	1,031
Military	459	451	470	472	520	509	636	508	513	494
State and Local	4,341	4,449	4,225	4,169	4,199	4,162	3,931	4,149	4,140	3,956
Total Personal Income by Industry*	\$ 34,831	\$ 36,021	\$ 35,709	\$ 34,395	\$ 33,248	\$ 32,040	\$ 31,033	\$ 31,153	\$ 30,491	\$ 29,218

* 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Personal Income Tax (PIT) Revenue	\$ 1,244	\$ 1,217	\$ 1,228	\$ 1,116	\$ 1,086	\$ 1,060	\$ 1,021	\$ 898	\$ 941	\$ 1,074
Personal Income	53,705	53,000	52,006	49,683	49,434	48,184	46,881	45,268	43,471	44,144
PIT Revenue as a Percent of Personal Income	2.32%	2.30%	2.36%	2.25%	2.20%	2.20%	2.18%	1.98%	2.16%	2.43%

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 2017 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$61,300	\$61,300- \$139,400	over \$139,400		
Tax Year 2016 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$60,850	\$60,850 - \$138,300	over \$138,300		
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 - \$58,600	\$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 - \$57,150	\$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 - \$55,000	\$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 - \$56,800	\$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 - \$56,700	\$56,700 - \$137,050	\$137,050 - \$208,850	\$208,850 - \$372,950	over \$372,950
Married Filing Separate Filing Status	Tax Rate	3.75%	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	\$ 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	\$ 0 - \$54,400	\$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	\$ 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	\$ 0 - \$43,650	\$43,650 - \$112,650	\$112,650 - \$182,400	\$182,400 - \$357,700	over \$357,700

Source: Department of Revenue - Division of Taxation

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2007 through 2016

<u>Tax Year 2016</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	178,845	35.59%	\$ 14,309,901	1.28%
\$25,001 - \$50,000	119,884	23.86%	83,011,473	7.43%
\$50,001 - \$75,000	71,266	14.18%	107,036,619	9.58%
\$75,001 - \$100,000	45,370	9.03%	106,648,459	9.55%
\$100,001 - \$200,000	67,374	13.41%	313,908,244	28.10%
\$200,001 - \$500,000	16,510	3.29%	237,228,771	21.24%
\$500,001 - \$1,000,000	2,312	0.46%	88,073,796	7.89%
\$1,000,001 and greater	961	0.19%	166,731,910	14.93%
	<u>502,522</u>	<u>100.00%</u>	<u>\$ 1,116,949,173</u>	<u>100.00%</u>

<u>Tax Year 2015</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	181,611	36.77%	\$ 14,296,084	1.17%
\$25,001 - \$50,000	115,747	23.44%	83,335,501	6.82%
\$50,001 - \$75,000	68,878	13.95%	110,057,592	9.00%
\$75,001 - \$100,000	44,457	9.00%	109,913,917	8.99%
\$100,001 - \$200,000	64,897	13.14%	302,002,270	24.70%
\$200,001 - \$500,000	15,145	3.07%	218,229,138	17.85%
\$500,001 - \$1,000,000	2,144	0.43%	81,482,245	6.67%
\$1,000,001 and greater	973	0.20%	303,125,066	24.80%
	<u>493,852</u>	<u>100.00%</u>	<u>\$ 1,222,441,813</u>	<u>100.00%</u>

<u>Tax Year 2014</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	185,935	37.55%	\$ 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>

(Continued)

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2007 through 2016

<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>

<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
General obligation bonds	\$ 1,267,433	\$ 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
Revenue bonds (blended component units)	765,150	748,304	780,270	789,580	846,475	848,212	846,327	846,871	845,100	827,305
Capital leases	201,478	228,531	231,090	255,581	224,206	245,150	237,464	227,896	249,363	274,693
Special purpose bonds	648,237	606,195	391,240	435,600	415,955	468,730	519,060	567,190	613,355	680,797
Total governmental activities	2,882,298	2,910,550	2,641,551	2,643,525	2,624,104	2,708,881	2,756,467	2,706,848	2,847,256	2,847,479
Business-type Activities										
Revenue bonds	234,542	195,772	208,627	221,775	230,838	234,321	241,535	249,669	257,294	263,704
Total primary government	\$ 3,116,840	\$ 3,106,322	\$ 2,850,178	\$ 2,865,300	\$ 2,854,942	\$ 2,943,202	\$ 2,998,002	\$ 2,956,517	\$ 3,104,550	\$ 3,111,183
Debt as a Percentage of Personal Income	5.6%	5.8%	5.8%	5.8%	6.0%	6.8%	7.5%	7.4%	8.2%	8.4%
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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)										
Revenue:										
Tobacco settlement revenue, cash basis	\$ 45,916	\$ 31,057	\$ 47,432	\$ 45,295	\$ 51,757	\$ 46,692	\$ 49,944	\$ 50,166	\$ 48,620	\$ 58,039
Investment income	540	212	50	1,436	3,300	3,376	3,234	4,354	3,410	3,995
Total revenue	46,456	31,268	47,482	46,731	55,057	50,068	53,178	54,520	52,030	62,034
Less: operating expenses	52	84	141	126	62	33	74	74	69	99
Net available revenue	\$ 46,404	\$ 31,184	\$ 47,341	\$ 46,605	\$ 54,995	\$ 50,035	\$ 53,104	\$ 54,446	\$ 51,961	\$ 61,935
Debt service										
Interest and required principal payments (c)	\$ 36,287	\$ 37,996	\$ 38,139	\$ 35,633	\$ 35,229	\$ 36,085	\$ 37,029	\$ 37,783	\$ 38,614	\$ 40,918
Covered ratio before turbo principal payment	128%	82%	124%	131%	156%	139%	143%	144%	135%	151%
Turbo principal payments (b)	10,315	6,275	10,005	25,520	20,340	14,265	15,735	12,570	14,710	16,620
Total debt service	\$ 46,602	\$ 44,271	\$ 48,144	\$ 61,153	\$ 55,569	\$ 50,350	\$ 52,764	\$ 50,353	\$ 53,324	\$ 57,538
Coverage ratio after turbo principal payments (a)	100%	70%	98%	76%	99%	99%	101%	108%	97%	108%
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - FHWA participation	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391	\$ 43,646
Net available revenue	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391	\$ 43,646
Debt service (d)										
Principal	\$ —	\$ —	\$ —	\$ 34,160	\$ 32,615	\$ 31,075	\$ 29,590	\$ 28,205	\$ 26,910	\$ 28,315
Interest	23,560	19,116	6,254	14,196	15,772	17,308	18,792	20,184	21,481	15,895
Coverage (a)	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579	\$ 8,656
Net available revenue	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579	\$ 8,656
Debt service										
Principal	\$ —	\$ 4,200	\$ 4,375	\$ 4,185	\$ 3,985	\$ 3,840	\$ 3,710	\$ 3,585	\$ 3,480	\$ 3,730
Interest	948	2,661	2,839	3,006	3,162	3,304	3,439	3,561	3,667	3,241
Coverage (a)	947%	129%	124%	122%	119%	116%	118%	118%	120%	124%

(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
2017	16,820.3	4.4%	55.9	4.1%	51,640	3.6%	52,786	3.9%	325,719	0.7%	1,060	0.2%
2016	16,115.6	2.6%	53.7	1.4%	49,831	1.8%	50,806	1.2%	323,406	0.7%	1,058	0.2%
2015	15,711.6	4.9%	53.0	4.1%	48,940	4.1%	50,199	4.0%	321,040	0.8%	1,056	0.1%
2014	14,983.1	5.7%	50.9	4.4%	47,025	4.9%	48,259	4.2%	318,623	0.8%	1,055	0.2%
2013	14,175.5	1.3%	48.8	0.1%	44,826	0.5%	46,332	0.1%	316,235	0.7%	1,053	0.0%
2012	13,998.4	5.1%	48.7	3.8%	44,582	4.3%	46,276	3.7%	313,993	0.8%	1,053	0.1%
2011	13,315.5	6.2%	46.9	3.9%	42,727	5.4%	44,607	4.0%	311,644	0.7%	1,052	-0.1%
2010	12,542.0	4.1%	45.2	5.1%	40,545	3.2%	42,875	5.2%	309,338	0.8%	1,053	0.0%
2009	12,051.3	-3.1%	42.9	-2.6%	39,284	-4.0%	40,760	-2.5%	306,772	0.9%	1,054	-0.1%
2008	12,438.5	3.6%	44.1	1.6%	40,904	2.7%	41,787	1.8%	304,094	1.0%	1,055	-0.2%

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
2017	555	0.2%	14,994	2.9%
2016	554	-0.2%	14,566	6.2%
2015	555	-0.3%	13,716	7.0%
2014	556	-0.2%	12,817	-5.5%
2013	557	-0.3%	13,569	10.8%
2012	558	-0.3%	12,246	8.6%
2011	560	-1.2%	11,272	-1.9%
2010	567	-0.1%	11,494	-9.6%
2009	567	-0.5%	12,712	15.7%
2008	570	-0.5%	10,990	-25.5%

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

**State of Rhode Island and Providence Plantations
Principal Employers
2017 and 2008**

2017				2008			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	12,377	2.23%	1	Lifespan	11,772	2.06%
2	CVS Health Corp.	7,600	1.37%	2	Care New England	6,193	1.08%
3	Care New England	6,580	1.19%	3	CVS Corporation	5,954	1.04%
4	Citizens Bank	5,123	0.92%	4	Citizen's Financial Group (Royal Bank of Scotland)	5,500	0.96%
5	Fidelity Investments	4,029	0.73%	5	Brown University	4,877	0.85%
6	Brown University	4,000	0.72%	6	Stop & Shop Supermarket Co	4,385	0.77%
7	General Dynamics Electric Boat	3,723	0.67%	7	Bank of America	4,000	0.70%
8	Naval Undersea Warfare Center	3,135	0.56%	8	Fidelity Investments	2,300	0.40%
9	Roman Catholic Diocese	3,100	0.56%	9	General Dynamics Corp	2,143	0.37%
10	University of Rhode Island	3,073	0.55%	10	The Jan Company	2,050	0.36%
	Total employment	555,000	9.50%			572,000	8.59%

Source: Rhode Island 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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Full-time Employees										
General Government	2,457	2,496	2,428	2,364	2,384	2,414	2,337	2,561	2,533	2,474
Human Services	3,096	3,196	3,190	3,273	3,353	3,273	3,118	3,247	3,125	3,164
Education	357	352	353	340	359	370	354	358	352	343
Public Safety	3,032	3,031	3,007	3,029	3,057	3,023	3,002	2,685	2,693	2,684
Natural Resources	851	860	843	879	904	898	887	865	863	890
Transportation	740	741	705	735	771	781	797	802	763	708
State Total	10,533	10,676	10,526	10,620	10,828	10,759	10,495	10,518	10,329	10,263

Source: Department of Administration

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>General Government</u>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$2,948,315	\$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
Number of business transactions processed electronically	809,922	1,219,895	1,042,129	1,026,097	1,160,506	988,669	970,394	917,982	857,553	782,659
Personal Income Tax returns filed electronically -Tax Year	546,404	555,142	531,354	505,137	490,000	463,900	451,406	442,383	379,495	349,211
Department of Labor and Training										
Labor force total (expressed in thousands)	553	553	555	553	554	560	566	569	567	568
Unemployment rate (percentage)	4.7%	5.6%	6.7%	7.7%	8.9%	11.1%	11.4%	11.6%	11.2%	7.8%
<u>Human Services</u>										
Department of Children, Youth and Families										
Average Number of Children in Out of Home Placement	2,531	2,535	2,484	2,306	2,141	2,116	2,249	2,201	2,410	2,729
Number of births (expressed in thousands)	12	12	12	11	11	12	12	12	12	13
<u>Education</u>										
Office of Postsecondary Commissioner										
Enrollment - Higher Education	40,098	41,030	43,335	42,765	42,786	44,504	43,254	43,224	43,409	42,601
Number of certificates and degrees awarded - Higher Education	8,325	7,888	7,675	7,400	7,256	6,804	6,500	6,516	6,255	5,754
<u>Public Safety</u>										
Department of Corrections										
Incarcerated offenders (male)	2,819	3,068	3,047	3,060	2,988	3,022	3,084	3,154	3,499	3,567
Incarcerated offenders (female)	138	125	136	154	173	169	189	187	190	204
<u>Natural Resources</u>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	180	143	141	145	138	131	114	119	136	148
Park visitations (expressed in thousands)	8,111	7,884	6,393	1,904	1,302	3,449	5,213	5,386	5,374	5,174
Recreational registrations (boats)	43,259	40,178	38,463	38,950	39,012	38,583	40,525	41,158	42,301	42,999
<u>Transportation</u>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	8,001	7,927	7,832	7,677	7,775	7,786	7,901	8,280	8,279	8,188

Source: Various Agencies

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>General Government</u>										
Buildings	16	17	17	16	16	16	16	15	14	14
Vehicles	118	126	161	163	272	257	251	258	260	271
<u>Human Services</u>										
Buildings	188	188	188	205	199	199	196	197	201	200
Vehicles	248	273	281	280	291	286	304	337	339	365
<u>Education</u>										
Buildings	12	12	13	12	12	9	10	10	9	10
Vehicles	19	18	18	17	16	13	14	19	20	20
<u>Public Safety</u>										
Buildings	66	66	66	65	65	64	62	59	53	52
Vehicles	674	669	656	646	635	643	561	604	586	614
<u>Natural Resources</u>										
Buildings	81	80	81	78	80	80	67	49	47	45
Vehicles	388	424	443	416	431	419	426	428	420	423
Number of state parks, beaches, bike paths	34	34	25	26	21	21	21	21	21	21
Area of state parks, beaches (acres)	8,038	8,038	8,038	8,052	8,052	8,052	8,052	8,052	8,052	8,052
<u>Transportation</u>										
Buildings	22	21	19	33	23	23	21	19	19	19
Vehicles	790	693	606	652	558	547	555	621	611	628
Miles of state highway	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272

Source: Department of Administration

**The Rhode Island Commerce Corporation assisted in providing artwork for the
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Introductory Section – New Harbor – Block Island



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